

**Bexar County
Hospital District
d/b/a University Health
A Component Unit of
Bexar County, Texas**

**Independent Auditor's Report
and Financial Statements**

December 31, 2022 and 2021



**Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
December 31, 2022 and 2021**

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Report of Management Responsibility

The management of University Health is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the management's discussion and analysis and required supplementary information in the report and is responsible for its accuracy and consistency with the financial statements.

The basic financial statements have been audited by the independent accounting firm of Forvis LLP, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Managers. Pursuant to the Bylaws, the Board of Managers provides oversight by reviewing and approving annual budgets; fiscal policies and procedures; and monthly financial statements. The Audit Committee reviews and recommends external auditors to the Board of Managers.

University Health maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded, that assets are properly safeguarded, and also provides reasonable assurance to our management and the Board of Managers regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility;
- Established policies and procedures which are routinely reviewed by management, regularly communicated to staff and that demand highly ethical conduct from all employees.

University Health's Integrity Services Department monitors the operation of the internal control system and reports findings and recommendations to the management and the Board of Managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

University Health



Reed Hurley
Executive Vice President
/Chief Financial Officer



George B. Hernández, Jr.
President/Chief Executive Officer

Independent Auditor's Report

Board of Managers
Bexar County Hospital District
d/b/a University Health
San Antonio, Texas

Opinions

We have audited the financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Bexar County Hospital District d/b/a University Health (University Health), collectively a component unit of Bexar County, Texas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise University Health'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 discretely presented component unit, and the fiduciary activities of University Health as of December 31, 2022 and 2021, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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 University Health 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, on January 1, 2022, University Health adopted Governmental Accounting Standards Board (GASB) 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 University Health's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 University Health'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 University Health's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 purposes of forming an opinion on the financials statements that collectively comprise University Health's basic financial statements. The report of management responsibility is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

FORVIS, LLP

**Dallas, Texas
May 23, 2023**

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Management's Discussion and Analysis
Years Ended December 31, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Bexar County Hospital District d/b/a University Health (University Health) provides an overview of University Health's financial activities for the years ended December 31, 2022 and 2021. It should be read in conjunction with the financial statements of University Health.

University Health continues to pursue its strategic vision to be the premier health system in South Texas, committed to delivering patient-centered, culturally competent and high-quality health care, based on a strong foundation of outcomes-based research and innovative teaching. This vision guides decision-making and operational execution. The Triple-Aim *Plus* concept continues to be the guiding principles of how University Health executes its strategy to serve the community. University Health continues to be successful in executing the aims of improving quality, safety and outcomes; improving the patient experience; improving efficiencies and improving access to care. These principles are the foundation of health care transformation and all initiatives pursued are developed in the spirit of transforming care using the Triple-Aim *Plus* goals.

2022 Highlights

A host of significant accomplishments in 2022, despite the challenges of the COVID-19 pandemic, are a testament to University Health's team commitment to delivering high quality, compassionate care. Highlights of key initiatives and their outcomes relative to Triple-Aim *Plus* include:

Quality, Safety and Outcomes

- University Health achieved Stage 7 on the HIMSS Electronic Medical Record Adoption Model (EMRAM). This eight-stage model (stages 0 -7) measures the adoption and utilization of EMR functions, including clinical outcomes, patient engagement, and clinician use of EMR technology to advance organizational performance and patient outcomes. The EMRAM scores hospitals around the world relative to their digital maturity, providing a detailed roadmap to help health organizations begin and advance their digital transformation. Leveraging information digitally improves patient safety by reducing errors in care, length of stay and order duplications. Currently, University Health is one of just 10 hospitals in Texas to achieve HIMSS EMRAM Stage 7.
- University Health earned 2022 Digital Health Most Wired status from the College of Healthcare Information Management Executives (CHIME). Most Wired health systems are recognized as pioneers in driving patient care and coordination improvements through digital transformation and the optimal use of information technology. The annual survey is designed to identify and recognize healthcare organizations that exemplify best practices through their adoption, implementation, and use of information technology. Each participant receives a benchmarking report that can be used to assess their current health IT program and develop health IT-based strategies to raise the quality of their healthcare organizations and consequently the quality of care in the industry as a whole.

- University Health is the only San Antonio hospital to earn a place on the 2022 Leapfrog and Money magazine inaugural list of Best Hospitals for Maternity Care, which includes 259 hospitals across the U.S. University Hospital is among nine hospitals in Texas to receive this recognition based on quality factors such as NICU care, C-section rate, high-risk delivery outcomes, and early elective deliveries. The Leapfrog Group is a nonprofit organization that aims to help consumers make informed decisions about their health and access safe, high-value care. It collects and publishes data on patient safety and quality from voluntary surveys and other sources. More than 2,200 hospitals completed this Leapfrog Hospital Survey in 2021. Leapfrog has partnered with Money to publish its lists of Best Hospitals and Best Hospitals for Maternity Care.
- University Health was redesignated by the Texas Department of State Health Services division of Health and Human Services (HHS) as a Level IV Maternity Center. This highest level of designation verifies that University Hospital provides the highest level of comprehensive maternal and perinatal care. This designation follows an extensive review of capabilities, policies and process, and an onsite visit by reviewers from the American College of Obstetricians and Gynecologists. It is valid for three years. In 2019, University Health became the first maternity program in San Antonio to be designated as a Level IV program.
- The University Hospital Epilepsy Monitoring Program received a second five-year accreditation by the ABRET Long-term Monitory Laboratory Accreditation Board. This follows a review of video and EEG data and adherence to established standards. ABRET is nonprofit organization that promotes quality technical and clinical standards worldwide for neurodiagnostic technologies and laboratories.
- The University Hospital Sky Tower 10th floor team earned the Silver Level Beacon Award for Excellence from the AACN. This accomplishment demonstrates this unit's dedication to providing optimal outcomes and exceptional patient care. The silver level award is an important milestone on this continual journey of learning and improvement.
- The Clinical Sciences Institute of OptumHealth recertified University Health with its Cancer Centers of Excellence (COE) designation for Pediatric Cancer Services. This is a continuation of our previous designation and demonstrates high quality care delivery to OptumHealth's nationwide base of clients.
- Optum Health, the nation's largest specialty network manager, designated the University Health Transplant Institute's Adult Kidney, Adult Lung and Adult Liver transplant programs as a COE. University Health also again received recognition by OptumHealth as a COE for Pediatric Kidney Transplantation. This is a distinction that has been held for several years and demonstrates the University Health Transplant Institute's commitment to providing high quality, compassionate care to our transplant patients and their families.
- The University Health Comprehensive Stroke Center once again earned the Stroke Gold Plus with Honor Roll Elite status and Target: Type 2 Diabetes Honor Roll status as part of the American Heart Association's Get with the Guidelines Quality Achievement program. These achievement awards recognize our team's commitment to following up-to-date research-based guidelines for the treatment of stroke patients, ultimately leading to more lives saved, shorter recovery times and fewer readmissions to the hospital.

- University Hospital achieved “high performing” status from U.S. News and World Report for its Maternity Care (uncomplicated pregnancy) services and outcomes. University Hospital is the only high performing maternity hospital in San Antonio. This designation is based on data provided to the publication related to scheduled early deliveries, C-sections, newborn complications, breast-feeding rates, practices to improve maternal outcomes, transparency on racial/ethnic disparities, and episiotomy rates and vaginal birth after cesarean rates.
- University Health earned a position on the Newsweek Best Maternity Hospitals 2022 list. The list of 350 hospitals was published in the May 13 edition of Newsweek. The rankings are based on a nationwide survey of hospital leaders and maternity professionals, key performance and quality indicators available through CMS and the Joint Commission, and publicly reported patient survey data. The 350 hospitals included in the ranking earned either 4 or 5 ribbons based on the evaluation criteria. University Health is among five Texas hospitals to earn 5 ribbons, and is the only hospital in San Antonio named a Best Maternity Hospital.
- University Health was reaccredited by the American College of Surgeons Commission on Cancer (CoC). This three-year accreditation of our cancer program follows an extensive review process to ensure it meets 34 quality standards. The CoC Accreditation Program provides the framework for cancer providers to improve its quality of patient care through various cancer-related programs that focus on the full spectrum of cancer care including prevention, early diagnosis, cancer staging, optimal treatment, rehabilitation, life-long follow-up for recurrent disease, and end-of-life care.
- University Health Transplant Institute again received Center of Excellence recognition from Emerging Therapy Solutions/LifeTrac, one of the nation’s oldest specialty network managers, for its kidney, liver and lung transplantation programs.
- The University Hospital Sky Tower 9th floor Intensive Care Unit achieved the Silver level AACN Beacon Award for Excellence. This award, from the American Association of Critical Care Nurses, recognizes the 9 ICU team’s efforts, success and continuing journey to achieve optimal patient outcomes and exceptional patient care.
- The American Association of Cardiovascular and Pulmonary Rehabilitation has recertified the University Health Cardiac Rehab program. AACVPR Program Certification is the only peer-reviewed accreditation process designed to review individual facilities for adherence to standards and guidelines developed and published by the AACVPR and other professional societies. The University Health Cardiac Rehab Program has maintained this important certification for more than three years.
- The University Hospital Sky Tower 10th floor earned an Academy of Medical-Surgical Nurses (AMSN) PRISM Award. PRISM stands for Premier Recognition In the Specialty of Med-surg. It was created to recognize sustained exemplary practice in the areas of leadership, recruitment and retention, evidence-based practice, patient outcomes, healthy practice environment and lifelong learning among staff members.

- The University Hospital Orthopedic Trauma Team was again recognized through the American Orthopedic Association's Own the Bone Program. The team is one of 11 programs in Texas to be named a Star Performer based their compliance with best practice measures to document and manage fragility fracture patients. Own the Bone is a national quality improvement initiative that provides tools and a web-based registry to ensure patients diagnosed with osteoporosis receive bone health care to prevent future fractures.
- The University Hospital's 5th floor Sky Tower Intensive Care Unit (ICU) and Acute Care Unit (ACU) teams both earned Beacon Gold Awards from the American Association of Critical-Care Nurses (AACN). The Beacon Award for Excellence is a significant milestone, recognizing unit caregivers who successfully improve patient outcomes and align their practices with AACH's six Healthy Work Environment Standards. The Gold award is the highest Beacon Award level. It is especially impressive for the Sky 5 teams to earn this recognition in 2022, as they were the first units in the hospital to care for COVID-19 patients and the outcomes data used for this recognition reflect the care these teams provided during a worldwide pandemic of a novel virus.
- The Joint Commission recertified University Hospital as a Comprehensive Stroke Center for another two years. This re-designation as San Antonio's only Joint Commission-certified stroke program follows an extensive survey process. Comprehensive stroke center hospitals are committed to continually evaluating and evolving care for patients at every touchpoint in the stroke care continuum. It is the highest level of certification for hospitals with specific abilities to receive and treat the most complex stroke patients.

The Patient Experience

- University Hospital was designated a Baby-Friendly hospital. This designation follows an onsite assessment survey, measuring our team's success in implementing the World Health Organization (WHO)/UNICEF Baby-Friendly Initiative's Ten Steps to Successful Breastfeeding, as well as our compliance with the international code of marketing of breastmilk substitutes. The Baby-Friendly USA evaluation criteria are based on the global criteria established by the WHO and UNICEF, and designed to set the standards for the best possible breastfeeding support for mother and infant in the maternity setting, ensuring high quality of care in this critical time of an infant's life and supporting strong mother/baby bonding.
- University Health ranks 11th in the State of Texas and 133rd among all U.S. Hospitals in the 2022 Lown Institute Hospitals Index. This index scores the nation's more than 3,000 hospitals on their social responsibility performance across equity, value and health outcomes. Measures include: pay equity, community benefit, inclusivity, avoiding overuse, cost efficiency, clinical outcomes, patient safety and patient satisfaction. University Health is the only San Antonio system in the Texas Top 20.
- University Health was named to Becker's Hospital Review's "150 Top Places to Work in Healthcare 2022." This lists highlights the health systems and health care companies that promote diversity in the workplace, employee engagement and professional growth. University Health is the only San Antonio organization named to the 2022 list and one of just nine organizations in Texas.

- University Health is one of 17 U.S. organizations to earn a National Health Care Award based on results from our 2022 Top Workplaces survey. This was an anonymous survey conducted by a third-party organization, inviting all University Health Staff to complete a questionnaire related to values, culture, recognition, workload, benefits, communication, leadership, training, opportunities for advancement and equity. The survey was conducted in May and had a response rate of 49.7%.
- University Health was recognized as one of Money-Leapfrog’s 2022 Best Hospitals for Billing Ethics for 2022. To compile this list, Money magazine partnered with The Leapfrog Group and used data from its annual survey of more than 2,200 hospitals around the country to identify those hospitals who are transparent in their billing practices and “most likely to keep patients’ wallets in mind.” University Health is one of 565 hospitals named to this list.

Efficiencies

- University Health earned its first Honor Roll achievement from Epic, with Magna Cum Laude recognition on the Version 5 Honor Roll Grant Program. This program awards grants to Epic clients for driving continuous improvement and pushing for excellence. University Health will receive a \$455,000 Epic credit as a result of this achievement.
- University Health’s Professional Staff Services department successfully renewed our NCQA Credentials Verification Organization (CVO) Certification. This recertification follows an extensive external review of University Health’s policies and procedures related to how providers are credentialed to work in our health system. The survey process also includes an audit of a number of provider credentialing files to ensure compliance with these procedures in alignment with state laws.
- University Medicine Associates (UMA) was accredited by the National Commission of Quality Assurance (NCQA) in Credentialing. Achieving this accreditation demonstrates that UMA has the systems, process and personnel in place to conduct credentialing in accordance with the strictest quality standards. This designation means that UMA:
 - delivers efficient and accurate services through the application of industry best practices.
 - conducts high quality credentialing services.
 - aligns credentialing operations with state requirements.
 - has potential to expand revenue streams and client base.

Access to Care

- In early 2022 UniversityHealthSystem.com received notification that it had won three national awards including the 2021 MARCOM Awards Platinum Award for Web Writing/Content for our Transplant Institute webpages, a MARCOM Digital Media Honorable Mention in the Medical Website category, and the eHealthcare Leadership Awards Distinction Award for Best Site Design.
- University Health was awarded another \$1.5 million Connecting Kids to Coverage Grant from the U.S. Department of Health and Human Services (HHS). This funding was awarded to 36 organizations on the frontlines of reducing uninsured rates and connecting more children, parents and families to health care coverage. Our team will participate in the Connecting Kids to Coverage National Campaign efforts, including the national back-to-school initiative, year-round enrollment initiative, and new initiatives focused on retaining individuals in Medicaid and CHIP.

This work will be key, as states prepare to resume normal Medicaid and CHIP operations due to the end of the COVID-19 public health emergency. University Health has been participating in this program for the past five years.

Financial Highlights

- University Health's net position increased by \$228.1 million, or 12.1%, in 2022 and increased by \$279.3 million, or 17.5%, in 2021. The increase in net position in both years is due to increases in operating revenue and property tax revenue. University Health also recognized support from CARES Act Provider Relief Funds (PRF) in 2021, discussed more fully in *Note 15*.
- During 2022, University Health's total operating revenue increased by \$368.7 million, or 18.8%, while total operating expenses increased by \$413.7 million, or 18.8%. During 2021, University Health's total operating revenue increased by \$180.4 million, or 10.1%, while total operating expenses increased by \$172.5 million, or 8.5%.
- University Health invested \$314.5 million in capital assets in 2022 and \$240.1 million in 2021, as part of the ongoing Capital Improvement Plan.

Financial Analysis of University Health

The balance sheets and the statements of revenue, expenses, and changes in net position report information about University Health's financial activities. These two statements report the net position of University Health and changes in the net position. Increases or decreases in University Health's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth, growth in the number of uninsured and working poor, taxable property values and tax rates, and new or changed state and federal government funding should also be considered.

The 2020 balances included in this management's discussion and analysis have not been restated to reflect adoption of GASB Statement No. 87, *Leases* (GASB 87) adopted by University Health on January 1, 2022 and presented retrospectively to January 1, 2021.

A summary of University Health's balance sheets is presented in Table 1 as follows:

TABLE 1
Condensed Balance Sheets
(In Thousands)

	2022	2021 (As Restated)	2020
Assets			
Current and other assets	\$ 2,970,804	\$ 2,433,831	\$ 2,305,641
Capital assets, net	1,684,532	1,458,751	1,306,709
Total assets	4,655,336	3,892,582	3,612,350
Deferred Outflows of Resources			
	115,218	117,573	109,617
Total assets and deferred outflows of resources	\$ 4,770,554	\$ 4,010,155	\$ 3,721,967
Liabilities			
Long-term debt	\$ 1,259,377	\$ 996,258	\$ 1,038,498
Net pension liability	64,219	112,262	147,006
Net other postemployment benefits liability	78,060	78,777	59,195
Other liabilities	565,005	351,361	337,724
Total liabilities	1,966,661	1,538,658	1,582,423
Deferred Inflows of Resources			
	697,159	592,907	540,234
Net Position			
Net investment in capital assets	683,777	640,723	629,973
Restricted - expendable	25,002	25,311	42,268
Unrestricted	1,397,955	1,212,556	927,069
Total net position	2,106,734	1,878,590	1,599,310
Total liabilities, deferred inflows of resources and net position	\$ 4,770,554	\$ 4,010,155	\$ 3,721,967

As seen in Table 1, net position increased by \$228.1 million in 2022 to \$2.1 billion. The increase in net position results, in part, from an increase in patient service revenue attributable to increased patient volumes compared to the prior year. Additionally, growth in Community First membership and rates contributed to an increase in premium revenue. Property tax revenue, which is reflected as a component of nonoperating revenues, also increased significantly from prior year and is attributable to higher property values in Bexar County as well as taxes on new property values. During 2022 and 2021, University Health recognized revenue of \$0 and \$32.3 million, respectively, from distributions from PRF as discussed in *Note 15*. Net position increased by \$279.3 million in 2021 to \$1.9 billion.

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary of University Health's historical revenues and expenses for each of the years ended December 31, 2022, 2021 and 2020:

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(In Thousands)

	2022	2021 (As Restated)	2020
Operating Revenues			
Net patient service revenue	\$ 1,396,759	\$ 1,239,782	\$ 1,085,957
Premium revenue	823,460	614,741	599,969
Other revenue	109,754	106,759	94,981
	<u>2,329,973</u>	<u>1,961,282</u>	<u>1,780,907</u>
Operating Expenses			
Salaries and employee benefits	853,336	736,998	686,086
Medical claims expense	697,307	507,004	471,028
Purchased services, supplies and other	975,253	868,385	795,446
Depreciation and amortization	92,273	92,117	79,477
	<u>2,618,169</u>	<u>2,204,504</u>	<u>2,032,037</u>
Operating Loss	(288,196)	(243,222)	(251,130)
Nonoperating Revenues, Net	<u>516,340</u>	<u>522,502</u>	<u>500,323</u>
Increase in Net Position	<u>\$ 228,144</u>	<u>\$ 279,280</u>	<u>\$ 249,193</u>

Sources of Revenues

Table 3 presents a summary of University Health’s historical sources of gross revenues:

TABLE 3
Sources of Revenue by Percentage

	2022	2021	2020
Operating Revenues			
Net patient service revenue	49.1%	49.9%	47.6%
Premium revenue	28.9%	24.8%	26.3%
Other revenue	3.9%	4.3%	4.2%
Total operating revenues	<u>81.9%</u>	<u>79.0%</u>	<u>78.1%</u>
Nonoperating Revenues (Expenses)			
Investment return	0.0%	0.0%	0.9%
Interest expense	-1.1%	-1.2%	-1.3%
Debt issuance costs	-0.1%	0.0%	-0.1%
Property tax revenue, net	19.0%	20.6%	21.2%
Proceeds from tobacco settlement	0.3%	0.4%	0.4%
Provider Relief Fund revenue	0.0%	1.3%	0.9%
Total nonoperating revenues, net	<u>18.1%</u>	<u>21.0%</u>	<u>21.9%</u>
Total revenues	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

Payer Mix

Table 4 presents the relative percentages of gross charges billed for patient services by payer for the years ended December 31, 2022, 2021 and 2020:

TABLE 4
Payer Mix by Percentage

	Year Ended December 31,		
	2022	2021	2020
Medicare	27%	27%	26%
Medicaid	24	21	23
Self-pay	22	25	25
Commercial insurance and other	27	27	26
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Nonoperating Revenues

During 2022, University Health derived 19.0% of its total revenues from ad valorem taxes (property taxes), compared to 20.6% in 2021 and 21.2% in 2020. The Bexar County Commissioners Court is authorized to levy taxes on property within Bexar County to provide for the maintenance and operations of University Health's facilities and for debt service on approved debt issuances.

Nonoperating revenues also include investment return, tobacco settlement revenue and Provider Relief fund revenue. Collectively, these sources of revenue comprised 0.3%, 1.7% and 2.2% of total revenues in 2022, 2021 and 2020, respectively.

Operating and Financial Performance

Overall activity of University Health, as measured by patient discharges adjusted for outpatient activity, increased 7.4% to 61,901 in 2022 from 57,633 in 2021. This increase resulted from recovery of patient volumes as University Health has begun to emerge from the COVID-19 pandemic. In 2022, net patient service revenue increased by \$157.0 million to \$1.40 billion, or 12.7%, due primarily to increased patient volumes. Patient discharges adjusted for outpatient activity increased 4.6% to 57,633 in 2021 from 55,091 in 2020. In 2021, net patient service revenue increased by \$153.8 million to \$1.24 billion, or 14.2%, due primarily to increased patient volumes.

In 2022, premium revenue increased by \$208.7 million to \$823.5 million, or 34%. This increase is attributable to increases in rates and membership. Member months increased from 2,184,501 in 2021 to 2,357,028 in 2022, an increase of 7.9%. In 2021, premium revenue increased by \$14.8 million to \$614.7 million, or 2.5%. This increase is also attributable to increases in rates and membership. Member months increased from 1,935,492 in 2020 to 2,184,501 in 2021, an increase of 12.9%.

Overall, total operating revenue of \$2.3 billion increased \$368.7 million, or 18.8%, in 2022 compared to the total of \$2.0 billion in 2021 that increased by \$180.4 million, or 10.1%, over 2020. The increase in both years is attributable to the increase in net patient service revenue and premium revenue discussed above.

Employee compensation increased by \$116.3 million, or 15.8%, in 2022 and \$50.9 million, or 7.4%, in 2021. The increases are attributed to increased staffing due to increased activity in the hospital and clinic expansion initiatives as well as increased labor market costs due to industry-wide staffing challenges caused by the COVID-19 pandemic.

Medical claims expense increased by \$190.3 million, or 37.5%, in 2022 and increased by \$36.0 million, or 7.6%, in 2021. The increase in both years is due to an increase in utilization from increased membership.

Purchased services, medical services and supplies and other expenses had an overall increase of \$106.9 million, or 12.3%, in 2022 and an overall increase of \$72.9 million, or 9.2%, in 2021. The increases in both years are attributed to increased patient volumes and the COVID-19 pandemic and related industry-wide supply chain challenges.

Depreciation and amortization expense decreased by \$0.2 million, or 0.2%, and increased by \$12.6 million, or 15.9%, in 2022 and 2021, respectively.

Overall, total operating expenses increased by \$413.7 million to \$2.6 billion, or 18.8%, in 2022 and by \$172.5 million to \$2.2 billion, or 8.5%, in 2021.

Nonoperating revenues (expenses) consists of property tax revenue, investment income, proceeds from the tobacco settlement (the settlement of litigation between the State Attorney General and various tobacco companies), PRF revenue, interest expense on bonds and debt issuance costs. Overall, nonoperating revenues (expenses) in 2022 of \$516.3 million decreased by \$6.2 million, or 1.2%, from 2021. Nonoperating revenues (expenses) in 2021 of \$522.6 million increased by \$22.2 million, or 4.4%, from 2020. The decrease in 2022 and increase in 2021 is attributable to the recognition of PRF revenue. University Health did not recognize PRF revenue in 2022, but recognized \$32.2 million and \$19.8 million of PRF revenue in 2021 and 2020, respectively.

In 2022, property taxes were levied to support maintenance and operations and debt service. Overall property taxes increased by \$30.0 million to \$542.2 million compared to the 2021 taxes of \$512.2 million. Of the \$542.2 million, \$464.7 million was to support maintenance and operations. The remaining \$77.5 million in property tax revenue is a debt service property tax to fund the payment of principal and interest (debt service) on the Certificates of Obligation issued in 2018, 2020, and 2022 and the Limited Tax Refunding Bonds issued in 2016, 2019 and 2020.

Capital Assets and Long-term Debt

During 2022 and 2021, University Health invested \$313.7 million and \$240.1 million, respectively, in a broad range of capital assets. Table 5 presents an analysis of capital asset balances between 2022, 2021 and 2020:

TABLE 5
Capital Assets
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 65,270	\$ 44,212	\$ 34,218
Building and improvements	1,449,471	1,436,319	1,404,730
Equipment	655,201	639,039	594,464
Construction in progress	538,804	299,394	153,095
	<u>2,708,746</u>	<u>2,418,964</u>	<u>2,186,507</u>
Less accumulated depreciation	<u>1,024,214</u>	<u>960,213</u>	<u>879,798</u>
Capital assets, net	<u>\$ 1,684,532</u>	<u>\$ 1,458,751</u>	<u>\$ 1,306,709</u>

Construction in progress (CIP) increased by \$239.4 million and \$146.3 million in 2022 and 2021, respectively, due to facility expansion. Other capital assets increased \$50.4 million and \$86.2 million in 2022 and 2021, respectively, related to facility expansion.

In 2020, University Health issued \$140.7 million in Limited Tax Refunding Bonds to refund \$162.3 million of Series 2010B Bonds and also issued \$144.7 million of Series 2020 Bonds. In 2022, University Health issued \$293.7 million of Series 2022 Bonds. Long-term debt transactions are discussed more fully in *Note 8*.

Economic Factors and Key Challenges

University Health concluded its work as the anchor for 1115 Waiver for RHP 6 which is comprised of 20 counties, serving 22 providers. This successful anchor work included assisting participating providers in the region with successful navigation of DSRIP measure reporting progress. These DSRIP measures, as well as other initiatives for University Health and for participating providers in the region, were designed to address health care needs transformation and improvement projects throughout the RHP region. Anchor work this past year also included aiding providers in transitioning from the former DSRIP programs to the new Directed Payment Programs (DPPs) as the DSRIP program was sunset.

Staff and the Board of Managers continue to monitor and consider many factors that have a direct or indirect impact on future operations of University Health that include the following:

- Finalizing the on-time and on-budget construction of a Women’s and Children’s Hospital, support space and additional parking
- Addressing the health care needs of the rapidly growing Bexar County population
- Continuing impacts of the COVID-19 pandemic, especially related to supply chain issues and workforce shortages
- Growing activity and improving operating efficiencies
- Finalizing and reporting on the metrics for the 1115 Waiver DSRIP measures
- Navigating changes to reimbursement models including the Affordable Care Act and others

Strategic Plans to Meet These Challenges

- Continuing to maximize the Lean Management processes aimed at:
 - Incorporating lean continuous process improvement principles and techniques into daily management processes to deliver value to our patients with minimum wasted time, supplies and effort
 - Facilitating rapid improvements in key areas
 - Executing across all operational and support departments as well as across hospital and ambulatory services
 - Assuring a mechanism is in place to develop, sustain and improve processes over time
- Continuing to optimize the Epic electronic medical record system for effective clinical work in the system and in interoperability with referring and receiving providers in the community
- Enhancing access to ambulatory clinics, telemedicine, and dialysis
- Enhancing throughput in the inpatient and emergency department settings
- Implementing and adapting strategic tactics (generally and in light of the pandemic) to fulfill projected activity by:
 - Focusing on key service lines
 - Trauma
 - Transplant
 - Women’s health services including perinatal and neonatal care
 - Heart and Vascular
 - Neurosciences
 - GI and advanced endoscopy
 - Children’s health
 - Oncology

- Enhancing marketing, outreach and referral development efforts locally and regionally
- Executing planned clinical integration and physician alignment initiatives with key service line physicians and selected community physicians
- Continuing to execute construction of a new Women’s and Children’s Hospital Tower (for anticipated completion in August, 2023) and associated growth tactics to expand services in those areas before and after the opening of the new hospital
- Leveraging current technology, data and tools
- Enhancing human capital through recognition programs and continuous learning, with a special focus on retaining and recruiting key staff considering pandemic-induced changes to the labor market
- Produce positive financial results to prefund our annual capital budget (currently, routine capital expenditures are funded in the year the capital is expended).

Contacting University Health’s Financial Manager

This financial report is designed to provide our citizens, customers, bond holders, and creditors with a general overview of University Health’s finances and to demonstrate University Health’s accountability for the money it receives. The report is available at www.universityhealthsystem.com. If you have questions about this report or need additional financial information, contact University Health’s Financial Offices at 4502 Medical Drive, San Antonio, Texas 78229.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Balance Sheets
December 31, 2022 and 2021
(In Thousands)

Assets and Deferred Outflows of Resources	2022				2021 (As Restated)			
	Component Unit		Total	Component Unit			Total	
	University	Health		Foundation	University	Health		Foundation
Current Assets								
Cash and cash equivalents	\$ 341,315	\$ 15,371	\$ 356,686	\$ 199,946	\$ 6,693	\$ 206,639		
Restricted cash equivalents - Local Provider Participation Fund	13,110	-	13,110	8,352	-	8,352		
Short-term investments	294,119	7,262	301,381	308,771	7,293	316,064		
Patient accounts receivable, net	181,278	-	181,278	150,865	-	150,865		
Property taxes receivable, net	468,012	-	468,012	385,760	-	385,760		
Estimated amounts due from third-party payers	56,503	-	56,503	117,365	-	117,365		
Prepaid expenses and other current assets	123,514	3,843	127,357	112,652	3,884	116,536		
Total current assets	1,477,851	26,476	1,504,327	1,283,711	17,870	1,301,581		
Noncurrent Cash and Investments								
Noncurrent investments		59,492	59,492	63,161	-	63,161		
Internally designated for capital acquisitions and improvements	690,112	-	690,112	478,366	-	478,366		
Internally designated for contingencies	362,231	-	362,231	335,145	-	335,145		
Internally designated for professional self-insurance	5,015	-	5,015	5,385	-	5,385		
Externally restricted for capital acquisition and debt service	316,100	-	316,100	224,244	-	224,244		
Total noncurrent cash and investments	1,432,950	-	1,432,950	1,106,301	-	1,106,301		
Capital Assets, Net	1,684,532	-	1,684,532	1,458,751	-	1,458,751		
Lease Assets, Net	35,722	-	35,722	30,492	-	30,492		
Other Assets								
Long-term patient accounts receivable, net	4,430	-	4,430	5,063	-	5,063		
Other	19,851	2,921	22,772	8,264	6,118	14,382		
Total other assets	24,281	2,921	27,202	13,327	6,118	19,445		
Total assets	4,655,336	29,397	4,684,733	3,892,582	23,988	3,916,570		
Deferred Outflows of Resources								
Loss on bond refunding	12,129	-	12,129	12,996	-	12,996		
Consideration in excess of net position acquired	12,543	-	12,543	-	-	-		
Other postemployment benefits	50,562	-	50,562	60,113	-	60,113		
Pensions	39,984	-	39,984	44,464	-	44,464		
Total deferred outflows of resources	115,218	-	115,218	117,573	-	117,573		
Total assets and deferred outflows of resources	\$ 4,770,554	\$ 29,397	\$ 4,799,951	\$ 4,010,155	\$ 23,988	\$ 4,034,143		

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Balance Sheets (Continued)
December 31, 2022 and 2021
(In Thousands)

Liabilities, Deferred Inflows of Resources and Net Position	2022			2021 (As Restated)		
	University Health	Component Unit Foundation	Total	University Health	Component Unit Foundation	Total
	Current Liabilities					
Current maturities of long-term debt	\$ 35,735	\$ -	\$ 35,735	\$ 27,640	\$ -	\$ 27,640
Current maturities of lease liabilities	5,637	-	5,637	4,179	-	4,179
Accounts payable and accrued expenses	397,170	52	397,222	249,199	9	249,208
Medical claims payable	116,933	-	116,933	54,200	-	54,200
Revenue received in advance	3,208	-	3,208	4,717	-	4,717
Estimated amounts due to third-party payers	5,462	-	5,462	5,671	-	5,671
Total current liabilities	564,145	52	564,197	345,606	9	345,615
Estimated Self-insurance Costs	5,641	-	5,641	5,307	-	5,307
Lease Liabilities, Noncurrent	30,954	-	30,954	26,313	-	26,313
Net Pension Liability	64,219	-	64,219	112,262	-	112,262
Net Other Postemployment Benefits Liability	78,060	-	78,060	78,777	-	78,777
Other Long-term Liabilities	-	-	-	1,775	-	1,775
Long-term Debt	1,223,642	-	1,223,642	968,618	-	968,618
Total liabilities	1,966,661	52	1,966,713	1,538,658	9	1,538,667
Deferred Inflows of Resources						
Property taxes	614,547	-	614,547	537,674	-	537,674
Other postemployment benefits	8,180	-	8,180	6,536	-	6,536
Pensions	74,432	-	74,432	48,697	-	48,697
Total deferred inflows of resources	697,159	-	697,159	592,907	-	592,907
Net Position						
Net investment in capital assets	683,777	-	683,777	640,723	-	640,723
Restricted - expendable	25,002	24,945	49,947	25,311	20,781	46,092
Restricted - non-expendable	-	500	500	-	250	250
Unrestricted	1,397,955	3,900	1,401,855	1,212,556	2,948	1,215,504
Total net position	2,106,734	29,345	2,136,079	1,878,590	23,979	1,902,569
Total liabilities, deferred inflows of resources and net position	\$ 4,770,554	\$ 29,397	\$ 4,799,951	\$ 4,010,155	\$ 23,988	\$ 4,034,143

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022			2021 (As Restated)		
	University	Component Unit	Total	University	Component Unit	Total
	Health	Foundation		Health	Foundation	
Operating Revenues						
Net patient service revenue	\$ 1,396,759	\$ -	\$ 1,396,759	\$ 1,239,782	\$ -	\$ 1,239,782
Premium revenue	823,460	-	823,460	614,741	-	614,741
Other revenue	109,754	7,765	117,519	106,759	15,626	122,385
Total operating revenues	<u>2,329,973</u>	<u>7,765</u>	<u>2,337,738</u>	<u>1,961,282</u>	<u>15,626</u>	<u>1,976,908</u>
Operating Expenses						
Salaries and employee benefits	853,336	-	853,336	736,998	-	736,998
Medical claims expense	697,307	-	697,307	507,004	-	507,004
Purchased services	322,771	-	322,771	317,582	-	317,582
Medical services	242,751	-	242,751	210,882	-	210,882
Supplies and other	409,731	2,519	412,250	339,921	2,168	342,089
Depreciation and amortization	92,273	-	92,273	92,117	-	92,117
Total operating expenses	<u>2,618,169</u>	<u>2,519</u>	<u>2,620,688</u>	<u>2,204,504</u>	<u>2,168</u>	<u>2,206,672</u>
Operating Income (Loss)	<u>(288,196)</u>	<u>5,246</u>	<u>(282,950)</u>	<u>(243,222)</u>	<u>13,458</u>	<u>(229,764)</u>
Nonoperating Revenues (Expenses)						
Investment return	(1,148)	120	(1,028)	(422)	7	(415)
Interest expense	(31,712)	-	(31,712)	(30,668)	-	(30,668)
Debt issuance costs	(2,507)	-	(2,507)	-	-	-
Property tax revenue, net	542,219	-	542,219	512,245	-	512,245
Proceeds from tobacco settlement	9,488	-	9,488	9,062	-	9,062
Provider Relief Fund revenue	-	-	-	32,285	-	32,285
Total nonoperating revenues, net	<u>516,340</u>	<u>120</u>	<u>516,460</u>	<u>522,502</u>	<u>7</u>	<u>522,509</u>
Changes in Net Position	228,144	5,366	233,510	279,280	13,465	292,745
Net Position, Beginning of Year	<u>1,878,590</u>	<u>23,979</u>	<u>1,902,569</u>	<u>1,599,310</u>	<u>10,514</u>	<u>1,609,824</u>
Net Position, End of Year	<u>\$ 2,106,734</u>	<u>\$ 29,345</u>	<u>\$ 2,136,079</u>	<u>\$ 1,878,590</u>	<u>\$ 23,979</u>	<u>\$ 1,902,569</u>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 1,423,472	\$ 1,237,186
Premiums collected, net of reinsurance	946,053	604,632
Payments to suppliers and contractors	(975,706)	(880,063)
Benefit and loss payments	(635,011)	(512,628)
Payments to or on behalf of employees	(853,538)	(755,206)
Other receipts, net	100,540	107,450
Net cash provided by (used in) operating activities	5,810	(198,629)
Cash Flows From Noncapital Financing Activities		
Receipt of property taxes supporting operations	460,072	351,209
Proceeds received from Provider Relief Fund	-	32,285
Proceeds received from tobacco settlement	9,488	9,062
Net cash provided by noncapital financing activities	469,560	392,556
Cash Flows From Capital and Related Financing Activities		
Receipt of property taxes for debt service	76,768	51,554
Proceeds from issuance of long-term debt	300,000	-
Principal paid on long-term debt	(27,640)	(29,900)
Principal paid on leases payable	(5,188)	(4,332)
Interest paid on long-term debt and leases payable	(39,909)	(43,065)
Proceeds from disposal of capital assets	2,122	-
Purchase of capital assets	(306,470)	(226,221)
Net cash used in capital and related financing activities	(317)	(251,964)
Cash Flows From Investing Activities		
Interest received on investments	15,897	7,916
Investment in equity investee	(16,775)	-
Purchase of investments	(2,346,617)	(2,162,294)
Proceeds from disposition of investments	2,013,811	2,092,430
Net cash used in investing activities	(333,684)	(61,948)
Increase (Decrease) in Cash and Cash Equivalents	141,369	(119,985)
Cash and Cash Equivalents, Beginning of Year	199,946	319,931
Cash and Cash Equivalents, End of Year	\$ 341,315	\$ 199,946

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Cash Flows (Continued)
December 31, 2022 and 2021
(In Thousands)

	2022	2021 (As Restated)
Reconciliation of Operating Loss to Net Cash Provided By (Used in)		
Operating Activities		
Operating loss	\$ (288,196)	\$ (243,222)
Depreciation and amortization	92,273	92,117
Provision for uncollectible accounts	165,484	109,766
Changes in operating assets and liabilities		
Patient accounts receivable, net	(195,265)	(122,184)
Estimated third-party payer settlements	60,653	13,588
Accounts payable and accrued expenses	13,223	(32,210)
Net pension liability	(48,044)	(34,743)
Deferred outflows of resources - pensions	4,480	4,807
Deferred inflows of resources - pensions	25,735	22,981
Net OPEB liability	(716)	19,582
Deferred outflows of resources - OPEB	9,551	(13,630)
Deferred inflows of resources - OPEB	1,644	2,219
Other assets, deferred outflows of resources, liabilities and deferred inflows of resources	164,988	(17,700)
Net cash provided by (used in) operating activities	\$ 5,810	\$ (198,629)
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable, accrued expenses and other long-term liabilities	\$ 44,169	\$ 36,177
Lease obligations incurred for lease assets	\$ 11,287	\$ 11,226
Unrealized loss on investments	\$ 20,533	\$ 6,559

In September 2022, University Health issued the Certificates of Obligation, Series 2022 at a premium of \$8,797. Proceeds of \$2,507 were deposited immediately for the payment of the related issuance costs and \$300,000 was deposited into the related project fund.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Fiduciary Activities – Statements of Fiduciary Net Position
Years Ended December 31, 2022 and 2021
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	
	2022	2021
Assets		
Cash and Cash Equivalents	\$ 17,195	\$ 4,231
Employer Contributions Receivable	673	561
Investments		
Marketable securities		
Common stocks - mid capitalization	33,867	35,974
Mutual funds - common stocks - large capitalization	123,048	145,508
Mutual funds - common stocks - small capitalization	5,506	6,136
Mutual funds - fixed income securities	67,671	68,186
Equity trust	34,446	40,476
Fixed income trust	66,033	69,252
Mutual funds - international equity	80,522	94,511
Total marketable securities	<u>411,093</u>	<u>460,043</u>
Alternative investments		
Investment in Arrowstreet Capital, Ltd.	67,891	76,931
Investment in Portfolio Advisors Private Equity Fund VI, VII, VIII, and IX, L.P.	36,596	43,298
Investment in Real Estate Trusts	42,862	53,973
Investment in Standard Life Investments	144	29,855
Investment in Newton Investment Management	28,431	30,773
Investment in Pantheon Access Luxembourg	8,663	5,664
Total alternative investments	<u>184,587</u>	<u>240,494</u>
Total investments at fair value	<u>595,680</u>	<u>700,537</u>
Total assets	<u>613,548</u>	<u>705,329</u>
Liabilities		
Accrued expenses	<u>456</u>	<u>376</u>
Net Position		
Restricted for:		
Pensions	554,699	634,934
Postemployment benefits other than pensions	<u>58,393</u>	<u>70,019</u>
Total net position	<u>\$ 613,092</u>	<u>\$ 704,953</u>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Fiduciary Activities – Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2022 and 2021
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	
	2022	2021
Additions		
Contributions		
Plan member	\$ 11,133	\$ 10,877
Employer	29,692	29,783
	<u>40,825</u>	<u>40,660</u>
Total contributions		
Investment Income		
Interest income	1,865	13
Dividend income	5,204	8,373
Net appreciation (depreciation) in fair value of investments	(96,797)	91,232
Investment expenses	(1,665)	(1,857)
	<u>(91,393)</u>	<u>97,761</u>
Net investment income (loss)		
Total additions	<u>(50,568)</u>	<u>138,421</u>
Deductions		
Benefits paid to plan members	40,748	34,365
Administrative expenses	545	395
	<u>41,293</u>	<u>34,760</u>
Total deductions		
Increase (Decrease) in Fiduciary Net Position	(91,861)	103,661
Restricted Net Position, Beginning of Year	<u>704,953</u>	<u>601,292</u>
Restricted Net Position, End of Year	<u><u>\$ 613,092</u></u>	<u><u>\$ 704,953</u></u>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

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

Nature of Operations and Reporting Entity

The Bexar County Hospital District d/b/a University Health (University Health) is a hospital district established under Article IX, Section 4 of the Texas Constitution and Chapter 281 of the Texas Health and Safety Code. It is a political subdivision of the state of Texas, created to provide medical and hospital care to the needy and indigent of Bexar County, and is a discrete component unit of Bexar County (legally separate from Bexar County, Texas). Its Board of Managers (the Board) is composed of seven members appointed by the Commissioners Court of Bexar County for staggered terms of two years (or until a successor is appointed and qualified). Board members are “public officers” under the Texas Constitution who, as a body, exercise sovereign functions of government largely independent of the control of others, and serve without pay.

University Health is one of the largest public health systems in the state of Texas, with approximately 10,000 employees, and more than 900 attending and resident physicians. It includes University Hospital, South Texas’ only: Level I trauma center for both adults and children, Joint Commission accredited Comprehensive Stroke Center, and Level IV Epilepsy Center. It is also the only hospital in the region to be designated at Level IV, the highest level, for both its Maternity Center and Neonatal Intensive Care Unit. University Health includes more than two dozen outpatient primary, specialty and preventive care centers, including the Robert B. Green Campus downtown; the Texas Diabetes Institute, dedicated to the prevention and treatment of diabetes; four family health centers; several neighborhood clinics, three dialysis centers; two outpatient surgery centers, three adult urgent care centers; one pediatric urgent care center, five school-based health centers; the operations of four nursing homes; and a healthcare program at Bexar County’s correctional facilities. University Health is the primary teaching partner of UT Health Science Center San Antonio d/b/a UT Health San Antonio (UT Health).

University Health has established various affiliated nonprofit, tax-exempt organizations to facilitate the funding, delivery and management of its health care mission. The accompanying financial statements present University Health and its component units, entities for which University Health is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended units are appropriately presented as funds of the primary government. University Health’s discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

Blended component units. Community First Health Plans (Community First), a not-for-profit corporation, was established in 1994 to assist University Health with providing and arranging health care services in accordance with the *Texas Health Maintenance Organization Act* (Chapter 20A, Vernon's Texas Insurance Code). Community First is organized as a health maintenance organization (HMO) licensed in Texas to provide comprehensive health care services to its members principally through its contractual relationships with physician groups, ancillary providers and hospitals, including University Health. Community First is the sole corporate member of Community First Insurance Plan (CFIP), which was incorporated in 2001 and licensed by the State of Texas on August 3, 2001, to operate as a Group Hospital Service Corporation under Chapter 20 of the Texas Insurance Code. CFIP is a not-for-profit company and provides hospital accident coverage and preferred provider organization medical insurance to policyholders through their employer. Because Community First is the sole corporate member of CFIP, CFIP is reported as a blended component unit of Community First. Because University Health is the sole corporate member of Community First, Community First is reported as a blended component unit of University Health. Separately issued financial reports are available for Community First and may be obtained by contacting Community First Health Plans, 12238 Silicon Drive, Suite 100, San Antonio, Texas 78249.

Community Medicine Associates d/b/a University Medicine Associates (UMA) is a Texas nonprofit health organization certified by the Texas State Board of Medical Examiners pursuant to Section 501(a) of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. UMA provides primary care physician services at University Health's Family Health Centers and specialty care physician services at various regional clinic locations and at University Hospital. Because University Health is the sole corporate member of UMA, UMA is presented as a blended component unit of University Health. UMA does not issue separate financial statements.

University Health System Services of Texas, Inc. (UHSST) was formed to establish membership in Central Texas Laundry Linen, LLC (CTL). University Health's governing board is responsible for all financial decisions related to UHSST, there exists a financial benefit or burden relationship between University Health and UHSST and University Health's management has operational responsibility for UHSST. As such, the financial statements of UHSST are presented as a blended component unit of University Health. Separately issued financial reports are available for UHSST. Owned by three regional health care organizations, CTL was formed to provide linen services to businesses and institutions in the region. UHSST holds a 24% interest in CTL, which is recorded using the equity method of accounting.

UHSST holds an interest in Academic Innovators Alliance, LLC (AIA), which is accounted for using the equity method of accounting. UHSST's ownership interest in AIA was approximately 19% at both December 31, 2022 and 2021.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2022 and 2021
(In Thousands)

AIA was formed to operate, in collaboration with other members, a forward-looking, technology-enabled innovation and performance improvement platform that combines group purchasing services, data analytics, knowledge sharing, collaboration, innovation center, member support services, and advocacy focused on the unique needs of academic health systems, such as University Health.

In 2022, UHSST acquired an interest in Post Acute Medical at San Antonio, LLC (PAM), which is accounted for using the equity method of accounting. PAM was formed to increase access to inpatient beds and to serve current inpatients with enhanced options for post-acute care. UHSST's ownership interest in PAM was approximately 31.03% at December 31, 2022. The difference between the consideration paid and the net position acquired is reflected as a deferred outflow of resources in the balance sheets and is being amortized over a period of 10 years.

Discretely presented component unit. University Health Foundation (the Foundation) was created in 1984 to raise funds for University Health. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a legally separate entity from University Health. The Foundation is reported as a discretely presented component unit of University Health since the Foundation's Board of Directors is appointed by University Health's Board (once recommended by the Foundation's Board of Directors) and University Health can impose its will on the Foundation. The Foundation has no corporate member. Separately issued financial reports are available for the Foundation and may be obtained by contacting University Health's administrative offices.

Pension and retiree health care trust funds. The University Health System Pension Plan (the Plan) is a single-employer defined benefit pension plan designated as a public retirement system as defined in and authorized by Section 810.001 of the Texas Government Code and a government plan within the meaning of the IRC Section 414(d). The Plan is administered by University Health and is fiscally dependent on University Health. The Plan is reported as a fiduciary component unit in the funds statements. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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. Separate financial statements of the Plan are available at www.universityhealth.com.

University Health also sponsors a Match Savings Plan, a defined contribution plan, which is described in more detail in *Note 10*. The Match Savings Plan is also reported as a fiduciary component unit.

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The University Health System Retiree Health Trust (the OPEB Trust) is a single-employer defined benefit OPEB established and administered by University Health and is fiscally dependent on University Health. The OPEB Trust is reported as a fiduciary component unit in the funds statements. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB's fiduciary net position have been determined on the same basis as they are reported by the OPEB. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Investments are reported at fair value. Separate financial statements of the OPEB Trust are available at www.universityhealth.com.

Other significant relationships. In 1994, UT Health established a Texas nonprofit corporation organized under Section 501(a) of Article 4495b of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. This corporation serves as a contracting vehicle for physician services with University Health and other payers, including managed care organizations.

Effective June 6, 2000, University Health and Bexar County became the sole sponsors for the Center for Health Care Services (CHCS). The terms of the relationship are governed by a Sponsorship Agreement with Bexar County dated May 2, 2000. CHCS is a community center established under Chapter 534 of the Texas Health and Safety Code to provide a comprehensive array of services to improve the lives of people with mental health disorders, substance use challenges and intellectual and developmental disabilities (IDD) throughout Bexar County. CHCS was originally established by a coalition of 17 local taxing authorities in 1966.

The Department of Aging and Disability Services (DADS) required CHCS to divest its dual roles as a local authority and provider of IDD services, which it did by transferring its responsibility for IDD authority to the Alamo Area Council of Governments (AACOG) effective September 1, 2006. University Health entered into a memorandum of understanding with AACOG to connect the sponsorship obligations for IDD from CHCS to AACOG.

The balances and transactions of UT Medicine, CHCS and AACOG are not combined or otherwise included in the accompanying basic financial statements, but University Health's transactions with these organizations are included.

Unless otherwise noted, the following notes do not include the Foundation, the Plan or the OPEB Trust and the values reported in the tables are in thousands.

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Basis of Accounting and Presentation

The financial statements of University Health have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. University Health first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

In accordance with Governmental Accounting Standards Board Statement (GASB) Statement No. 34, the assets and net position of the Plan and the OPEB Trust are presented separately from those of University Health. The Plan is used to account for assets held in trust for the benefit of the employees of University Health for the defined benefit pension plan and defined contribution plan. The OPEB Trust is used to account for assets held in trust related to the postretirement benefit program for employees of University Health. The financial statements of the Plan and the OPEB Trust are prepared using the accrual basis of accounting.

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, liabilities and deferred inflows and outflows 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 Equivalents

University Health considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash and cash equivalents include demand deposits and money market mutual funds. University Health does not consider highly liquid investments that are designated as to use as cash equivalents.

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Patient Accounts Receivable

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

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost.

Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, are carried at amortized cost per share. All other investments are carried at fair value as determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

State statutes and the Board of Managers authorize University Health to invest in a limited number of instruments, as further described in *Note 3*.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by University Health:

Land improvements	5 – 15 years
Buildings and leasehold improvements	10 – 30 years
Equipment	5 – 15 years

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Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, 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 on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. University Health recognizes lease assets related to lease arrangements with more than \$250 payments over the lease term.

Capital and Lease Asset Impairment

University Health evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Compensated Absences

University Health's employees earn paid time off (PTO) at varying rates depending on years of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO upon voluntary termination, including retirement, as employees who retire from University Health may convert accumulated PTO to termination payments at a rate of 50% of their accumulated PTO balances. The estimated amount of PTO payable as termination payments is reported as a current liability in both 2022 and 2021.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources or deferred inflows of resources in a separate section of its balance sheets.

Net Position

Net position of University Health is classified in four components. Net investment in capital assets consists of capital assets and lease assets, of accumulated depreciation and amortization, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets or liabilities incurred to lease those assets.

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Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by enabling legislation, creditors, grantors or donors external to University Health, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to University Health, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Risk Management

University Health is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, employee health and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

University Health is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health and workers' compensation claims. Annual estimated provisions are accrued for the self-insured portion of these risks and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Patient Service Revenue

University Health has agreements with third-party payers that provide for payments to University Health 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.

Charity Care

University Health provides charity care to residents of Bexar County who qualify on a financial basis for the CareLink Program and to all others who qualify based on University Health's charity care policy. University Health does not pursue collection of amounts in excess of the established guidelines for those patients who meet the charity criteria. Such excess is considered charity care and is not reported as revenue.

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University Health's CareLink Program is used to discount gross charges for medical services received in University Health's facilities. Under this program, residents of Bexar County have an established maximum family liability rather than a discount of total gross charges. Key factors in establishing a family's maximum liability levels are: number of dependents, income and the relationship of these factors to the current Poverty Index. University Health does not pursue collection of amounts in excess of the maximum family liability. Such excess amounts are considered charity care and are not reported as revenue.

Arrangements are made with residents of Bexar County to pay their reduced medical costs in installments. Any amounts designated as not being due prior to December 31 of the subsequent year are classified as long-term patient receivables and are presented net of applicable allowances.

Non-CareLink patients meeting the financial and medical indigency criteria established in the charity policy receive a discount from gross charges for emergency and catastrophic medical services received in University Health's facilities. Charges for financial indigency are discounted based on family income compared to the Poverty Index. Charges for medical indigency are discounted when charges exceed a certain income and asset level.

University Health maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The charges forgone, based on established rates, were approximately \$945,908 and \$994,982 for the years ended December 31, 2022 and 2021, respectively. The costs of charity care provided under University Health's charity care policy were approximately \$287,347 and \$322,298 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross charity care charges.

Premium Revenue

Community First has agreements with plan sponsors to arrange health service benefits for subscribing participants. Under these agreements, Community First receives monthly premium payments based on the number of each plan sponsor's participants. In addition, Community First receives supplementary delivery payments under the Medicaid program.

Medical Claims Expense

Community First arranges for the provision of comprehensive health care services to its members principally through its contractual relationships with physician groups, ancillary providers, and hospitals, including University Health. Physicians, ancillary providers, and hospitals are paid a contracted fee for service or a capitation rate, and Community First is responsible for any related payments to those providers.

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The cost of health care services provided is accrued in the period it is rendered to the enrolled members, based in part on estimates for hospital and physician services rendered to enrolled members during the period that have not yet been reported.

Reserves for Incurred But Not Reported Medical Claims

Community First’s management estimates and provides reserves for incurred but not reported physician and hospital services rendered to enrolled members during the period. These reserves represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred during the reporting period. The estimate is based on actuarial projections of the historical development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the reporting period.

The estimate of the unpaid claims liability is based on the best data available to management; however, the estimates are subject to a significant degree of inherent variability. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known and such adjustments are included in current operations.

Although management believes the estimate of the unpaid liability is reasonable, it is possible that actual incurred claims expense will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of the claims may vary significantly from the estimate included in the accompanying financial statements.

Tobacco Settlement Revenue

Tobacco settlement revenue is the result of a settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. University Health received \$9,488 and \$9,062 in revenue from this settlement for the years ended December 31, 2022 and 2021, respectively. This revenue is recognized as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Property Taxes

University Health received approximately 19% and 20% of its financial support from property taxes in 2022 and 2021, respectively. These funds were used as follows:

	2022	2021
Percentage used to support operations	85.7%	87.2%
Percentage used for debt service on bonds	14.3%	12.8%
Total	100.0%	100.0%

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Property taxes are levied by University Health on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and University Health records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year. University Health recorded an allowance for uncollectible property taxes of approximately \$20,001 and \$18,990 at December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, respectively, University Health had recorded approximately \$614,547 and \$537,674 of property taxes levied for services to be provided in 2023 and 2022, respectively. These amounts are reported as a deferred inflow of resources in the accompanying balance sheets and will be recognized as revenue in the period for which they were levied.

University Health's property tax rate was \$0.236735 and \$0.240964 per \$100 valuation for 2022 and 2021, respectively, for the maintenance and operation fund. University Health's property tax rate was \$0.039500 and \$0.035271 per \$100 valuation for 2022 and 2021, respectively, for the interest and sinking fund.

Income Taxes

As an essential government function of the County, University Health is generally exempt from federal and state income taxes under Section 115 of the IRC and a similar provision of state law. University Health also has an exemption from income taxes under IRC Section 501(c)(3). UMA, Community First and the Foundation carry exemptions from income taxes under IRC Section 501 sections. University Health, UMA, Community First and the Foundation are subject to federal income tax on any unrelated business taxable income.

Change in Accounting Principle

On January 1, 2022, University Health adopted GASB Statement No. 87, *Leases* (GASB 87), using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible lease asset. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption. At January 1, 2021, University Health recognized \$23.6 million in lease assets and lease liabilities as a result of the adoption of GASB 87. The adoption of GASB 87 had no impact on net position as of January 1, 2021.

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The effect of the changes made to the accompanying balance sheet, statement of revenues, expenses, and changes in net position, and statement of cash flows of University Health as of and for the year ended December 31, 2021, are as follows:

	2021 (As Previously Reported)	Effect of Adoption	2021 (As Restated)
Balance Sheet			
Lease assets, net	\$ -	\$ 30,492	\$ 30,492
Total assets	3,862,090	30,492	3,892,582
Total assets and deferred outflows of resources	3,979,663	30,492	4,010,155
Current maturities of lease liabilities	-	4,179	4,179
Total current liabilities	341,427	4,179	345,606
Lease liabilities, noncurrent	-	26,313	26,313
Total liabilities	1,508,166	30,492	1,538,658
Net investment in capital assets	641,356	(633)	640,723
Unrestricted net position	1,211,923	633	1,212,556
Total liabilities, deferred inflows of resources and net position	3,979,663	30,492	4,010,155
Statement of Revenues, Expenses and Changes in Net Position			
Purchased services	322,109	(4,527)	317,582
Depreciation and amortization	87,785	4,332	92,117
Total operating expenses	2,204,699	(195)	2,204,504
Operating loss	(243,417)	195	(243,222)
Interest expense	(30,473)	(195)	(30,668)
Total nonoperating revenues, net	522,697	(195)	522,502
Statement of Cash Flows			
Payments to suppliers and contractors	\$ (884,590)	\$ 4,527	\$ (880,063)
Net cash used in operating activities	(203,156)	4,527	(198,629)
Principal paid on leases payable	-	(4,332)	(4,332)
Interest paid on long-term debt and leases payable	(42,870)	(195)	(43,065)
Net cash used in capital and related financing activities	(247,437)	(4,527)	(251,964)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	(243,417)	195	(243,222)
Depreciation and amortization	87,785	4,332	92,117
Net cash used in operating activities	(203,156)	4,527	(198,629)
Noncash Investing, Capital and Financing Activities			
Lease obligations incurred for lease assets	-	11,226	11,226

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Revision

Certain immaterial revisions have been made to the 2021 financial statements to reclassify interest received on investments originally reflected within proceeds from disposition of investments in the statement of cash flows. This revision did not have a significant impact on the financial statement line items impacted.

Note 2: Net Patient Service Revenue

University Health has agreements with third-party payers that provide for payments to University Health at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology.

University Health is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by University Health and audits thereof by the Medicare fiscal intermediary. University Health's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2015.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Inpatient reimbursement is inclusive of an add-on for trauma care that is based on the Medicaid Standard Dollar Amount. Outpatient and physician services are reimbursed under a mixture of fee schedules and cost reimbursement. University Health is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by University Health and audits thereof by the Medicaid administrative contractor. University Health's Medicaid cost reports have been audited by the Medicaid administrative contractor through December 31, 2015.

Approximately 60% and 65% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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University Health has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to University Health under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Supplemental Medicaid Funding Revenue

In response to the growing number of uninsured patients and the rising cost of health care, the Texas Legislature established a Texas Medicaid Disproportionate Share Program (DSH Program) that was designed to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. This program allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas. At December 31, 2022 and 2021, respectively, University Health had recorded approximately \$3,208 and \$4,717 of DSH revenue for services to be provided in 2023 and 2022, respectively. These amounts are reported as revenue received in advance in the accompanying balance sheets and are recognized as revenue during the period in which services are provided.

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a Medicaid section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (the Waiver) that allowed the state to expand Medicaid managed care while preserving hospital funding, provide incentive payments for health care improvements and direct more funding to hospitals that serve large numbers of uninsured patients. The Waiver established two pools, an Uncompensated Care Pool (UC Pool) to offset the cost of uncompensated care and a Delivery System Reform Initiative Payment Pool (DSRIP) as incentive payments for developing programs and strategies supporting hospitals’ efforts to improve access to health care; improve quality and outcomes of care; improve efficiencies of care provided; and to improve the patient experience by managing the health of patients and families served. DSRIP payments are made for system improvements identified in Regional Healthcare Partnerships (RHP) delivery system reform and improvement plans (RHP Plan) led by public hospitals such as University Health or governmental entities that will provide the state share of Waiver pool funds. University Health serves as the anchor facility for the 20 county RHP 6. The revenue from the two funding pools is recognized as earned throughout the related demonstration year. Funding from the UC Pool is limited to actual uncompensated care costs, as defined by the Waiver.

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The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the Texas Health and Human Services Commission (HHSC) and the Centers for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The DSRIP program ended on September 30, 2021 and was not extended under the Waiver extension. CMS has also approved an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program. The directed payment programs University Health participates in are discussed more fully below.

University Health participated in UHRIP through the program's transition on August 31, 2021. Under UHRIP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. The program increased revenue from services provided to the Medicaid managed care beneficiaries. The UHRIP program transitioned on August 31, 2021, and the Comprehensive Hospital Increased Reimbursement Program (CHIRP) began on September 1, 2021. CHIRP also provides for a uniform percentage rate increase to all hospitals within a particular class of hospitals, but added a quality component to the UHRIP, which participating hospitals may opt into. The state's share of UHRIP and CHIRP funding is funded through intergovernmental transfers from certain hospitals, including University Health. CHIRP will require annual approval by CMS and has been approved through August 31, 2023. Revenue from UHRIP and CHIRP is was part of the claims payment from the Medicaid managed care organizations and is recognized as a component of net patient service revenue in the statements of changes in revenues, expenses and changes in net position.

University Health participates in the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by the Health and Human Services Commission, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as University Health.

University Health participates in the Quality Improvement Payment Program (QIPP). The program is designed to assist nursing facilities serving indigent patients by providing funding to support increased access to health care into the community. It is also designed to allow participating providers to receive additional reimbursement if they either reach a national benchmark level or they make quarterly improvements in up to four predetermined quality measures.

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University Health participates in a Medicaid Graduate Medical Education (GME) supplemental payment program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals.

In 2022, University Health began participating in the Texas Incentives for Physicians and Professional Services Program (TIPPS). TIPPS is a directed payment program for certain physician practice groups providing health care services to children and adults enrolled in the STAR, STAR+PLUS and STAR Kids Medicaid managed care programs.

Eligible physician practice groups include health related institutions (HRIs), indirect medical education physician practice groups affiliated with hospitals and other physician practice groups.

In 2022, University Health also began participating in the Public Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to certain hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to participating hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.

Revenue recognized from all programs that are not components of claims payments is included as a component of net patient service revenue in the statements of revenues, expenses and changes in net position as follows:

	<u>2022</u>	<u>2021</u>
DSH Program	\$ 45,435	\$ 38,210
UC Pool	105,390	113,729
DSRIP	2,926	81,329
NAIP	42,469	44,168
GME	15,388	11,234
QIPP	2,771	2,177
TIPPS	3,279	-
HARP	42,163	-
	<u>\$ 259,821</u>	<u>\$ 290,847</u>

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Accounts receivable under the programs listed above were \$51,397 and \$114,253 at December 31, 2022 and 2021, respectively, and are included in estimated amounts due from third-party payers. At December 31, 2022 and 2021, University Health recorded approximately \$12,114 and \$11,221, respectively, of prepaid intergovernmental transfers, which University Health is required to contribute as the state share of UHRIP and CHIRP funding, which is included as prepaid expenses in the accompanying financial statements.

University Health participates in a Local Provider Participant Fund (LPPF) in Bexar County. University Health acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Bexar County. These payments are to be used to fund intergovernmental transfers representing the state's share of supplemental Medicaid funding program. As University Health acts a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenues and expenses in the statements of revenues, expenses and changes in net position. At December 31, 2022 and 2021, University Health held \$13,110 and \$8,352, respectively, in mandatory payments that will be transferred in 2023 and 2022.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding University Health has received is subject to audit and is not representative of funding to be received in future years.

Note 3: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. University Health's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits of University Health with federal depository insurance or other qualified investments. At December 31, 2022, all of University Health's bank deposits were fully insured or collateralized.

Investments

University Health 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 to a limited extent in corporate bonds and equity securities.

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At December 31, 2022 and 2021, University Health also had the following investments and maturities:

Type	December 31, 2022				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
U.S. Treasury obligations	\$ 383,464	\$ 175,148	\$ 208,316	\$ -	\$ -
U.S. agencies obligations	575,530	264,054	311,476	-	-
Municipal bonds	154,631	64,070	90,561	-	-
Commercial paper	417,215	417,215	-	-	-
Money market mutual funds	447,892	447,892	-	-	-
Investment pool	98,461	98,461	-	-	-
	<u>\$ 2,077,193</u>	<u>\$ 1,466,840</u>	<u>\$ 610,353</u>	<u>\$ -</u>	<u>\$ -</u>

Type	December 31, 2021				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
U.S. Treasury obligations	\$ 364,013	\$ 229,880	\$ 134,133	\$ -	\$ -
U.S. agencies obligations	388,258	150,885	237,373	-	-
Municipal bonds	96,077	38,294	57,783	-	-
Commercial paper	417,069	417,069	-	-	-
Money market mutual funds	367,410	367,410	-	-	-
Investment pool	1,469	1,469	-	-	-
	<u>\$ 1,634,296</u>	<u>\$ 1,205,007</u>	<u>\$ 429,289</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, University Health’s investment policy requires that total investments have a weighted-average maturity of five years or less. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the obligations decrease. Likewise, when interest rates decrease, the fair value of the obligations increase. The money market mutual funds are presented as an investment with a maturity of less than one-year because they are redeemable in full immediately. University Health’s investment policy limits the maturity periods of its investments by type to a maximum of 10 years.

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Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). University Health and Community First each have formal investment policies adopted by the Board of Managers and Board of Directors, respectively, that limit investments in securities based on an NRSRO credit rating. University Health’s investments are also subject to the *Public Funds Investment Act* (the Act), at Government Code Chapter 2256, and Community First’s investments are also subject to regulations enumerated in Title 28, Chapter 11 of the Texas Administrative Code (TAC) and Chapter 20A of the Texas Insurance Code (TIC).

Investments authorized by the Act and University Health’s investment policy are limited to: obligations of the United States government or its agencies; municipal obligations, repurchase agreements collateralized by obligations of the United States government or its agencies; investment pools with at least an AA-m or better rating by one nationally recognized rating service; commercial paper with a stated maturity of 270 days or less, and a credit rating of A-1 or P-1 or its equivalent by at least two nationally recognized credit rating agencies; certificates of deposit issued by a state bank, national bank, or a savings and loan association domiciled in Texas, with FDIC insurance and collateralized by obligations of the U.S. government or its agencies, with market value of 102% of the insured principal amount; bankers’ acceptances of a bank organized and existing under the laws of the United States, whose short-term obligations are rated not less than A-1 or P-1 or its equivalent by at least one nationally recognized rating agency, and with a stated maturity of 270 days or less; and no-load money market mutual funds registered by the Securities and Exchange Commission with a dollar-weighted-average stated maturity of 90 days or less, and an investment objective of a stable net asset value of one dollar.

Investments authorized by the TAC, TIC and Community First’s investment policy are limited to obligations of the United States government or its agencies; certificates of deposit with a credit rating of Moody’s A2 or Standard & Poor’s (S&P) A; corporate obligations with a credit rating of Moody’s A1 or S&P A+; municipal notes and bonds with a credit rating of Moody’s Aaa or S&P AAA; auction-rate securities with a credit rating of Moody’s A2 or S&P A; and asset-backed securities with a credit rating of Moody’s Aaa or S&P AAA.

University Health’s investments in U.S. Treasury obligations carry the explicit guarantee of the U.S. government. At December 31, 2022, the debt securities of the U.S. agencies are rated AA+ or A-1+ by S&P or Aaa or P-1 by Moody’s. University Health’s investments in municipal bonds were rated AAA, AA+, AA, or A+ by S&P or Aaa, Aa1, Aa3, or A1 by Moody’s at December 31, 2022. University Health’s investments in commercial paper was rated A-1+ or A-1 by S&P at December 31, 2022.

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University Health also invests in TexPool, a state investment pool, which is considered an investment for financial reporting. The Texas State Comptroller of Public Accounts (Comptroller) oversees TexPool. Federated Investors provides asset management and participant services for TexPool’s operations under a contract with the Comptroller. The Comptroller has established an advisory board comprised of participants and others who do not have a business relationship with TexPool. The advisory board reviews the investment policy and management fee structure. TexPool is not registered with the Securities and Exchange Commission as an investment company. University Health has an undivided beneficial interest in the pool of assets held by TexPool. Investments must be in compliance with the *Texas Public Fund Investment Act* and include obligations of the United States or its agencies, direct obligation of the state of Texas or its agencies, certificates of deposit and repurchase agreements. The fair value of the position in these pools is the same as the value of the shares in each pool. TexPool is rated AAA by Standard & Poor’s.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, University Health 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 University Health’s investments are held in safekeeping or trust accounts.

Concentration of Credit Risk – University Health places no limit on the amount that may be invested in any one issuer as long as the restrictions of the *Texas Public Funds Investment Act* are followed.

The following table reflects University Health and Community First’s investments in single issuers that represent more than 5% of total investments:

	2022	2021
Federal Home Loan Bank	25%	13%
Federal Farm Credit Bank	5%	7%

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in University Health's balance sheets as follows:

	<u>2022</u>	<u>2021</u>
Carrying value		
Deposits	\$ 4,301	\$ (10,926)
Investments	<u>2,077,193</u>	<u>1,634,296</u>
	<u>\$ 2,081,494</u>	<u>\$ 1,623,370</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 341,315	\$ 199,946
Restricted cash equivalents - Local Provider Participation Fund	13,110	8,352
Short-term investments	294,119	308,771
Noncurrent cash and investments	<u>1,432,950</u>	<u>1,106,301</u>
	<u>\$ 2,081,494</u>	<u>\$ 1,623,370</u>

University Health's outstanding checks in excess of deposit balances are covered by money market mutual funds held with the right of offset at the same financial institution.

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Note 4: Patient Accounts Receivable

University Health grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 55,054	\$ 44,463
Medicaid	58,057	33,381
Other third-party payers	94,998	76,255
Patients	<u>404,779</u>	<u>337,777</u>
	612,888	491,876
Less allowance for uncollectible accounts	<u>427,180</u>	<u>335,948</u>
	<u>\$ 185,708</u>	<u>\$ 155,928</u>

Note 5: Capital and Lease Assets

University Health's capital assets activity for the years ended December 31 was:

	<u>2022</u>			
	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Other</u>	<u>Ending Balance</u>
Land and land improvements	\$ 44,212	\$ 21,946	\$ (888)	\$ 65,270
Buildings and improvements	1,436,319	17,127	(3,975)	1,449,471
Equipment	639,039	35,979	(19,817)	655,201
Construction in progress	299,394	239,410	-	538,804
	<u>2,418,964</u>	<u>314,462</u>	<u>(24,680)</u>	<u>2,708,746</u>
Less accumulated depreciation	<u>960,213</u>	<u>86,215</u>	<u>(22,214)</u>	<u>1,024,214</u>
Capital assets, net	<u>\$ 1,458,751</u>	<u>\$ 228,247</u>	<u>\$ (2,466)</u>	<u>\$ 1,684,532</u>

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	2021			
	Beginning Balance	Additions/ Transfers	Disposals/ Other	Ending Balance
Land and land improvements	\$ 34,218	\$ 9,994	\$ -	\$ 44,212
Buildings and improvements	1,404,730	33,442	(1,853)	1,436,319
Equipment	594,464	50,374	(5,799)	639,039
Construction in progress	153,095	146,299	-	299,394
	<u>2,186,507</u>	<u>240,109</u>	<u>(7,652)</u>	<u>2,418,964</u>
Less accumulated depreciation	<u>879,798</u>	<u>87,785</u>	<u>(7,370)</u>	<u>960,213</u>
Capital assets, net	<u>\$ 1,306,709</u>	<u>\$ 152,324</u>	<u>\$ (282)</u>	<u>\$ 1,458,751</u>

At December 31, 2022, construction in progress includes costs incurred in connection with the expansion and renovation of facilities and related equipment, including a women's and children's hospital at the main campus. The \$778,000 project will be completed in at least three phases. Phase I was comprised of a new heart, vascular and endoscopy center known as the Advanced Diagnostic Center, which was built in University Health's Sky Tower and placed in service in 2020. Phases II and III includes a patient tower, a parking structure and expanded podium to accommodate support services. The new women's and children's hospital and parking structure is expected to open in summer 2023, and the podium is expected to be built out as needed after 2023. The project is being funded from debt proceeds that were issued in 2018, 2020, and 2022 (*Note 8*) as well as existing cash and investments.

Lease assets activity for the years ended December 31 was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 6,227	\$ -	\$ -	\$ 6,227
Buildings	28,362	8,213	(979)	35,596
Equipment	235	3,074	-	3,309
	<u>34,824</u>	<u>11,287</u>	<u>(979)</u>	<u>45,132</u>
Less accumulated amortization				
Land	33	113	-	146
Buildings	4,241	4,861	(979)	8,123
Equipment	58	1,083	-	1,141
	<u>4,332</u>	<u>6,057</u>	<u>(979)</u>	<u>9,410</u>
Lease assets, net	<u>\$ 30,492</u>	<u>\$ 5,230</u>	<u>\$ -</u>	<u>\$ 35,722</u>

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	2021 (As Restated)			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ -	\$ 6,227	\$ -	\$ 6,227
Buildings	23,363	4,999	-	28,362
Equipment	235	-	-	235
	<u>23,598</u>	<u>11,226</u>	<u>-</u>	<u>34,824</u>
Less accumulated amortization				
Land	\$ -	33		33
Buildings	-	4,241	-	4,241
Equipment	-	58	-	58
	<u>-</u>	<u>4,332</u>	<u>-</u>	<u>4,332</u>
Lease assets, net	<u>\$ 23,598</u>	<u>\$ 6,894</u>	<u>\$ -</u>	<u>\$ 30,492</u>

Note 6: Accounts Payable and Accrued Expenses

University Health's accounts payable and accrued expenses included in current liabilities at December 31 consisted of:

	<u>2022</u>	<u>2021</u>
Payable to suppliers and contractors	\$ 180,564	\$ 156,957
Payable to employees (including payroll taxes and benefits)	45,843	39,259
Accrued interest	18,179	15,496
Premium deficiency reserve	1,000	610
Estimated self-insurance costs - current	3,833	3,489
Payable to HHSC by Community First	140,024	23,926
Other accrued liabilities	<u>7,727</u>	<u>9,462</u>
	<u>\$ 397,170</u>	<u>\$ 249,199</u>

Community First has contracts with HHSC for CHIP, Medicaid STAR, and Medicaid STAR Kids programs. These contracts include a combined premium rebate provision, which allows the State of Texas to share in Community First's profits that exceed a defined threshold. As of December 31, 2022 and 2021, Community First has recorded an experience rebate of \$131,341 and \$12,835, respectively. The payable to HHSC by Community First consists primarily of this experience rebate.

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Note 7: Risk Management

Employee Health Claims

University Health is self-insured for employee health insurance costs. The self-insured plan is administered by Community First, which determines the cost of claims paid to community health care providers and estimates a reserve for medical claims incurred but not yet reported. University Health also recognizes the incremental cost of services provided by University Health to plan participants. University Health maintains a stop-loss insurance contract to cover 90% of certain medical costs in excess of \$175 per claim, up to a maximum of \$2,000 per contract year and \$5,000 per member lifetime maximum.

Workers' Compensation Claims

University Health participates in a self-insurance program that provides for the payment of workers' compensation claims. The funding for this program is based on third-party recommendations for settlement in accordance with Texas workers' compensation laws. University Health has purchased reinsurance for individual claims exceeding \$850 up to a maximum limit of \$1,000 for any one accident or occurrence.

Professional Liability Claims

University Health funds a revocable self-insurance trust to provide for the payment of medical malpractice liabilities. The funding is based on management's recommendations for settlement of claims to limits of \$100 per claim and \$300 per occurrence, in accordance with the limited liability provisions of the Texas Tort Claims Act. University Health is also self-insured for "tail coverage" for certain employed physicians. This coverage has a limited time exposure and also is subject to claims limits. Amounts are provided for funding, and estimated liabilities for incurred but not yet reported claims are based on management estimates.

Losses from asserted and unasserted claims identified under University Health's incident reporting system are accrued based on estimates that incorporate University Health's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that University Health's estimate of losses will change by a material amount in the near term.

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Changes in and the balances of University Health’s aggregate claims liability in fiscal years 2022 and 2021 are as follows:

	Beginning of Fiscal Year Liability	Current Year Expenses	Claim Payments	Balance at Fiscal Year-End
Employee health claims				
2022	\$ 2,288	\$ 37,941	\$ (37,187)	\$ 3,042
2021	4,556	37,065	(39,333)	2,288
Workers’ compensation claims				
2022	\$ 5,104	\$ 1,111	\$ (2,092)	\$ 4,124
2021	5,258	1,269	(1,423)	5,104
Professional liability				
2022	\$ 1,404	\$ 188	(75)	\$ 1,517
2021	1,498	(6)	(88)	1,404

Medical Claims Payable

Community First’s medical claims payable represents the estimate of the ultimate net cost of all reported and unreported medical claims incurred but not paid through the end of the year. This estimate is based on claims reported, actuarial estimates and trends in the health care costs. Subsequent actual claims experience and related settlement costs may differ from the estimated liability due to variances in estimated and actual subscriber utilization of medical services, the amount of charges and other factors. This estimate is subject to a significant degree of inherent variability. The estimates are continually reviewed and any necessary adjustments are included in current operations.

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Changes in and the balances of Community First's aggregate medical claims liability in 2022 and 2021 are as follows:

	2022	2021
Medical claims payable, beginning of year	\$ 54,200	\$ 58,845
Incurred related to		
Current year	691,721	518,177
Prior years	5,586	(11,173)
Total incurred losses and claims payable	697,307	507,004
Paid related to		
Current year	574,659	463,156
Prior years	59,915	48,493
Total paid losses and claims payable	634,574	511,649
Medical claims payable, end of year	\$ 116,933	\$ 54,200

Patient service revenue and medical claims expense for Community First members amounting to \$54,703 and \$35,045 in 2022 and 2021, respectively, are not eliminated in the basic financial statements.

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Note 8: Long-term Debt

A summary of long-term debt is as follows:

	<u>2022</u>	<u>2021</u>
Limited Tax Refunding Bonds, Series 2016	\$ 167,355	\$ 174,855
Certificates of Obligation, Series 2018	253,015	258,055
Limited Tax Refunding Bonds, Series 2019	183,855	192,115
Limited Tax Refunding Bonds, Series 2020	131,830	136,370
Certificates of Obligation, Series 2020	138,435	140,735
Certificates of Obligation, Series 2022	293,710	-
	<u>1,168,200</u>	<u>902,130</u>
Bond premium	91,177	94,128
	<u>\$ 1,259,377</u>	<u>\$ 996,258</u>

Limited Tax Refunding Bonds – Series 2016

University Health issued the Limited Tax Refunding Bonds, Series 2016 (the 2016 Bonds) in the amount of \$215,485, dated September 8, 2016. The 2016 Bonds were used to refund \$215,485 of Series 2008 Certificates. The 2016 Bonds mature in various amounts annually on February 15, from 2017 through 2037, with stated coupon rates ranging from 1.5% to 5.0% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues.

All of the 2016 Bonds still outstanding and maturing on or after February 15, 2027 may be redeemed at University Health’s option on or after February 15, 2026 at a price of par plus accrued interest to the date of redemption. The 2016 Bonds were issued at a premium and the outstanding balance of the premium is \$11,411 and \$13,870 at December 31, 2022 and 2021, respectively.

As a result of the refunding, University Health decreased its total debt service requirements by \$69,350 and incurred an accounting loss of approximately \$15,155. The accounting loss on the refunding is being amortized into interest expense using a straight-line method over the term of the 2016 Bonds. The balance of the deferred loss on the refunding is \$10,524 and \$11,294 at December 31, 2022 and 2021, respectively, and is included as a deferred outflow of resources in the accompanying balance sheets.

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Certificates of Obligation – Series 2018

The tax Certificates of Obligation, Series 2018 (the 2018 Certificates) were issued in 2018, and mature in various amounts annually through February 15, 2048, with stated coupon rates ranging from 2.50% to 5.00% and are collateralized by a levy of ad valorem tax revenue. The proceeds from the issuance are being used primarily to fund the construction and equipping of a women’s and children’s tower at the main hospital campus as well as a heart and vascular institute and advanced endoscopy services facility, among other facilities. The 2018 Certificates maturing on February 15, 2029 and 2030 are subject to redemption prior to the stated maturity date on or after February 15, 2023. The 2018 Certificates maturing on February 15, 2031 and 2032 are subject to redemption prior to the stated maturity date on or after February 15, 2025. The 2018 Certificates maturing on February 15, 2028 and 2033, and in each of the years thereafter, are subject to redemption prior to the stated maturity date on or after February 15, 2027. These optional redemptions are at the option of University Health and are at a redemption price of par plus accrued interest to the date of redemption. The 2018 Bonds were issued at a premium and the outstanding balance of the premium is \$17,055 and \$18,800 at December 31, 2022 and 2021, respectively.

Limited Tax Refunding Bonds – Series 2019

University Health issued the Limited Tax Refunding Bonds, Series 2019 (2019 Bonds) in the amount of \$204,065, dated February 1, 2019. The 2019 Bonds were used to refund \$232,140 of Series 2009B Bonds, resulting in a net present value savings of \$26,010. The 2019 Bonds mature in various amounts annually on February 15 through 2039, with stated coupon rates ranging from 2.5% to 5.0%. The 2019 Bonds are collateralized by a levy of ad valorem tax revenue. All of the 2019 Bonds still outstanding and maturing on or after February 15, 2029 may be redeemed at University Health’s option on or after February 15, 2028 at a par plus accrued interest to the date of redemption.

As a result of the refunding, University Health decreased its total debt service requirements by \$42,081 and incurred an accounting loss of approximately \$1,235. The accounting loss on the refunding will be amortized into interest expense using a straight-line method over the term of the 2019 Bonds, which mature in 2039. The balance of the deferred loss on the refunding is \$998 and \$1,060 at December 31, 2022 and 2021, respectively, and is included as a deferred outflow of resources in the accompanying balance sheets. The 2019 Bonds were issued at a premium and the outstanding balance of the premium is \$17,294 and \$20,068 at December 31, 2022 and 2021, respectively.

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Limited Tax Refunding Bonds – Series 2020

During 2020, University Health issued the 2020 Bonds in the amount of \$140,680, dated January 14, 2020. The 2020 Bonds were used to refund \$162,310 of Series 2010B Certificates, resulting in a net present value savings of \$14,750. The 2020 Bonds mature in various amounts annually starting February 15, 2021 through 2040, with stated coupon rates ranging from 3.0% to 5.0%. The 2020 Bonds are collateralized by a levy of ad valorem tax revenue. As a result of the refunding, University Health decreased its total debt service requirements by \$18,884 and incurred an accounting loss of approximately \$701. The accounting loss on the refunding is being amortized into interest expense using a straight-line method over the term of the 2020 Bonds, which mature in 2040. The balance of the deferred loss on the refunding is \$607 and \$643 at December 31, 2022 and 2021, respectively, and is included as a deferred outflow of resources in the accompanying balance sheets. The 2020 Bonds were issued at a premium and the outstanding balance of the premium is \$16,009 and \$18,511 at December 31, 2022 and 2021, respectively.

All of the 2020 Bonds maturing on or after February 15, 2030 still outstanding may be redeemed at University Health's option on or after February 15, 2029 at a price of par plus accrued interest at the date of redemption.

Certificates of Obligation – Series 2020

During 2020, University Health also issued the Certificates of Obligation, Series 2020 (the 2020 Certificates) in the amount of \$144,685. The proceeds from the issuance are being used to fund the construction and equipping of a women's and children's tower at the main hospital campus as well as a heart and vascular institute and advanced endoscopy services facility, among other facilities. The 2020 Certificates mature in various amounts annually on February 15, from 2021 through 2050, with stated coupon rates ranging from 2.00% to 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2020 Certificates maturing on or after February 15, 2030 still outstanding may be redeemed at University Health's option on or after February 15, 2029 at a price of par plus accrued interest at the date of redemption. The 2020 Certificates were issued at a premium and the outstanding balance of the premium is \$20,960 and \$22,879 at December 31, 2022 and 2021, respectively.

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Certificates of Obligation – Series 2022

During 2022, University Health issued the Certificates of Obligation, Series 2022 (the 2022 Certificates) in the amount of \$293,710. The proceeds from the issuance are to be used to fund the acquisition, construction, improvement and equipping of University Health hospitals and other health care facilities, including medical office buildings and public health facilities throughout Bexar County as well as technology equipment and related hardware and software and parking facilities. The 2022 Certificates mature in various amounts annually on February 15, from 2022 through 2052, with stated coupon rates ranging from 4.00% to 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2022 Certificates maturing on or after February 15, 2033 still outstanding may be redeemed at University Health’s option on or after February 15, 2032 at a price of par plus accrued interest at the date of redemption. The 2022 Certificates maturing on or after February 15, 2047 still outstanding may be redeemed at University Health’s option on or after February 15, 2028 at a price of par plus accrued interest at the date of redemption. The 2022 Certificates were issued at a premium and the outstanding balance of the premium is \$8,448 at December 31, 2022.

The following is a summary of long-term debt transactions for University Health for the years ended December 31:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Limited Tax Refunding Bonds, Series 2016	\$ 174,855	\$ -	\$ (7,500)	\$ 167,355	\$ 7,885
Certificates of Obligation, Series 2018	258,055	-	(5,040)	253,015	5,295
Limited Tax Refunding Bonds, Series 2019	192,115	-	(8,260)	183,855	8,785
Limited Tax Refunding Bonds, Series 2020	136,370	-	(4,540)	131,830	4,770
Certificates of Obligation, Series 2020	140,735	-	(2,300)	138,435	2,380
Certificates of Obligation, Series 2022	-	293,710	-	293,710	6,620
	<u>\$ 902,130</u>	<u>\$ 293,710</u>	<u>\$ (27,640)</u>	<u>\$ 1,168,200</u>	<u>\$ 35,735</u>
Total long-term debt	<u>\$ 902,130</u>	<u>\$ 293,710</u>	<u>\$ (27,640)</u>	<u>\$ 1,168,200</u>	<u>\$ 35,735</u>

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Limited Tax Refunding Bonds, Series 2016	\$ 181,990	\$ -	\$ (7,135)	\$ 174,855	\$ 7,500
Certificates of Obligation, Series 2018	268,720	-	(10,665)	258,055	5,040
Limited Tax Refunding Bonds, Series 2019	195,955	-	(3,840)	192,115	8,260
Limited Tax Refunding Bonds, Series 2020	140,680	-	(4,310)	136,370	4,540
Certificates of Obligation, Series 2020	144,685	-	(3,950)	140,735	2,300
	<u>\$ 932,030</u>	<u>\$ -</u>	<u>\$ (29,900)</u>	<u>\$ 902,130</u>	<u>\$ 27,640</u>
Total long-term debt	<u>\$ 932,030</u>	<u>\$ -</u>	<u>\$ (29,900)</u>	<u>\$ 902,130</u>	<u>\$ 27,640</u>

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The debt service requirements as of December 31, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 35,735	\$ 50,864	\$ 86,599
2024	31,045	51,122	82,167
2025	36,670	49,429	86,099
2026	38,655	47,546	86,201
2027	37,730	45,636	83,366
2028 - 2032	218,635	197,568	416,203
2033 - 2037	273,740	140,985	414,725
2038 - 2042	198,615	86,928	285,543
2043 - 2047	174,050	48,493	222,543
2048 - 2052	123,325	10,881	134,206
	<u>\$ 1,168,200</u>	<u>\$ 729,452</u>	<u>\$ 1,897,652</u>

Note 9: Lease Liabilities

University Health leases medical office space, office space and equipment, the terms of which expire in various years through 2037, and also leases land, the terms of which expire in 2076. University Health recognized approximately \$13,644 and \$16,734 in 2022 and 2021, respectively, of rental expense for variable payments, short-term and cancelable leases that are not include in the measurement of the lease liability.

The following is a summary of lease liability transactions for University Health for the years ended December 31:

	Beginning Balance	Additions	Deductions	Ending Balance
2022 - Lease liabilities	\$ 30,492	\$ 11,286	\$ (5,187)	\$ 36,591
2021 - Lease liabilities	\$ 23,598	\$ 11,226	\$ (4,332)	\$ 30,492

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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	\$ 5,637	\$ 466	\$ 6,103
2024	5,203	425	5,628
2025	3,243	387	3,630
2026	2,750	352	3,102
2027	2,782	317	3,099
2028 - 2032	9,953	1,080	11,033
2033 - 2037	1,410	600	2,010
2038 - 2042	336	479	815
2043 - 2047	425	446	871
2048 - 2052	526	404	930
2053 - 2057	641	353	994
2058 - 2062	771	292	1,063
2063 - 2067	917	218	1,135
2068 - 2072	1,083	130	1,213
2073 - 2076	914	31	945
	<u>\$ 36,591</u>	<u>\$ 5,980</u>	<u>\$ 42,571</u>

Note 10: Pension Plan

Plan Description and Benefits Provided

University Health sponsors a single-employer defined benefit pension plan which covers substantially all of University Health's employees who work at least 20 hours per week or at least 1,000 hours annually and were hired before July 1, 2012 under a traditional final average pay formula based on years of service and average earnings at termination. Employees are eligible for participation in the plan after attaining the age of 21 and completing one year of service. All employees with hire dates through June 30, 2012 must participate in the plan as a condition of employment. Employees hired after June 30, 2012 must participate in the Cash Balance Plan and are eligible for participation in the plan after attaining the age of 21 and completing one year of service.

Plan participants have a 100% vested right in the accrued benefits derived from their accumulated contributions. With regard to participants' accrued benefits derived from employer contributions, the participants become fully vested at the completion of five years of vesting service.

University Health makes contributions which are actuarially determined to pay the plan's total cost less the projected employee contributions.

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Final Average Pay Formula

Participants are eligible for normal retirement benefits after attaining age 65 and completing five years of vesting service; or, after age 55 and the number of years of service needed for the sum of the participant's age and years of service to equal 85 years (Rule of 85). Annual normal retirement benefits (accrued benefits) are equal to 1.5% of the participant's average 5 highest years' pay in the last 10 years, times the number of years of credited service.

An early retirement provision is available to participants who attain age 55 and five years of vesting service, but do not satisfy the Rule of 85. The early retirement benefit equals the normal retirement benefit at actual retirement reduced at the rate of 1/15th for each of the first five years before age 65 and 1/30th for each of the next five years before age 65 and the participants actual retirement age.

Pre-retirement death benefits before vesting or attainment of age 55 are equal to the amount of the participant's contributions plus 4.5% interest per annum and may be distributed in a lump sum or in installments up to 60 months. Pre-retirement death benefits on or after eligibility for normal retirement are a monthly benefit payable to named beneficiary equal to 50% of the present actuarial value of the participant's accrued benefit otherwise payable on the participant's date of death.

University Health has agreed (but does not guarantee) to voluntarily contribute such amounts as are necessary to maintain the plan on a sound actuarial basis. University Health has the right to discontinue such contributions and terminate the plan at any time. However, under no conditions may University Health withdraw its contributions, or use them for any purpose other than the exclusive benefit of the plan participants and their beneficiaries; and, to pay for administrative expenses. Participants in the plan contribute 2% of gross pay upon achievement of eligibility and thereafter until the time of retirement or separation from employment with University Health.

Match Savings Plan

University Health also deposits amounts to the plan to fund a Match Savings Plan, a defined contribution plan, to encourage eligible employees to participate in a 457 Deferred Compensation Retirement Savings Plan (457 Plan). Under the Match Savings Plan, University Health will match 25% of an employee's contribution to the 457 Plan, up to 4% of compensation. Benefits will be distributed upon retirement or separation from service after satisfying the vesting requirements.

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Cash Balance Formula

On June 11, 2012, the plan was amended to stipulate that employees hired by University Health after June 30, 2012 shall not be eligible to participate in the plan, except for the Match Savings Plan and the Cash Balance Plan, which is deemed to be part of the defined benefit pension plan. Other employees rehired after June 30, 2012, shall be treated as subject to this amendment unless they were vested in their accrued benefits prior to the date of being rehired.

Under the terms of the Cash Balance Plan, eligible employees are required to contribute 3% of eligible compensation and University Health also contributes 3% of each participating employee's eligible compensation. Plan participants have a 100% vested right in the accrued benefits derived from their accumulated contributions. With regard to participants' accrued benefits derived from employer contributions, the participants become fully vested at the completion of five years of vesting service. Employee and University Health contributions made on the employees' behalf are credited to a hypothetical cash balance account maintained in the Plan's recordkeeping system. As contributions are credited to the employee's account, interest credits are also made to the account, based on the balance of the account on the first day of each Plan quarter. Interest is measured by the actual rate of return of the entire Pension Trust. Upon the employee's retirement or termination of employment, their cash balance account will be credited with at least the total of all of the contributions that have been credited to their account.

The employees covered by the Plan at January 1 are:

	<u>2022</u>	<u>2021</u>
Inactive participants:		
Retirees and beneficiaries currently receiving benefits	1,445	1,334
Terminated employees with deferred benefits	1,841	1,775
Total inactive participants	<u>3,286</u>	<u>3,109</u>
Active participants:		
Fully vested	4,148	4,070
Nonvested	2,765	2,981
Total active participants	<u>6,913</u>	<u>7,051</u>
Total participants	<u>10,199</u>	<u>10,160</u>

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Contributions

The Board has the authority to establish and amend the contribution requirements of University Health and active employees. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board has agreed to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended December 31, 2022 and 2021, employees contributed \$10,877 and \$9,751 (or 2.5% and 2.4% of covered payroll), and University Health contributed \$21,734 and \$21,502 (or 4.9% and 5.2% of covered payroll), respectively, to the Plan.

Net Pension Liability

University Health’s net pension liability was measured as of December 31, 2021 and 2020 for the years ended December 31, 2022 and 2021, respectively, 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. Update procedures were used to roll forward the total pension liability to the respective measurement dates.

The total pension liability in the 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Wage inflation	3.25%	3.25%
Salary increases	4.30%	4.30%
Ad hoc cost of living adjustments	N/A	N/A
Investment rate of return	7.00%	7.00%

The salary increases and investment rate of return assumptions are inclusive of inflation. The investment rate of return is net of administrative expenses.

Mortality rates were based on the PubG-2010 Sex Distinct Employee and Sex Distinct Healthy Retiree, projected with generational mortality (Scale MP-2020) and PubG-2010 Sex Distinct Employee and Sex Distinct Healthy Retiree, projected with generational mortality (Scale MP-2018) in the 2021 and 2020 actuarial valuations, respectively.

University Health generally performs an experience study every three to five years. The assumptions used to generate the numbers in these statements were based on an experience study performed in August 2019.

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The long-term expected rate of return on pension plan investments was based primarily on a reasonable projection of what assets can be expected to earn given existing capital market conditions, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The target allocation and best estimates of geometric 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
Domestic equity	31%	4.6%
International equity	25%	4.8%
Fixed income	22%	1.4%
Real estate	10%	3.7%
Private equity	7%	6.0%
Absolute return/Hedge fund	5%	2.3%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both 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 University Health contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the total pension liability, plan fiduciary net position and the net pension liability for the years ended December 31, 2022 and 2021 are:

	2022		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 626,183	\$ 513,921	\$ 112,262
Service cost	23,183	-	23,183
Interest on total pension liability	44,541	-	44,541
Effect of economic/demographic gains or losses	5,232	-	5,232
Assumption changes	(3,297)	-	(3,297)
Employer contributions	-	21,734	(21,734)
Member contributions	-	10,877	(10,877)
Benefit payments	(26,586)	(26,586)	-
Net investment income	-	85,091	(85,091)
Net changes	43,073	91,116	(48,043)
Balance, end of year	<u>\$ 669,256</u>	<u>\$ 605,037</u>	<u>\$ 64,219</u>

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	2021		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 583,570	\$ 436,564	\$ 147,006
Service cost	21,569	-	21,569
Interest on total pension liability	41,534	-	41,534
Effect of economic/demographic gains or losses	3,506	-	3,506
Employer contributions	-	21,502	(21,502)
Member contributions	-	9,751	(9,751)
Benefit payments	(23,996)	(23,996)	-
Net investment income	-	70,100	(70,100)
Net changes	42,613	77,357	(34,744)
Balance, end of year	\$ 626,183	\$ 513,921	\$ 112,262

All amounts shown in the above tables are exclusive of the value of the participant Match-Savings accounts and UMA accounts.

The net pension liability of University Health has been calculated using a discount rate of 7.0%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
University Health's net pension liability	\$ 144,144	\$ 64,219	\$ 3,274

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Pension Expense and Deferred Outflows of Resources Related to Pensions

For the years ended December 31, 2022 and 2021, University Health recognized pension expense of \$3,674 and \$14,778, respectively. At December 31, 2022 and 2021, University Health reported deferred inflows and outflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,580	\$ 2,438
Net difference between projected and actual earnings on pension plan investments	-	69,286
Changes in assumptions	11,900	2,708
Contributions subsequent to the measurement date	21,504	-
	<u>\$ 39,984</u>	<u>\$ 74,432</u>
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,010	\$ 4,367
Net difference between projected and actual earnings on pension plan investments	-	44,330
Changes in assumptions	19,720	-
Contributions subsequent to the measurement date	21,734	-
	<u>\$ 44,464</u>	<u>\$ 48,697</u>

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At December 31, 2022 and 2021, University Health reported \$21,504 and \$21,734, respectively, as deferred outflows of resources related to pensions resulting from University Health contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the years ended December 31, 2023 and 2022, respectively.

Other amounts reported as deferred outflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

Year ending December 31:		
2023	\$	(11,737)
2024		(21,498)
2025		(14,037)
2026		(8,883)
2027		203
	<u>\$</u>	<u>(55,952)</u>

Deferred Compensation Plan

The Match Savings Plan is a 457 deferred compensation plan that covers substantially all employees meeting age and service requirements. Employee contributions to the plan are discretionary. University Health’s expense was approximately \$2,265 and \$2,174 for the years ended December 31, 2022 and 2021, respectively.

Defined Contribution Plan

UMA has a defined contribution plan covering substantially all UMA employees. Participation in the plan is a condition of employment. Employees are fully vested after five years. Annually, UMA makes a contribution equal to 6.75% of the participant’s compensation. Pension expense was approximately \$1,755 and \$1,577 for 2022 and 2021, respectively.

Note 11: Other Postemployment Benefits

Plan Description

University Health contributes to the University Health System Other Post-Employment Benefits Plan (OPEB Plan), a single-employer defined benefit OPEB plan covering substantially all employees. The OPEB Plan is administered by University Health. Benefit provisions and contribution requirements of plan members and University Health are established and may be amended by the Board.

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Benefits Provided

The OPEB Plan provides postretirement health care and vision benefits to eligible retirees and their dependents. Benefits are provided through University Health’s self-insured employee health plan. The cost of the benefits is covered by contributions from University Health and OPEB Plan members.

The employees covered by the OPEB Plan at December 31, 2022 and 2021, are:

	<u>2022</u>	<u>2021</u>
Inactive plan members or beneficiaries currently receiving payments	1,024	965
Active plan members	<u>2,251</u>	<u>2,472</u>
	<u>3,275</u>	<u>3,437</u>

Contributions

The Board has the authority to establish and amend the contribution requirements of University Health and active employees. The required contribution is based on projected pay-as-you-go financing requirements. OPEB Plan members receiving benefits contributed approximately \$2,691 and \$2,592 in 2022 and 2021, respectively, through the following required monthly contributions which were in effect for both 2022 and 2021.

Retiree-only coverage	\$ 201.38
Retiree and spouse coverage	382.61
Retiree and children coverage	411.72
Retiree and family coverage	753.95

Retiree and children and retiree and family options were closed to new members in January 2013.

The cost of benefits not covered by OPEB Plan member contributions are covered by University Health. For the years ended December 31, 2022 and 2021, University Health contributed \$5,862 and \$5,872, respectively, to the OPEB Plan.

Net OPEB Liability

University Health’s net OPEB liability at December 31, 2022 and 2021 was \$78,060 and \$78,777, respectively, and was measured as of December 31, 2021 and 2020. The total OPEB Plan liability used to calculate the net OPEB Plan liability was determined by actuarial valuations as of January 1, 2021 and 2020, and rolled forward to the measurement dates.

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The total OPEB liability in the January 1, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement period, unless otherwise specified:

	<u>2021</u>	<u>2020</u>
Health care cost trend rates - initial	6.5%	6.5%
Health care cost trend rates - ultimate	5.0%	5.0%
Investment rate of return	7.0%	7.0%
Retirees' share of benefit-related costs	75.0%	75.0%
Payroll growth rate (compounded annually)	3.3%	3.3%
Health care inflation - medical/prescription drug expenses	5.0 - 6.5%	5.0 - 6.5%
Health care inflation - administrative expenses	3.0%	3.0%

Mortality rates for both active and retired lives were based on the PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2020) for active lives and PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with generational mortality (Scale MP-2020) for retired lives in the 2021 actuarial valuation and PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2018) for active lives and PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with generational mortality (Scale MP-2018) for retired lives in the 2020 actuarial valuation.

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return presented as geometric means for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	42%	4.6%
International equity	28%	4.9%
Fixed income	<u>30%</u>	1.4%
Total	<u><u>100%</u></u>	

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Discount Rate

The discount rate used to measure the total OPEB Plan liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that University Health contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB Plan payments for current active and inactive employees. 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 Plan liability.

Changes in the Net OPEB Liability

Changes in the total OPEB liability, OPEB Plan fiduciary net position and the net OPEB liability are:

	Total OPEB Liability (a)	2022 Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 140,477	\$ 61,700	\$ 78,777
Service cost	3,927	-	3,927
Interest on total OPEB liability	9,896	-	9,896
Effect of economic/demographic gains or losses	(617)	-	(617)
Effects of assumption changes	565	-	565
Employer contributions	-	6,168	(6,168)
Benefit payments	(6,168)	(6,168)	-
Net investment income	-	8,320	(8,320)
Net changes	7,603	8,320	(717)
Balance, end of year	\$ 148,080	\$ 70,020	\$ 78,060

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	Total OPEB Liability (a)	2021 Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 112,622	\$ 53,427	\$ 59,195
Service cost	3,977	-	3,977
Interest on total OPEB liability	7,894	-	7,894
Effect of economic/demographic gains or losses	20,704	-	20,704
Employer contributions	-	4,720	(4,720)
Benefit payments	(4,720)	(4,720)	-
Net investment income	-	8,273	(8,273)
Net changes	27,855	8,273	19,582
Balance, end of year	\$ 140,477	\$ 61,700	\$ 78,777

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The net OPEB liability of University Health has been calculated using a discount rate of 7.0%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
University Health's net OPEB liability	\$ 96,530	\$ 78,060	\$ 62,634

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The net OPEB liability of University Health has been calculated using the initial health care cost trend rate of 6.5%, decreasing to an ultimate rate of 5.0%. The following presents the net OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
University Health's net OPEB liability	\$ 59,427	\$ 78,060	\$ 100,790
	\$ 59,427	\$ 78,060	\$ 100,790

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

For the years ended December 31, 2022 and 2021, University Health recognized OPEB expense of \$16,253 and \$15,460, respectively. At December 31, 2022 and 2021, University Health reported deferred outflows or resources and deferred inflows of resources related to the OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,581	\$ 528
Changes of assumptions	8,119	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,652
Contributions subsequent to the measurement date	5,862	-
	\$ 50,562	\$ 8,180

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	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,913	\$ -
Changes of assumptions	9,328	-
Net difference between projected and actual earnings on OPEB plan investments	-	6,536
Contributions subsequent to the measurement date	5,872	-
	\$ 60,113	\$ 6,536

At December 31, 2022 and 2021, University Health reported \$5,862 and \$5,872, respectively, as deferred outflows of resources related to OPEB resulting from University Health contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net OPEB liability during December 31, 2023 and 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	
2023	\$ 7,546
2024	6,579
2025	7,927
2026	8,225
2027	5,776
Thereafter	467
	\$ 36,520

Note 12: Affiliation Agreement

University Health has entered into a long-standing affiliation agreement with UT Health. Under the agreement, University Health's facilities serve as the major teaching facilities for many of UT Health's health care programs, including the graduate medical education program. University Health incurred expenses of approximately \$17,473 and \$16,979 in 2022 and 2021, respectively, under the terms of the agreement. Under a separate master health care services agreement entered into in September 2019, University Health also incurred expenses of approximately \$159,361 and \$150,730 during 2022 and 2021, respectively, related to qualified health care professional services.

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Note 13: Disclosures About Fair Value of Investments

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets 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:

Type	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 by fair value level				
U.S. Treasury obligations	\$ 383,464	\$ -	\$ 383,464	\$ -
U.S. agencies obligations	575,530	-	575,530	-
Municipal bonds	154,631	-	154,631	-
Commercial paper	417,215	-	417,215	-
Money market mutual funds	447,892	447,892	-	-
	<u>1,978,732</u>	<u>\$ 447,892</u>	<u>\$ 1,530,840</u>	<u>\$ -</u>
Total investments by fair value level	1,978,732	\$ 447,892	\$ 1,530,840	\$ -
Investment pool carried at amortized cost	<u>98,461</u>			
Total investments	<u>\$ 2,077,193</u>			

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Type	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 by fair value level				
U.S. Treasury obligations	\$ 364,013	\$ -	\$ 364,013	\$ -
U.S. agencies obligations	388,258	-	388,258	-
Municipal bonds	96,077	-	96,077	-
Commercial paper	417,069	-	417,069	-
Money market mutual funds	<u>367,410</u>	<u>367,410</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	\$ 1,632,827	<u>\$ 367,410</u>	<u>\$ 1,265,417</u>	<u>\$ -</u>
Investment pool carried at amortized cost	<u>1,469</u>			
Total investments	<u>\$ 1,634,296</u>			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. University Health held no Level 3 investments at December 31, 2022 or 2021.

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Note 14: Condensed Combining Information

The following tables include condensed combining balance sheet information for University Health and its blended component unit as of December 31, 2022 and 2021:

	December 31, 2022			
	University Health	Community First	Eliminations	Total
Assets				
Current assets	\$ 1,076,763	\$ 404,230	\$ (3,142)	\$ 1,477,851
Capital assets, net	1,681,731	2,801	-	1,684,532
Lease assets, net	22,207	13,515	-	35,722
Other assets	1,397,725	59,506	-	1,457,231
Total assets	<u>4,178,426</u>	<u>480,052</u>	<u>(3,142)</u>	<u>4,655,336</u>
Deferred Outflows of Resources				
	<u>115,218</u>	<u>-</u>	<u>-</u>	<u>115,218</u>
Total assets and deferred outflows of resources	<u>\$ 4,293,644</u>	<u>\$ 480,052</u>	<u>\$ (3,142)</u>	<u>\$ 4,770,554</u>
Liabilities				
Current liabilities	\$ 300,500	\$ 266,787	\$ (3,142)	\$ 564,145
Noncurrent liabilities	1,389,804	12,712	-	1,402,516
Total liabilities	<u>1,690,304</u>	<u>279,499</u>	<u>(3,142)</u>	<u>1,966,661</u>
Deferred Inflows of Resources				
	<u>697,159</u>	<u>-</u>	<u>-</u>	<u>697,159</u>
Net Position				
Net investments in capital assets	681,504	2,273	-	683,777
Restricted expendable	25,002	-	-	25,002
Unrestricted	1,199,675	198,280	-	1,397,955
Total net position	<u>1,906,181</u>	<u>200,553</u>	<u>-</u>	<u>2,106,734</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,293,644</u>	<u>\$ 480,052</u>	<u>\$ (3,142)</u>	<u>\$ 4,770,554</u>

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	December 31, 2021 (As Restated)			
	University Health	Community First	Eliminations	Total
Assets				
Current assets	\$ 1,085,653	\$ 201,002	\$ (2,944)	\$ 1,283,711
Capital assets, net	1,456,510	2,241	-	1,458,751
Lease assets, net	21,762	8,730	-	30,492
Other assets	1,056,454	63,174	-	1,119,628
	<u>3,620,379</u>	<u>275,147</u>	<u>(2,944)</u>	<u>3,892,582</u>
Total assets				
	<u>117,573</u>	<u>-</u>	<u>-</u>	<u>117,573</u>
Deferred Outflows of Resources				
	<u>117,573</u>	<u>-</u>	<u>-</u>	<u>117,573</u>
Total assets and deferred outflows of resources	<u>\$ 3,737,952</u>	<u>\$ 275,147</u>	<u>\$ (2,944)</u>	<u>\$ 4,010,155</u>
Liabilities				
Current liabilities	\$ 262,953	\$ 85,597	\$ (2,944)	\$ 345,606
Noncurrent liabilities	1,185,039	8,013	-	1,193,052
	<u>1,447,992</u>	<u>93,610</u>	<u>(2,944)</u>	<u>1,538,658</u>
Total liabilities				
	<u>592,907</u>	<u>-</u>	<u>-</u>	<u>592,907</u>
Deferred Inflows of Resources				
	<u>592,907</u>	<u>-</u>	<u>-</u>	<u>592,907</u>
Net Position				
Net investments in capital assets	638,482	2,241	-	640,723
Restricted expendable	22,193	3,118	-	25,311
Unrestricted	1,036,378	176,178	-	1,212,556
	<u>1,697,053</u>	<u>181,537</u>	<u>-</u>	<u>1,878,590</u>
Total net position				
	<u>1,697,053</u>	<u>181,537</u>	<u>-</u>	<u>1,878,590</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,737,952</u>	<u>\$ 275,147</u>	<u>\$ (2,944)</u>	<u>\$ 4,010,155</u>

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The following tables include condensed combining statements of revenues, expenses and changes in net position information for University Health and its blended component unit for the years ended December 31, 2022 and 2021:

	Year Ended December 31, 2022			
	University Health	Community First	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 1,396,759	\$ -	\$ -	\$ 1,396,759
Premium revenue	-	823,460	-	823,460
Other	86,459	29,883	(6,588)	109,754
Total operating revenues	<u>1,483,218</u>	<u>853,343</u>	<u>(6,588)</u>	<u>2,329,973</u>
Operating Expenses				
Salaries and employee benefits	818,366	38,570	(3,600)	853,336
Purchased services, supplies and other	909,965	68,276	(2,988)	975,253
Medical claims expense	-	697,307	-	697,307
Depreciation and amortization	89,913	2,360	-	92,273
Total operating expenses	<u>1,818,244</u>	<u>806,513</u>	<u>(6,588)</u>	<u>2,618,169</u>
Operating Income (Loss)	<u>(335,026)</u>	<u>46,830</u>	<u>-</u>	<u>(288,196)</u>
Nonoperating Revenues				
Property tax revenue, net	542,219	-	-	542,219
Interest expense	(31,712)	-	-	(31,712)
Other, net	3,647	2,186	-	5,833
Total nonoperating revenues, net	<u>514,154</u>	<u>2,186</u>	<u>-</u>	<u>516,340</u>
Distributions from (to) Affiliate	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	<u>209,128</u>	<u>19,016</u>	<u>-</u>	<u>228,144</u>
Net Position, Beginning of Year	<u>1,697,053</u>	<u>181,537</u>	<u>-</u>	<u>1,878,590</u>
Net Position, End of Year	<u>\$ 1,906,181</u>	<u>\$ 200,553</u>	<u>\$ -</u>	<u>\$ 2,106,734</u>

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	Year Ended December 31, 2021 (As Restated)			
	University Health	Community First	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 1,239,782	\$ -	\$ -	\$ 1,239,782
Premium revenue	-	614,741	-	614,741
Other	85,107	28,466	(6,814)	106,759
Total operating revenues	<u>1,324,889</u>	<u>643,207</u>	<u>(6,814)</u>	<u>1,961,282</u>
Operating Expenses				
Salaries and employee benefits	707,939	32,859	(3,800)	736,998
Purchased services, supplies and other	819,465	51,934	(3,014)	868,385
Medical claims expense	-	507,004	-	507,004
Depreciation and amortization	89,442	2,675	-	92,117
Total operating expenses	<u>1,616,846</u>	<u>594,472</u>	<u>(6,814)</u>	<u>2,204,504</u>
Operating Income (Loss)	<u>(291,957)</u>	<u>48,735</u>	<u>-</u>	<u>(243,222)</u>
Nonoperating Revenues				
Property tax revenue, net	512,245	-	-	512,245
Interest expense	(30,668)	-	-	(30,668)
Other, net	40,990	(65)	-	40,925
Total nonoperating revenues, net	<u>522,567</u>	<u>(65)</u>	<u>-</u>	<u>522,502</u>
Increase in Net Position	230,610	48,670	-	279,280
Net Position, Beginning of Year	<u>1,466,443</u>	<u>132,867</u>	<u>-</u>	<u>1,599,310</u>
Net Position, End of Year	<u>\$ 1,697,053</u>	<u>\$ 181,537</u>	<u>\$ -</u>	<u>\$ 1,878,590</u>

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The following tables include condensed combining statements of cash flows information for University Health and its blended component unit for the years ended December 31, 2022 and 2021:

	Year Ended December 31, 2022		
	University Health	Community First	Total
Net cash provided by (used in)			
Operating activities	\$ (228,726)	\$ 234,536	\$ 5,810
Noncapital financing activities	499,560	(30,000)	469,560
Capital and related financing activities	2,075	(2,392)	(317)
Investing activities	<u>(301,225)</u>	<u>(32,459)</u>	<u>(333,684)</u>
Increase (decrease) in cash and cash equivalents	(28,316)	169,685	141,369
Cash and cash equivalents, beginning of year	<u>125,552</u>	<u>74,394</u>	<u>199,946</u>
Cash and cash equivalents, end of year	<u>\$ 97,236</u>	<u>\$ 244,079</u>	<u>\$ 341,315</u>
	Year Ended December 31, 2021 (As Restated)		
	University Health	Community First	Total
Net cash provided by (used in)			
Operating activities	\$ (232,833)	\$ 34,204	\$ (198,629)
Noncapital financing activities	392,556	-	392,556
Capital and related financing activities	(249,420)	(2,544)	(251,964)
Investing activities	<u>6,293</u>	<u>(68,241)</u>	<u>(61,948)</u>
Decrease in cash and cash equivalents	(83,404)	(36,581)	(119,985)
Cash and cash equivalents, beginning of year	<u>208,956</u>	<u>110,975</u>	<u>319,931</u>
Cash and cash equivalents, end of year	<u>\$ 125,552</u>	<u>\$ 74,394</u>	<u>\$ 199,946</u>

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Note 15: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incident of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

During 2021, University Health received \$32,285 in Provider Relief Fund distributions provided for under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. These distributions from the Provider Relief Fund are not subject to repayment, provided University Health 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 HHS.

University Health is accounting for such payments as conditional contributions. Payments are recognized as non-operating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on University Health's operating revenues and expenses through December 31, 2021, University Health considered it appropriate to fully recognize as revenue all distributions from the Provider Relief Fund during the year ended December 31, 2021. These payments are recorded as nonoperating revenue in the statements of revenues, expenses and changes in net position.

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

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Note 16: Future Change in Accounting Principle

GASB Statement No. 96 – *Subscription Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in subscription assets – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Note 17: Contingencies

Litigation

In the normal course of business, University Health is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by University Health's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. University Health evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1 and 7*.

Pension and Other Postretirement Benefit Obligations

University Health has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the entry age normal cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

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Investments

University Health 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 balance sheets.

Required Supplementary Information

Bexar County Hospital District
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Schedule of Changes in University Health's Net Pension Liability and Related Ratios
December 31
(In Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 23,183	\$ 21,569	\$ 21,645	\$ 20,698	\$ 19,603	\$ 19,175	\$ 17,036	\$ 16,627
Interest	44,541	41,534	37,600	35,195	33,128	29,286	28,862	26,615
Effect of economic/demographic gains or losses	5,232	3,506	(659)	(1,304)	(6,090)	(4,243)	749	-
Changes of assumptions	(3,297)	-	20,879	-	-	26,891	-	-
Benefit payments, including refunds of employee contributions	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)	(13,749)
Net Change in Total Pension Liability	43,073	42,613	57,066	34,580	30,190	54,244	33,008	29,493
Total Pension Liability - Beginning	626,183	583,570	526,504	491,924	461,734	407,490	374,482	344,989
Total Pension Liability - Ending (a)	\$ 669,256	\$ 626,183	\$ 583,570	\$ 526,504	\$ 491,924	\$ 461,734	\$ 407,490	\$ 374,482
Plan Fiduciary Net Position								
Contributions - employer	\$ 21,734	\$ 21,502	\$ 23,431	\$ 24,110	\$ 24,296	\$ 17,891	\$ 16,903	\$ 16,297
Contributions - employee	10,877	9,751	8,796	8,045	7,325	6,589	6,724	5,742
Net investment income	85,091	70,100	66,962	(16,152)	53,559	19,944	1,370	12,564
Benefit payments, including refunds of employee contributions	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)	(13,749)
Net Change in Plan Fiduciary Net Position	91,116	77,357	76,790	(4,006)	68,729	27,559	11,358	20,854
Plan Fiduciary Net Position - Beginning	513,921	436,564	359,774	363,780	295,051	267,492	256,134	235,280
Plan Fiduciary Net Position - Ending (b)	\$ 605,037	\$ 513,921	\$ 436,564	\$ 359,774	\$ 363,780	\$ 295,051	\$ 267,492	\$ 256,134
University Health's Net Pension Liability - Ending (a) - (b)	\$ 64,219	\$ 112,262	\$ 147,006	\$ 166,730	\$ 128,144	\$ 166,683	\$ 139,998	\$ 118,348
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.40%	82.07%	74.81%	68.33%	73.95%	63.90%	65.64%	68.40%
Covered Payroll	\$ 443,686	\$ 410,769	\$ 380,745	\$ 354,487	\$ 331,014	\$ 307,617	\$ 280,165	\$ 254,100
University Health's Net Pension Liability as a Percentage of Covered Payroll	14.47%	27.33%	38.61%	47.03%	38.71%	54.19%	49.97%	46.58%

Notes to Schedule:

Changes of assumptions:

1. Rate of salary increase changed from 4.9% (2017) to 5.4% (2018) to 5.5% (2019) to 4.3% (2020, 2021, and 2022)
2. In 2020, salary increase, mortality, termination retirement and optional form assumptions were changed based on a recent experience study.

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

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Schedule of University Health Pension Contributions
December 31
(In Thousands)

Year Ending December 31,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 21,503	\$ 21,503	-	\$ 471,478	4.6%
2021	21,734	21,734	-	443,686	4.9%
2020	21,502	21,502	-	410,769	5.2%
2019	20,431	23,431	(3,000)	380,745	6.2%
2018	21,110	24,110	(3,000)	354,487	6.8%
2017	21,296	24,296	(3,000)	331,014	7.3%
2016	17,891	17,891	-	307,617	5.8%
2015	17,697	17,697	-	280,165	6.3%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Closed
Remaining amortization period:	23
Asset valuation method:	5-year smoothed market
Inflation:	3.25%
Salary increases:	3.50% - 6.75%, based on age and years of service, including inflation
Investment rate of return:	7.0%, net of pension plan investment expense, including inflation
Retirement age:	Annual rates based on age and age at satisfaction of rule of 85 for participants that meet the rule of 85 prior to age 65.
Mortality - Active Lives:	PubG-2010 Sex Distinct Employee; projected with Generational Mortality (Scale MP-2020)
Mortality - Retired Lives:	PubG-2010 Sex Distinct Healthy Retiree; projected with Generational Mortality (Scale MP-2020)
Other information:	Plan is frozen to new participants effective June 30, 2012

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

Bexar County Hospital District d/b/a University Health

Schedule of Changes in University Health's Net OPEB Liability and Related Ratios December 31 (In Thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 3,927	\$ 3,977	\$ 3,910	\$ 3,101	\$ 3,191
Interest	9,896	7,894	5,331	4,975	3,942
Effect of economic/demographic gains or losses	(617)	20,704	24,846	425	11,204
Effect of assumption changes	565	-	12,715	-	-
Plan amendments	-	-	(5,659)	-	-
Benefit payments	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net Change in Total OPEB Liability	7,603	27,855	36,961	4,960	15,900
Total OPEB Liability - Beginning	140,477	112,622	75,661	70,701	54,801
Total OPEB Liability - Ending (a)	<u>\$ 148,080</u>	<u>\$ 140,477</u>	<u>\$ 112,622</u>	<u>\$ 75,661</u>	<u>\$ 70,701</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 6,168	\$ 4,720	\$ 4,182	\$ 3,541	\$ 2,437
Benefit payments	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net investment income (loss)	8,320	8,273	9,799	(1,664)	6,686
Net Change in Plan Fiduciary Net Position	8,320	8,273	9,799	(1,664)	6,686
Plan Fiduciary Net Position - Beginning	61,700	53,427	43,628	45,292	38,606
Plan Fiduciary Net Position - Ending (b)	<u>\$ 70,020</u>	<u>\$ 61,700</u>	<u>\$ 53,427</u>	<u>\$ 43,628</u>	<u>\$ 45,292</u>
University Health's Net OPEB Liability - Ending (a) - (b)	<u>\$ 78,060</u>	<u>\$ 78,777</u>	<u>\$ 59,195</u>	<u>\$ 32,033</u>	<u>\$ 25,409</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.29%	43.92%	47.44%	57.66%	64.06%
Covered Employee Payroll	\$ 161,057	\$ 161,127	\$ 171,472	\$ 180,712	\$ 189,368
University Health's Net OPEB Liability as a Percentage of Covered Employee Payroll	48.47%	48.89%	34.52%	17.73%	13.42%

Note: The measurement date for GASB 75 is one year prior to the current fiscal year end of University Health. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, University Health will present information for those years for which information is available. Information presented in this schedule has been determined as of University Health's fiscal year end (December 31) in accordance with GASB 75.

Bexar County Hospital District
d/b/a University Health
Schedule of University Health OPEB Contributions

Year Ending December 31,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution excess (deficiency)	Covered Employee Payroll	Contributions as a percentage of covered payroll
2022	\$ 8,351	\$ 4,136	\$ (4,215)	\$ 160,319	2.6%
2021	7,969	5,872	(2,097)	161,058	3.6%
2020	7,313	4,720	(2,593)	161,127	2.9%
2019	4,452	4,182	(270)	171,472	2.4%
2018	4,585	3,541	(1,044)	180,712	2.0%
2017	2,996	2,437	(559)	189,368	1.3%
2016	2,292	4,094	1,802	200,995	2.0%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage open
Remaining amortization period:	30
Asset valuation method:	5-year smoothed market
Inflation:	N/A
Salary increases:	3.25%
Investment rate of return:	7.0%, net of OPEB plan investment expense, including inflation
Retirement age:	Annual rates based on age and age at satisfaction of rule of 85 for participants that meet the rule of 85 prior to age 65.
Mortality - Active Lives:	PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2020)
Mortality - Retired Lives:	PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with Generational Mortality (Scale MP-2020)
Healthcare Trend Rate	6.5% initial gradually decreasing to 5.0% ultimate.

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