

Denver Health and Hospital Authority

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Denver Health and Hospital Authority

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of Denver Health and Hospital Authority (the Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Authority as of December 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Denver Health and Hospital Authority

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefits information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The consolidating statements of net position information, consolidating revenue and expense 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. 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating statements of net position information, consolidating revenue and expense information and the budget to actual information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS,LLP

Denver, Colorado
April 4, 2023

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Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2022 and 2021

The following discussion and analysis provides management's view of the financial position and results of operations for the Authority as of and for the year ended December 31, 2022 and 2021, with comparative information presented for year 2020, which has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This analysis should be read in conjunction with Authority's financial statements and notes to the financial statements.

2022 Highlights

In 2022, the Authority continued to face unprecedented challenges while continuing to recover from the COVID-19 pandemic. With healthcare workers leaving the workforce, the cost of healthcare labor continues to rise and the Authority had to utilize an unprecedented amount of contract clinical labor at higher than historical rates (along with higher premium pay to employees) to meet the medical needs of its patients. The Authority was able to recognize substantial support in the form of CARES Act Provider Relief Funds (CARES) and FEMA funds at the beginning of the pandemic. However, FEMA revenue recognized in 2022 was \$14.3 million less than 2021 and \$80.9 million less than 2020. Due to the COVID-19 variant Omicron, the Authority faced unexpected staffing challenges at the beginning of 2022 resulting in the temporary closure of operating rooms. The bond and stock market also historically underperformed in 2022 resulting in a decrease in fair value of investments of \$36.6 million. The Authority performed better financially in the 2nd half of 2022 as operating rooms were fully utilized and contract labor rates decreased. The Authority has budgeted for continued recovery in 2023.

In July 2022, Denver Health's Medical Plan switched to a fee for service model from the capitated (per member per month) model. The Outpatient Medical Center (OMC), which opened in February of 2021, continues to expand services in the new, state-of-the-art facility which includes a day surgery center, new space for the Adult Urgent Care Center, and expanded pharmacy, lab and radiology services. At the end of 2022, the decision was made to open two additional operating rooms in the OMC at the beginning of 2023.

The following table summarizes key metrics:

| Volume Metrics | 2022 | 2021 | Variance | | 2022 | 2022 | Variance | |
|--------------------------|---------|---------|-----------|--------|---------|---------|----------|---------|
| | Actual | Actual | 2021/2022 | % | Actual | Budget | 2022/Bud | % |
| | | | I/(D) | | | | I/(D) | |
| Admissions | 21,374 | 21,579 | (205) | -0.95% | 21,374 | 22,413 | (1,039) | -4.64% |
| Discharges | 20,182 | 20,188 | (6) | -0.03% | 20,182 | 20,009 | 173 | 0.86% |
| Adjusted Discharges | 44,802 | 43,720 | 1,082 | 2.47% | 44,802 | 44,187 | 615 | 1.39% |
| Patient Days | 129,678 | 134,692 | (5,014) | -3.72% | 129,678 | 136,662 | (6,984) | -5.11% |
| ADC | 355 | 369 | (14) | -3.72% | 355 | 374 | (19) | -5.10% |
| Discharged ALOS | 6.1 | 6.7 | (0.6) | -8.96% | 6.1 | 6.6 | (0.5) | -7.58% |
| ED Visits | 84,794 | 80,804 | 3,990 | 4.94% | 84,794 | 85,344 | (550) | -0.64% |
| Outpatient Clinic Visits | 802,205 | 750,517 | 51,688 | 6.89% | 802,205 | 845,434 | (43,229) | -5.11% |
| IP Surgeries | 4,784 | 4,585 | 199 | 4.34% | 4,784 | 4,528 | 256 | 5.65% |
| OP Surgeries | 9,225 | 8,987 | 238 | 2.65% | 9,225 | 9,675 | (450) | -4.65% |
| Total Surgeries | 14,009 | 13,572 | 437 | 3.22% | 14,009 | 14,203 | (194) | -1.37% |
| Deliveries | 3,482 | 3,430 | 52 | 1.52% | 3,482 | 3,400 | 82 | 2.41% |
| ACUTE Census Days | 8,153 | 8,874 | (721) | -8.12% | 8,153 | 9,406 | (1,253) | -13.32% |

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2022 and 2021

Overview of the Basic Financial Statements

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

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

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

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

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, 2022, the Authority's total net position decreased by approximately \$56.6 million from 2021, or 8.6%. The following table summarizes total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and net position at December 31.

Denver Health and Hospital Authority
Management's Discussion and Analysis (Unaudited)
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| | Net Position | | |
|---|-------------------------|-------------------------|-------------------------|
| | 2022 | 2021 * | 2020 |
| Current and noncurrent assets | \$ 557,351,884 | \$ 628,210,614 | \$ 654,141,156 |
| Capital and leased assets, net | <u>640,640,976</u> | <u>684,175,767</u> | <u>648,251,923</u> |
| Total assets | 1,197,992,860 | 1,312,386,381 | 1,302,393,079 |
| Deferred outflows of resources | <u>22,080,734</u> | <u>25,833,140</u> | <u>26,479,179</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,220,073,594</u> | <u>\$ 1,338,219,521</u> | <u>\$ 1,328,872,258</u> |
| Current liabilities | \$ 185,435,369 | \$ 189,837,511 | \$ 193,605,993 |
| Other long-term liabilities | 71,112,697 | 109,037,494 | 112,704,840 |
| Long-term debt and leases outstanding | <u>335,551,321</u> | <u>350,267,026</u> | <u>341,905,599</u> |
| Total liabilities | 592,099,387 | 649,142,031 | 648,216,432 |
| Deferred inflows of resources | <u>22,904,724</u> | <u>27,368,240</u> | <u>33,242,552</u> |
| Net investment in capital and leased assets | 301,179,213 | 327,650,489 | 302,722,723 |
| Unrestricted | <u>303,890,270</u> | <u>334,058,761</u> | <u>344,690,551</u> |
| Total net position | <u>605,069,483</u> | <u>661,709,250</u> | <u>647,413,274</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,220,073,594</u> | <u>\$ 1,338,219,521</u> | <u>\$ 1,328,872,258</u> |

* Restated for Implementation of GASB 87

Current and Noncurrent Assets

Current and noncurrent assets decreased by approximately \$70.8 million, or 11.3%, compared to 2021. Cash and investments decreased approximately \$78.7 million compared to 2021 due to higher labor and supply costs, as well as a historical downturn in the bond and stock markets. Patient receivables and other receivables increased \$6.9 million.

Capital and Leased Assets

Capital and leased assets, net of accumulated depreciation and amortization, decreased approximately \$43.5 million over the prior year. Additions totaled approximately \$19.4 million, compared to approximately \$70.8 million in 2021. Significant changes include:

- Buildings and improvement increased \$6.0 million mainly driven by remodel of Pavilions D and E, Pavilion A 7th floor remodel, and OBGYN expansion remodel.
- Equipment and Software purchases totaled approximately \$13.3 million.

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- Increase in construction in process driven by WorkDay implementation (human resources software upgrade) and Energy Performance Contracting initiative to have more efficient energy use – both of which will be completed in 2023.
- Removal of fully depreciated equipment and software of \$122 million.

Depreciation and amortization expense for the year was approximately \$65.2 million. Listed below is a summary of capital and leased assets, net of accumulated depreciation and amortization at December 31, 2022 and 2021:

| | December 31, | |
|----------------------------|---------------------|----------------|
| | 2022 | 2021 * |
| Land | \$ 43,383,776 | \$ 43,324,527 |
| Buildings and improvements | 485,485,556 | 511,546,740 |
| Equipment and software | 72,270,550 | 87,101,230 |
| Leased assets | 23,729,563 | 28,487,679 |
| Construction in process | 15,771,531 | 13,715,591 |
| Total | \$ 640,640,976 | \$ 684,175,767 |

* Restated for Implementation of GASB 87

Current Liabilities

Current Liabilities decreased by approximately \$4.4 million driven by a decrease in the current portion of the accelerated Medicare payments, partially offset by an increase in unearned revenue and an increase in accounts payable.

Other Liabilities

The long-term portion of liability for estimated third-party settlements decreased approximately \$17.3 million. The decrease is primarily due to a decrease in the accrual for estimated hospital specific DSH audit repayment and decreased RAC liability.

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 \$15.1 million, or 19.8%, mainly driven by a decrease in proportionate share of the liability.

Debt

Bonds and notes payable, and leases payable, excluding the deferred loss on refunding, decreased by approximately \$15.1 million due to principal payments of bonds and notes payable of approximately \$13.6 million.

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Long-term Debt

Long-term debt as of December 31, 2022, net of current portion and excluding deferred loss on bond refunding, is approximately \$335.6 million compared to \$350.3 million and \$341.9 million for 2021 and 2020, respectively. The decrease of \$14.7 million is primarily due to principal payments of \$12.2 million.

Below is a listing of the Authority's outstanding long-term debt, net of current portion at December 31, 2022, 2021 and 2020:

| | 2022 | 2021 * | 2020 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2014 Revenue Bonds | \$ 72,884,604 | \$ 74,375,891 | \$ 75,822,179 |
| 2017A Revenue Bonds | 75,605,884 | 80,587,376 | 85,353,867 |
| 2019A and B Bonds | 121,541,142 | 128,147,038 | 134,632,934 |
| 2022 Revenue Bond | 4,657,166 | - | - |
| Program support payable | - | - | 39,615,794 |
| 550 Acoma Inc. notes payable | 37,992,165 | 38,821,493 | 4,381,920 |
| Other notes payable | 1,700,181 | 3,021,925 | 2,098,905 |
| Lease liability | 21,170,179 | 25,313,304 | - |
| | <u>\$ 335,551,321</u> | <u>\$ 350,267,027</u> | <u>\$ 341,905,599</u> |

* Restated for Implementation of GASB 87

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.

The Authority issued Healthcare Revenue Bonds, Series 2022 primarily to provide funds to finance certain energy efficiency improvements. The bonds were issued as a draw down bond with a stated aggregate principal amount not to exceed \$12,900,000 bearing interest at a rate of 3.33%, with principal payments beginning in 2024 through 2031. During 2022, the Authority had drawn approximately \$4,657,000.

The Authority's 2019A, 2019B, 2017A, 2014A, and 2014B bond series ratings are BBB by Standard and Poor's and by Fitch for December 31, 2022 and 2021.

Revenue and Expenses

The following table compares 2022, 2021 and 2020 revenues and expenses and shows the resulting changes in net position:

Denver Health and Hospital Authority
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| | Changes in Net Position | | |
|--|--------------------------------|-----------------------|-----------------------|
| | 2022 | 2021 * | 2020 |
| Operating revenues | | | |
| Net patient service revenue | \$ 901,027,279 | \$ 866,349,897 | \$ 769,673,893 |
| Capitation earned net of reinsurance | 2,502,535 | 10,600,000 | (12,600,000) |
| Medicaid disproportionate share and other safety net reimbursement | 148,120,716 | 123,810,297 | 131,245,683 |
| City and County of Denver payment for patient care services | 29,700,000 | 27,700,002 | 27,773,299 |
| Federal, state and other grants | 99,509,389 | 87,345,995 | 77,222,260 |
| City and County of Denver purchased services | 30,007,576 | 27,158,245 | 25,373,371 |
| Poison and drug center contracts | 20,478,071 | 20,009,515 | 24,303,056 |
| Other operating revenue | 52,414,502 | 57,022,472 | 44,328,770 |
| Total operating revenues | <u>1,283,760,068</u> | <u>1,219,996,423</u> | <u>1,087,320,332</u> |
| Operating expenses | | | |
| Salaries and benefits | 773,970,366 | 746,896,687 | 685,809,148 |
| Contracted services and nonmedical supplies | 274,092,096 | 241,462,370 | 203,654,814 |
| Medical supplies and pharmaceuticals | 194,269,667 | 175,826,200 | 148,260,160 |
| Managed care outside provider claims | - | - | (1,361,653) |
| Depreciation and amortization | 65,206,324 | 64,998,772 | 51,622,108 |
| Total operating expenses | <u>1,307,538,453</u> | <u>1,229,184,029</u> | <u>1,087,984,577</u> |
| Operating loss | <u>(23,778,385)</u> | <u>(9,187,606)</u> | <u>(664,245)</u> |
| Nonoperating revenues (expenses) | | | |
| Decrease in equity in joint venture | (62,454) | (955,533) | (306,600) |
| Nonoperating grant revenue (CARES/FEMA) | 6,089,020 | 20,408,273 | 86,998,388 |
| Interest income | 10,197,601 | 15,570,917 | 12,352,582 |
| Interest expense | (14,011,163) | (13,890,717) | (15,523,703) |
| Gain on dissolution of Southwest Clinic | - | 4,982,853 | - |
| Net increase (decrease) in fair value of investments | (36,563,351) | (7,016,141) | 7,495,684 |
| Gain (loss) on disposition of capital assets | 3,734 | (4,166) | 5,444,447 |
| Total nonoperating revenues (expenses) | <u>(34,346,613)</u> | <u>19,095,486</u> | <u>96,460,798</u> |
| Income (loss) before capital contributions | (58,124,998) | 9,907,880 | 95,796,553 |
| Contributions restricted for capital assets | 1,485,231 | 4,388,096 | 3,409,930 |
| Increase (decrease) in net position | (56,639,767) | 14,295,976 | 99,206,483 |
| Net position, at beginning of year | 661,709,250 | 647,413,274 | 548,206,791 |
| Net position, at end of year | <u>\$ 605,069,483</u> | <u>\$ 661,709,250</u> | <u>\$ 647,413,274</u> |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority
Management's Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

Gross Patient Service Revenue

Gross patient service revenue increased approximately \$321.7 million, or 11.1%, for the year ended December 31, 2022, compared with the year ended December 31, 2021, as shown in the following table:

| | Gross Patient Revenue | | Dollar Change | Percentage Change |
|----------------------------------|------------------------------|-------------------------|--------------------------|------------------------------|
| | 2022 | 2021 | | |
| Inpatient revenue | \$ 1,214,112,837 | \$ 1,149,463,393 | \$ 64,649,444 | 5.6% |
| Outpatient revenue | 1,780,098,253 | 1,498,644,928 | 281,453,325 | 18.8% |
| Physician billing | 359,128,886 | 341,933,347 | 17,195,539 | 5.0% |
| Ambulance | <u>112,160,691</u> | <u>120,355,440</u> | <u>(8,194,749)</u> | <u>-6.8%</u> |
| Total | 3,465,500,667 | 3,110,397,108 | 355,103,559 | 11.4% |
| Charges forgone for charity care | <u>(246,378,557)</u> | <u>(213,024,583)</u> | <u>(33,353,974)</u> | 15.7% |
| Total gross patient revenue | <u>\$ 3,219,122,110</u> | <u>\$ 2,897,372,525</u> | <u>\$ 321,749,585</u> | 11.1% |

The inpatient gross revenue increased notably in the areas of Medicine, Surgery, Emergency Medicine, and OBGYN driven by a combination of volume and price changes. Inpatient surgeries were 4.3% higher than prior year and deliveries were 1.5% higher than prior year.

The outpatient gross revenue increased in the areas of Lab, Radiology, Surgery, Emergency Medicine, and Ambulatory Care Services (ACS). Total outpatient clinic visits increased 6.9% over prior year. Retail pharmacy increased \$150.2 million, or 52%, driven by an adjustment in gross charge methodology. Prescriptions in 2022 increased 11.7% over prior year.

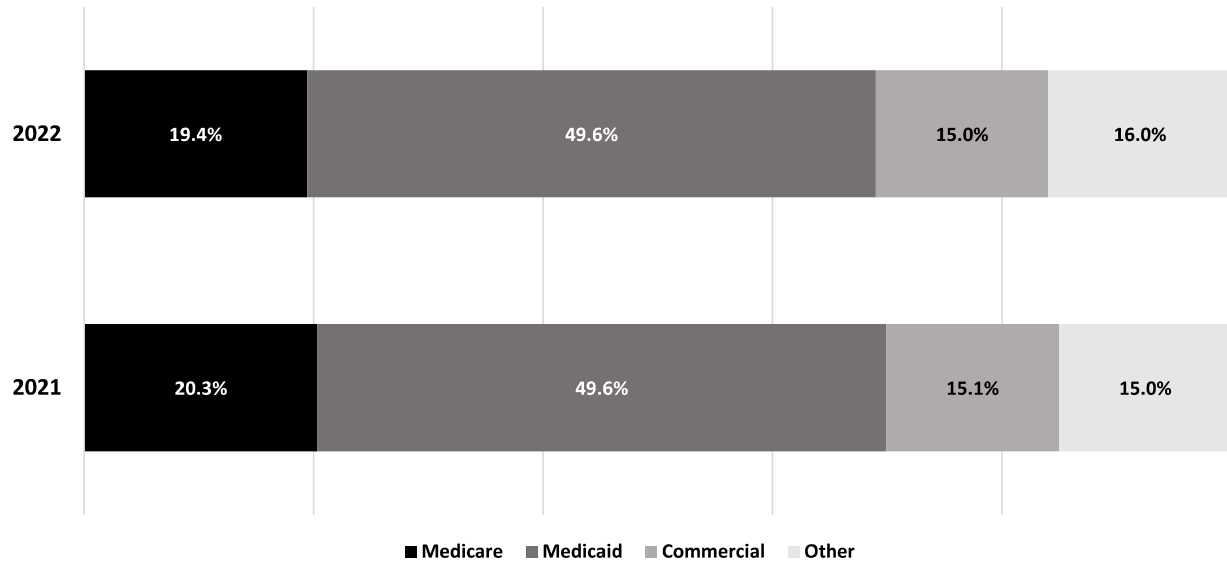
The physician revenue increased in the areas of Radiology, Ambulatory Care Services (ACS), Surgery, and Emergency Medicine.

Ambulance revenue decreased 6.8% primarily due to transport volume 8.6% lower than prior year, driven by staffing constraints.

Payor Mix

Below is the Authority's payor mix as a percent of gross charges in 2022 versus 2021.

Denver Health and Hospital Authority
Management’s Discussion and Analysis (Unaudited)
December 31, 2022 and 2021



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 by the Authority were approximately \$246.4 million and \$213.0 million, for the years ended December 31, 2022 and 2021, 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 Poverty Level (FPL). The level of uncompensated care provided during the years ended December 31, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------------|-------------------------|-------------------------|
| Uncompensated care | | |
| Contractual adjustments | \$ 2,206,413,737 | \$ 1,917,835,125 |
| Provision for bad debts | 109,178,559 | 102,587,503 |
| Charity care | <u>246,378,557</u> | <u>213,024,583</u> |
| | <u>\$ 2,561,970,853</u> | <u>\$ 2,233,447,211</u> |

Net Patient Service Revenue

For the year ended December 31, 2022, net patient service revenue increased from 2021 by approximately \$34.7 million, or 4.0%. There was a 1.9% reduction in the overall realization rate (net patient service revenue including capitation divided by gross patient revenue). The reduction in the overall realization rate

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was driven by a change in DH Medicaid Choice reimbursement model (partially offset by a bed price increase). In July 2022, DH Medicaid Choice transitioned to a fee for service model from the capitated (per member per month) model.

For the year ended December 31, 2021, net patient service revenue increased from 2020 by approximately \$96.7 million, or 12.6%. There was a 0.4% reduction in the overall realization rate. DH Medicaid Choice increased in membership in 2021 to 110,428, a 9.8% increase compared to 2020. 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 increased membership resulted in an increase in DH Medicaid Choice capitation revenue of \$19.4 million, or 14.0%.

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

2022 Medicaid disproportionate share (DSH) revenue and other safety net reimbursement increased approximately \$24.3 million, or 19.6%, compared to 2021.

DSH revenue, and another supplemental payment source, Upper Payment Limit (UPL) are paid to the Authority through the Colorado Healthcare Affordability and Sustainability Provider Fee program (CHASE). Hospitals pay the fee to the state, and the fee revenue is matched with federal funding related to the DSH and UPL sources. Calculations of fees and payments in the CHASE program are based on prior year data.

The Authority had an increase in CHASE revenue of \$6.6 million compared to 2021. In 2022, the Authority reevaluated its open Hospital Specific DSH Cap (HSDC) reserve and decreased its reserve by \$13.8 million compared to an increase of \$3.2 million in 2021. This reserve is for the audits of the HSDC calculations under which the DSH payment cannot exceed the cost of uninsured care plus Medicaid shortfall or surplus.

There was a decrease in outstationing revenue of \$945,000 compared to 2021 because of the recategorization of some of this revenue as grant revenue in 2022. Additional changes in the Medicaid DSH and other safety net reimbursement line included an increase of \$1.2 million in primary care funds, a \$1.1 million decrease in ambulance UPL, and a \$576,000 increase in physician certification revenue.

Medicaid DSH, other safety net revenue and expense, and primary care funds for 2022 and 2021 are as follows:

| | 2022 | 2021 | Increase/ Decrease | Increase/ Decrease Percentage Change |
|---|-----------------------|-----------------------|-----------------------|---|
| Medicaid Disproportionate Share revenue | \$ 64,606,971 | \$ 80,421,196 | \$ (15,814,225) | -19.7% |
| Supplemental Medicaid base rate revenue | 47,435,037 | 13,729,682 | 33,705,355 | 245.5% |
| Supplemental Medicaid outpatient hospital revenue | 9,498,777 | 7,802,829 | 1,695,948 | 21.7% |
| Hospital quality incentive payment | 10,647,524 | 5,648,437 | 4,999,087 | 88.5% |
| Ambulance upper payment limit revenue | 1,770,000 | 2,913,113 | (1,143,113) | -39.2% |
| Outstationing revenue | 1,155,423 | 2,099,998 | (944,575) | -45.0% |
| Primary care funds | 8,606,986 | 7,370,842 | 1,236,144 | 16.8% |
| Physician certification revenue | 4,399,998 | 3,824,200 | 575,798 | 15.1% |
| Medicaid DSH and Other Safety Net Revenue | <u>\$ 148,120,716</u> | <u>\$ 123,810,297</u> | <u>\$ 24,310,419</u> | <u>19.6%</u> |

Denver Health and Hospital Authority
Management's Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

City and County of Denver Payment for Patient Care Services

For the years ended December 31, 2022, 2021 and 2020, as part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the City paid approximately \$29.7, \$27.7 and \$27.8 million, respectively to the Authority to cover a portion of the cost of treating the medically indigent. There was a decrease in 2020 due to the City budget cuts in response to COVID-19 (2019 payment was \$30.8 million).

Grant Revenue

In 2022, federal, state and other grant revenue increased by approximately \$12 million, or 14%, primarily due to eight relatively large grants received in 2022. There was also \$856,000 in COVID related grants for vaccine purchases and \$3 million in new CO Access funding. The remaining increase is comprised of smaller grant awards.

In 2021, federal, state and other grant revenue increased by approximately \$10 million, or 13%, primarily due to five COVID-19 related grants including \$3.2 million in American Rescue Plan funding. The remaining increase is comprised of smaller grant awards.

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 under a purchased services agreement 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 Community Addictions Rehabilitation and Evaluation Services (CARES), which is a 100-bed nonmedical detoxification center. Payment for costs of providing these services totaled approximately \$30.0 million in 2022, which is approximately \$2.8 million, or 10.5%, higher than 2021 driven by increased volumes. Payments were primarily based on reimbursement of direct cost, which is driven by volumes in Denver CARES and the health care provided at Denver County Jail and Downtown Detention Center.

Payment for costs of providing these services totaled approximately \$27.2 million in 2021, which is approximately \$1.8 million, or 7.0%, higher than 2020 driven by increased volumes.

Poison and Drug Center Contracts

The Rocky Mountain Drug Safety (RMDS) is a certified regional poison center, recognized by the American Association of Poison Control Centers and serves as a regional drug information center. The RMDS 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 2022 was approximately \$20.5 million, a 2.3% increase over the prior year. Poison and Drug Center contract revenue for 2021 was approximately \$20.0 million, a 17.7% decrease from the prior year.

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2022 and 2021

Other Operating Revenue

For 2022, other operating revenue (excluding Poison and Drug Center contracts revenue) decreased by \$3.9 million, or 6.9%, compared to 2021. Decreases in 340B contract pharmacy revenue and vital statistics revenue were partially offset by increases in psychiatric bed contract revenue, nurse-line services, City funded programs, and enrollment services contract revenue.

For 2021, other operating revenue (excluding Poison and Drug Center contracts revenue) increased by \$7.8 million, or 14.4%, over 2020 driven by increases in federal Electronic Health Record (EHR) "Meaningful Use" (Promoting Interoperability Program) revenue for demonstration of use of the Authority's electronic health record, Regional Accountable Entity (RAE) delegated care coordination revenue, additional psychiatric bed contract revenue, and enrollment services contract revenue.

Operating Expenses

Year ended December 31, 2022 compared with year ended December 31, 2021

Operating expenses increased approximately \$78.4 million, or 6.4%, for the year ended December 31, 2022, compared with the prior year.

- Salary and benefit expense increased approximately \$27.1 million, or 3.6%, from 2021. Normal wage increases for merit and market adjustments, continued reliance on overtime and premium pay due to staff vacancies, and increased surgical and outpatient volumes contributed to the overall salary and benefits increase.
- Contracted services and nonmedical supplies increased approximately \$32.7 million, or 13.3%, from 2021. The increase in expense is primarily driven by higher use of contract labor, the continued increase in contract labor rates, and increased repairs and maintenance expenses. With healthcare workers leaving the workforce due to the pandemic, the Authority had to utilize an unprecedented amount of contract clinical labor at higher than historical rates to meet the medical needs of its patients.
- Medical supplies and pharmaceuticals increased approximately \$18.4 million, or 10.5%, from 2021. This increase is related to inflation, higher surgeries, prescriptions, and inpatient and outpatient pharmaceutical usage. 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 \$0.2 million, or 0.3%, from 2021.

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 decrease in equity investment in joint venture, grant revenue for CARES/FEMA, and the gain or loss on disposal of capital assets.

Denver Health and Hospital Authority
Management’s Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

Net nonoperating expenses in 2022 was approximately \$34.3 million, compared to net nonoperating income of \$19.1 million in 2021. The largest driver for the decrease was net decrease in fair value of investments of \$36.6 million. The bond and stock market historically underperformed in 2022. FEMA revenue recognized in 2022 was also \$14.3 million less than 2021.

Net nonoperating revenue in 2021 was approximately \$19.4 million, compared to net nonoperating income of \$96.5 million in 2020. The largest driver for this decrease was \$66.6 million less CARES and FEMA revenue recognized in 2021 compared to 2020.

CARES revenue was derived from a calculation of lost revenue compared to budget, and expenses associated with the response to COVID-19. FEMA revenue was calculated based on eligible expenses as outlined in the Authority’s FEMA grant application.

Capital Contributions

Capital contributions in 2022 totaled \$1.5 million, compared to \$4.4 million in 2021, and were received primarily from the City.

Capital contributions in 2021 totaled \$4.4 million, compared to \$3.4 million in 2020, and were received primarily from the City.

Budgetary Highlights

For the year ended December 31, 2022, the Authority’s total loss before contributions was \$58.1 million, \$66.5 million lower than budget due to higher contract labor usage and a large decrease in fair value of investments.

| | 2022 Actual | 2022 Budget | Dollar Change | Percentage Change |
|-------------------------------------|--------------------|--------------------|--------------------------|------------------------------|
| Total gross patient revenue | \$ 3,465,500,666 | \$ 3,301,594,120 | \$ 163,906,546 | 4.96% |
| Total operating revenue | 1,283,781,232 | 1,264,531,539 | 19,249,693 | 1.52% |
| Salaries and benefits | 773,970,367 | 773,399,736 | 570,631 | 0.07% |
| Contract labor | 82,727,442 | 52,070,666 | 30,656,776 | 58.88% |
| Total operating expenses | 1,307,538,454 | 1,253,167,272 | 54,371,182 | 4.34% |
| Total nonoperating expense | (34,346,612) | (2,982,095) | (31,364,517) | 1051.76% |
| Income before capital contributions | (58,103,834) | 8,382,171 | (66,486,005) | -793.18% |

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2022 and 2021

Economic Factors and Next Year's Budget

The Authority's budget for 2023 reflects the organization's focus on operational efficiency, cost savings, and revenue optimization. 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.

The Authority's 2023 budget targets a \$49.9 million net revenue increase compared to 2022. This increase is driven by initiatives targeted at increasing patient care service volumes, access to care, and revenue cycle initiatives. Total operating expenses are budgeted to increase \$17.8 million driven primarily by labor expense increases (partially offset by contract labor decreases).

Salary and benefit costs are budgeted to increase 4.4% over the 2022 actual personnel cost. This is driven primarily by merit and market increases to address the challenging labor market and to retain employees. Contract labor is budgeted to decrease 28.4% with expectation of filling open positions to help control the cost of human capital. In 2023, 65.4% of the Authority's budgeted cost is personnel-related and drives most of the overall increase in budgeted expense. The Authority has implemented budget controls around labor productivity and hiring, and goals for growth initiatives.

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.

Denver Health and Hospital Authority
Statements of Net Position
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

| | 2022 | 2021 * |
|--|-------------------------|-------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 45,859,134 | \$ 34,764,152 |
| Patient accounts receivable, net of estimated uncollectibles of approximately \$65,700,000 and \$58,300,000 in 2022 and 2021, respectively | 101,222,178 | 85,793,299 |
| Due from other governmental entities | 42,728,580 | 39,338,502 |
| Due from City and County of Denver | 5,699,020 | 10,566,148 |
| Other receivables | 7,534,963 | 14,646,851 |
| Interest receivable | 1,503,291 | 1,486,244 |
| Due from other funds and investment in discretely presented component units | 10,821,071 | 7,312,026 |
| Inventories | 18,903,095 | 16,672,270 |
| Prepaid expenses and other assets | 17,500,891 | 18,813,488 |
| Total current assets | <u>251,772,223</u> | <u>229,392,980</u> |
| Noncurrent Assets | | |
| Notes receivable | 14,957,348 | 14,957,348 |
| Estimated third-party payor settlements receivable | 3,865,767 | 5,339,026 |
| Equity interest in joint venture | 586,958 | 1,269,500 |
| Restricted investments | 19,344,067 | 19,299,010 |
| Capital and leased assets, net of accumulated depreciation and amortization | 640,640,976 | 684,175,767 |
| Long-term investments | 254,290,496 | 335,726,635 |
| Board-designated investments | 1,800,001 | 10,200,000 |
| Other long-term assets | 10,735,024 | 12,026,115 |
| Total noncurrent assets | <u>946,220,637</u> | <u>1,082,993,401</u> |
| Total assets | <u>1,197,992,860</u> | <u>1,312,386,381</u> |
| Deferred Outflows of Resources | | |
| Deferred outflows of resources related to pension benefits | 8,564,580 | 10,799,589 |
| Deferred outflows of resources related to other postemployment benefits | 304,595 | 462,225 |
| Loss on refunding of debt | 13,211,559 | 14,571,326 |
| Total deferred outflows of resources | <u>22,080,734</u> | <u>25,833,140</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,220,073,594</u> | <u>\$ 1,338,219,521</u> |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority
Statements of Net Position
December 31, 2022 and 2021

Liabilities, Deferred Inflows of Resources and Net Position

| | 2022 | 2021 * |
|--|-------------------------|-------------------------|
| Current Liabilities | | |
| Current maturities of bonds payable | \$ 12,639,999 | \$ 12,483,132 |
| Current maturities of leases | 4,196,919 | 4,198,584 |
| Current maturities of notes payable | 1,321,757 | 1,848,036 |
| Medical malpractice liability | 8,204,603 | 7,459,198 |
| Accounts payable and accrued expenses | 48,114,243 | 44,110,678 |
| Accrued salaries, wages and employee benefits | 34,649,173 | 39,546,269 |
| Accrued compensated absences | 40,923,538 | 40,578,869 |
| Accelerated Medicare payments | - | 12,881,163 |
| Unearned revenue | 35,385,137 | 26,731,582 |
| Total current liabilities | <u>185,435,369</u> | <u>189,837,511</u> |
| Long-term Liabilities | | |
| Long-term portion of liability for estimated third-party settlements | 6,496,967 | 23,752,700 |
| Long-term portion of compensated absences | 116,077 | 116,076 |
| Long-term portion of accelerated Medicare payments | - | 4,743,748 |
| Bonds payable, less current maturities | 270,031,630 | 283,110,305 |
| Lease liability, less current maturities | 21,170,179 | 25,313,304 |
| Notes payable, less current maturities | 44,349,512 | 41,843,417 |
| Net pension liability | 61,162,594 | 76,277,183 |
| Postemployment benefits | 3,337,059 | 4,147,787 |
| Total long-term liabilities | <u>406,664,018</u> | <u>459,304,520</u> |
| Total liabilities | <u>592,099,387</u> | <u>649,142,031</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources related to pension benefits | 15,349,458 | 19,350,058 |
| Deferred inflows of resources related to other postemployment benefits | 895,145 | 925,681 |
| Deferred inflows of resources related to leases | 6,660,121 | 7,092,501 |
| Total deferred inflows of resources | <u>22,904,724</u> | <u>27,368,240</u> |
| Total liabilities and deferred inflows of resources | 615,004,111 | 676,510,271 |
| Net Position | | |
| Net investment in capital and leased assets | 301,179,213 | 327,650,489 |
| Unrestricted | 303,890,270 | 334,058,761 |
| Total net position | <u>605,069,483</u> | <u>661,709,250</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,220,073,594</u> | <u>\$ 1,338,219,521</u> |

* Restated for Implementation of GASB 87

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2022 and 2021

Assets

| | 2022 | 2021 |
|---------------------------------------|----------------|---------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 2,449,920 | \$ 8,246,731 |
| Premiums receivable, net of allowance | 1,577,006 | - |
| Reinsurance recoverable | 11,340,517 | 5,746,521 |
| Interest receivable | 464,998 | 293,303 |
| Premiums and other receivables | 27,901,384 | 22,494,068 |
| Contract receivables | 6,724,325 | 4,576,832 |
| Related-party receivables | 9,974,735 | - |
| Prepaid expenses | 1,620,118 | 1,413,072 |
| Total current assets | 62,053,003 | 42,770,527 |
| Noncurrent Assets | | |
| Restricted investments | 1,094,475 | 1,145,968 |
| Intangible assets | 803,269 | 1,700,201 |
| Unrestricted investments | 58,314,264 | 37,714,413 |
| Total noncurrent assets | 60,212,008 | 40,560,582 |
| Total assets | \$ 122,265,011 | \$ 83,331,109 |

Liabilities and Net Assets

| | | |
|--|----------------|---------------|
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 5,554,770 | \$ 4,083,345 |
| Due to Denver Health and Hospital Authority | 6,199,618 | 2,690,580 |
| Medical loss ratio payable and other unearned premiums | 27,974,173 | 1,528,636 |
| Liability for amounts held under uninsured plans | 382,753 | 959,293 |
| Accrued claims and loss adjustment expenses | 45,172,956 | 32,447,261 |
| Other current liabilities | - | 44,451 |
| Total current liabilities | 85,284,270 | 41,753,566 |
| Total liabilities | 85,284,270 | 41,753,566 |
| Net Assets | | |
| Net assets without donor restriction | 36,980,741 | 41,577,543 |
| Total net assets | 36,980,741 | 41,577,543 |
| Total liabilities and net assets | \$ 122,265,011 | \$ 83,331,109 |

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2022 and 2021

Assets

| | 2022 * | 2021 * |
|--------------------------------------|---------------|---------------|
| Current Assets | | |
| Restricted cash and cash equivalents | \$ - | \$ - |
| Noncurrent Assets | | |
| Land | - | - |
| Building | - | - |
| Total property | - | - |
| Accumulated depreciation | - | - |
| Net property and equipment | - | - |
| Total noncurrent assets | - | - |
| Total assets | \$ - | \$ - |

Liabilities and Net Assets (Deficit)

| | | |
|---|------|------|
| Current Liabilities | | |
| Due to Denver Health and Hospital Authority | \$ - | \$ - |
| Total current liabilities | - | - |
| Notes Payable | - | - |
| Total liabilities | - | - |
| Net Assets (Deficit) | | |
| Without donor restrictions | - | - |
| Total net assets (deficit) | - | - |
| Total liabilities and net assets (deficit) | \$ - | \$ - |

* Southwest Clinic was dissolved on December 31, 2021. All closing activity is shown in the accompanying Statements of Operations and Changes in Net Assets (Deficit)

DHHA OMC QALICB, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2022 and 2021

Assets

| | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| Current Assets | | |
| Restricted cash and cash equivalents | \$ 646,567 | \$ 771,718 |
| Noncurrent Assets | | |
| Equipment | 23,093,561 | 23,093,561 |
| Accumulated depreciation | (5,880,745) | (2,932,994) |
| Net property and equipment | 17,212,816 | 20,160,567 |
| Total noncurrent assets | 17,212,816 | 20,160,567 |
| Total assets | \$ 17,859,383 | \$ 20,932,285 |

Liabilities and Net Assets (Deficit)

| | | |
|--|---------------|---------------|
| Current Liabilities | | |
| Notes payable, short-term | \$ 520,969 | \$ 2,110,760 |
| Total current liabilities | 520,969 | 2,110,760 |
| Notes Payable | 18,864,317 | 19,306,052 |
| Total liabilities | 19,385,286 | 21,416,812 |
| Net Assets (Deficit) | | |
| Without donor restrictions | (1,525,903) | (484,527) |
| Total net assets (deficit) | (1,525,903) | (484,527) |
| Total liabilities and net assets (deficit) | \$ 17,859,383 | \$ 20,932,285 |

Denver Health and Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 * |
|---|----------------|----------------|
| Operating Revenues | | |
| Net patient service revenue | \$ 901,027,279 | \$ 866,349,897 |
| Capitation earned net of reinsurance expense | 2,502,535 | 10,600,000 |
| Medicaid disproportionate share and other safety net reimbursement | 148,120,716 | 123,810,297 |
| City and County of Denver payment for patient care services | 29,700,000 | 27,700,002 |
| Federal, state and other grants | 99,509,389 | 87,345,995 |
| City and County of Denver purchased services | 30,007,576 | 27,158,245 |
| Poison and drug center contracts | 20,478,071 | 20,009,515 |
| Other operating revenue | 52,414,502 | 57,022,472 |
| Total operating revenues | 1,283,760,068 | 1,219,996,423 |
| Operating Expenses | | |
| Salaries and benefits | 773,970,366 | 746,896,687 |
| Contracted services and nonmedical supplies | 274,092,096 | 241,462,370 |
| Medical supplies and pharmaceuticals | 194,269,667 | 175,826,200 |
| Depreciation and amortization | 65,206,324 | 64,998,772 |
| Total operating expenses | 1,307,538,453 | 1,229,184,029 |
| Operating loss | (23,778,385) | (9,187,606) |
| Nonoperating Revenues (Expenses) | | |
| Decrease in equity in joint venture | (62,454) | (955,533) |
| Nonoperating grant revenue (CARES Act/FEMA) | 6,089,020 | 20,408,273 |
| Interest income | 10,197,601 | 15,570,917 |
| Interest expense | (14,011,163) | (13,890,717) |
| Gain on dissolution of Southwest Clinic | - | 4,982,853 |
| Net decrease in fair value of investments | (36,563,351) | (7,016,141) |
| Gain (loss) on disposition of capital assets | 3,734 | (4,166) |
| Total nonoperating revenues (expenses) | (34,346,613) | 19,095,486 |
| Income (loss) before capital contributions | (58,124,998) | 9,907,880 |
| Contributions Restricted for Capital Assets | 1,485,231 | 4,388,096 |
| Increase (decrease) in net position | (56,639,767) | 14,295,976 |
| Total Net Position, Beginning of Year | 661,709,250 | 647,413,274 |
| Total Net Position, End of Year | \$ 605,069,483 | \$ 661,709,250 |

* Restated for Implementation of GASB 87

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, 2022 and 2021

| | 2022 | 2021 |
|--|----------------|----------------|
| Operating Revenues | | |
| Premiums earned, net of reinsurance, including \$81 million and \$83 million received from Denver Health and Hospital Authority in 2022 and 2021 | \$ 470,412,507 | \$ 472,478,471 |
| Total operating revenues | 470,412,507 | 472,478,471 |
| Operating Expenses | | |
| Leased employee services from Denver Health and Hospital Authority | 18,987,916 | 18,175,870 |
| Rent and other administrative expenses paid to Denver Health and Hospital Authority | 2,080,958 | 1,770,753 |
| Contracted services and nonmedical supplies | 23,063,506 | 23,176,374 |
| Medical claims and capitation paid to Denver Health and Hospital Authority | 121,522,887 | 250,918,351 |
| Medical and pharmacy claims incurred | 306,378,162 | 189,261,856 |
| Other expenses | 671,652 | 857,214 |
| Total operating expenses | 472,705,081 | 484,160,418 |
| Operating loss | (2,292,574) | (11,681,947) |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 1,334,309 | 1,335,093 |
| Net decrease in fair value of investments | (3,638,537) | (1,143,231) |
| Transfer from affiliate | - | 4,112,143 |
| Total nonoperating revenues (expenses) | (2,304,228) | 4,304,005 |
| Net decrease in net assets | (4,596,802) | (7,377,942) |
| Total Net Assets, Beginning of Year | 41,577,543 | 48,955,485 |
| Total Net Assets, End of Year | \$ 36,980,741 | \$ 41,577,543 |

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, 2022 and 2021

| | 2022 * | 2021 |
|--|---------------|-------------|
| Revenues, Gains and Other Support Without Donor Restrictions | | |
| Contributed management services | \$ - | \$ 44,667 |
| Facility rental from Denver Health and Hospital Authority | - | 365,000 |
| Interest income | - | 23 |
| | - | 23 |
| Total revenues, gains and other support without donor restrictions | - | 409,690 |
| Operating Expenses | | |
| Contributed management services | - | 44,667 |
| Other operating expenses | - | 75,247 |
| Depreciation expense | - | 370,335 |
| Interest expense, including amortization of loan costs of \$0 in 2022 and \$133,992 in 2021 | - | 454,204 |
| | - | 454,204 |
| Total operating expenses | - | 944,453 |
| Change in Net Assets Before Nonoperating Activities | - | (534,763) |
| Nonoperating Activities | | |
| Transfer of net assets to affiliate | - | (286,971) |
| Gain on forgiveness of debt | - | 1,549,499 |
| | - | 1,549,499 |
| Change in Net Assets After Nonoperating Activities | - | 727,765 |
| Net Deficit Without Donor Restrictions, Beginning of Year | - | (727,765) |
| Net Deficit Without Donor Restrictions, End of Year | \$ - | \$ - |

* Southwest Clinic was dissolved on December 31, 2021

DHHA OMC QALICB, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statement of Operations and Changes in Net Assets (Deficit)
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|----------------|--------------|
| Revenues, Gains and Other Support Without Donor Restrictions | | |
| Equipment rental from Denver Health and Hospital Authority | \$ 2,393,887 | \$ 2,388,091 |
| Interest income | 345 | 440 |
| | 2,394,232 | 2,388,531 |
| Total revenues, gains and other support without donor restrictions | | |
| Operating Expenses | | |
| Other operating expenses | 216,810 | 215,371 |
| Depreciation expense | 2,947,751 | 2,932,994 |
| Interest expense, including amortization of loan costs of \$79,234 in 2022 and \$79,236 in 2021 | 271,047 | 271,048 |
| | 3,435,608 | 3,419,413 |
| Total operating expenses | | |
| Operating Loss | (1,041,376) | (1,030,882) |
| Change in Net Deficit Without Donor Restrictions | (1,041,376) | (1,030,882) |
| Net Assets (Deficit) Without Donor Restrictions, Beginning of Year | (484,527) | 546,355 |
| Net Deficit Without Donor Restrictions, End of Year | \$ (1,525,903) | \$ (484,527) |

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Denver Health and Hospital Authority
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 * |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Collections from patient services | \$ 881,526,317 | \$ 862,254,499 |
| Medicaid disproportionate share reimbursement and upper payment limit reimbursement | 133,394,708 | 120,428,242 |
| City and County of Denver payment for hospital services | 31,707,389 | 24,129,943 |
| Collections from poison and drug center contracts | 22,501,527 | 20,803,311 |
| Collections from federal, state and other grants | 99,167,710 | 77,634,150 |
| City and County of Denver purchased services | 32,867,436 | 27,063,694 |
| Other operating receipts | 53,841,844 | 57,507,957 |
| Payments for salaries and benefits | (796,094,248) | (746,622,137) |
| Payments to suppliers | (463,566,706) | (430,867,883) |
| | <u>(4,654,023)</u> | <u>12,331,776</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of capital assets | (21,519,232) | (48,958,970) |
| Receipt of capital contributions | 1,378,112 | 4,297,581 |
| Proceeds from (purchase of) joint venture ownership | 620,088 | (210,000) |
| Repayments of bonds payable, leases and other long-term debt | (18,475,959) | (22,962,081) |
| Proceeds from the issuance of bonds | 4,657,166 | - |
| Payment of bond issuance costs | (81,204) | - |
| Proceeds from the sale of capital assets | 3,734 | - |
| Cash paid for interest | (14,241,983) | (13,790,908) |
| | <u>(47,659,278)</u> | <u>(81,624,378)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale and maturities of investments | 101,662,633 | 110,278,443 |
| Purchases of investments | (38,392,200) | (83,585,605) |
| Interest income | 137,850 | 6,123,890 |
| | <u>63,408,283</u> | <u>32,816,728</u> |
| Net cash provided by investing activities | | |
| | <u>63,408,283</u> | <u>32,816,728</u> |
| Net increase (decrease) in cash and cash equivalents | 11,094,982 | (36,475,874) |
| Cash and Cash Equivalents, Beginning of Year | <u>34,764,152</u> | <u>71,240,026</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 45,859,134</u> | <u>\$ 34,764,152</u> |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority
Statements of Cash Flows (continued)
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 * |
|--|-----------------|----------------|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Cash and cash equivalents | \$ 45,859,134 | \$ 34,764,152 |
| Total cash and cash equivalents | \$ 45,859,134 | \$ 34,764,152 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating loss | \$ (23,778,385) | \$ (9,187,606) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 65,206,324 | 64,998,772 |
| Gain on dissolution of Southwest Clinic | - | (4,658,497) |
| Provision for bad debts | 109,178,559 | 102,587,503 |
| Changes in assets, liabilities, deferred outflows and deferred inflows of resources | | |
| Receivables, net | (113,177,867) | (138,551,888) |
| Inventories | (2,230,825) | (248,445) |
| Prepaid expenses and other assets | 2,684,894 | (7,226,314) |
| Estimated third-party payor settlements | (15,782,473) | 12,962,822 |
| Accounts payable and accrued expenses | 219,298 | 10,279,198 |
| Accelerated Medicare payments | (17,624,911) | (10,326,479) |
| Net pension and other postemployment benefits liability | (15,931,310) | (2,481,065) |
| Deferred inflows and outflows - pension and other postemployment benefits | (2,070,882) | (13,752,208) |
| Unearned revenue | 8,653,555 | 7,935,983 |
| Total adjustments | 19,124,362 | 21,519,382 |
| Net cash provided by (used in) operating activities | \$ (4,654,023) | \$ 12,331,776 |
| Noncash Investing, Capital and Financing Activities | | |
| Capital asset acquisitions included in accounts payable | \$ 2,377,274 | \$ 4,972,172 |
| Capital asset acquired from payment of notes receivable | \$ - | \$ 20,090,501 |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority
Statements of Fiduciary Net Position
Fiduciary Funds
December 31, 2022 and 2021

| | Pension and Other Employee Benefit Trust Funds | |
|--|---|-------------------------|
| | 2022 | 2021 |
| Assets | | |
| Investments, at fair value | \$ 1,259,993,787 | \$ 1,486,438,794 |
| Participant loans | 20,005,073 | 19,465,267 |
| Total assets | <u>\$ 1,279,998,860</u> | <u>\$ 1,505,904,061</u> |
| Net Position | | |
| Restricted for: | | |
| Pensions (401(a) Plan) | \$ 964,791,382 | \$ 1,145,649,203 |
| Postemployment benefits other than pensions (457(b) Plan) | 315,207,478 | 360,254,858 |
| Total net position | <u>\$ 1,279,998,860</u> | <u>\$ 1,505,904,061</u> |

Denver Health and Hospital Authority
Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years Ended December 31, 2022 and 2021

| | Pension and Other Employee Benefit Trust Funds | |
|--|---|--------------------------------|
| | 2022 | 2021 |
| Additions | | |
| Contributions | | |
| Participant | \$ 84,801,603 | \$ 79,224,853 |
| Employer | 51,540,964 | 49,500,950 |
| Rollover | 9,333,308 | 10,564,218 |
| Total contributions | <u>145,675,875</u> | <u>139,290,021</u> |
| Investment earnings (losses) | | |
| Net increase (decrease) in fair value of investments | (277,625,636) | 155,299,798 |
| Interest, dividends and other | 9,924,702 | 29,416,695 |
| Total investment earnings (losses) | <u>(267,700,934)</u> | <u>184,716,493</u> |
| Total additions (reductions) | <u>(122,025,059)</u> | <u>324,006,514</u> |
| Reductions | | |
| Benefits paid to participants | 102,628,540 | 105,408,965 |
| Administrative expense | 1,251,602 | 1,142,939 |
| Total reductions | <u>103,880,142</u> | <u>106,551,904</u> |
| Net Increase (Decrease) in Fiduciary Net Position | <u>(225,905,201)</u> | <u>217,454,610</u> |
| Net Position, Beginning of Year | <u>1,505,904,061</u> | <u>1,288,449,451</u> |
| Net Position, End of Year | <u><u>\$ 1,279,998,860</u></u> | <u><u>\$ 1,505,904,061</u></u> |

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Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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) plan is considered a fiduciary component unit and is reported in accordance with GASB 84. The Authority is not a component unit of any other primary governmental entity.

The Authority

The Authority is a fully integrated healthcare delivery system, which employs a single physician group and operates four divisions: the Denver Health Medical Center, the City Fund, the Rocky Mountain Drug Safety, Inc. (RMDS), 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 101 intensive care beds, that provides inpatient medical and mental health services, an ambulatory care center, emergency medical services including Level 1 Trauma, 14 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 19 school-based clinics in Denver that provide outpatient services to students.

The City Fund programs charge for their services and receive grant funding for the remaining expenses to run the program. Expenses are billed to the City in accordance with an operating agreement between the Authority and the City, which is amended each year. Operations included in the City Fund are the Public Health Department, which provides public health informatics, epidemiology, administration, preparedness and response services in addition to disease control

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 RMDS 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 nonprofit 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 nonprofit 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 of the Authority. All significant balances and transactions between CCPPS and the Authority have been eliminated in the basic financial statements.

550 Acoma Inc.

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

The construction project was 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 and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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. The Authority contributed \$4,112,143 as an additional paid-in capital contribution to the Plan during 2021. The Authority did not contribute to the Plan in 2022.

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 OMC QALICB, Inc.

DHHA OMC QALICB Inc. (OMC Inc.), a discretely presented component unit of the Authority, was formed in January 2020 to purchase equipment primarily used in the outpatient medical center. 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 of \$21.8 million 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. The OMC, Inc. building was opened in February 2021. The Authority began leasing the equipment from OMC Inc. during 2020.

DHHA Southwest Clinic, Inc.

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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 2021. The Authority was financially accountable for Southwest Clinic, and therefore it was a discretely presented component unit.

As of November 30, 2021, the Authority became the sole owner of the equity investment entity and the notes payable to Southwest Clinic were forgiven. Additionally, the Authority forgave its notes receivable of \$15,432,000. Southwest Clinic was officially dissolved on December 31, 2021. The land, building and other assets of \$20,377,000 were transferred to Denver Health Medical Center.

Denver Health and Hospitals Foundation

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

The Authority does provide certain accounting and administrative functions for the Foundation at no cost. During 2022 and 2021, the Foundation paid the Authority approximately \$7,010,000 and \$4,600,000, respectively, in pass through grants and donations.

HSS, Inc.

The Authority was an equity owner of HSS, Inc. (HSS). As of March 2022, HSS was acquired by a third party and Authority shares were sold receiving total cash \$598,000. 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 had recorded this as an investment in equity of a joint venture until the sale in 2022, at which time the Authority no longer owns an interest in HSS. The change in the value of the Authority's share of net equity has been recorded as nonoperating income. The Authority paid HSS approximately \$5,400,000 and \$5,300,000 in 2022 and 2021, respectively, for services rendered for security and transportation.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 2022 and 2021, the Authority contributed an additional \$0 and \$210,000, respectively, 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. The change in the value of the Authority’s share of net equity is recorded as nonoperating income.

Relationship with the City and County of Denver

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

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

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

For the years ended December 31, 2022 and 2021, the Authority recognized revenue from the City for Authority services of approximately \$29,700,000 and \$27,700,000, 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 \$30,008,000 and \$27,158,000 in 2022 and 2021, respectively. Revenue is recognized as services are provided. As of December 31, 2022, the City has an outstanding commitment to provide funding to the Authority not to exceed \$11,200,000 for debt financed clinic construction within the city limits of Denver, Colorado.

Basis of Presentation

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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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.

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.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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. The presentation of capital assets has changed to incorporate lease assets as per GASB 87 lease reporting requirements that took effect January 1, 2021. For additional information, refer to Note 6, Note 8 and Note 10.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease payable, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Capital and Leased Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Accrued Compensated Absences

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

Unearned Revenue

Unearned revenue consists primarily of certain grant receipts received in advance of the applicable expenditures including CARES Act and FEMA funds (2021 only), advance payments received for the Disproportionate Share Hospital (DSH) Program and Upper Payment Limit (UPL) Programs, from the Plan for Medicaid Choice Fee for Service (2022 only), as well as RMDS contract revenue received in advance of performing contract services.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

Accelerated Medicare Payments

During the year ended December 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request advance Medicare payments in response to the COVID-19 pandemic. These amounts were 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 (OPEB) plan, 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.

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, other postemployment benefits and leases.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 and Leased Assets – consists of capital and leased assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and lease liabilities used to finance the purchase, use, 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 and leased 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 interest income and unrealized gains/losses on investments, change in equity in joint venture, grant revenue, and gain (loss) on disposition of capital assets and gain on dissolution of Southwest Clinic (2021 only). Nonoperating expenses include interest expense on outstanding debt. 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. Excess of loss reinsurance expense is deducted from gross capitation revenue.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 or upon achieving milestones depending on respective grant covenants.

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.

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).

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 2022, the Authority attested that it met all applicable program year 2021 objectives for the Medicare EHR Incentive Programs during the reporting period January 1 through December 31, 2021. EHR incentive payments are no longer available to the Authority after 2017.

Regarding the Promoting Interoperability Program for eligible providers, in 2021, the Authority attested on behalf of 188 eligible providers for program year 2021 that they met all applicable Medicaid EHR Incentive Program objectives. In 2021, the Authority recorded approximately

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\$4,500,000 of Promoting Interoperability Program Revenue for eligible providers. EHR incentive payments will no longer be available to the Authority after 2021.

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. 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, 2021, the Authority recognized \$10.9 million related to the Provider Relief Fund, and these payments are recorded as nonoperating grant revenue – CARES Act/FEMA in the statements of revenues, expenses and changes in net position. As of December 31, 2021, all revenue had been recognized.

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 accounted for payments as nonoperating grant revenue once the applicable terms and conditions required to retain the funds have been met.

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. These amounts were expected to be recaptured by CMS according to the payback provisions.

The payback period was 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 was 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 expected 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%.

During the year ended December 31, 2022, Medicare has applied approximately \$17.6 million, from these accelerated Medicare payment requests against filed claims. The Authority paid the accelerated payments in full as of December 31, 2021.

FEMA Funding

During the year ended December 31, 2020, the Authority was awarded \$25.3 million and received approximately \$11.5 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. 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 \$6.1 million and \$9.5 million, respectively, during

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December 31, 2022 and 2021. These payments are recorded as nonoperating grant revenue – CARES Act/FEMA in the statements of revenues, expenses and changes in net position.

Implementation of New Accounting Standard

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement requires recognition of lease assets and liabilities for certain leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease contract. It establishes a single model for lease accounting based on the foundational principle that leases are the financing of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and a tangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Effective January 1, 2021, the Authority implemented the provisions of GASB Statement No. 87. The impact of the implementation at January 1, 2021 resulted in the recognition of right to use leased assets of \$31,505,797 and increased lease liabilities of \$29,551,888. The implementation also resulted in a decrease to the 2021 ending net position of \$367,776. For additional information, refer to Note 6, Note 8 and Note 10.

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, 2018.

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Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Outpatient services rendered are paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, a patient classification system that is based on clinical, diagnostic, and other factors. 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, 2016. Denver Health Medicaid Choice (DH Medicaid Choice) members were reimbursed under the same Medicaid reimbursement systems for inpatient, outpatient and FQHC services beginning July 1, 2022.

Subcapitation: The Authority also provided services under a Medicaid prepaid health plan referred to as the DH Medicaid Choice program for which it received capitation for services up to June 2022. The Authority received subcapitation revenue from the Plan for DH Medicaid Choice members. The Plan received the capitation premium directly from the state. Subcapitation revenue reported as a component of net patient service revenue was approximately \$76,513,000 and \$158,270,000 in 2022 (up to June 2022) and 2021, respectively.

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

Indigent Care, Charity Care and Community Service. The Authority, as part of its mission, provides healthcare services to city residents, regardless of ability to pay. Many of the Authority's patients are unable to obtain benefits from insurance companies or do not have personal resources to cover costs. The financial burden, however, is in part offset by various federal, state, local, and private programs in which such patients are enrolled. The costs of charity care provided under the Authority's charity care policy was approximately \$80,324,000 and \$69,713,000 for the years ended December 31, 2022 and 2021, respectively, based on cost to charge ratios.

Records are maintained to identify and monitor the level of charity care the Authority provides based on cost to charge ratios. 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).

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Gross patient service revenue and the level of uncompensated care provided, based on the Authority's established rates, during the years ended December 31, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| Gross charges, including charges forgone for charity | \$ 3,465,500,667 | \$ 3,110,397,108 |
| Charges forgone for charity care | <u>(246,378,557)</u> | <u>(213,024,583)</u> |
| Gross patient service revenue | 3,219,122,110 | 2,897,372,525 |
| Capitation earned under prepaid health plans | (2,502,535) | (10,600,000) |
| Contractual adjustments | (2,206,413,737) | (1,917,835,125) |
| Provision for bad debts | <u>(109,178,559)</u> | <u>(102,587,503)</u> |
| Net patient service revenue | <u>\$ 901,027,279</u> | <u>\$ 866,349,897</u> |
| Uncompensated care | | |
| Contractual adjustments | \$ 2,206,413,737 | \$ 1,917,835,125 |
| Provision for bad debts | 109,178,559 | 102,587,503 |
| Charity care | <u>246,378,557</u> | <u>213,024,583</u> |
| | <u>\$ 2,561,970,853</u> | <u>\$ 2,233,447,211</u> |

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

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

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

Under the DSH Program, the state utilizes a provider fee as the local match for federal funding. The state pays the Authority two months in advance at the end of the year. This results in unearned revenue included in the statements of net position. The state has paid the Authority approximately \$19,358,000 and \$18,302,000 in advance for the years ended December 31, 2022 and 2021, 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.

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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 \$108,300,000 and \$88,596,000 for the years ended December 31, 2022 and 2021, 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. HB 1293 was superseded by Senate Bill 17-267 which repealed the Hospital Provider Fee and created the Colorado Healthcare Accountability and Sustainability Enterprise (CHASE). The resulting safety net revenue and expense for 2022 and 2021 had the following effect on the financial statements:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Medicaid Disproportionate Share revenue | \$ 102,719,967 | \$ 80,421,196 |
| Supplemental Medicaid base rate revenue | 14,885,094 | 13,729,682 |
| Supplemental Medicaid outpatient hospital revenue | 8,459,470 | 7,802,829 |
| Hospital quality incentive payment | <u>6,123,778</u> | <u>5,648,437</u> |
| Total hospital provider fee revenue | 132,188,309 | 107,602,144 |
| Provider fee expense (included in contracted services and non-medical supplies) | <u>(39,821,083)</u> | <u>(35,159,507)</u> |
| Total net hospital provider fee | <u>\$ 92,367,226</u> | <u>\$ 72,442,637</u> |

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| | 2022 | 2021 |
|---------------------------------------|----------------|----------------|
| Total hospital provider fee revenue | \$ 132,188,309 | \$ 107,602,144 |
| Ambulance Upper Payment Limit revenue | 1,770,000 | 2,913,113 |
| Outstationing revenue | 1,155,423 | 2,099,998 |
| Primary care funds | 8,606,986 | 7,370,842 |
| Physician certification revenue | 4,399,998 | 3,824,200 |
| Total other safety net | 15,932,407 | 16,208,153 |
| Total safety net revenue | \$ 148,120,716 | \$ 123,810,297 |

At December 31, 2022 and 2021, the Authority had a prepaid for provider fee expense which is recorded on the statements of net position in the amounts of approximately \$7,196,000 and \$6,274,000, 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, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 45,859,134 | \$ 34,764,152 |
| Long-term and board-designated investments | | |
| Mortgage-backed securities | 9,868,119 | 13,381,439 |
| U.S. government agency notes | - | 2,020,351 |
| Corporate bonds | 131,109,135 | 145,684,039 |
| Corporate asset-backed bonds | 5,981,522 | 5,573,073 |
| Municipal bonds | 10,594,409 | 12,390,305 |
| U.S. government treasury bills | 9,681,804 | 8,065,703 |
| Mutual funds | | |
| Global equity fund | 10,004,027 | 9,820,485 |
| Commodity and commodity futures fund | 4,077,062 | 3,210,320 |
| Debt fund | 39,972,040 | 104,994,892 |
| Domestic equity fund | 20,487,535 | 23,684,885 |
| International equity fund | 1,193,110 | 3,445,522 |
| Emerging markets fund | - | 1,542,976 |
| Alternative funds | 13,121,734 | 12,112,645 |
| Total long-term investments and board-designated investments | <u>256,090,497</u> | <u>345,926,635</u> |
| Total cash, cash equivalents and investments, excluding restricted investments | <u>\$ 301,949,631</u> | <u>\$ 380,690,787</u> |

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Restricted investments at December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---------------|---------------|
| Bond proceeds restricted as provided in bond agreements | | |
| Cash equivalents | \$ 1,433,302 | \$ 4,328,323 |
| U.S. government treasury bills | 17,910,765 | - |
| Guaranteed investment contract | - | 14,970,687 |
| | \$ 19,344,067 | \$ 19,299,010 |

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.

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The following is a summary of the Authority's investments at December 31, 2022 and 2021 with average credit ratings based on S&P ratings or equivalent:

| | 2022 | | 2021 | |
|--|----------------|--------------|----------------|--------------|
| | Investments | S & P Rating | Investments | S & P Rating |
| Cash and cash equivalents | | | | |
| Cash and cash equivalents | \$ 623,823 | N/A | \$ 33,561,217 | N/A |
| Demand deposit account | 42,415,126 | A- | - | N/A |
| Class I or government money market fund | 2,820,185 | AAA | 1,202,935 | AAA |
| Total cash and cash equivalents | 45,859,134 | | 34,764,152 | |
| Long-term and board-designated investments | | | | |
| Mortgage-backed securities | 806,155 | AAA | 990,657 | AAA |
| Mortgage-backed securities | 4,974,515 | AA+ | 5,915,772 | AA+ |
| Mortgage-backed securities | 4,087,449 | N/A | 6,475,010 | N/A |
| U.S. government agency notes | - | N/A | 2,020,351 | AA+ |
| Corporate bonds | 1,543,723 | AAA | 2,052,867 | AAA |
| Corporate bonds | - | N/A | 1,085,601 | AA+ |
| Corporate bonds | 1,992,506 | AA | 3,178,389 | AA |
| Corporate bonds | 3,676,300 | AA- | 5,308,922 | AA- |
| Corporate bonds | 2,282,704 | A+ | 3,757,014 | A+ |
| Corporate bonds | 19,578,663 | A | 22,475,862 | A |
| Corporate bonds | 18,235,123 | A- | 21,326,519 | A- |
| Corporate bonds | 50,671,235 | BBB+ | 51,455,712 | BBB+ |
| Corporate bonds | 20,181,342 | BBB | 25,013,322 | BBB |
| Corporate bonds | 7,082,412 | BBB- | 5,033,867 | BBB- |
| Corporate bonds | 513,750 | BB+ | - | N/A |
| Corporate bonds | - | N/A | 604,375 | BB |
| Corporate bonds | 5,351,377 | N/A | 4,391,589 | N/A |
| Corporate asset backed bonds | 1,355,261 | AAA | 1,623,596 | AAA |
| Corporate asset backed bonds | 1,625,285 | A | 1,887,924 | A |
| Corporate asset backed bonds | 863,640 | A- | 983,173 | A- |
| Corporate asset backed bonds | 431,359 | BBB | - | N/A |
| Corporate asset backed bonds | 1,705,977 | N/A | 1,078,380 | N/A |
| Municipal bonds | 2,967,190 | AA+ | 3,108,155 | AA+ |
| Municipal bonds | 2,442,799 | AA | 2,800,473 | AA |
| Municipal bonds | 2,142,535 | AA- | 2,678,526 | AA- |
| Municipal bonds | 1,721,932 | A+ | 893,826 | A+ |
| Municipal bonds | - | N/A | 1,027,990 | A |
| Municipal bonds | 1,319,953 | N/A | 1,881,335 | N/A |
| U.S. government treasury bills | 9,681,804 | AA+ | 8,065,703 | AA+ |
| Open end mutual funds | 88,855,508 | N/A | 158,811,725 | N/A |
| Total long-term and board-designated investments | 256,090,497 | | 345,926,635 | |
| Total cash, cash equivalents and investments, excluding restricted investments | \$ 301,949,631 | | \$ 380,690,787 | |

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The following is a summary of the Authority's restricted investments at December 31, 2022 and 2021 with average credit ratings based on S&P ratings or equivalent:

| | 2022 | | 2021 | |
|---|----------------------|--------------|----------------------|--------------|
| | Investments | S & P Rating | Investments | S & P Rating |
| Bond proceeds restricted as provided in bond agreements | | | | |
| Cash equivalents | \$ 1,433,302 | N/A | \$ 4,328,323 | N/A |
| U.S. government treasury bills * | 17,910,765 | AA+ | - | N/A |
| Guaranteed investment contract | - | N/A | 14,970,687 | AA- |
| | <u>\$ 19,344,067</u> | | <u>\$ 19,299,010</u> | |

* Investment is based on fair value at December 31, 2022 and is measured at Level 1 within the fair value hierarchy

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, 2022, approximately \$15,850,000, or 5.25%, of total long-term investments were in corporate asset-backed bonds and government mortgage-backed securities. As of December 31, 2021, approximately \$18,955,000, or 5.48%, 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, 2022 and 2021:

| Portfolio Component | Par Value | Duration | Average Weighted Maturity (Years) | Average Weighted Effective Maturity (Years) |
|-------------------------------------|-----------------------|-------------|-----------------------------------|---|
| December 31, 2022 | | | | |
| Working capital account | \$ 128,290,152 | 2.47 | 3.94 | 3.92 |
| Focused alpha bond fund | 9,441,184 | 1.42 | 1.51 | 1.51 |
| Commerce intermediate | 87,245,642 | 5.55 | 11.43 | 8.00 |
| Other reserve account | 373,119 | 2.40 | 2.60 | 2.60 |
| Medical malpractice reserve account | <u>5,808,743</u> | <u>2.85</u> | <u>4.10</u> | <u>3.19</u> |
| Total components | <u>\$ 231,158,840</u> | <u>3.65</u> | <u>6.84</u> | <u>5.48</u> |

| Portfolio Component | Par Value | Duration | Average Weighted Maturity (Years) | Average Weighted Effective Maturity (Years) |
|-------------------------------------|-----------------------|-------------|-----------------------------------|---|
| December 31, 2021 | | | | |
| Working capital account | \$ 115,945,362 | 2.85 | 4.72 | 4.25 |
| Commerce intermediate | 95,609,949 | 5.99 | 11.38 | 7.87 |
| Other reserve account | 358,338 | 3.38 | 3.66 | 3.66 |
| Medical malpractice reserve account | <u>5,564,299</u> | <u>2.93</u> | <u>4.52</u> | <u>3.07</u> |
| Total components | <u>\$ 217,477,948</u> | <u>4.26</u> | <u>7.74</u> | <u>5.86</u> |

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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, 2022, the Authority owned \$9.8 million (3.26% of the portfolio) of Citigroup Inc. bonds, \$8.9 million (2.95% of the portfolio) of Jeffries Financial Group Inc. bonds, \$6.8 million (2.25% of the portfolio) of Nomura Holdings Inc. bonds, \$5.1 million (1.70% of the portfolio) of JP Morgan Chase & Co. bonds, and \$4.6 million (1.51% of the portfolio) of Capital Impact Partner 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, 2022 and 2021.

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, long-term investments and board-designated investments, 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, 2022 and 2021:

| | 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, 2022 | | | | |
| Long-term investments | | | | |
| Mortgage-backed securities | \$ 9,868,119 | \$ - | \$ 9,868,119 | \$ - |
| Corporate bonds | 131,109,135 | - | 131,109,135 | - |
| Corporate asset-backed bonds | 5,981,522 | - | 5,981,522 | - |
| Municipal bonds | 10,594,409 | - | 10,594,409 | - |
| U.S. government treasury bills | 9,681,804 | 9,681,804 | - | - |
| Mutual funds | | | | |
| Global equity fund | 10,004,027 | 10,004,027 | - | - |
| Commodity and commodity futures fund | 4,077,062 | 4,077,062 | - | - |
| Debt fund | 39,972,040 | 39,972,040 | - | - |
| Domestic equity fund | 20,487,535 | 20,487,535 | - | - |
| International equity fund | 1,193,110 | 1,193,110 | - | - |
| Alternative funds | 13,121,734 | 13,121,734 | - | - |
| | <u>\$ 256,090,497</u> | <u>\$ 98,537,312</u> | <u>\$ 157,553,185</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, 2021 | | | | |
| Long-term investments | | | | |
| Mortgage-backed securities | \$ 13,381,439 | \$ - | \$ 13,381,439 | \$ - |
| U.S. government agency notes | 2,020,351 | - | 2,020,351 | - |
| Corporate bonds | 145,684,039 | - | 145,684,039 | - |
| Corporate asset-backed bonds | 5,573,073 | - | 5,573,073 | - |
| Municipal bonds | 12,390,305 | - | 12,390,305 | - |
| U.S. government treasury bills | 8,065,703 | 8,065,703 | - | - |
| Mutual funds | | | | |
| Global equity fund | 9,820,485 | 9,820,485 | - | - |
| Commodity and commodity futures fund | 3,210,320 | 3,210,320 | - | - |
| Debt fund | 104,994,892 | 104,994,892 | - | - |
| Domestic equity fund | 23,684,885 | 23,684,885 | - | - |
| International equity fund | 3,445,522 | 3,445,522 | - | - |
| Emerging markets fund | 1,542,976 | 1,542,976 | - | - |
| Alternative funds | 12,112,645 | 12,112,645 | - | - |
| | <u>\$ 345,926,635</u> | <u>\$ 166,877,428</u> | <u>\$ 179,049,207</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 and Leased Assets

Capital and leased assets, by major category, at December 31, 2022 and 2021 are as follows. The presentation of capital assets has changed to incorporate leased assets as per the implementation of GASB 87 lease reporting requirements effective January 1, 2022.

| December 31, 2022 | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|------------------------|----------------------|-----------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 43,324,527 | \$ 59,250 | \$ - | \$ 43,383,777 |
| Construction in progress | 13,715,591 | 2,055,940 | - | 15,771,531 |
| Total capital assets, not being depreciated | <u>57,040,118</u> | <u>2,115,190</u> | <u>-</u> | <u>59,155,308</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 896,434,402 | 6,009,452 | (1,973,686) | 900,470,168 |
| Equipment and software | 414,570,586 | 13,394,591 | (120,117,213) | 307,847,964 |
| Total capital assets, being depreciated | <u>1,311,004,988</u> | <u>19,404,043</u> | <u>(122,090,899)</u> | <u>1,208,318,132</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 384,887,662 | 32,070,636 | (1,973,686) | 414,984,612 |
| Equipment and software | 327,469,356 | 28,225,271 | (120,117,213) | 235,577,414 |
| Total accumulated depreciation | <u>712,357,018</u> | <u>60,295,907</u> | <u>(122,090,899)</u> | <u>650,562,026</u> |
| Total capital assets, being depreciated, net | <u>598,647,970</u> | <u>(40,891,864)</u> | <u>-</u> | <u>557,756,106</u> |
| Leased asset - building | 29,576,047 | - | - | 29,576,047 |
| Leased asset - equipment | 3,893,622 | - | - | 3,893,622 |
| Less accumulated amortization | | | | |
| Leased asset - building | 4,022,617 | 4,022,617 | - | 8,045,234 |
| Leased asset - equipment | 959,373 | 735,500 | - | 1,694,873 |
| | <u>28,487,679</u> | <u>(4,758,117)</u> | <u>-</u> | <u>23,729,562</u> |
| Capital and leased assets, net | <u>\$ 684,175,767</u> | <u>\$ (43,534,791)</u> | <u>\$ -</u> | <u>\$ 640,640,976</u> |

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| December 31, 2021 * | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|-----------------------|-------------------------|---------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 38,574,190 | \$ 4,809,587 | \$ (59,250) | \$ 43,324,527 |
| Construction in progress | <u>162,138,758</u> | <u>33,719,374</u> | <u>(182,142,541)</u> | <u>13,715,591</u> |
| Total capital assets, not being depreciated | <u>200,712,948</u> | <u>38,528,961</u> | <u>(182,201,791)</u> | <u>57,040,118</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 721,857,723 | 174,576,679 | - | 896,434,402 |
| Equipment and software | <u>374,397,080</u> | <u>40,590,096</u> | <u>(416,590)</u> | <u>414,570,586</u> |
| Total capital assets, being depreciated | <u>1,096,254,803</u> | <u>215,166,775</u> | <u>(416,590)</u> | <u>1,311,004,988</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 351,044,400 | 33,843,262 | - | 384,887,662 |
| Equipment and software | <u>299,635,299</u> | <u>28,250,647</u> | <u>(416,590)</u> | <u>327,469,356</u> |
| Total accumulated depreciation | <u>650,679,699</u> | <u>62,093,909</u> | <u>(416,590)</u> | <u>712,357,018</u> |
| Total capital assets, being depreciated, net | <u>445,575,104</u> | <u>153,072,866</u> | <u>-</u> | <u>598,647,970</u> |
| Leased asset - building | 29,576,047 | - | - | 29,576,047 |
| Leased asset - equipment | 3,893,622 | - | - | 3,893,622 |
| Less accumulated amortization | | | | |
| Leased asset - building | - | 4,022,617 | - | 4,022,617 |
| Leased asset - equipment | <u>-</u> | <u>959,373</u> | <u>-</u> | <u>959,373</u> |
| Right to use leased assets, net | <u>33,469,669</u> | <u>(4,981,990)</u> | <u>-</u> | <u>28,487,679</u> |
| Capital and leased assets, net | <u>\$ 679,757,721</u> | <u>\$ 186,619,837</u> | <u>\$ (182,201,791)</u> | <u>\$ 684,175,767</u> |

* Restated for Implementation of GASB 87

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, 2022 and 2021 are as follows:

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| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-----------------------|----------------------|
| Medicare | \$ 22,015,482 | \$ 22,087,865 |
| Medicaid | 28,438,867 | 16,218,838 |
| Commercial insurance carriers | 42,228,423 | 41,580,931 |
| Patient self-pay | <u>8,539,406</u> | <u>5,905,665</u> |
| Total | <u>\$ 101,222,178</u> | <u>\$ 85,793,299</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.

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 2022 and 2021, principal payments were made of \$4,315,000 and \$4,110,000, respectively. Interest is payable semiannually and payments were approximately \$3,665,000 and \$3,871,000 for the years ended December 31, 2022 and 2021, 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

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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. During 2022 and 2021, the Authority made interest payments of approximately \$3,671,000. 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. Principal payments were approximately \$5,805,000 and \$5,685,000 for the years ended December 31, 2022 and 2021, respectively. Interest is payable semiannually and payments were approximately \$751,000 and \$864,000 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the unamortized net deferred loss, which includes the 2007 deferred loss and 2009 deferred gain noted above, was approximately \$13,212,000 and \$14,571,000, respectively.

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 2022 and 2021, 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 2022 and 2021, principal payments were made of \$1,410,000 and \$1,370,000, respectively. During 2022 and 2021, the Authority made interest payments of approximately \$338,000 and \$396,000, respectively.

2022 Revenue Bonds

In June 2022, the Authority issued Healthcare Revenue Bonds, Series 2022 (the Bonds) in order to provide funds to finance certain energy efficiency improvement and upgrades to the Authority's facilities and pay certain costs associated with the bond issuance. The Bonds were issued as a draw down bond with at stated aggregate principal amount not to exceed \$12,900,000 and principal amount due thereon to be only such amount as has been drawn down by the Authority. The Bonds bear interest at a rate of 3.33% with principal payments beginning in 2024 through 2031 ranging from \$1,435,000 to \$1,805,000. During 2022, the Authority had drawn approximately \$4,657,000 and made interest payments of approximately \$51,000.

Notes from Direct Borrowings and Direct Placements

The Authority's outstanding notes from direct borrowings and direct placements as of December 31, 2022 and 2021 include series 2017A bonds, Series 2019B bonds, Series 2022 bonds and other long-term debt totaling approximately \$108,767,000 and \$120,250,000, respectively. These items contain provisions that in an event of default, outstanding amounts become immediately due if the Authority

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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 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, 2022 and 2021, the Authority has received \$4,070,181 from the City under this loan. During 2022 and 2021, the Authority paid \$325,000 and \$305,000, respectively, in principal payments to HUD. Interest and HUD fees paid on this loan for 2022 and 2021 totaled \$10,739 and \$30,295, respectively. During 2022 and 2021, \$82,561 and \$77,314, respectively, was reimbursed as a capital contribution by the City.

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 2021 the Authority paid approximately \$5,589,000. This liability has been paid in full as of December 31, 2021.

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 2022 and 2021, the Authority made principal payments of approximately \$1,035,000 and \$1,004,000, respectively. During 2022 and 2021, the Authority made interest payments of approximately \$47,000 and \$78,000, respectively.

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In September 2018, the Authority created a Colorado nonprofit corporation, 550 Acoma Inc. in order to obtain financing for a parking garage adjacent to the Authority's main campus. 550 Acoma Inc. issued \$37,815,000 in a public offering. This financing was issued as a certificate of participation (COP). These COPs had a net premium of \$3,012,526 which will be amortized over the life of the debt. The COPs bear interest from 4.00% to 5.00% with principal payments beginning December 1, 2020 through December 1, 2048 ranging from \$320,000 to \$2,350,000. During 2022 and 2021, the Authority made interest payments of approximately \$1,774,000 and \$1,807,000, respectively.

Lease Liability

Refer to Note 10 for GASB 87 implementation.

Year-end Debt Balances

Long-term debt (including lease liability) at December 31 consisted of the following:

| | December 31, | |
|---|-----------------------|-----------------------|
| | 2022 | 2021 * |
| Revenue Bonds, Series 2014, due in increasing annual installments beginning 2016 through 2045 (net of unamortized bond premium of \$834,604 and \$870,891 at December 31, 2022 and 2021, respectively) | \$ 74,339,604 | \$ 75,785,891 |
| Revenue Bonds Series 2017A, due in increasing annual installments beginning 2018 through 2036 (net of unamortized bond premium of \$6,320,884 and \$6,772,376 as of December 31, 2022 and 2021, respectively) | 80,135,884 | 84,902,376 |
| Revenue Bonds, Series 2019A and Series 2019B, due in increasing annual installments beginning 2020 through 2040 (net of unamortized bond premium of \$12,256,142 and \$12,937,038 as of December 31, 2022 and 2021, respectively) | 127,466,142 | 133,952,038 |
| Revenue Bonds, Series 2022, due in increasing installments beginning 2024 through 2031 | 4,657,166 | - |
| 550 Acoma Inc. notes payable, net of unamortized bond premium of \$2,582,165 and \$2,681,479 as of December 31, 2022 and 2021, respectively) | 38,722,165 | 39,516,479 |
| Other long-term debt | 3,021,937 | 5,128,106 |
| Lease liability | 25,367,098 | 29,511,888 |
| | <hr/> | <hr/> |
| Total current and long-term debt | 353,709,996 | 368,796,778 |
| Less current portion | (18,158,675) | (18,529,752) |
| | <hr/> | <hr/> |
| Total long-term debt | <u>\$ 335,551,321</u> | <u>\$ 350,267,026</u> |

* Restated for Implementation of GASB 87

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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, 2022 | Date of Issuance | Beginning Balance | Additions and Premium Amortization | Principal Payments or Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|--------------------------|---|---|-----------------------|----------------------------|
| Series 2014A and B, net of premium | May 2014 | \$ 75,785,891 | \$ (36,287) | \$ (1,410,000) | \$ 74,339,604 | \$ 1,455,000 |
| Series 2017A, net of premium | August 2017 | 84,902,376 | (451,492) | (4,315,000) | 80,135,884 | 4,530,000 |
| Series 2019A and B, net of premium | September 2019 | 133,952,038 | (680,896) | (5,805,000) | 127,466,142 | 5,925,000 |
| Series 2022 | June 2022 | - | 4,657,166 | - | 4,657,166 | - |
| 550 Acoma Inc. notes payable, net of premium | September 2019 | 39,516,479 | (99,314) | (695,000) | 38,722,165 | 730,000 |
| Other long-term debt | Various | 5,128,106 | - | (2,106,169) | 3,021,937 | 1,321,756 |
| Lease liability | Various | 29,511,888 | - | (4,144,790) | 25,367,098 | 4,196,919 |
| Compensated absences liability | | 40,694,945 | 344,670 | - | 41,039,615 | 40,923,538 |
| Postemployment benefits | | 4,147,787 | - | (810,728) | 3,337,059 | - |
| Total | | <u>\$ 413,639,510</u> | <u>\$ 3,733,847</u> | <u>\$ (19,286,687)</u> | <u>\$ 398,086,670</u> | <u>\$ 59,082,213</u> |

| December 31, 2021 * | Date of Issuance | Beginning Balance | Additions and Premium Amortization | Principal Payments or Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|--------------------------|---|---|-----------------------|----------------------------|
| Series 2014A and B, net of premium | May 2014 | \$ 77,192,178 | \$ (36,287) | \$ (1,370,000) | \$ 75,785,891 | \$ 1,410,000 |
| Series 2017A, net of premium | August 2017 | 89,463,868 | (451,492) | (4,110,000) | 84,902,376 | 4,315,000 |
| Series 2019A and B, net of premium | September 2019 | 140,317,935 | (680,897) | (5,685,000) | 133,952,038 | 5,805,000 |
| 550 Acoma Inc. notes payable, net of premium | September 2019 | 40,275,793 | (99,314) | (660,000) | 39,516,479 | 695,000 |
| Program support liability | May 2017 | 5,588,981 | - | (5,588,981) | - | - |
| Other long-term debt | Various | 6,229,957 | - | (1,101,851) | 5,128,106 | 2,106,168 |
| Lease liability | Various | 33,958,137 | - | (4,446,249) | 29,511,888 | 4,198,584 |
| Compensated absences liability | | 33,158,003 | 7,536,942 | - | 40,694,945 | 40,578,869 |
| Postemployment benefits | | 4,540,571 | - | (392,784) | 4,147,787 | - |
| Total | | <u>\$ 430,725,423</u> | <u>\$ 6,268,952</u> | <u>\$ (23,354,865)</u> | <u>\$ 413,639,510</u> | <u>\$ 59,108,621</u> |

* Restated for Implementation of GASB 87

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Debt Service Requirements

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

| Year Ending December 31, | Total Debt | | Direct Borrowing and Placement | |
|--|-----------------------|-----------------------|--------------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 13,961,756 | \$ 11,369,730 | \$ 10,455,000 | \$ 4,084,757 |
| 2024 | 13,129,999 | 10,956,025 | 11,925,000 | 3,740,350 |
| 2025 | 15,227,348 | 10,528,852 | 9,285,000 | 3,388,323 |
| 2026 | 12,075,000 | 10,131,621 | 10,720,000 | 3,082,654 |
| 2027 | 11,300,000 | 9,747,348 | 9,995,000 | 2,741,898 |
| 2028-2032 | 63,645,000 | 42,299,300 | 29,315,000 | 9,744,275 |
| 2033-2037 | 79,720,000 | 27,565,488 | 36,950,000 | 4,593,000 |
| 2038-2042 | 69,160,000 | 10,824,713 | - | - |
| 2043-2047 | 25,780,000 | 1,666,350 | - | - |
| 2048 | 2,350,000 | - | - | - |
| Total long-term debt payments | <u>306,349,103</u> | <u>\$ 135,089,427</u> | <u>\$ 118,645,000</u> | <u>\$ 31,375,257</u> |
| Unamortized premium on 2014A Bonds, 2017A Bonds, 2019A Bonds and 550 Acoma notes payable | <u>21,993,795</u> | | | |
| Total carrying amount of long-term debt | <u>\$ 328,342,898</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, 2021, 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, 2022 and 2021, there were 133,198 and 133,570 members enrolled in the Plan, respectively. Approximately 9% of Plan enrollment originated through Authority employee enrollment in 2022 and 2021. The Plan is presented as a discretely presented component unit. There have been no eliminations of 2022 and 2021 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, 2022 and 2021 of approximately \$81,462,000 and \$83,380,000, 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 \$250,000 for Medicaid, \$350,000 for Medicare and Child Health Plan Plus (CHP+), \$400,000 for commercial capitated and non-capitated, and \$400,000 for exchange in 2022. In 2021, the thresholds were \$250,000 for Medicaid, \$300,000 for Medicare and CHP+, \$350,000 for capitated and non-capitated commercial, and \$400,000 for exchange.

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, 2022 and 2021, respectively, the Plan incurred capitation expense to the Authority totaling approximately \$121,523,000 and \$204,390,000, and fee-for-service claims of approximately \$97,000,000 and \$46,000,000. In 2022, the Medicaid plan changed from a capitated to a fee-for-service contract thus the numbers have changed respectively.

At December 31, 2022 and 2021, 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 \$6,200,000 and \$2,700,000 as of December 31, 2022 and 2021, 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 \$20,195,000 for 2022 and \$20,191,000 for 2021.

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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, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Unpaid claims and claim adjustment expenses, net of reinsurance, beginning of year | \$ 32,447,261 | \$ 23,831,440 |
| Incurred claims and claim adjustment expenses, net of reinsurance recoveries | | |
| Provision for insured events of the current year | 423,041,170 | 436,235,373 |
| Increase (decrease) in provision for insured events of prior years | <u>4,859,880</u> | <u>3,944,830</u> |
| Total incurred claims and claim adjustment expenses, net of reinsurance recoveries | <u>427,901,050</u> | <u>440,180,203</u> |
| Payments, net of reinsurance recoveries | | |
| Claims and claim adjustment expenses attributable to insured events of the current year | 377,836,669 | 464,286,410 |
| Claims and claim adjustment expenses attributable to insured events of prior year | <u>37,338,686</u> | <u>(32,722,028)</u> |
| Total payments, net of reinsurance recoveries | <u>415,175,355</u> | <u>431,564,382</u> |
| Unpaid claims and claim adjustment expenses, net of reinsurance, end of year | <u>\$ 45,172,956</u> | <u>\$ 32,447,261</u> |

Denver Health and Hospital Authority

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Note 10: Leases

Lessee – Liability

The Authority leases equipment and office space, the terms of which expire in various years through 2039. The leases were measured based upon the discount rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of December 31, 2022:

| Year Ending December 31, | Principal | Interest | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 4,196,919 | \$ 515,446 | \$ 4,712,365 |
| 2024 | 3,968,278 | 436,525 | 4,404,803 |
| 2025 | 4,275,530 | 359,486 | 4,635,016 |
| 2026 | 4,044,999 | 271,981 | 4,316,980 |
| 2027 | 5,473,144 | 18,915 | 5,492,059 |
| 2028-2032 | 1,728,987 | 334,855 | 2,063,842 |
| 2033-2037 | 1,258,195 | 154,647 | 1,412,842 |
| 2038-2039 | 421,046 | 9,849 | 430,895 |
| | <u>\$ 25,367,098</u> | <u>\$ 2,101,704</u> | <u>\$ 27,468,802</u> |

Lessor – Lease Receivable

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include buildings and a cell tower. Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term. The Authority has recognized lease receivable for five building leases and one cell tower with varying lease dates ending from 2030 to 2050. Lease receivables amount to \$6,884,531 and \$7,198,290 for December 31, 2022 and 2021, respectively, and are recorded within other long-term assets in the accompanying financial statements. Total lease revenue received for December 31, 2022 and 2021 was \$432,380 and \$387,342, respectively. Total interest revenue received for December 31, 2022 and 2021 was \$215,378 and \$205,847, 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, 2022 and 2021 are as follows:

| Year Ended December 31, 2022 | DERP | DERP RBA | Total |
|-------------------------------------|---------------|-----------------|---------------|
| Pension liability | \$ 52,303,284 | \$ 8,859,310 | \$ 61,162,594 |
| Deferred outflows of resources | 6,136,150 | 2,428,430 | 8,564,580 |
| Deferred inflows of resources | 15,349,458 | - | 15,349,458 |
| Expense (contra-expense) | (13,448,218) | 4,197,346 | (9,250,872) |

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| Year Ended December 31, 2021 | DERP | DERP RBA | Total |
|--------------------------------|---------------|--------------|---------------|
| Pension liability | \$ 68,575,108 | \$ 7,702,075 | \$ 76,277,183 |
| Deferred outflows of resources | 8,988,659 | 1,810,930 | 10,799,589 |
| Deferred inflows of resources | 19,350,058 | - | 19,350,058 |
| Expense (contra-expense) | (11,512,817) | 559,072 | (10,953,745) |

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, 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 2022, combined employer and employees’ contributions to DERP were 25.6% (16.75% employer and 8.85% employees) of applicable salaries, of which 24.39% was for pension benefits and 1.21% was for health benefits. During 2021, combined employer and employees’ contributions to DERP were 25.0% (15.75% employer and 9.25% employees) of applicable salaries, of which 23.75% was for pension benefits and 1.25% was for health benefits.

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Notes to Financial Statements

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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 2022 and 2021 were approximately \$6,137,000 and \$6,464,000, respectively, covering both pension and OPEB (Note 13). This represents 0.92% in 2022 and 1.03% in 2021 of the Authority's total payroll of all employees. Authority contributions (employer only) to DERP for the years ended December 31, 2022 and 2021 were approximately \$4,172,000 and \$4,498,000, respectively. Allocation ratio between Pension and DERP for 2022 and 2021 approximates 95:5. The Authority's total payroll for all employees was approximately \$663,865,000 and \$629,129,000 for 2022 and 2021, respectively.

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

At December 31, 2022 and 2021, the Authority reported a liability of \$52,303,000 and \$68,575,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to December 31, 2021 and 2020, 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, 2021, the Authority's proportion was 3.85%, which was a decrease of 0.56% from its proportion measured as of December 31, 2020. At December 31, 2020, the Authority's proportion was 4.41%, which was a decrease of 0.53% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2022 and 2021, the Authority recognized pension contra-expense of approximately \$13,448,000 and \$11,513,000, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| Year Ended December 31, 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 1,237,848 | \$ - |
| Changes of assumptions | 926,604 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 7,481,237 |
| Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions | - | 7,868,221 |
| Authority's contributions made subsequent to the measurement date | <u>3,971,698</u> | <u>-</u> |
| Total | <u>\$ 6,136,150</u> | <u>\$ 15,349,458</u> |
| | | |
| Year Ended December 31, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,476,110 | \$ - |
| Changes of assumptions | 3,236,636 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,192,970 |
| Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions | - | 18,157,088 |
| Authority's contributions made subsequent to the measurement date | <u>4,275,913</u> | <u>-</u> |
| Total | <u>\$ 8,988,659</u> | <u>19,350,058</u> |

At December 31, 2022 and 2021, the Authority reported approximately \$3,972,000 and \$4,276,000, respectively, 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 years ending December 31, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

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Notes to Financial Statements
December 31, 2022 and 2021

| Year Ended | |
|------------|-----------------|
| 2023 | \$ (4,370,953) |
| 2024 | (5,236,233) |
| 2025 | (1,841,652) |
| 2026 | (1,736,168) |
| | \$ (13,185,006) |

Actuarial Assumptions

The total pension liability in the January 1, 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| 2021 | | |
|---------------------------|-------|--|
| Inflation | 2.50% | |
| Salary increases | 3.00% | Plus merit component based on years of service |
| Investment rate of return | 7.25% | Net of pension plan investment expense, including inflation |

The total pension liability in the December 31, 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| 2019 | | |
|---------------------------|-------|--|
| Inflation | 2.50% | |
| Salary increases | 3.00% | Plus merit component based on years of service |
| Investment rate of return | 7.25% | Net of pension plan investment expense, including inflation |

Mortality rates used in the January 1, 2021 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, 2019 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 January 1, 2021 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, 2019 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 | 44.00% | |
| U.S. Equity | | |
| U.S. Large Cap | 18.00% | 7.10% |
| U.S. Small Cap | 4.00% | 7.60% |
| International Equity | | |
| Developed Markets | 14.00% | 7.80% |
| Emerging Markets | 8.00% | 8.80% |
| Fixed Income | 25.50% | |
| Core Fixed Income | 17.00% | 2.10% |
| Private Debt | | |
| Private Debt | 4.00% | 6.20% |
| Distress Debt | 2.50% | 6.70% |
| Emerging Market Debt | 2.00% | 4.30% |
| Real Estate | 10.00% | 7.00% |
| Absolute Return | 5.00% | 4.30% |
| MLPs | 3.00% | 6.40% |
| Alternatives | 12.50% | |
| Private Equity | 9.00% | 9.10% |
| Natural Resources | 3.50% | 7.70% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the years ended December 31, 2022 and 2021. 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.

Denver Health and Hospital Authority

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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, 2022 has been calculated using a discount rate of 7.25%. 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.

| December 31, 2022 | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------------|----------------------------------|--------------------|
| Authorities proportionate share of the net pension liability | \$ 69,322,214 | \$ 52,303,284 | \$ 38,030,204 |

The Authority's proportionate share of the net pension liability at December 31, 2021 has been calculated using a discount rate of 7.25%. 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.

| December 31, 2021 | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------------|----------------------------------|--------------------|
| Authorities proportionate share of the net pension liability | \$ 87,579,186 | \$ 68,575,108 | \$ 52,630,834 |

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 receive 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 2022 and 2021 there are a total of 10 inactive employees currently receiving benefit payments.

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Contributions

During 2022 and 2021, the Authority contributed approximately \$282,000 and \$417,000, respectively, 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.

Employer-made Contributions Based on the Legally Required Rates

Total annual employer contributions to DERP by the Authority in 2022 and 2021 were approximately \$282,000 and \$417,000, respectively. This represents 0.04% in 2022 and 0.07% in 2021 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, 2022 and 2021, the Authority reported a liability of \$8,859,000 and \$7,702,000, respectively. The net pension liability was measured as of December 31, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2021 and 2020, respectively, rolled forward to December 31, 2021 and 2020.

For the years ended December 31, 2022 and 2021, the Authority recognized pension expense of approximately \$4,197,000 and \$559,000, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Year Ended December 31, 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes between expected and actual experience | \$ 1,726,769 | \$ - |
| Assumption changes | 419,412 | - |
| Authority's contributions subsequent to the measurement date | 282,355 | - |
| Total | \$ 2,428,536 | \$ - |

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| Year Ended December 31, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Changes between expected and actual experience | \$ 893,197 | \$ - |
| Assumption changes | 500,810 | - |
| Authority's contributions subsequent to the measurement date | 416,923 | - |
| Total | \$ 1,810,930 | \$ - |

At December 31, 2022 and 2021, the Authority reported approximately \$282,000 and \$417,000, respectively 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 years ending December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

| Year Ended | |
|------------|--------------|
| 2023 | \$ 609,291 |
| 2024 | 609,291 |
| 2025 | 655,306 |
| 2026 | 272,293 |
| | \$ 2,146,181 |

Actuarial Assumptions

The total pension liability in the January 1, 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| 2021 | | |
|---------------------------|-------|---|
| Inflation | 2.50% | |
| Salary Increases | 3.00% | Average, including inflation |
| Investment Rate of return | 2.06% | Net of pension plan investment expense, including inflation |

The total pension liability in the January 1, 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| 2020 | | |
|---------------------------|-------|---|
| Inflation | 2.50% | |
| Salary Increases | 3.00% | Average, including inflation |
| Investment Rate of return | 2.12% | Net of pension plan investment expense, including inflation |

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Mortality rates used in the January 1, 2021 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 January 1, 2020 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 January 1, 2021 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 January 1, 2020 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 | 44.00% | |
| U.S. Equity | | |
| U.S. Large Cap | 18.00% | 7.10% |
| U.S. Small Cap | 4.00% | 7.60% |
| International Equity | | |
| Developed Markets | 14.00% | 7.80% |
| Emerging Markets | 8.00% | 8.80% |
| Fixed Income | 25.50% | |
| Core Fixed Income | 17.00% | 2.10% |
| Private Debt | | |
| Private Debt | 4.00% | 6.20% |
| Distress Debt | 2.50% | 6.70% |
| Emerging Market Debt | 2.00% | 4.30% |
| Real Estate | 10.00% | 7.00% |
| Absolute Return | 5.00% | 4.30% |
| MLPs | 3.00% | 6.40% |
| Alternatives | 12.50% | |
| Private Equity | 9.00% | 9.10% |
| Natural Resources | 3.50% | 7.70% |
| | <hr/> | |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 2.06% and 2.12%, respectively, for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Authority's proportionate share of the net pension liability at December 31, 2022 has been calculated using a discount rate of 2.06%. 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.

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| December 31, 2022 | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------------|--------------|--------------------------|--------------|
| Total RBA Pension Liability | \$ 9,567,428 | \$ 8,859,310 | \$ 8,215,288 |

The Authority's proportionate share of the net pension liability at December 31, 2021 has been calculated using a discount rate of 2.12%. 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.

| December 31, 2021 | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------------|--------------|--------------------------|--------------|
| Total RBA Pension Liability | \$ 8,276,491 | \$ 7,702,075 | \$ 7,177,810 |

Pension Plan Fiduciary Net Position

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

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Note 13: Postemployment Benefits Other Than Pensions

The Authority participates in a defined benefit other postemployment benefits plan: OPEB benefits under DERP.

A summary of the OPEB items as of and for the years ended December 31, 2022 and 2021 are as follows:

| December 31, 2022 | DERP |
|--------------------------------|--------------|
| OPEB liability | \$ 3,337,059 |
| Deferred outflows of resources | 304,595 |
| Deferred inflows of resources | 895,145 |
| Expense (contra-expense) | (483,645) |

| December 31, 2021 | DERP |
|--------------------------------|--------------|
| OPEB liability | \$ 4,147,787 |
| Deferred outflows of resources | 462,225 |
| Deferred inflows of resources | 925,681 |
| Expense (contra-expense) | (476,015) |

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. Authority employees hired prior to January 1, 2001 have the option to elect to drop their DERP participation and join the Enhanced Defined Contribution Plan, which is described in Note 15. Sections 18.401 through 18.430.7 of the City's Revised Municipal Code establish the plan and provide complete information on DERP. DERP issues a publicly available financial report that includes financial statements and required supplementary information. That report is available by either contacting DERP at 777 Pearl Street, Denver, Colorado 80203 or on the Internet at www.derp.org.

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Benefits Provided

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2022 and 2021, 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 \$200,000 and \$223,000 for 2022 and 2021, respectively. This represents 0.03% and 0.04% of the Authority's total payroll for 2022 and 2021, respectively.

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

At December 31, 2022 and 2021, the Authority reported a liability of approximately \$3,337,000 and \$4,148,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021 and 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, rolled forward to December 31, 2021 and 2020, respectively. The Authority's proportion of the net OPEB liability was based on actual contributions of the Authority to the OPEB plan relative to the actual contributions of all participating employers for the measurement period. At December 31, 2021, the Authority's proportion was 3.9%, which was a decrease of 0.4% from its proportion measured as of December 31, 2020. At December 31, 2020, the Authority's proportion was 4.3%, which was a decrease of 0.3% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2022 and 2021, the Authority recognized OPEB contra-expense of approximately \$484,000 and \$476,000, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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| Year Ended December 31, 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 2,152 | \$ 159,362 |
| Changes of assumptions | 102,453 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 236,889 |
| Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions | - | 498,894 |
| Authority's contributions made subsequent to the measurement date | <u>199,990</u> | <u>-</u> |
| Total | <u>\$ 304,595</u> | <u>\$ 895,145</u> |
| Year Ended December 31, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 8,476 | \$ 172,109 |
| Changes of assumptions | 231,192 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 37,319 |
| Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions | - | 716,253 |
| Authority's contributions made subsequent to the measurement date | <u>222,557</u> | <u>-</u> |
| Total | <u>\$ 462,225</u> | <u>\$ 925,681</u> |

At December 31, 2022 and 2021, the Authority reported approximately \$200,000 and \$223,000, 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, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to the DERP OPEB will be recognized in expense as follows:

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| Year Ended | |
|------------|--------------|
| 2023 | \$ (246,662) |
| 2024 | (303,852) |
| 2025 | (184,743) |
| 2026 | (55,283) |
| | \$ (790,540) |

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, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| 2020 | | |
|---------------------------|-------|--|
| Inflation | 2.50% | |
| Salary increases | 3.00% | Plus merit component based on years of service |
| Investment rate of return | 7.25% | 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 |

| 2019 | | |
|---------------------------|-------|--|
| Inflation | 2.50% | |
| Salary increases | 3.00% | Plus merit component based on years of service |
| Investment rate of return | 7.25% | 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, 2020 and 2019 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 | 44.00% | |
| U.S. Equity | | |
| U.S. Large Cap | 18.00% | 7.10% |
| U.S. Small Cap | 4.00% | 7.60% |
| International Equity | | |
| Developed Markets | 14.00% | 7.80% |
| Emerging Markets | 8.00% | 8.80% |
| Fixed Income | 25.50% | |
| Core Fixed Income | 17.00% | 2.10% |
| Private Debt | | |
| Private Debt | 4.00% | 6.20% |
| Distress Debt | 2.50% | 6.70% |
| Emerging Market Debt | 2.00% | 4.30% |
| Real Estate | 10.00% | 7.00% |
| Absolute Return | 5.00% | 4.30% |
| Infrastructure | 3.00% | 6.40% |
| Alternatives | 12.50% | |
| Private Equity | 9.00% | 9.10% |
| Natural Resources | 3.50% | 7.70% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total net OPEB liability was 7.25% for the years ended December 31, 2022 and 2021. 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, 2022 has been calculated using a discount rate of 7.25%. 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.

| December 31, 2022 | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|---------------|
| Authorities proportionate share of the net OPEB liability | \$ 3,999,368 | \$ 3,337,059 | \$ 27,752,230 |

The Authority's proportionate share of the net OPEB liability at December 31, 2021 has been calculated using a discount rate of 7.25%. 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.

| December 31, 2021 | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| Authorities proportionate share of the net OPEB liability | \$ 4,884,765 | \$ 4,147,787 | \$ 3,522,408 |

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

Note 14: Deferred Compensation Plan

The Authority offers their employees deferred compensation plans created in accordance with Code Section 457. The plans are available to all Authority employees and permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or approval for hardship cases. Employee contributions in 2022, 2021 and 2020 were approximately \$43,473,000, \$39,020,000 and \$32,550,000, respectively.

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 15: Defined Contribution Plan and Enhanced Defined Contribution Plan

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

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

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

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

Total annual contributions to the Defined Contribution Plan and the Enhanced Defined Contribution Plan by the Authority in 2022, 2021 and 2020 were approximately \$54,327,000, \$51,572,000 and \$47,295,000, respectively. Employee contributions in 2022, 2021 and 2020 were approximately \$39,909,000, \$37,883,000 and \$34,893,000, 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 16: Supplemental Executive Retirement Plan

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

Note 17: Risk Management

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

The Authority is covered under the limits of the Colorado Governmental Immunity Act. As of January 1, 2022, in tort litigation covered by the Colorado Governmental Immunity Act, injury to one person in any single occurrence is limited to the amount of \$424,000, and for injury to two or more persons in a single occurrence, the limitation is \$1,195,000 with the stated limitation that no person may recover in excess of \$424,000. 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 estimated amount of medical malpractice and other liability was approximately \$7,955,000 and \$7,209,000 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

Changes in the reported liability for the years ended December 31, 2022 and 2021 are as follows:

| | Beginning Balance | Provision and Changes in Estimates | Claims Paid/ Refunded | Ending Balance |
|------|------------------------------|---|--------------------------------------|---------------------------|
| 2021 | \$ 7,360,716 | \$ 1,822,234 | \$ (1,973,752) | \$ 7,209,198 |
| 2022 | \$ 7,209,198 | \$ 1,386,695 | \$ (641,290) | \$ 7,954,603 |

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.

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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. Property coverage is limited to \$750,000 and flood losses to \$100,000,000.

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, 2022 and 2021, the estimated amount of workers’ compensation liability was approximately \$4,483,000 and \$4,188,000, 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, 2022 and 2021 are as follows:

| | Beginning Balance | Provision and Changes in Estimates | Claims Paid/ Refunded | Ending Balance |
|------|------------------------------|---|--------------------------------------|---------------------------|
| 2021 | \$ 4,075,211 | \$ 2,035,213 | \$ (1,922,589) | \$ 4,187,835 |
| 2022 | \$ 4,187,835 | \$ 1,860,112 | \$ (1,564,589) | \$ 4,483,358 |

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

Note 18: Contingencies

Cost Report

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

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.

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 19: Commitments

The Authority entered into multiple construction contracts to remodel existing buildings and to construct new buildings during 2022 and prior. Under these contracts, the Authority has committed to pay contractors approximately \$19,310,000 in future periods.

Note 20: 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, 2022 and 2021 are as follows:

| | December 31, 2022 | | |
|----------------------------|--------------------------|-----------------------|-------------------------|
| | 401(a) | 457(b) | Total |
| Assets | | | |
| Investments, at fair value | \$ 949,018,428 | \$ 310,975,359 | \$ 1,259,993,787 |
| Participant loans | 15,772,954 | 4,232,119 | 20,005,073 |
| Total assets | <u>964,791,382</u> | <u>315,207,478</u> | <u>1,279,998,860</u> |
| Plan net position | <u>\$ 964,791,382</u> | <u>\$ 315,207,478</u> | <u>\$ 1,279,998,860</u> |

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| | December 31, 2021 | | |
|----------------------------|-------------------|----------------|------------------|
| | 401(a) | 457(b) | Total |
| Assets | | | |
| Investments, at fair value | \$ 1,130,118,675 | \$ 356,320,119 | \$ 1,486,438,794 |
| Participant loans | 15,530,528 | 3,934,739 | 19,465,267 |
| | 1,145,649,203 | 360,254,858 | 1,505,904,061 |
| Total assets | | | |
| | 1,145,649,203 | 360,254,858 | 1,505,904,061 |
| Plan net position | \$ 1,145,649,203 | \$ 360,254,858 | \$ 1,505,904,061 |

The combining statements of changes in fiduciary net position for years ended December 31, 2022 and 2021 are as follows:

| | Year Ended December 31, 2022 | | |
|---|------------------------------|----------------|------------------|
| | 401(a) | 457(b) | Total |
| Additions | | | |
| Contributions | | | |
| Participant | \$ 44,613,279 | \$ 40,188,324 | \$ 84,801,603 |
| Employer | 51,540,964 | - | 51,540,964 |
| Rollover | 1,459,877 | 7,873,431 | 9,333,308 |
| | 97,614,120 | 48,061,755 | 145,675,875 |
| Total contributions | | | |
| | 97,614,120 | 48,061,755 | 145,675,875 |
| Investment earnings (losses) | | | |
| Net decrease in fair value of investments | (213,544,555) | (64,081,081) | (277,625,636) |
| Interest, dividends and other | 9,060,237 | 864,465 | 9,924,702 |
| | (204,484,318) | (63,216,616) | (267,700,934) |
| Total investment earnings (losses) | | | |
| | (204,484,318) | (63,216,616) | (267,700,934) |
| Total additions (reductions) | (106,870,198) | (15,154,861) | (122,025,059) |
| | (106,870,198) | (15,154,861) | (122,025,059) |
| Reductions | | | |
| Benefits paid to participants | 72,928,249 | 29,700,291 | 102,628,540 |
| Administrative income | 1,059,375 | 192,227 | 1,251,602 |
| | 73,987,624 | 29,892,518 | 103,880,142 |
| Total reductions | | | |
| | 73,987,624 | 29,892,518 | 103,880,142 |
| Net Decrease in Fiduciary Net Position | (180,857,822) | (45,047,379) | (225,905,201) |
| | (180,857,822) | (45,047,379) | (225,905,201) |
| Net Position, Beginning of Year | 1,145,649,204 | 360,254,857 | 1,505,904,061 |
| | 1,145,649,204 | 360,254,857 | 1,505,904,061 |
| Net Position, End of Year | \$ 964,791,382 | \$ 315,207,478 | \$ 1,279,998,860 |
| | \$ 964,791,382 | \$ 315,207,478 | \$ 1,279,998,860 |

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Notes to Financial Statements

December 31, 2022 and 2021

| | Year Ended December 31, 2021 | | |
|---|------------------------------|-----------------------|-------------------------|
| | 401(a) | 457(b) | Total |
| Additions | | | |
| Contributions | | | |
| Participant | \$ 42,752,268 | \$ 36,472,585 | \$ 79,224,853 |
| Employer | 49,500,950 | - | 49,500,950 |
| Rollover | 2,188,160 | 8,376,058 | 10,564,218 |
| Total contributions | <u>94,441,378</u> | <u>44,848,643</u> | <u>139,290,021</u> |
| Investment earnings | | | |
| Net increase in fair value of investments | 120,289,169 | 35,010,629 | 155,299,798 |
| Interest, dividends and other | 20,274,528 | 9,142,167 | 29,416,695 |
| Total investment earnings | <u>140,563,697</u> | <u>44,152,796</u> | <u>184,716,493</u> |
| Total additions | <u>235,005,075</u> | <u>89,001,439</u> | <u>324,006,514</u> |
| Reductions | | | |
| Benefits paid to participants | 77,746,941 | 27,662,024 | 105,408,965 |
| Administrative income | 962,712 | 180,227 | 1,142,939 |
| Total reductions | <u>78,709,653</u> | <u>27,842,251</u> | <u>106,551,904</u> |
| Net Increase in Fiduciary Net Position | <u>156,295,422</u> | <u>61,159,188</u> | <u>217,454,610</u> |
| Net Position, Beginning of Year | <u>989,353,782</u> | <u>299,095,669</u> | <u>1,288,449,451</u> |
| Net Position, End of Year | <u>\$ 1,145,649,204</u> | <u>\$ 360,254,857</u> | <u>\$ 1,505,904,061</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, 2022 and 2021, the Plans had the following investments and maturities:

| December 31, 2022 | | | | | |
|----------------------------------|-------------------------|-----------------------------|----------------------|----------------------|----------------------|
| 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 | \$ 23,526,109 | \$ 529,337 | \$ 8,925,806 | \$ 9,295,166 | \$ 4,775,800 |
| MetWest Total Return | 21,903,569 | (2,764,279) | 8,646,668 | 9,705,453 | 6,315,727 |
| Wells Fargo Stable Return | 22,923,770 | 3,780,130 | 13,602,965 | 5,318,314 | 222,361 |
| Money market mutual funds | 26,682,008 | 26,682,008 | - | - | - |
| Other | 6,391,440 | 6,391,440 | - | - | - |
| | | <u>\$ 34,618,636</u> | <u>\$ 31,175,439</u> | <u>\$ 24,318,933</u> | <u>\$ 11,313,888</u> |
| Real estate funds | 6,894,587 | | | | |
| Target date portfolios | 825,667,775 | | | | |
| Mutual funds | 326,004,529 | | | | |
| | <u>\$ 1,259,993,787</u> | | | | |
| December 31, 2021 | | | | | |
| 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 | \$ 13,653,910 | \$ 416,444 | \$ 5,991,336 | \$ 4,584,983 | \$ 2,661,147 |
| MetWest Total Return | 36,884,034 | (2,072,883) | 19,345,676 | 14,159,781 | 5,451,460 |
| Wells Fargo Stable Return | 18,750,289 | 3,523,179 | 10,714,478 | 4,422,818 | 89,814 |
| Money market mutual funds | 25,792,942 | 25,792,942 | - | - | - |
| Other | 5,306,207 | 5,306,207 | - | - | - |
| | | <u>\$ 32,965,889</u> | <u>\$ 36,051,490</u> | <u>\$ 23,167,582</u> | <u>\$ 8,202,421</u> |
| Real estate funds | 9,675,486 | | | | |
| Target date portfolios | 970,230,799 | | | | |
| Mutual funds | 406,145,127 | | | | |
| | <u>\$ 1,486,438,794</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, 2022, approximately \$35,633,000, or 2.83%, 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, 2021, approximately \$31,370,000, or 2.08%, of total assets were in U.S. Treasury obligations, corporate bonds and other types 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, 2022 | | | | | | | | |
|-------------------|--------------|---------------|---------------|---------------|------------------|---------------|-------------|-------------|
| | MetWest | | Wells Fargo | | Fidelity Spartan | | Total | |
| | Total Return | | Stable Return | | U.S. Bond Index | | Investments | |
| AAA | 69.33% | \$ 15,185,745 | 62.30% | \$ 14,281,508 | 74.39% | \$ 17,501,072 | \$ | 46,968,325 |
| AA | 6.06% | 1,326,465 | 6.52% | 1,494,630 | 4.37% | 1,028,090 | | 3,849,185 |
| A | 13.33% | 2,919,493 | 15.04% | 3,447,735 | 10.73% | 2,524,352 | | 8,891,580 |
| BBB | 17.33% | 3,795,440 | 10.88% | 2,494,106 | 10.18% | 2,394,958 | | 8,684,504 |
| BB / B | 5.05% | 1,106,130 | 0.05% | 11,462 | 0.00% | - | | 1,117,592 |
| Below B | 3.97% | 870,353 | 0.00% | - | 0.00% | - | | 870,353 |
| Cash and other | -15.07% | (3,300,057) | 5.21% | 1,194,329 | 0.33% | 77,637 | | (2,028,091) |
| Total | 100.00% | \$ 21,903,569 | 100.00% | \$ 22,923,770 | 100.00% | \$ 23,526,109 | \$ | 68,353,448 |

| December 31, 2021 | | | | | | | | |
|-------------------|--------------|---------------|---------------|---------------|------------------|---------------|-------------|-------------|
| | MetWest | | Wells Fargo | | Fidelity Spartan | | Total | |
| | Total Return | | Stable Return | | U.S. Bond Index | | Investments | |
| AAA | 71.95% | \$ 26,534,374 | 72.17% | \$ 13,532,084 | 60.58% | \$ 8,272,904 | \$ | 48,339,362 |
| AA | 4.34% | 1,600,767 | 4.72% | 885,014 | 7.72% | 1,054,082 | | 3,539,863 |
| A | 10.45% | 3,854,382 | 11.44% | 2,145,033 | 13.88% | 1,895,163 | | 7,894,578 |
| BBB | 14.52% | 5,355,562 | 10.52% | 1,972,530 | 10.25% | 1,399,526 | | 8,727,618 |
| BB / B | 3.37% | 1,242,992 | 0.09% | 16,875 | 0.18% | 24,577 | | 1,284,444 |
| Below B | 3.20% | 1,180,289 | 0.00% | - | 0.00% | - | | 1,180,289 |
| Cash and other | -7.83% | (2,884,332) | 1.06% | 198,753 | 7.39% | 1,007,658 | | (1,677,921) |
| Total | 100.00% | \$ 36,884,034 | 100.00% | \$ 18,750,289 | 100.00% | \$ 13,653,910 | \$ | 69,288,233 |

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, 2022 and 2021.

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.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

The Plans exposure to foreign currency risk is limited to three mutual funds that invest in international equities for a total of approximately \$54,709,000, or 4.27%, of total assets at December 31, 2022, and \$61,625,000, or 4.08%, of total assets at December 31, 2021.

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, 2022 and 2021:

| | 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, 2022 | | | | |
| Investments - Mutual Funds | | | | |
| Fixed Income | \$ 68,353,448 | \$ 68,353,448 | \$ - | \$ - |
| Money Market | 26,682,008 | 26,682,008 | - | - |
| Equity and Target Date Portfolio | 1,164,958,331 | 1,164,958,331 | - | - |
| Total investments | <u>\$ 1,259,993,787</u> | <u>\$ 1,259,993,787</u> | <u>\$ -</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, 2021 | | | | |
| Investments - Mutual Funds | | | | |
| Fixed Income | \$ 69,288,233 | \$ 69,288,233 | \$ - | \$ - |
| Money Market | 25,792,942 | 25,792,942 | - | - |
| Equity and Target Date Portfolio | 1,391,357,619 | 1,391,357,619 | - | - |
| Total investments | <u>\$ 1,486,438,794</u> | <u>\$ 1,486,438,794</u> | <u>\$ -</u> | <u>\$ -</u> |

Investments

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

Denver Health and Hospital Authority
Notes to Financial Statements
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valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 21: Condensed Combining Financial Information

The following tables include condensed combining statements of net position information for the Authority and its blended component units as of December 31, 2022 and 2021.

| | December 31, 2022 | | | |
|---|-------------------------|-----------------------|----------------------|-------------------------|
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Condensed Statement of Net Position | | | | |
| Current assets | \$ 250,165,717 | \$ (1,259,085) | \$ 2,865,591 | \$ 251,772,223 |
| Noncurrent Assets | | | | |
| Capital and leased assets, net of accumulated depreciation and amortization | 614,558,177 | - | 26,082,799 | 640,640,976 |
| Other long-term assets | 305,575,978 | - | 3,683 | 305,579,661 |
| Total noncurrent assets | 920,134,155 | - | 26,086,482 | 946,220,637 |
| Total assets | 1,170,299,872 | (1,259,085) | 28,952,073 | 1,197,992,860 |
| Deferred Outflows of Resources | 22,080,734 | - | - | 22,080,734 |
| Total assets and deferred outflows of resources | <u>\$ 1,192,380,606</u> | <u>\$ (1,259,085)</u> | <u>\$ 28,952,073</u> | <u>\$ 1,220,073,594</u> |
| Liabilities | | | | |
| Current liabilities | \$ 184,653,240 | \$ (92,838) | \$ 874,967 | \$ 185,435,369 |
| Long-term liabilities | 368,671,853 | - | 37,992,165 | 406,664,018 |
| Total liabilities | 553,325,093 | (92,838) | 38,867,132 | 592,099,387 |
| Deferred Inflows of Resources | 22,904,724 | - | - | 22,904,724 |
| Total liabilities and deferred inflows of resources | 576,229,817 | (92,838) | 38,867,132 | 615,004,111 |
| Net Position | | | | |
| Net investment in capital and leased assets | 301,179,213 | - | - | 301,179,213 |
| Unrestricted | 314,971,576 | (1,166,247) | (9,915,059) | 303,890,270 |
| Total net position | 616,150,789 | (1,166,247) | (9,915,059) | 605,069,483 |
| Total liabilities and net position | <u>\$ 1,192,380,606</u> | <u>\$ (1,259,085)</u> | <u>\$ 28,952,073</u> | <u>\$ 1,220,073,594</u> |

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2022 and 2021

| | December 31, 2021 * | | | |
|---|----------------------------|-----------------------|---------------------------|-------------------------|
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Condensed Statement of Net Position | | | | |
| Current assets | \$ 227,661,106 | \$ (1,124,313) | \$ 2,856,187 | \$ 229,392,980 |
| Noncurrent Assets | | | | |
| Capital and leased assets, net of accumulated depreciation and amortization | 656,930,788 | - | 27,244,979 | 684,175,767 |
| Other long-term assets | 398,814,564 | - | 3,070 | 398,817,634 |
| Total noncurrent assets | 1,055,745,352 | - | 27,248,049 | 1,082,993,401 |
| Total assets | 1,283,406,458 | (1,124,313) | 30,104,236 | 1,312,386,381 |
| Deferred Outflows of Resources | | | | |
| | 25,833,140 | - | - | 25,833,140 |
| Total assets and deferred outflows of resources | <u>\$ 1,309,239,598</u> | <u>\$ (1,124,313)</u> | <u>\$ 30,104,236</u> | <u>\$ 1,338,219,521</u> |
| Liabilities | | | | |
| Current liabilities | \$ 188,860,534 | \$ 134,114 | \$ 842,863 | \$ 189,837,511 |
| Long-term liabilities | 420,483,041 | - | 38,821,479 | 459,304,520 |
| Total liabilities | 609,343,575 | 134,114 | 39,664,342 | 649,142,031 |
| Deferred Inflows of Resources | | | | |
| | 27,368,240 | - | - | 27,368,240 |
| Total liabilities and deferred inflows of resources | 636,711,815 | 134,114 | 39,664,342 | 676,510,271 |
| Net Position | | | | |
| Net investment in capital and leased assets | 327,650,489 | - | - | 327,650,489 |
| Unrestricted | 344,877,294 | (1,258,427) | (9,560,106) | 334,058,761 |
| Total net position | 672,527,783 | (1,258,427) | (9,560,106) | 661,709,250 |
| Total liabilities and net position | <u>\$ 1,309,239,598</u> | <u>\$ (1,124,313)</u> | <u>\$ 30,104,236</u> | <u>\$ 1,338,219,521</u> |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021.

| | Year Ended December 31, 2022 | | | |
|--|------------------------------|-----------------------|-----------------------|-----------------------|
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Operating Revenues | | | | |
| Net patient service revenue | \$ 901,027,279 | \$ - | \$ - | \$ 901,027,279 |
| Capitation earned net of reinsurance expense | 2,502,535 | - | - | 2,502,535 |
| Medicaid disproportionate share and other safety net reimbursement | 148,120,716 | - | - | 148,120,716 |
| City and County of Denver payment for patient care services | 29,700,000 | - | - | 29,700,000 |
| Federal, state and other grants | 99,509,389 | - | - | 99,509,389 |
| City and County of Denver purchased services | 30,007,576 | - | - | 30,007,576 |
| Poison and drug center contracts | 20,478,071 | - | - | 20,478,071 |
| Other operating revenue | 52,277,355 | 137,147 | - | 52,414,502 |
| Total operating revenues | <u>1,283,622,921</u> | <u>137,147</u> | <u>-</u> | <u>1,283,760,068</u> |
| Operating Expenses | | | | |
| Salaries and benefits | 773,970,366 | - | - | 773,970,366 |
| Contracted services and nonmedical supplies | 276,516,479 | 44,967 | (2,469,350) | 274,092,096 |
| Medical supplies and pharmaceuticals | 194,269,667 | - | - | 194,269,667 |
| Depreciation and amortization | 64,044,144 | - | 1,162,180 | 65,206,324 |
| Total operating expenses | <u>1,308,800,656</u> | <u>44,967</u> | <u>(1,307,170)</u> | <u>1,307,538,453</u> |
| Operating income (loss) | <u>(25,177,735)</u> | <u>92,180</u> | <u>1,307,170</u> | <u>(23,778,385)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Decrease in equity in joint venture | (62,454) | - | - | (62,454) |
| Nonoperating grant revenue (CARES Act/FEMA) | 6,089,020 | - | - | 6,089,020 |
| Interest income | 10,187,584 | - | 10,017 | 10,197,601 |
| Interest expense | (12,339,023) | - | (1,672,140) | (14,011,163) |
| Net decrease in fair value of investments | (36,563,351) | - | - | (36,563,351) |
| Gain on disposition of capital assets | 3,734 | - | - | 3,734 |
| Total nonoperating revenues (expenses) | <u>(32,684,490)</u> | <u>-</u> | <u>(1,662,123)</u> | <u>(34,346,613)</u> |
| Income (loss) before capital contributions | <u>(57,862,225)</u> | <u>92,180</u> | <u>(354,953)</u> | <u>(58,124,998)</u> |
| Contributions Restricted for Capital Assets | <u>1,485,231</u> | <u>-</u> | <u>-</u> | <u>1,485,231</u> |
| Increase (decrease) in net position | <u>(56,376,994)</u> | <u>92,180</u> | <u>(354,953)</u> | <u>(56,639,767)</u> |
| Total Net Position, Beginning of Year | <u>672,527,783</u> | <u>(1,258,427)</u> | <u>(9,560,106)</u> | <u>661,709,250</u> |
| Total Net Position, End of Year | <u>\$ 616,150,789</u> | <u>\$ (1,166,247)</u> | <u>\$ (9,915,059)</u> | <u>\$ 605,069,483</u> |

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

| | Year Ended December 31, 2021 * | | | |
|--|--------------------------------|-----------------------|-----------------------|-----------------------|
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Operating Revenues | | | | |
| Net patient service revenue | \$ 866,349,897 | \$ - | \$ - | \$ 866,349,897 |
| Capitation earned net of reinsurance expense | 10,600,000 | - | - | 10,600,000 |
| Medicaid disproportionate share and other safety net reimbursement | 123,810,297 | - | - | 123,810,297 |
| City and County of Denver payment for patient care services | 27,700,002 | - | - | 27,700,002 |
| Federal, state and other grants | 87,345,995 | - | - | 87,345,995 |
| City and County of Denver purchased services | 27,158,245 | - | - | 27,158,245 |
| Poison and drug center contracts | 20,009,515 | - | - | 20,009,515 |
| Other operating revenue | 57,022,472 | - | - | 57,022,472 |
| Total operating revenues | <u>1,219,996,423</u> | <u>-</u> | <u>-</u> | <u>1,219,996,423</u> |
| Operating Expenses | | | | |
| Salaries and benefits | 746,896,687 | - | - | 746,896,687 |
| Contracted services and nonmedical supplies | 243,345,690 | 584,025 | (2,467,345) | 241,462,370 |
| Medical supplies and pharmaceuticals | 175,826,200 | - | - | 175,826,200 |
| Depreciation and amortization | 63,836,589 | - | 1,162,183 | 64,998,772 |
| Total operating expenses | <u>1,229,905,166</u> | <u>584,025</u> | <u>(1,305,162)</u> | <u>1,229,184,029</u> |
| Operating income (loss) | <u>(9,908,743)</u> | <u>(584,025)</u> | <u>1,305,162</u> | <u>(9,187,606)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Decrease in equity in joint venture | (955,533) | - | - | (955,533) |
| Nonoperating grant revenue (CARES Act/FEMA) | 20,408,273 | - | - | 20,408,273 |
| Interest income | 15,570,744 | - | 173 | 15,570,917 |
| Interest expense | (12,185,435) | - | (1,705,282) | (13,890,717) |
| Gain on dissolution of Southwest, Inc. | 4,982,853 | - | - | 4,982,853 |
| Net decrease in fair value of investments | (7,016,141) | - | - | (7,016,141) |
| Loss on disposition of capital assets | (4,166) | - | - | (4,166) |
| Total nonoperating revenues (expenses) | <u>20,800,595</u> | <u>-</u> | <u>(1,705,109)</u> | <u>19,095,486</u> |
| Income (loss) before capital contributions | <u>10,891,852</u> | <u>(584,025)</u> | <u>(399,947)</u> | <u>9,907,880</u> |
| Contributions Restricted for Capital Assets | <u>4,388,096</u> | <u>-</u> | <u>-</u> | <u>4,388,096</u> |
| Increase (decrease) in net position | <u>15,279,948</u> | <u>(584,025)</u> | <u>(399,947)</u> | <u>14,295,976</u> |
| Total Net Position, Beginning of Year | <u>657,247,835</u> | <u>(674,402)</u> | <u>(9,160,159)</u> | <u>647,413,274</u> |
| Total Net Position, End of Year | <u>\$ 672,527,783</u> | <u>\$ (1,258,427)</u> | <u>\$ (9,560,106)</u> | <u>\$ 661,709,250</u> |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021.

| | Year Ended December 31, 2022 | | | |
|---|--------------------------------|-------------------|----------------|----------------------|
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Condensed Statement of Cash Flows | | | | |
| Net cash used in operating activities | \$ (4,519,289) | \$ (134,734) | \$ - | \$ (4,654,023) |
| Net cash used in capital and related financing activities | (47,659,278) | - | - | (47,659,278) |
| Net cash provided by investing activities | 63,408,283 | - | - | 63,408,283 |
| Net increase (decrease) in cash and cash equivalents | 11,229,716 | (134,734) | - | 11,094,982 |
| Cash and Cash Equivalents, Beginning of Year | 34,272,750 | 491,402 | - | 34,764,152 |
| Cash and Cash Equivalents, End of Year | <u>\$ 45,502,466</u> | <u>\$ 356,668</u> | <u>\$ -</u> | <u>\$ 45,859,134</u> |
| | | | | |
| | Year Ended December 31, 2021 * | | | |
| | Total Authority | CCPPS | 550 Acoma Inc. | Total |
| Condensed Statement of Cash Flows | | | | |
| Net cash provided by (used in) operating activities | \$ 12,447,256 | \$ (115,480) | \$ - | \$ 12,331,776 |
| Net cash used in capital and related financing activities | (81,624,378) | - | - | (81,624,378) |
| Net cash provided by investing activities | 32,816,728 | - | - | 32,816,728 |
| Net decrease in cash and cash equivalents | (36,360,394) | (115,480) | - | (36,475,874) |
| Cash and Cash Equivalents, Beginning of Year | 70,633,144 | 606,882 | - | 71,240,026 |
| Cash and Cash Equivalents, End of Year | <u>\$ 34,272,750</u> | <u>\$ 491,402</u> | <u>\$ -</u> | <u>\$ 34,764,152</u> |

* Restated for Implementation of GASB 87

Note 22: Subsequent Events

Subsequent events have been evaluated through April 4, 2023, 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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|----------------|----------------|----------------|----------------|---------------|
| Authority's proportion of the net pension liability | | 3.85% | 4.41% | 4.94% | 7.67% | 9.00% | 9.84% | 10.17% |
| Authority's proportionate share of the net pension liability | \$ 52,303,284 | \$ 68,575,108 | \$ 71,839,623 | \$ 115,717,505 | \$ 105,588,100 | \$ 120,035,324 | \$ 119,914,669 | \$ 94,527,507 |
| Authority's covered payroll | 23,106,406 | 23,713,746 | 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 as a percentage of its covered payroll | 226.36% | 289.18% | 242.17% | 361.96% | 307.80% | 308.49% | 224.98% | 224.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.25% | 60.32% | 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 7.25% for 2021 and 2020, 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 RBA

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 3,971,698 | \$ 4,275,913 | \$ 4,663,901 | \$ 4,318,106 | \$ 6,392,749 | \$ 6,482,903 | \$ 6,778,008 | \$ 6,471,773 |
| Contributions in relation to the contractually required contribution | 3,971,698 | 4,275,913 | 4,701,940 | 4,318,106 | 6,392,749 | 6,482,903 | 6,778,008 | 6,471,773 |
| Contribution deficiency (excess) | - | - | (38,039) | - | - | - | - | - |
| Authority's covered-employee payroll | 22,767,248 | 23,106,406 | 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 | 17.44% | 18.51% | 19.83% | 14.56% | 20.00% | 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, 2022) in accordance with GASB 68.

Denver Health and Hospital Authority

Schedules of Required Supplementary Information

Schedule of the Authority's Pension Contributions – DERP RBA

| | | |
|--------------------------------|---|---|
| Funding Valuation Date | January 1, 2021 | January 1, 2020 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | UAL amortized over a closed 20- year period | UAL amortized over a closed 20- year period |
| Remaining Amortization Period | 20 years | 20 years |
| Asset Valuation Method | Market Value of asset less unrecognized investment gains or losses from the prior five years | Market Value of asset less unrecognized investment gains or losses from the prior five years |
| Inflation | 2.50% | 2.50% |
| Salary Increase | 3.00% plus merit component based on years of service. | 3.00% plus merit component based on years of service. |
| Investment Rate of Return | 7.25% | 7.25% |
| 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. | 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 multiplycate of 110% male and 105% female. | RP-2014 Combined Mortality Table (gener-specific) projected with the Ultimate MP Scale with a multiplycate of 110% male and 105% female. |
| Other information | | |
| Notes | There were no benefit changes during the year. | There were no benefit changes during the year. Discount Rate was lowered from 7.5% to 7.25% |
| | 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]. | 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]. |
| Funding Valuation Date | January 1, 2019 | January 1, 2018 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | UAL amortized over a closed 20- year period | Level Percentage of Payroll, Annually Established 30-Year Close Basis |
| Remaining Amortization Period | 20 years | Approximately 27 years |
| Asset Valuation Method | Market Value of asset less unrecognized investment gains or losses from the prior five years | Smoothed market |
| Inflation | 2.50% | 2.50% |
| Salary Increase | 3.00% plus merit component based on years of service. | 3.00% to 7.25% |
| Investment Rate of Return | 7.50% | 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. | Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012. |
| Mortality | RP-2014 Combined Mortality Table (gener-specific) projected with the Ultimate MP Scale with a multiplycate of 110% male and 105% female. | RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee. |
| Other information | | |
| Notes | There were no benefit changes during the year. As of October 1, 2017, the valuation interest rate was lowered from 7.75% to 7.50%. | 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]. | 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 Pension Contributions – DERP RBA

| | | |
|--------------------------------|---|--|
| Funding Valuation Date | January 1, 2017 | January 1, 2016 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Annually Established 30-Year Close Basis | Level Percentage of Payroll, Annually Established 30-Year Close Basis |
| Remaining Amortization Period | Approximately 27 years | Approximately 27 years |
| Asset Valuation Method | Smoothed market | Smoothed market |
| Inflation | 2.50% | 2.50% |
| Salary Increase | 3.00% to 7.25% | 3.25% to 7.25% |
| Investment Rate of Return | 7.50% | 7.75% |
| Retirement Age | Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012. | Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012. |
| Mortality | RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee. | RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee. |
| Other information | | |
| Notes | There were no benefit changes during the year. As of October 1, 2017, the valuation interest rate was lowered from 7.75% to 7.50%. The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At that time, the recommended mortality table was expected to product a margin of 8% on the retired male mortality experience and 7% on the retired female experience [Denver Employees Retirement Plan 2013 Actuarial Experience Study for the year ended December 31, 2012 Page 24, 25]. | There were no benefit changes during the year. As of October 1, 2015, the valuation interest rate was lowered from 8.00% to 7.75%. The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At that time, the recommended mortality table was expected to product a margin of 8% on the retired male mortality experience and 7% on the retired female experience [Denver Employees Retirement Plan 2013 Actuarial Experience Study for the period ended December 31, 2012 Page 24 25]. |
| Funding Valuation Date | January 1, 2015 | January 1, 2014 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Annually Established 30-Year Close Basis | Level Percentage of Payroll, Annually Established 30-Year Close Basis |
| Remaining Amortization Period | Approximately 28 years | Approximately 29 years |
| Asset Valuation Method | Smoothed market | Smoothed market |
| Inflation | 2.75% | 2.75% |
| Salary Increase | 3.25% to 7.25% | 3.25% to 7.25% |
| Investment Rate of Return | 7.75% | 8.00% |
| Retirement Age | Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012. | Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012. |
| Mortality | RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee. | RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee. |
| Other information | | |
| Notes | There were no benefit changes during the year. As of October, 1, 2015, the valuation interest rate was lowered from 8% to 7.75%. The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At that time, the recommended mortality table was expected to product a margin of 8% on the retired male mortality experience and 7% on the retired female experience [Denver Employees Retirement Plan 2013 Actuarial Experience Study for the period ended December 31, 2012 Page 24 25]. | There were no benefit changes during the year. The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At that time, the recommended mortality table was expected to product a margin of 8% on the retired male mortality experience and 7% on the retired female experience [Denver Employees Retirement Plan 2013 Actuarial Experience Study for the period ended December 31, 2012 Page 24 25]. |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|
| Authority's proportion of the net OPEB liability | 3.88% | 4.30% | 4.62% | 5.70% | 6.33% |
| Authority's proportionate share of the net OPEB liability | \$ 3,337,059 | \$ 4,147,787 | \$ 4,540,571 | \$ 5,959,778 | \$ 5,816,322 |
| Authority's covered payroll | \$ 23,106,406 | \$ 23,713,746 | \$ 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 | 14.44% | 17.49% | 15.31% | 18.64% | 16.95% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 49.63% | 43.59% | 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, 2021) 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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contribution | \$ 199,990 | \$ 222,557 | \$ 293,191 | \$ 234,744 | \$ 289,933 |
| Contributions in relation to the statutorily required contribution | \$ 199,990 | \$ 222,557 | \$ 255,563 | \$ 234,744 | \$ 289,933 |
| Contribution deficiency | \$ - | \$ - | \$ 37,628 | \$ - | \$ - |
| Authority's covered payroll | \$ 22,767,248 | \$ 23,106,406 | \$ 23,713,746 | \$ 29,664,541 | \$ 31,969,649 |
| Contributions as a percentage of covered payroll | 0.88% | 0.96% | 1.08% | 0.79% | 0.91% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's most recent fiscal year-end (December 31, 2022) in accordance with GASB 75.

| | | |
|--------------------------------|---|--|
| Funding Valuation Date | January 1, 2021 | January 1, 2020 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Asset Valuation Method | The market value of assets less any unrecognized investment gains or losses from the prior five years (with 20% of each year's gains/losses recognized annually). In the initial year, only the unrecognized loss from the prior year (2018) is reflected. In prior years, the asset valuation method was a smoothed market value. As of the 2019 actuarial valuation, the UAL as of January 1, 2019 is amortized over a closed 20-year period as a level percentage of payroll, with future changes in the UAL amortized over a new closed 20-year layers. In prior years, the ADC was determined using fixed 30-year layers. | The market value of assets less any unrecognized investment gains or losses from the prior five years (with 20% of each year's gains/losses recognized annually). In the initial year, only the unrecognized loss from the prior year (2018) is reflected. In prior years, the asset valuation method was a smoothed market value. As of the 2019 actuarial valuation, the UAL as of January 1, 2019 is amortized over a closed 20-year period as a level percentage of payroll, with future changes in the UAL amortized over a new closed 20-year layers. In prior years, the ADC was determined using fixed 30-year layers. |
| Amortization Method | 7.25% | 7.25% |
| Investment Rate of Return | 3.00% | 3.00% |
| Amortization Growth Rate | 2.50% | 2.50% |
| Inflation | 3.00% plus merit component based on years of service. | 3.00% plus merit component based on years of service. |
| Salary Increase | Adjusted RP-2014 Mortality Tables, with generational projections using Ultimate MP Scale (changed in 2018 from RP-2000 Combined Mortality Projected with Scale AA to 2020). | Adjusted RP-2014 Mortality Tables, with generational projections using Ultimate MP Scale (changed in 2018 from RP-2000 Combined Mortality Projected with Scale AA to 2020). |
| Mortality | | |
| Funding Valuation Date | January 1, 2019 | January 1, 2018 |
| Notes | Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year. | 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 | | |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Asset Valuation Method | In the 2019 actuarial valuation, the asset valuation method was changed to the market value of assets less any unrecognized investment gains or losses from the prior five years (with 20% of each year's gains/losses recognized annually). In the initial year, only the unrecognized loss from the prior year (2018) is reflected. In prior years, the asset valuation method was a smoothed market value. As of the 2019 actuarial valuation, the UAL as of January 1, 2019 is amortized over a closed 20-year period as a level percentage of payroll, with future changes in the UAL amortized over a new closed 20-year layers. In prior years, the ADC was determined using fixed 30-year layers. | Smoothed market value Fixed 30-Year closed periods as of January 1, 2013; level percentage of payroll |
| Amortization Method | 7.50% | 7.50% |
| Investment Rate of Return | 3.00% | 3.00% |
| Amortization Growth Rate | 2.50% | 2.50% |
| Inflation | 3.00% plus merit component based on years of service. | 3.00% plus merit component based on years of service. |
| Salary Increase | Adjusted RP-2014 Mortality Tables, with generational projections using Ultimate MP Scale (changed in 2018 from RP-2000 Combined Mortality Projected with Scale AA to 2020). | RP-2014 Combined Mortality Table (gender specific) projected with the Ultimate MP Scale with a multiplier of 110% male and 105% female. |
| Mortality | | |

Denver Health and Hospital Authority

Schedules of Required Supplementary Information

Schedule of the Authority's OPEB Contributions – DERP

Last Ten Fiscal Years

| | |
|--------------------------------|---|
| Funding Valuation Date | January 1, 2017 |
| 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 | |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Smoothed market value |
| Amortization Method | Fixed 30-Year closed periods as of January 1, 2013; level percentage of payroll |
| Investment Rate of Return | 7.50% |
| Amortization Growth Rate | 3.00% |
| Inflation | 2.50% |
| Salary Increase | 3.00% plus merit component based on years of service. |
| Mortality | RP-2000 Combined Healthy Mortality Projected with Scale AA to 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 RBA
Last Ten Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018 *</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 53,350 | \$ 48,281 | \$ 24,466 | \$ 35,474 |
| Interest | 159,449 | 173,792 | 240,039 | 219,101 |
| Differences between expected and actual experience | 1,321,090 | 1,040,488 | 91,211 | - |
| Changes of assumptions or other inputs | 40,375 | 330,597 | 561,579 | (276,108) |
| Benefit payments | <u>(417,029)</u> | <u>(416,924)</u> | <u>(463,231)</u> | <u>(512,312)</u> |
| Net Change in Total Pension Liability | 1,157,235 | 1,176,234 | 454,064 | (533,845) |
| Authority's Total Pension Liability - Beginning | <u>7,702,075</u> | <u>6,525,841</u> | <u>6,071,777</u> | <u>6,605,622</u> |
| Authority's Total Pension Liability - Ending | <u>\$ 8,859,310</u> | <u>\$ 7,702,075</u> | <u>\$ 6,525,841</u> | <u>\$ 6,071,777</u> |
| Covered Payroll | \$ 25,200,000 | \$ 33,055,269 | \$ 38,231,689 | \$ 57,501,912 |
| Authority's Total Pension Liability as a Percentage of Covered Payroll | 35.20% | 23.30% | 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, to 2.12% for 2020, and 2.06% for 2021.

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, 2021) 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, 2022

| | The Authority | | | | | | Total |
|--|------------------------------|---------------------|----------------------|----------------------|-------------------------|-----------------------|-------------------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | CCPPS | |
| Assets and Deferred Outflows of Resources | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | \$ 45,503,528 | - | - | - | \$ 45,502,466 | \$ 356,668 | - |
| Patient accounts receivable, net | 101,222,178 | - | - | - | 101,222,178 | - | - |
| Due from other governmental entities | 10,975,114 | - | - | 31,753,466 | 42,728,580 | - | - |
| Due from City and County of Denver | 3,765,396 | 1,878,923 | 40,375 | 14,326 | 5,699,020 | - | - |
| Other receivables | 6,369,170 | 68,567 | 2,552,884 | (1,455,621) | 7,535,000 | (37) | - |
| Interest receivable | 1,503,291 | - | - | - | 1,503,291 | - | - |
| Due from (to) other funds and investment in discretely presented component units | 1,944,786 | (1,425,614) | 28,796,462 | (19,744,438) | 9,571,196 | (1,615,716) | 2,865,591 |
| Inventories | 18,903,095 | - | - | - | 18,903,095 | - | - |
| Prepaid expenses and other assets | 16,810,242 | - | 637,233 | 53,416 | 17,500,891 | - | - |
| Total current assets | <u>206,996,800</u> | <u>521,876</u> | <u>32,026,954</u> | <u>10,620,087</u> | <u>250,165,717</u> | <u>(1,259,085)</u> | <u>2,865,591</u> |
| Noncurrent Assets | | | | | | | |
| Notes receivable | 14,957,348 | - | - | - | 14,957,348 | - | - |
| Estimated third-party payor settlements receivable | 3,865,767 | - | - | - | 3,865,767 | - | - |
| Equity interest in joint venture | 586,958 | - | - | - | 586,958 | - | - |
| Restricted investments | 19,340,384 | - | - | - | 19,340,384 | - | 3,683 |
| Capital and leased assets, net of accumulated depreciation and amortization | 614,257,503 | 329,064 | - | (28,390) | 614,558,177 | - | 26,082,799 |
| Long-term investments | 254,290,496 | - | - | - | 254,290,496 | - | - |
| Board-designated investments | 1,800,001 | - | - | - | 1,800,001 | - | - |
| Other long-term assets | 9,528,856 | 1,206,168 | - | - | 10,735,024 | - | - |
| Total noncurrent assets | <u>918,627,313</u> | <u>1,535,232</u> | <u>-</u> | <u>(28,390)</u> | <u>920,134,155</u> | <u>-</u> | <u>26,086,482</u> |
| Total assets | <u>1,125,624,113</u> | <u>2,057,108</u> | <u>32,026,954</u> | <u>10,591,697</u> | <u>1,170,299,872</u> | <u>(1,259,085)</u> | <u>28,952,073</u> |
| Deferred Outflows of Resources | | | | | | | |
| Deferred outflows of resources related to pension benefits | 8,564,580 | - | - | - | 8,564,580 | - | - |
| Deferred outflows of resources related to other postemployment benefits | 304,595 | - | - | - | 304,595 | - | - |
| Loss on refunding of debt | 13,211,559 | - | - | - | 13,211,559 | - | - |
| Total deferred outflows of resources | <u>22,080,734</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,080,734</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,147,704,847</u> | <u>\$ 2,057,108</u> | <u>\$ 32,026,954</u> | <u>\$ 10,591,697</u> | <u>\$ 1,192,380,606</u> | <u>\$ (1,259,085)</u> | <u>\$ 28,952,073</u> |
| | | | | | | | <u>\$ 1,220,073,594</u> |

Denver Health and Hospital Authority

Consolidating Schedule – Statement of Net Position Information

December 31, 2022

| The Authority | | | | | | |
|--|---------------------------------------|---------------------|----------------------|----------------------|-------------------------|-------------------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | Total |
| | | | | | CCPPS | 550 Acoma Inc. |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | | | |
| Current Liabilities | | | | | | |
| Current maturities of bonds payable | \$ 11,909,999 | - | - | - | \$ 11,909,999 | \$ 12,639,999 |
| Current maturities of leases | 4,196,919 | - | - | - | 4,196,919 | 4,196,919 |
| Current maturities of notes payable | 1,321,757 | - | - | - | 1,321,757 | 1,321,757 |
| Medical malpractice liability | 8,204,603 | - | - | - | 8,204,603 | 8,204,603 |
| Accounts payable and accrued expenses | 45,987,079 | (13,290) | 2,070,565 | 17,760 | 48,062,114 | 48,114,243 |
| Accrued salaries, wages and employee benefits | 34,649,173 | - | - | - | 34,649,173 | 34,649,173 |
| Accrued compensated absences | 40,923,538 | - | - | - | 40,923,538 | 40,923,538 |
| Unearned revenue | 30,350,317 | - | 993,931 | 3,840,889 | 35,385,137 | 35,385,137 |
| Total current liabilities | 177,743,385 | (13,290) | 3,064,496 | 3,858,649 | 184,653,240 | 185,435,369 |
| Long-term Liabilities | | | | | | |
| Long-term portion of liability for estimated third-party settlements | 6,496,967 | - | - | - | 6,496,967 | 6,496,967 |
| Long-term portion of compensated absences | 116,077 | - | - | - | 116,077 | 116,077 |
| Bonds payable, less current maturities | 270,031,630 | - | - | - | 270,031,630 | 270,031,630 |
| Lease liability, less current maturities | 21,170,179 | - | - | - | 21,170,179 | 21,170,179 |
| Notes payable, less current maturities | 6,357,347 | - | - | - | 6,357,347 | 44,349,512 |
| Net pension liability | 61,162,594 | - | - | - | 61,162,594 | 61,162,594 |
| Postemployment benefits | 3,337,059 | - | - | - | 3,337,059 | 3,337,059 |
| Total long-term liabilities | 368,671,853 | - | - | - | 368,671,853 | 406,664,018 |
| Total liabilities | 546,415,238 | (13,290) | 3,064,496 | 3,858,649 | 553,325,093 | 592,099,387 |
| Deferred Inflows of Resources | | | | | | |
| Deferred inflows of resources related to pension benefits | 15,349,458 | - | - | - | 15,349,458 | 15,349,458 |
| Deferred inflows of resources related to other postemployment benefits | 895,145 | - | - | - | 895,145 | 895,145 |
| Deferred inflows of resources related to leases | 6,660,121 | - | - | - | 6,660,121 | 6,660,121 |
| Total deferred inflows of resources | 22,904,724 | - | - | - | 22,904,724 | 22,904,724 |
| Total liabilities and deferred inflows of resources | 569,319,962 | (13,290) | 3,064,496 | 3,858,649 | 576,229,817 | 615,004,111 |
| Net Position | | | | | | |
| Net investment in capital and leased assets | 300,878,539 | 329,064 | - | (28,390) | 301,179,213 | 301,179,213 |
| Unrestricted | 277,506,346 | 1,741,334 | 28,962,458 | 6,761,438 | 314,971,576 | 303,890,270 |
| Total net position | 578,384,885 | 2,070,398 | 28,962,458 | 6,733,048 | 616,150,789 | 605,069,483 |
| Total liabilities, deferred inflows of resources and net position | \$ 1,147,704,847 | \$ 2,057,108 | \$ 32,026,954 | \$ 10,591,697 | \$ 1,192,380,606 | \$ 1,220,073,594 |

Denver Health and Hospital Authority

Consolidating Schedule – Statement of Net Position Information

December 31, 2021 *

| | The Authority | | | | | | Total |
|---|------------------------------|--------------|---------------|-----------------|------------------|----------------|------------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | CCPPS | |
| Assets and Deferred Outflows of Resources | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | \$ 34,273,812 | - | - | - | \$ 34,273,750 | \$ 491,402 | - |
| Patient accounts receivable, net | 85,793,299 | - | - | (1,062) | 85,793,299 | - | - |
| Due from other governmental entities | 16,050,070 | - | - | 23,288,432 | 39,338,502 | - | - |
| Due from City and County of Denver | 8,796,480 | 1,761,593 | 8,075 | - | 10,566,148 | - | - |
| Other receivables | 6,199,633 | 42,312 | 4,576,339 | 3,828,567 | 14,646,851 | - | - |
| Interest receivable | 1,486,244 | - | - | - | 1,486,244 | - | - |
| Due from (to) and investment in discretely presented component units | (2,695,303) | (1,498,074) | 26,215,940 | (15,951,009) | 6,071,554 | (1,615,715) | 2,856,187 |
| Inventories | 16,672,270 | - | - | 36,758 | 16,672,270 | - | - |
| Prepaid expenses and other assets | 18,373,281 | - | 403,449 | - | 18,813,488 | - | - |
| Total current assets | 184,949,786 | 305,831 | 31,203,803 | 11,201,686 | 227,661,106 | (1,124,313) | 2,856,187 |
| Noncurrent Assets | | | | | | | |
| Notes receivable | 14,957,348 | - | - | - | 14,957,348 | - | - |
| Estimated third-party payor settlements receivable | 5,339,026 | - | - | - | 5,339,026 | - | - |
| Equity interest in joint venture | 1,269,500 | - | - | - | 1,269,500 | - | - |
| Restricted investments | 19,295,940 | - | - | - | 19,295,940 | - | 3,070 |
| Capital and leased assets, net of accumulated depreciation and amortization | 656,414,615 | 516,173 | - | - | 656,930,788 | - | 27,244,979 |
| Long-term investments | 335,726,635 | - | - | - | 335,726,635 | - | - |
| Board-designated investments | 10,200,000 | - | - | - | 10,200,000 | - | - |
| Other long-term assets | 10,818,304 | 1,207,811 | - | - | 12,026,115 | - | - |
| Total noncurrent assets | 1,054,021,368 | 1,723,984 | - | - | 1,055,745,352 | - | 27,248,049 |
| Total assets | 1,238,971,154 | 2,029,815 | 31,203,803 | 11,201,686 | 1,283,406,458 | (1,124,313) | 30,104,236 |
| Deferred Outflows of Resources | | | | | | | |
| Deferred outflows of resources related to pension benefits | 10,799,589 | - | - | - | 10,799,589 | - | - |
| Deferred outflows of resources related to other postemployment benefits | 462,225 | - | - | - | 462,225 | - | - |
| Loss on refunding of debt | 14,571,326 | - | - | - | 14,571,326 | - | - |
| Total deferred outflows of resources | 25,833,140 | - | - | - | 25,833,140 | - | - |
| Total assets and deferred outflows of resources | \$ 1,264,804,294 | \$ 2,029,815 | \$ 31,203,803 | \$ 11,201,686 | \$ 1,309,239,598 | \$ (1,124,313) | \$ 30,104,236 |
| | | | | | | | \$ 1,338,219,521 |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority

Consolidating Schedule – Statement of Net Position Information

December 31, 2021 *

| | The Authority | | | | | | Total |
|--|------------------------------|--------------|---------------|-----------------|------------------|----------------|------------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | CCPPS | |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | | | | |
| Current Liabilities | | | | | | | |
| Current maturities of bonds payable | \$ 11,788,132 | - | - | - | \$ 11,788,132 | - | \$ 12,483,132 |
| Current maturities of leases | 4,198,584 | - | - | - | 4,198,584 | - | 4,198,584 |
| Current maturities of notes payable | 1,848,036 | - | - | - | 1,848,036 | - | 1,848,036 |
| Medical malpractice liability | 7,459,198 | - | - | - | 7,459,198 | - | 7,459,198 |
| Accounts payable and accrued expenses | 42,047,495 | - | 1,763,446 | 17,760 | 43,828,701 | 134,114 | 44,110,678 |
| Accrued salaries, wages and employee benefits | 39,546,269 | - | - | - | 39,546,269 | - | 39,546,269 |
| Accrued compensated absences | 40,578,869 | - | - | - | 40,578,869 | - | 40,578,869 |
| Accelerated Medicare payments | 12,881,163 | - | - | - | 12,881,163 | - | 12,881,163 |
| Unearned revenue | 18,603,748 | - | 1,246,323 | 6,881,511 | 26,731,582 | - | 26,731,582 |
| Total current liabilities | 178,951,494 | - | 3,009,769 | 6,899,271 | 188,860,534 | 134,114 | 189,837,511 |
| Long-term Liabilities | | | | | | | |
| Long-term portion of liability for estimated third-party settlements | 23,752,700 | - | - | - | 23,752,700 | - | 23,752,700 |
| Long-term portion of compensated absences | 116,076 | - | - | - | 116,076 | - | 116,076 |
| Long-term portion of accelerated Medicare payments | 4,743,748 | - | - | - | 4,743,748 | - | 4,743,748 |
| Bonds payable, less current maturities | 283,110,305 | - | - | - | 283,110,305 | - | 283,110,305 |
| Lease liability, less current maturities | 25,313,304 | - | - | - | 25,313,304 | - | 25,313,304 |
| Notes payable, less current maturities | 3,021,938 | - | - | - | 3,021,938 | - | 3,021,938 |
| Net pension liability | 76,277,183 | - | - | - | 76,277,183 | - | 76,277,183 |
| Postemployment benefits | 4,147,787 | - | - | - | 4,147,787 | - | 4,147,787 |
| Total long-term liabilities | 420,483,041 | - | - | - | 420,483,041 | - | 420,483,041 |
| Total liabilities | 599,434,535 | - | 3,009,769 | 6,899,271 | 609,343,575 | 134,114 | 649,142,031 |
| Deferred Inflows of Resources | | | | | | | |
| Deferred inflows of resources related to pension benefits | 19,350,058 | - | - | - | 19,350,058 | - | 19,350,058 |
| Deferred inflows of resources related to other postemployment benefits | 925,681 | - | - | - | 925,681 | - | 925,681 |
| Deferred inflow of resources related to leases | 7,092,501 | - | - | - | 7,092,501 | - | 7,092,501 |
| Total deferred inflows of resources | 27,368,240 | - | - | - | 27,368,240 | - | 27,368,240 |
| Total liabilities and deferred inflows of resources | 626,802,775 | - | 3,009,769 | 6,899,271 | 636,711,815 | 134,114 | 676,510,271 |
| Net Position | | | | | | | |
| Net investment in capital and leased assets | 327,134,316 | 516,173 | - | - | 327,650,489 | - | 327,650,489 |
| Unrestricted | 310,867,203 | 1,513,642 | 28,194,034 | 4,302,415 | 344,877,294 | (1,258,427) | 334,058,761 |
| Total net position | 638,001,519 | 2,029,815 | 28,194,034 | 4,302,415 | 672,527,783 | (1,258,427) | 661,709,250 |
| Total liabilities, deferred inflows of resources and net position | \$ 1,264,804,294 | \$ 2,029,815 | \$ 31,203,803 | \$ 11,201,686 | \$ 1,309,239,598 | \$ (1,124,313) | \$ 1,338,219,521 |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority

Consolidating Schedule – Revenue and Expenses Information

Year Ended December 31, 2022

| | The Authority | | | | | | Total |
|--|------------------------------|--------------|------------|-----------------|-----------------|----------------|----------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | 550 Acoma Inc. | |
| Operating Revenues | | | | | | | |
| Net patient service revenue | \$ 898,674,838 | \$ 2,117,659 | \$ 234,782 | \$ - | \$ 901,027,279 | \$ - | \$ 901,027,279 |
| Capitation earned net of reinsurance expense | 2,502,535 | - | - | - | 2,502,535 | - | 2,502,535 |
| Medicaid disproportionate share and other safety net reimbursement | 148,120,716 | - | - | - | 148,120,716 | - | 148,120,716 |
| City and County of Denver payment for patient care services | 29,700,000 | - | - | - | 29,700,000 | - | 29,700,000 |
| Federal, state and other grants | (34,714) | - | - | 99,544,103 | 99,509,389 | - | 99,509,389 |
| City and County of Denver purchased services | 8,392,471 | 21,518,205 | 96,900 | - | 30,007,576 | - | 30,007,576 |
| Poison and drug center contracts | - | - | 20,478,071 | - | 20,478,071 | - | 20,478,071 |
| Other operating revenue | 51,867,910 | (680,176) | - | 1,089,621 | 52,277,355 | 137,147 | 52,414,502 |
| Total operating revenues | 1,139,223,756 | 22,955,688 | 20,809,753 | 100,633,724 | 1,283,622,921 | 137,147 | 1,283,760,068 |
| Operating Expenses | | | | | | | |
| Salaries and benefits | 669,001,488 | 19,818,073 | 11,572,147 | 73,578,658 | 773,970,366 | - | 773,970,366 |
| Contracted services and nonmedical supplies | 243,526,684 | 2,339,651 | 8,531,016 | 22,119,128 | 276,516,479 | 44,967 | 274,092,096 |
| Medical supplies and pharmaceuticals | 185,724,433 | 830,933 | 438 | 7,713,863 | 194,269,667 | - | 194,269,667 |
| Depreciation and amortization | 63,857,035 | 187,109 | - | - | 64,044,144 | - | 65,206,324 |
| Total operating expenses | 1,162,109,640 | 23,175,766 | 20,103,601 | 103,411,649 | 1,308,800,656 | 44,967 | 1,307,538,453 |
| Operating income (loss) | (22,885,884) | (220,078) | 706,152 | (2,777,925) | (25,177,735) | 92,180 | (23,778,385) |
| Nonoperating Revenues (Expenses) | | | | | | | |
| Decrease in equity in joint venture | (62,454) | - | - | - | (62,454) | - | (62,454) |
| Nonoperating grant revenue (CARES Act/FEMA) | - | - | - | 6,089,020 | 6,089,020 | - | 6,089,020 |
| Interdepartmental transfers | (243,920) | - | 62,272 | 181,648 | - | - | - |
| Grant funded capital expenditures | 1,047,660 | - | - | (1,047,660) | - | - | - |
| Interest income | 10,187,584 | - | - | - | 10,187,584 | - | 10,197,601 |
| Interest expense | (12,339,023) | - | - | - | (12,339,023) | - | (14,011,163) |
| Net decrease in fair value of investments | (36,563,351) | - | - | - | (36,563,351) | - | (36,563,351) |
| Gain on disposition of capital assets | 3,734 | - | - | - | 3,734 | - | 3,734 |
| Total nonoperating revenues (expenses) | (37,969,770) | - | 62,272 | 5,223,008 | (32,684,490) | (1,662,123) | (34,346,613) |
| Income (loss) before capital contributions | (60,855,654) | (220,078) | 768,424 | 2,445,083 | (57,862,225) | 92,180 | (58,124,998) |
| Contributions Restricted for Capital Assets | 1,224,570 | 260,661 | - | - | 1,485,231 | - | 1,485,231 |
| Increase (decrease) in net position | (59,631,084) | 40,583 | 768,424 | 2,445,083 | (56,376,994) | 92,180 | (56,639,767) |

Denver Health and Hospital Authority

Consolidating Schedule – Revenue and Expenses Information

Year Ended December 31, 2021 *

| | The Authority | | | | | | Total |
|--|------------------------------|--------------|------------|-----------------|-----------------|----------------|----------------|
| | Denver Health Medical Center | City Fund | RMDS | Restricted Fund | Total Authority | 550 Acoma Inc. | |
| Operating Revenues | | | | | | | |
| Net patient service revenue | \$ 862,754,869 | \$ 3,457,814 | \$ 137,214 | \$ - | \$ 866,349,897 | \$ - | \$ 866,349,897 |
| Capitation earned net of reinsurance expense | 10,600,000 | - | - | - | 10,600,000 | - | 10,600,000 |
| Medicaid disproportionate share and other safety net reimbursement | 123,810,297 | - | - | - | 123,810,297 | - | 123,810,297 |
| City and County of Denver payment for patient care services | 27,700,002 | - | - | - | 27,700,002 | - | 27,700,002 |
| Federal, state and other grants | 793,645 | - | - | 86,552,350 | 87,345,995 | - | 87,345,995 |
| City and County of Denver purchased services | 7,452,142 | 19,601,128 | 104,975 | - | 27,158,245 | - | 27,158,245 |
| Poison and drug center contracts | - | - | 20,009,515 | - | 20,009,515 | - | 20,009,515 |
| Other operating revenue | 58,228,580 | (1,424,384) | - | 218,276 | 57,022,472 | - | 57,022,472 |
| Total operating revenues | 1,091,339,535 | 21,634,558 | 20,251,704 | 86,770,626 | 1,219,996,423 | - | 1,219,996,423 |
| Operating Expenses | | | | | | | |
| Salaries and benefits | 653,643,161 | 19,705,490 | 11,397,652 | 62,150,384 | 746,896,687 | - | 746,896,687 |
| Contracted services and nonmedical supplies | 206,388,743 | 1,393,766 | 8,077,816 | 27,485,365 | 243,345,690 | 584,025 | 241,462,370 |
| Medical supplies and pharmaceuticals | 169,931,497 | 634,484 | 361 | 5,259,858 | 175,826,200 | - | 175,826,200 |
| Depreciation and amortization | 63,618,849 | 217,740 | - | - | 63,836,589 | - | 64,998,772 |
| Total operating expenses | 1,093,582,250 | 21,951,480 | 19,475,829 | 94,895,607 | 1,229,905,166 | 584,025 | 1,229,184,029 |
| Operating income (loss) | (2,242,715) | (316,922) | 775,875 | (8,124,981) | (9,908,743) | (584,025) | (9,187,606) |
| Nonoperating Revenues (Expenses) | | | | | | | |
| Decrease in equity in joint venture | (955,533) | - | - | - | (955,533) | - | (955,533) |
| Nonoperating grant revenue (CARES Act/FEMA) | 10,893,121 | - | - | 9,515,152 | 20,408,273 | - | 20,408,273 |
| Interdepartmental transfers | (351,329) | - | 2,186 | 349,143 | - | - | - |
| Grant funded capital expenditures | 1,789,677 | - | - | (1,789,677) | - | - | - |
| Interest income | 15,570,744 | - | - | - | 15,570,744 | - | 15,570,917 |
| Interest expense | (12,185,435) | - | - | - | (12,185,435) | - | (13,890,717) |
| Gain on dissolution of Southwest Clinic | 4,982,853 | - | - | - | 4,982,853 | (1,705,282) | 4,982,853 |
| Net decrease in fair value of investments | (7,016,141) | - | - | - | (7,016,141) | - | (7,016,141) |
| Loss on disposition of capital assets | (4,166) | - | - | - | (4,166) | - | (4,166) |
| Total nonoperating revenues (expenses) | 12,723,791 | - | 2,186 | 8,074,618 | 20,800,595 | (1,705,109) | 19,095,486 |
| Income (loss) before capital contributions | 10,481,076 | (316,922) | 778,061 | (50,363) | 10,891,852 | (584,025) | 9,907,880 |
| Contributions Restricted for Capital Assets | 4,297,582 | 90,514 | - | - | 4,388,096 | - | 4,388,096 |
| Increase (decrease) in net position | \$ 14,778,658 | \$ (226,408) | \$ 778,061 | \$ (50,363) | \$ 15,279,948 | \$ (584,025) | \$ 14,295,976 |

* Restated for Implementation of GASB 87

Denver Health and Hospital Authority
Supplementary Budget to Actual Information
Year Ended December 31, 2022

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|-------------------------------|----------------------------|--|
| Operating Revenues | | | |
| Net patient service revenue | \$ 901,027,279 | \$ 902,646,320 | \$ (1,619,041) |
| Capitation earned net of reinsurance expense | 2,502,535 | - | 2,502,535 |
| Medicaid disproportionate share and other safety net reimbursement | 148,120,716 | 138,871,234 | 9,249,482 |
| City and County of Denver payment for patient care services | 29,700,000 | 29,700,000 | - |
| Federal, state and other grants | 99,509,389 | 88,846,918 | 10,662,471 |
| City and County of Denver purchased services | 30,007,576 | 29,542,943 | 464,633 |
| Poison and drug center contracts | 20,478,071 | 20,980,558 | (502,487) |
| Other operating revenue | 52,414,502 | 53,943,565 | (1,529,063) |
| Total operating revenues | <u>1,283,760,068</u> | <u>1,264,531,538</u> | <u>19,228,530</u> |
| Operating Expenses | | | |
| Salaries and benefits | 773,970,366 | 773,399,738 | (570,628) |
| Contracted services and nonmedical supplies | 274,092,096 | 247,317,699 | (26,774,397) |
| Medical supplies and pharmaceuticals | 194,269,667 | 169,020,221 | (25,249,446) |
| Depreciation and amortization | 65,206,324 | 63,429,621 | (1,776,703) |
| Total operating expenses | <u>1,307,538,453</u> | <u>1,253,167,279</u> | <u>(54,371,174)</u> |
| Operating income (loss) | <u>(23,778,385)</u> | <u>11,364,259</u> | <u>(35,142,644)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Decrease in equity in joint venture | (62,454) | - | (62,454) |
| Nonoperating grant revenue (CARES Act/FEMA) | 6,089,020 | 2,032,562 | 4,056,458 |
| Interest income | 10,197,601 | 8,381,278 | 1,816,323 |
| Interest expense | (14,011,163) | (13,395,935) | (615,228) |
| Total nonoperating revenues (expenses) | <u>2,213,004</u> | <u>(2,982,095)</u> | <u>5,195,099</u> |
| Reconciliation to Income Before Capital Contributions | | | |
| Add: | | | |
| Net decrease in fair value of investments | (36,563,351) | - | (36,563,351) |
| Income on disposition of capital assets | 3,734 | - | 3,734 |
| Total reconciling items | <u>(36,559,617)</u> | <u>-</u> | <u>(36,559,617)</u> |
| Income (Loss) Before Capital Contributions | <u><u>\$ (58,124,998)</u></u> | <u><u>\$ 8,382,164</u></u> | <u><u>\$ (66,507,162)</u></u> |