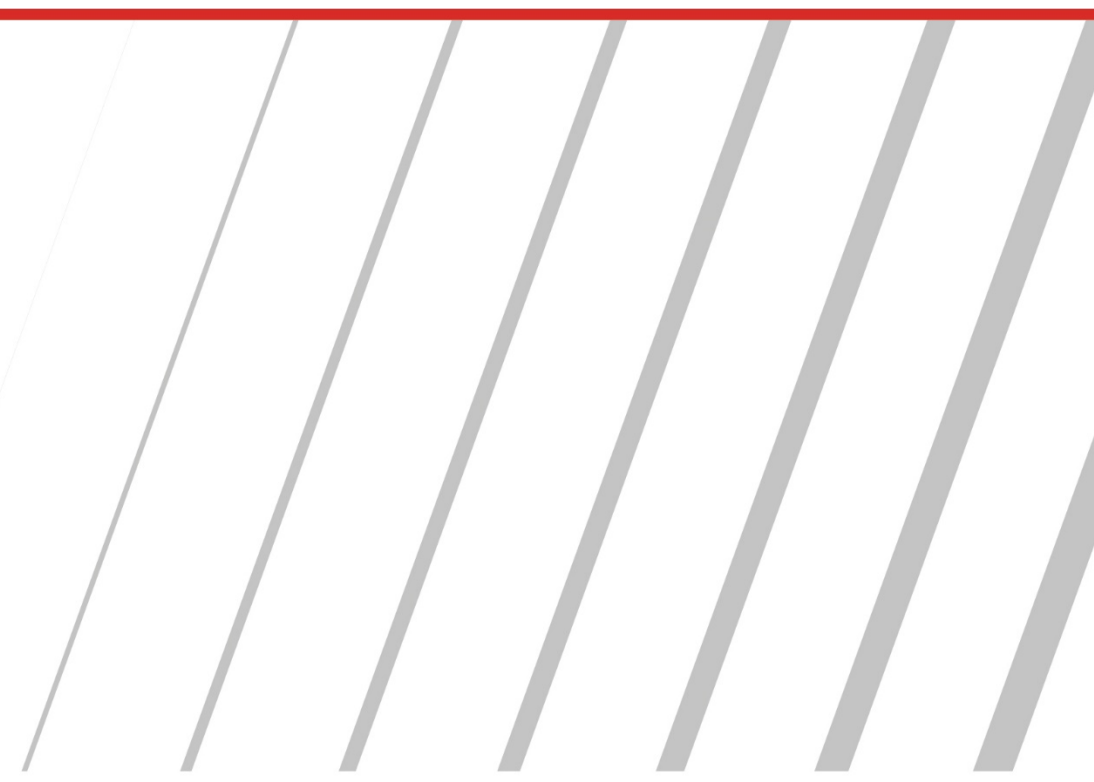


Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar
County, Texas

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

December 31, 2023 and 2022



**Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
December 31, 2023 and 2022**

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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

**Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Introductory Information
Years Ended December 31, 2023 and 2022**

This introductory information of Bexar County Hospital District d/b/a University Health (University Health) provides an overview of University Health’s highlights and accomplishments for the year ended December 31, 2023. 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.

A host of significant accomplishments in 2023 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 Hospital earned an “A” Hospital Safety Grade from the Leapfrog Group, a national nonprofit watchdog that sets standards for excellence in patient care. Leapfrog assigns letter grades from A to F to hospitals across the country based on 30 national performance measures related to the prevention of medical errors, infections and injuries. The Leapfrog Safety Grade is peer-reviewed and grades are updated twice each year – in the fall and spring. Leapfrog acknowledges that earning an “A” grade means a hospital has made a true commitment to put patients first by engaging all members of the health care team. For the fall 2023 grading period, University Health was one of just 85 hospitals in the nation to achieve an “A.”
- Once again, University Health received Most Wired recognition by the College of Healthcare Information Management Executives (CHIME). For the second consecutive year, CHIME ranked University Health at the highest level – Level 10 – for both Acute and Ambulatory care. University Health was one of just 18 U.S. hospitals in the nation to earn this highest level. Among the more than 55,000 facilities represented, University Health ranked above peers in categories like analytics and data management, population health, infrastructure, and patient engagement. The survey assessed the adoption, integration and impact of technologies in health care organizations at all stages of development, from early development to industry leading.

- University Hospital was again recognized as one of America's Best Maternity Hospitals. Statista/Newsweek develops this annual ranking of best hospitals for moms and babies after analyzing data from three sources including, a nationwide online survey, hospital quality metrics relevant to maternity care and patient surveys.
- University Hospital achieved the status of Comprehensive Resuscitation Center from the Southwest Texas Regional Advisory Council (STRAC). This is the highest designation and demonstrates University Health's commitment to having all of the resources and specialists available to provide this highest level of care for critical emergency patients.
- University Health's Hospital at Home program learned in early 2023 that it was named the 2022 Texas Hospital Association (THA) Bill Aston Award for Quality recipient in the academic institution/large teaching hospitals category.
- University Health's Pediatric Respiratory Therapy Department earned an Apex Recognition Award from the American Association for Respiratory Care. An Apex designation exemplifies best practices in the profession and demonstrates that the organization enhances patient safety and outcomes through access to respiratory therapists who deliver high-quality care and meet a strict set of quality and clinical practice criteria. University Health was one of just 29 organizations in the U.S. to receive this recognition.
- University Health ranked #2 in Texas and #14 nationwide on the Community Benefit metric of the Lown Hospitals Index. The Lown Institute is a nonprofit healthcare think tank measuring the Social Responsibility of 3,600+ hospitals nationwide. University Health's grade of A for community benefit follows an evaluation of publicly available data related to charity care, community health initiatives and services provided to Medicaid patients.
- The University Health Specialty Pharmacies at University Hospital and the Robert B. Green Campus were successfully accredited by the Utilization Review Accreditation Commission (URAC). The surveyors noted zero deficiencies during the three-day survey leading to full accreditation to distribute medications previously limited to only dual-accredited specialty pharmacies. University Health received accreditation from the Accreditation Commission for Health Care in 2022 with the same zero deficiency results. This independent evaluation assures payers and patients that our pharmacy adheres to the strictest quality and safety standards.
- For the 5th year in a row, University Health achieved Platinum Performance from the American College of Cardiology. This award is given to hospitals participating in the Chest Pain MI Registry that show sustained achievement in using data to drive quality improvements in adherence to guideline recommendations and overall quality of care provided to heart attack patients.
- University Health once again earned the American Heart Association and American Stroke Association Get With The Guideline – Stroke GOLD PLUS with Target: Stroke Honor Roll Elite and Target: Type 2 Diabetes Honor Roll. These annual awards recognize hospitals that

demonstrate at least 85 percent compliance in each of the seven Get With The Guidelines - Stroke Achievement Measures. Tier levels are determined by the length of demonstrated performance. The GOLD PLUS tier is the highest level of recognition, acknowledging us for consistent compliance with quality measures embedded in the AHA/ASA registry tool.

- University Health earned a place on the San Antonio Express-News' list of Top Workplaces in San Antonio for 2023. This award follows the feedback our employees provided through an independent survey.
- The University Health Transplant Institute Liver team earned the Chairman's Award for Top Performing Transplant Program from the Interlink Centers of Excellence organization. This award recognized our liver transplant program as the #1 program in the country based on patient outcomes and an evaluation of other relevant data points from the Scientific Registry of Transplant Recipients and the Center for International Blood & Marrow Transplant Research. Interlink established this methodology for ranking transplant programs to provide patients and payers with a holistic assessment of each program's performance.
- University Health's "Change" public awareness brand campaign earned a significant number of top awards in the San Antonio American Advertising Federation (AAF) Club's 2022-23 "ADDY" awards competition. The Change Campaign earned the top Gold Award in both the overall Integrated Campaign and Television Campaign categories.
- Aetna recertified University Health as one of its designated Institutes of Excellence for Pediatric Congenital Heart Surgery. This is a continuation of our previous designation and demonstrates the high-quality care delivered to pediatric heart patients.
- OptumHealth recertified University Health with its Cancer Centers of Excellence designation for both Adult and Pediatric Cancer Services. This is a continuation of our previous designation and demonstrates the level of advanced, high quality care University Health provides to patients with cancer.
- Amerigroup recognized the University Health Transplant Institute's Adult liver and kidney program, and pediatric kidney program as Centers of Excellence based on a core set of quality metrics and patient outcomes data.
- Blue Cross Blue Shield recognized several University Health Transplant Institute programs as Blue Distinction Centers for Transplants, including adult kidney and liver transplantation (living and deceased donors), as well as the pediatric liver and kidney transplant programs.
- Interlink Centers of Excellence Networks and Programs designated the University Health Transplant Institute's liver and kidney transplant programs as Centers of Excellence as part of their Elite Network. Elite status is the highest designation provided by Interlink, and reserved for those programs that demonstrate superior results across a wide range of validated risk-adjusted metrics.

- OptumHealth recertified University Health as a Center of Excellence for Pediatric Kidney Transplant Services. This was a continuation of our previous designation and it demonstrates high quality care delivery to OptumHealth's nationwide base of clients.
- University Health received the highest level of recognition from the Blue Cross Blue Shield Association's (BCBSA) BlueDistinction Program for Maternity Care. This program evaluates patient outcomes and additional measures related to expertise, costs and efficiencies. Earning the BlueDistinction Center Plus level means our maternity team meets the highest quality, business and cost thresholds.
- University Health received Star Performer recognition from the American Orthopaedic Association as part of its Own the Bone initiative. This recognition includes a listing in the annual U.S. News & World Report's *Best Hospitals* publication. This program assists hospitals in developing processes to ensure all patients diagnosed with osteoporosis, following a fall that results in a broken bone, receive the education and services shown to be best practices for preventing future breaks.
- University Health received the Gold Level – Center of Excellence Award for Excellent in Life Support from the Extracorporeal Life Support Organization (ELSO). This is the third year in a row for this recognition. ELSO recognizes programs worldwide that distinguish themselves by having processes, procedures and systems in place that promote excellence and exceptional care across three categories: Promoting the mission and vision of ELSO; excellence in patient care; and excellence in training, education, collaboration and communication.
- Aetna recertified University Health Transplant Institute as an Institute of Excellence (IOE) for Adult Kidney, Liver and Lung, as well as Pediatric Kidney transplantation. This recognition is a continuation of our previous designation and demonstrates the high-quality care our transplant team provides to Aetna's nationwide base of clients. Aetna routinely reviews data for transplant programs as a quality assurance activity for our members. Its National Medical Excellence Program preauthorizes transplant services for Aetna members seeking these services at IOE hospitals because of their strong commitment to transplant medicine and patient outcomes.

The Patient Experience

- University Health was a 2023 NRC Consumer Loyalty Awards winner. Health systems are selected for this award based on results from NRC Health's national Market Insights study of health care consumer perceptions. Health systems recognized by NRC Health for this honor have strong top-of-mind scores in their markets, as well as the highest ratings for overall image and reputation, net promoter scores and NRC's Human Understanding metric.
- University Health was one of just 15 Epic organizations to earn three MyChart Diamonds for patient experience. Earning a diamond happens when an Epic organization has enabled all of the key features for specific sections of MyChart and that these features are being widely used by the organization's patients. University Health earned diamonds in the Clinic Information, Patient

Journeys & Remote Patient Monitoring, and Interoperability & Access sections.

- University Health earned a place on Doximity's Top Hospitals for Doctors in Texas list. University Health/UT Health San Antonio was #8 on this list following surveys of more than 13,000 Texas physicians. No other San Antonio hospital was ranked. Doximity is the largest online professional medical network for physicians, and provides a number of tools to address provider workflow, communication and collaboration needs.
- University Health was named to the Women's Choice Award Best Hospitals list for 2023. According to the Women's Choice organization, their awards program is an objective, evidence-based quality designation based on CMS data and accreditations achieved by the Top 10% of hospitals in the nation. This recognition, celebrating its 14th year, focuses on recognizing the best hospitals for women and their families.
- University Health was honored at the 2023 CHIME Fall Forum for receiving the highest scores in the Administrative and Supply Chain as well as the Patient Engagement sections of the 2023 Digital Health Most Wired survey.

Efficiencies

- University Health once again achieved Epic Gold Stars Level 10. The Gold Stars program measures the progress Epic organizations have made with implementing all of the hundreds of features included with the Epic electronic health records system. Achieving this highest level of 10 places University Health in the top 3% of the Epic Community. University Health has fully implemented 595 features. Last year, just 17 organizations in the worldwide Epic Community achieved level 10.
- University Hospital received Stryker's Gold Environmental Excellence Award for reprocessing efforts. Like many hospitals across the nation, University Hospital is focused on reducing the environmental footprint of our delivery of care. One of the most impactful initiatives we are pursuing is the reprocessing of single-use medical devices. This allows us to recycle and reuse single-use medical devices that would otherwise end up in landfills. Our reprocessing partner, Stryker's Sustainability Solutions, collects the devices from our facilities and then inspects, cleans, function tests, sterilizes and packages them for reuse by following strict FDA guidelines.
- University Health Transplant Institute's Champion for Life program was awarded the 2023 Donate Life America Pinnacle Award in the Living Donation category. Our program was also the recipient of the 2023 Best Remix and Platinum awards. The Pinnacle Awards program identifies and recognizes success stories in increasing the number of donors and/or advancing a culture where donation is embraced as a fundamental human responsibility. Donate Life America received submissions from across the country and judged them in 11 categories based on goals/objectives, implementation/creativity, results and evaluation.

- University Health’s Injury Prevention Team and its Safe Kids San Antonio program was selected for the inaugural Dr. Michael R. Eichelberger Community Organization award. This recognition demonstrates the success and national awareness of the work being done by the University Health team in San Antonio to keep children safe from injuries throughout our trauma region.
- University Health was recognized by the San Antonio Business Group on Health (SABGH) as a Platinum Healthy Workplace through the Mayor’s Fitness Council. The SABGH is a membership-based organization of local employers and providers of worksite wellness programs and services that aim to improve the health of our community’s workforce. The awards panel was impressed with our Recharge Room initiative, which provide private, quiet spaces for University Health staff members to take a few moments alone following particularly stressful situations.
- Community First Health Plans was recognized by Modern Healthcare as one of its 2023’s Top Diversity Leaders. They are one of nine providers and insurers from across the United States selected for this honor. The goal of the program is to identify and recognize the diverse healthcare executives and organizations influencing policy and care delivery models across the country. In doing so, they are also highlighting the continued need to nurture diversity in all health care organizations. According to Modern Healthcare, its 2023 Top Diversity Leaders exemplify a commitment to meaningful diversity, equity and inclusion. Community First Health Plans, Inc. was chosen for its diverse leadership composition as well as its many inclusivity initiatives, including staff accessibility to inclusivity learning and event participation, sponsorship of community organizations serving diverse groups, the creation of a Health Equity Council, and for the Community First Food Pantry initiative.

Access to Care

- University Hospital was among the ten largest independent hospitals in the U.S. according to Becker’s Hospital Review. The publication lists University Hospital as #7 on this list. Parkland Health in Dallas, at #3, is the only other Texas hospital to be included. There are currently about 1,500 hospitals in the country that remain unaffiliated with a larger integrated system.
- University Hospital was re-designated as a Level IV (Advanced Neonatal Intensive Care) Neonatal Facility by the Texas Department of State Health Services. This designation is valid for a three-year period. Surveyors commended our neonatal team for its expertise in delivering high quality care to babies born prematurely or requiring intensive care, as well as our organization’s commitment to achieving and maintaining a Level IV designation.
- The University Hospital Level I Trauma Center was re-designated by the Texas Department of State Health Services. This designation is valid through June of 2026.
- University Health’s Community Initiatives and Population Health Department was awarded a new suicide prevention grant. CoSPRAY (Comprehensive Suicide Prevention Blueprint for Adults and Youth) is a four-year award of \$3.6 million. It focuses suicide prevention services

for Bexar County residents between the ages of 10-24 years old who may also identify as LGBTQ+. CoSPLAY began on Sept. 15 and will expand our ongoing suicide prevention program, Zero Suicide, that currently serves patients 18 and up who receive care at University Health ambulatory clinics

- University Health received \$14 million in federal funding from the U.S. Department of Health and Human Services for two multi-year grant programs to improve maternal and infant health outcomes in South Texas. The Mama Bexar program received \$9 million over five years to expand existing specialty care for maternal-fetal medicine, address mental health and health equity and improve access to care through navigation, support services and provider and patient education. University Health was one of only five awards across the country and the only one in Texas to receive this funding. Baby Bexar received \$5 million over four years to help improve maternal and infant health outcomes by expanding wrap-around services, including mental health, transportation and other support services to address non-medical determinants of health. It will also address the adverse effects of obesity, hypertension and diabetes on pregnancy and maternal and infant health outcomes. University Health received one of 11 awards given nationally and the only in Texas.

Economic Factors and Key Challenges

Since the DSRIP portion of the 1115 Waiver has concluded, University Health continued its effective work with focus on the Directed Payment Programs (DPPs) portion of that long-term waiver.

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:

- Addressing the health care needs of the rapidly growing Bexar County population
- Launching the Women's and Children's Hospital to help meet those needs. The successful launch includes appropriate training of staff and physicians, promoting and delivering expanded services to the community, and confirming the proper working of the new physical plant.
- Continuing impacts of the COVID-19 pandemic, especially related to supply chain issues and workforce shortages
- Growing activity and improving operating efficiencies in all places of care
- Navigating changes to reimbursement models including the Affordable Care Act, value-based care initiatives, and others

Strategic Plans to Meet These Challenges

- Strong continuing focus on maintaining high quality of care and improving it in interdisciplinary teams where needed
- Continuing to maximize the Lean Management processes aimed at:
 - Enabling enhanced access to care in various places of care offered by the health system
 - Facilitating rapid improvements in key areas using lean management approaches
 - Assuring mechanism are 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 such high volumes areas as ambulatory clinics, telemedicine, and dialysis
- Enhancing throughput in the inpatient and emergency department settings to meet growing demand
- Implementing and adapting strategic tactics 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
 - Growing the breadth and depth of University Medicine Associates to meet growing primary care and specialty care needs
 - 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
 - Leveraging the capability and appeal of the new Women’s and Children’s Hospital and associated growth tactics to expand services and capacity available through that launch
- 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 post-pandemic 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).



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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 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, 2023 and 2022, 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 and the fiduciary activities of University Health as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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, 2023, University Health adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the report of management responsibility and the introductory information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

FORVIS, LLP

**Dallas, Texas
May 21, 2024**

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, 2023 and 2022

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, 2023 and 2022. It should be read in conjunction with the financial statements of University Health.

Financial Highlights

- University Health's net position increased by \$341.5 million, or 16.1%, in 2023 and increased by \$247.3 million, or 13.2%, in 2022. The increase in net position in both years is due to increases in operating revenue and property tax revenue.
- During 2023, University Health's total operating revenue increased by \$207.8 million, or 8.9%, while total operating expenses increased by \$271.0 million, or 10.3%. During 2022, University Health's total operating revenue increased by \$376.5 million, or 19.2%, while total operating expenses increased by \$425.9 million, or 19.3%.
- University Health invested \$286.7 million in capital assets in 2023 and \$314.5 million in 2022, 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 2021 balances included in this management's discussion and analysis have not been restated to reflect the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) adopted by University Health on January 1, 2023 and presented retrospectively to January 1, 2022. The 2021 balances included in this management's discussion and analysis have not been restated to reflect that the University Health Foundation is now a blended component unit of University Health as discussed in *Note 1*, due to a change in reporting entity.

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

TABLE 1
Condensed Balance Sheets
(In Thousands)

	2023	2022 (As Restated)	2021
Assets			
Current and other assets	\$ 3,460,234	\$ 3,051,314	\$2,433,831
Capital assets, net	<u>1,881,817</u>	<u>1,684,532</u>	<u>1,458,751</u>
Total assets	5,342,051	4,735,846	3,892,582
Deferred Outflows of Resources	<u>193,561</u>	<u>115,218</u>	<u>117,573</u>
Total assets and deferred outflows of resources	<u>\$ 5,535,612</u>	<u>\$ 4,851,064</u>	<u>\$ 4,010,155</u>
Liabilities			
Long-term debt	\$ 1,412,981	\$ 1,259,377	\$996,258
Net pension liability	209,400	64,219	112,262
Net other postemployment benefits liability	121,109	78,060	78,777
Other liabilities	<u>647,980</u>	<u>626,349</u>	<u>351,361</u>
Total liabilities	<u>2,391,470</u>	<u>2,028,005</u>	<u>1,538,658</u>
Deferred Inflows of Resources	<u>676,792</u>	<u>697,159</u>	<u>592,907</u>
Net Position			
Net investment in capital assets	873,770	690,956	640,723
Restricted - expendable	76,411	49,947	25,311
Restricted - non-expendable	750	500	-
Unrestricted	<u>1,516,419</u>	<u>1,384,497</u>	<u>1,212,556</u>
Total net position	<u>2,467,350</u>	<u>2,125,900</u>	<u>1,878,590</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,535,612</u>	<u>\$ 4,851,064</u>	<u>\$ 4,010,155</u>

As seen in Table 1, net position increased by \$341.5 million in 2023 to \$2.5 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. 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. Net position increased by \$247.3 million in 2022 to \$2.1 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, 2023, 2022, and 2021:

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

	2023	2022 (As Restated)	2021
Operating Revenues			
Net patient service revenue	\$ 1,613,889	\$ 1,396,759	\$1,239,782
Premium revenue	798,600	823,460	614,741
Other revenue	133,097	117,519	106,759
	<u>2,545,586</u>	<u>2,337,738</u>	<u>1,961,282</u>
Operating Expenses			
Salaries and employee benefits	985,436	853,336	736,998
Medical claims expense	700,396	697,307	507,004
Purchased services, supplies and other	1,082,861	956,398	868,385
Depreciation and amortization	132,754	123,381	92,117
	<u>2,901,447</u>	<u>2,630,422</u>	<u>2,204,504</u>
Operating Loss	(355,861)	(292,684)	(243,222)
Nonoperating Revenues, Net	<u>697,311</u>	<u>516,015</u>	<u>522,502</u>
Increase in Net Position	<u>\$ 341,450</u>	<u>\$ 223,331</u>	<u>\$ 279,280</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

	2023	2022 (As Restated)	2021
Operating Revenues			
Net patient service revenue	49.8%	48.9%	49.9%
Premium revenue	24.6%	28.9%	24.8%
Other revenue	4.1%	4.1%	4.3%
Total operating revenues	78.5%	81.9%	79.0%
Nonoperating Revenues (Expenses)			
Investment return	3.4%	0.0%	0.0%
Interest expense	-1.3%	-1.1%	-1.2%
Debt issuance costs	-0.1%	-0.1%	0.0%
Property tax revenue, net	19.1%	19.0%	20.6%
Proceeds from tobacco settlement	0.3%	0.3%	0.4%
Provider Relief Fund revenue	0.0%	0.0%	1.3%
Total nonoperating revenues, net	21.5%	18.1%	21.0%
Total revenues	100%	100%	100%

Payer Mix

Table 4 presents the relative percentages of gross charges billed for patient services by payer for the years ended December 31, 2023, 2022, and 2021:

TABLE 4
Payer Mix by Percentage

	Year Ended December 31,		
	2023	2022	2021
Medicare	27%	27%	27%
Medicaid	21	24	21
Self-pay	22	22	25
Commercial insurance and other	30	27	27
Total	100%	100%	100%

Operating and Financial Performance

Overall activity of University Health, as measured by discharges, increased 8.6% to 34,406 in 2023 from 31,692 in 2022. In 2023, net patient service revenue increased by \$217.1 million to \$1.61 billion, or 15.5%, due primarily to increased patient volumes. Discharges increased 4.4% to 31,692 in 2022 from 30,363 in 2021. In 2022, net patient service revenue increased by \$157.0 million to \$1.40 billion, or 12.7%, due primarily to increased patient volumes.

In 2023, premium revenue decreased by \$24.9 million to \$798.6 million, or 3.0%. This decrease is attributable to a decrease in member months as a result of the end of the Public Health Emergency (PHE). During the PHE, as a result of COVID-19, health plans could not unenroll plan members. Member months decreased from 2,362,061 in 2022 to 2,332,514 in 2023, a decrease of 1.3%. 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 2,362,061 in 2022, an increase of 8.1%.

Overall, total operating revenue of \$2.5 billion increased \$207.8 million, or 8.9%, in 2023 compared to the total of \$2.3 billion in 2022 that increased by \$376.5 million, or 19.2%, over 2021. The increase in both years is attributable to the increase in net patient service revenue and premium revenue discussed above.

Employee compensation increased by \$132.1 million, or 15.5%, in 2023 and \$116.3 million, or 15.8%, in 2022. 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 \$3.1 million, or 0.4%, in 2023 and increased by \$190.3 million, or 15.8%, in 2022. The increase in 2022 is due to an increase in utilization from increased membership.

Purchased services, medical services and supplies and other expenses had an overall increase of \$126.5 million, or 13.2%, in 2023 and an overall increase of \$88.0 million, or 10.1%, in 2022. 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 increased by \$9.4 million, or 7.6%, and increased by \$31.3 million, or 33.9%, in 2023 and 2022, respectively.

Overall, total operating expenses increased by \$271.0 million to \$2.9 billion, or 10.3%, in 2023 and by \$425.9 million to \$2.6 billion, or 19.3%, from 2022.

Nonoperating Revenues

During both 2023, University Health derived 19.1% of its total revenues from ad valorem taxes (property taxes), compared to 19.0% and 20.6% in 2022 and 2021, respectively. 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 3.7%, 0.3% and 1.6% of total revenues in 2023, 2022, and 2021, respectively.

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 2023 of \$697.3 million increased by \$181.3 million, or 35.1%, from 2022. Nonoperating revenues (expenses) in 2022 of \$516.0 million decreased by \$6.5 million, or 1.2%, from 2021. The increase in 2023 is attributable to higher investment returns earned on deposits and investments as well as an increase in property tax revenue attributable to higher property values. The decrease in 2022 is attributable to the recognition of PRF revenue as University Health did not recognize PRF revenue in 2022, but recognized \$32.2 million of PRF revenue in 2021.

In 2023, property taxes were levied to support maintenance and operations and debt service. Overall property taxes increased by \$77.5 million to \$619.8 million compared to the 2022 taxes of \$542.2 million. Of the \$619.8 million, \$530.3 million was to support maintenance and operations. The remaining \$89.5 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, 2022, and 2023 and the Limited Tax Refunding Bonds issued in 2016, 2019 and 2020.

Capital, Lease and Subscription Assets and Long-term Debt

During 2023 and 2022, University Health invested \$284.1 million and \$314.5 million, respectively, in a broad range of capital assets. Table 5 presents an analysis of capital asset balances between 2023, 2022, and 2021:

TABLE 5
Capital Assets
(In Thousands)

	2023	2022	2021
Land and land improvements	\$ 68,861	\$ 65,270	\$ 44,212
Building and improvements	1,983,718	1,449,471	1,436,319
Equipment	757,299	655,201	639,039
Construction in progress	180,383	538,804	299,394
	<u>2,990,261</u>	<u>2,708,746</u>	<u>2,418,964</u>
Less accumulated depreciation	<u>1,108,444</u>	<u>1,024,214</u>	<u>960,213</u>
Capital assets, net	<u>\$ 1,881,817</u>	<u>\$ 1,684,532</u>	<u>\$ 1,458,751</u>

Construction in progress decreased by \$361.0 million in 2023 from 2022 because of completion of the new Women's and Children's Hospital, which opened in December 2023.

In 2023, University Health issued \$188.2 million in Certificates of Obligation, Series 2023. In 2022, University Health issued \$293.7 million in Certificates of Obligation, Series 2022. Long-term debt transactions are discussed more fully in *Note 8*.

At December 31, 2023 and 2022, University Health had \$30.1 million and \$30.7 million, respectively, invested in lease assets, net of accumulated amortization. Lease asset additions were not significant in 2023 and totaled \$11.3 million in 2022.

At December 31, 2023 and 2022, University Health had \$67.5 million and \$68.1 million, respectively, invested in subscription assets, net of accumulated amortization. Subscription asset additions totaled \$37.1 million and \$24.2 million in 2023 and 2022, respectively.

See *Note 5* for additional information on University Health's capital, lease and subscription assets.

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.universityhealth.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, 2023 and 2022
(In Thousands)

Assets and Deferred Outflows of Resources

	2023	2022 (As Restated)
Current Assets		
Cash and cash equivalents	\$ 430,322	\$ 356,686
Restricted cash equivalents - Local Provider Participation Fund	28,628	13,110
Short-term investments	311,078	301,381
Patient accounts receivable, net	192,249	181,278
Property taxes receivable, net	358,098	468,012
Estimated amounts due from third-party payers	79,583	56,503
Prepaid expenses and other current assets	159,287	110,405
	<hr/>	<hr/>
Total current assets	1,559,245	1,487,375
Noncurrent Cash and Investments		
Noncurrent investments	86,484	59,492
Internally designated for capital acquisitions and improvements	778,977	690,112
Internally designated for contingencies	437,025	362,231
Internally designated for professional self-insurance	5,237	5,015
Externally restricted for capital acquisition and debt service	476,445	316,100
	<hr/>	<hr/>
Total noncurrent cash and investments	1,784,168	1,432,950
	<hr/>	<hr/>
Capital Assets, Net	1,881,817	1,684,532
	<hr/>	<hr/>
Lease Assets, Net	30,114	35,722
	<hr/>	<hr/>
Subscription Assets, Net	67,534	68,065
	<hr/>	<hr/>
Other Assets		
Long-term patient accounts receivable, net	4,430	4,430
Other	14,743	22,772
	<hr/>	<hr/>
Total other assets	19,173	27,202
	<hr/>	<hr/>
Total assets	5,342,051	4,735,846
	<hr/>	<hr/>
Deferred Outflows of Resources		
Loss on bond refunding	11,262	12,129
Consideration in excess of net position acquired	11,149	12,543
Other postemployment benefits	70,782	50,562
Pensions	100,368	39,984
	<hr/>	<hr/>
Total deferred outflows of resources	193,561	115,218
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 5,535,612	\$ 4,851,064
	<hr/>	<hr/>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Balance Sheets (Continued)
December 31, 2023 and 2022
(In Thousands)

Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)
	2023	(As Restated)
Current Liabilities		
Current maturities of long-term debt	\$ 31,045	\$ 35,735
Current maturities of lease liabilities	4,943	5,637
Current portion of subscription liabilities	28,304	28,464
Accounts payable and accrued expenses	439,169	397,548
Medical claims payable	102,591	116,933
Revenue received in advance	5,197	3,208
Estimated amounts due to third-party payers	5,300	5,462
	616,549	592,987
Total current liabilities	616,549	592,987
Estimated Self-insurance Costs	6,381	5,641
Lease Liabilities, Noncurrent	26,365	30,954
Subscription Liabilities, Noncurrent	29,730	32,502
Net Pension Liability	209,400	64,219
Net Other Postemployment Benefits Liability	121,109	78,060
Long-term Debt	1,381,936	1,223,642
	2,391,470	2,028,005
Total liabilities	2,391,470	2,028,005
Deferred Inflows of Resources		
Property taxes	673,399	614,547
Other postemployment benefits	440	8,180
Pensions	2,953	74,432
	676,792	697,159
Total deferred inflows of resources	676,792	697,159
Net Position		
Net investment in capital assets	873,770	690,956
Restricted - expendable	76,411	49,947
Restricted - non-expendable	750	500
Unrestricted	1,516,419	1,384,497
	2,467,350	2,125,900
Total net position	2,467,350	2,125,900
Total liabilities, deferred inflows of resources and net position	\$ 5,535,612	\$ 4,851,064

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, 2023 and 2022
(In Thousands)

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue	\$ 1,613,889	\$ 1,396,759
Premium revenue	798,600	823,460
Other revenue	133,097	117,519
	<u>2,545,586</u>	<u>2,337,738</u>
Operating Expenses		
Salaries and employee benefits	985,436	853,336
Medical claims expense	700,396	697,307
Purchased services	336,924	301,397
Medical services	269,107	242,751
Supplies and other	476,830	412,250
Depreciation and amortization	132,754	123,381
	<u>2,901,447</u>	<u>2,630,422</u>
Operating Loss	<u>(355,861)</u>	<u>(292,684)</u>
Nonoperating Revenues (Expenses)		
Investment return	110,571	(1,028)
Interest expense	(41,631)	(32,157)
Debt issuance costs	(1,709)	(2,507)
Property tax revenue, net	619,750	542,219
Proceeds from tobacco settlement	10,330	9,488
	<u>697,311</u>	<u>516,015</u>
Increase in Net Position	<u>341,450</u>	<u>223,331</u>
Net Position, Beginning of Year	<u>2,125,900</u>	<u>1,902,569</u>
Net Position, End of Year	<u>\$ 2,467,350</u>	<u>\$ 2,125,900</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, 2023 and 2022
(In Thousands)

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 1,565,354	\$ 1,423,472
Premiums collected, net of reinsurance	753,825	946,053
Payments to suppliers and contractors	(1,057,145)	(942,764)
Benefit and loss payments	(714,439)	(635,011)
Payments to or on behalf of employees	(948,121)	(853,538)
Other receipts, net	146,511	108,935
Net cash provided by (used in) operating activities	<u>(254,015)</u>	<u>47,147</u>
Cash Flows From Noncapital Financing Activities		
Receipt of property taxes supporting operations	674,654	460,072
Proceeds received from tobacco settlement	10,330	9,488
Net cash provided by noncapital financing activities	<u>684,984</u>	<u>469,560</u>
Cash Flows From Capital and Related Financing Activities		
Receipt of property taxes for debt service	113,862	76,768
Proceeds from issuance of long-term debt	200,000	300,000
Principal paid on long-term debt	(35,735)	(27,640)
Principal paid on leases payable	(5,641)	(5,188)
Principal paid on subscription liabilities	(40,093)	(32,497)
Interest paid on long-term debt, leases payable and subscription liabilities	(48,259)	(40,354)
Proceeds from disposal of capital assets	-	2,122
Purchase of capital assets	(286,450)	(306,470)
Net cash used in capital and related financing activities	<u>(102,316)</u>	<u>(33,259)</u>
Cash Flows From Investing Activities		
Interest received on investments	65,302	16,180
Investment in equity investee	-	(16,775)
Purchase of investments	(1,570,612)	(2,346,617)
Proceeds from disposition of investments	1,250,293	2,013,811
Net cash used in investing activities	<u>(255,017)</u>	<u>(333,401)</u>
Increase in Cash and Cash Equivalents	73,636	150,047
Cash and Cash Equivalents, Beginning of Year	<u>356,686</u>	<u>206,639</u>
Cash and Cash Equivalents, End of Year	<u>\$ 430,322</u>	<u>\$ 356,686</u>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Cash Flows (Continued)
December 31, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
Reconciliation of Operating Loss to Net Cash Provided By (Used in)		
Operating Activities		
Operating loss	\$ (355,861)	\$ (292,684)
Depreciation and amortization	132,754	123,381
Provision for uncollectible accounts	133,358	165,484
Changes in operating assets and liabilities		
Patient accounts receivable, net	(144,329)	(195,265)
Estimated third-party payer settlements	(23,243)	60,653
Accounts payable and accrued expenses	53,835	13,223
Net pension liability	145,182	(48,044)
Deferred outflows of resources - pensions	(60,384)	4,480
Deferred inflows of resources - pensions	(71,480)	25,735
Net OPEB liability	43,049	(716)
Deferred outflows of resources - OPEB	(20,220)	9,551
Deferred inflows of resources - OPEB	(7,740)	1,644
Other assets, deferred outflows of resources, liabilities and deferred inflows of resources	(78,936)	179,705
	<u>\$ (254,015)</u>	<u>\$ 47,147</u>
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable, accrued expenses and other long-term liabilities	\$ 48,392	\$ 44,169
Lease obligations incurred for lease assets	\$ 357	\$ 11,287
SBITA obligations incurred for SBITA assets	\$ 37,161	\$ 24,165
Unrealized (gain) loss on investments	\$ (40,562)	\$ 20,533

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.

In July 2023, University Health issued the Certificates of Obligation, Series 2023 at a premium of \$13,633. Proceeds of \$1,753 were deposited immediately for the payment of the related issuance costs and \$200,000 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
December 31, 2023 and 2022
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	
	2023	2022
Assets		
Cash and Cash Equivalents	\$ 9,683	\$ 17,195
Employer Contributions Receivable	1,214	673
Investments		
Marketable securities		
Common stocks - mid capitalization	40,585	33,867
Mutual funds - common stocks - large capitalization	149,704	123,048
Mutual funds - common stocks - small capitalization	5,872	5,506
Mutual funds - fixed income securities	72,879	67,671
Equity trust	43,547	34,446
Fixed income trust	72,535	66,033
International equity trust	92,739	80,522
Total marketable securities	<u>477,861</u>	<u>411,093</u>
Alternative investments		
Investment in Arrowstreet Capital, Ltd.	91,219	67,891
Investment in Portfolio Advisors Private Equity Fund VI, VII, VIII, and IX, L.P.	35,527	36,596
Investment in Real Estate Trusts	39,321	42,862
Investment in Standard Life Investments	23	144
Investment in Newton Investment Management	29,245	28,431
Investment in Pantheon Access Luxembourg	11,655	8,663
Total alternative investments	<u>206,990</u>	<u>184,587</u>
Total investments at fair value	<u>684,851</u>	<u>595,680</u>
Total assets	<u>695,748</u>	<u>613,548</u>
Liabilities		
Accrued expenses	<u>461</u>	<u>456</u>
Net Position		
Restricted for:		
Pensions	627,919	554,699
Postemployment benefits other than pensions	<u>67,368</u>	<u>58,393</u>
Total net position	<u>\$ 695,287</u>	<u>\$ 613,092</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, 2023 and 2022
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	
	2023	2022
Additions		
Contributions		
Plan member	\$ 12,468	\$ 11,133
Employer	32,041	29,692
Total contributions	<u>44,509</u>	<u>40,825</u>
Investment Income		
Interest income	2,017	1,865
Dividend income	5,951	5,204
Net appreciation (depreciation) in fair value of investments	75,156	(96,797)
Investment expenses	(1,732)	(1,665)
Net investment income (loss)	<u>81,392</u>	<u>(91,393)</u>
Total net additions	<u>125,901</u>	<u>(50,568)</u>
Deductions		
Benefits paid to plan members	43,066	40,748
Administrative expenses	640	545
Total deductions	<u>43,706</u>	<u>41,293</u>
Increase (Decrease) in Fiduciary Net Position	82,195	(91,861)
Restricted Net Position, Beginning of Year	<u>613,092</u>	<u>704,953</u>
Restricted Net Position, End of Year	<u>\$ 695,287</u>	<u>\$ 613,092</u>

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2023 and 2022
(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 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; family health centers; neighborhood clinics, outpatient dialysis centers; outpatient surgery centers, adult and pediatric urgent care centers; school-based health centers; and the operations of four nursing homes. 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.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2023 and 2022
(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.

University Health Foundation (Foundation) was formed in 1984 under the Texas Development Facility Act as a non-profit organization to solicit, receive and maintain funds for the benefit of 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. Prior to 2023, the Foundation was reported as a discretely presented component unit of University Health because as structured, University Health was not a member of the Foundation and had no reserve powers even though the Bexar County Hospital District Board of Managers appointed the Board of Directors of the Foundation. In 2023, the Foundation's articles of incorporation were amended through the filing of Certificates of Formation and Conversion with the Texas Secretary of State converting its structure to a nonprofit public corporation under the Texas Business Organizations Code. As converted, University Health became the sole member of the Foundation with reserve powers. As a result, the Foundation is now reported as a blended component unit of University Health. No change was made to the appointment process to the Foundation board. The Bexar County Hospital District Board of Managers continues to appoint the Foundation's Board of Directors. Separately issued financial reports are available for the Foundation and may be obtained by contacting University Health's administrative offices. The accompanying 2022 financial statements have been restated to show the Foundation as a blended component unit versus discretely presented, which did not have a material impact on the January 1, 2022 net position balance.

Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2023 and 2022
(In Thousands)

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, 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.

At December 31, 2022, UHSST held a 19% interest in Academic Innovators Alliance, LLC (AIA), which is accounted for using the equity method of accounting. 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. UHSST sold their interest in AIA in 2023 and does not have any remaining ownership interest in AIA as of December 31, 2023.

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 both December 31, 2023 and 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.

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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 11*. The Match Savings Plan is also reported as a fiduciary component unit.

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.

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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 Plan or the OPEB Trust and the values reported in the tables are in thousands.

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.

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Cash Equivalents

University Health considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, 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.

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*.

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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

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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. University Health recognizes subscription assets related to subscription arrangements with more than \$250 payments over the subscription term.

Capital, Lease and Subscription Asset Impairment

University Health evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

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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 2023 and 2022.

Deferred Outflows

University Health reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Deferred Inflows of Resources

University Health reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

Net position of University Health is classified in four components on its balance sheets.

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, use, or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by 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.

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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.

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.

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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 \$1,120,037 and \$945,908 for the years ended December 31, 2023 and 2022, respectively. The cost of charity care provided under University Health's charity care policy were approximately \$343,169 and \$287,347 for 2023 and 2022, 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.

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.

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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 \$10,330 and \$9,488 in revenue from this settlement for the years ended December 31, 2023 and 2022, 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% of its financial support from property taxes in both 2023 and 2022. These funds were used as follows:

	2023	2022
Percentage used to support operations	85.6%	85.7%
Percentage used for debt service on bonds	14.4%	14.3%
Total	100.0%	100.0%

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 \$21,857 and \$20,001 at December 31, 2023 and 2022, respectively.

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At December 31, 2023 and 2022, respectively, University Health had recorded approximately \$673,399 and \$614,547 of property taxes levied for services to be provided in 2024 and 2023, 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 \$0.236335 and \$0.236735 per \$100 valuation for 2023 and 2022, respectively, for the maintenance and operation fund. University Health's property tax rate was \$0.039900 and \$0.039500 per \$100 valuation for 2023 and 2022, 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, 2023, University Health adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), using a retrospective method of adoption to all SBITAs in place and not yet completed at the beginning of the earliest period presented, January 1, 2022. The statement requires governmental entities to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The 2022 financial statements and notes to the financial statements were restated to reflect the impact of this adoption.

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The effect of the changes made to the accompanying financial statements for the adoption of GASB 96 and the change in reporting entity discussed under blended component units above as of and for the year ended December 31, 2022, are shown below:

	2022 (As Previously Reported)	Effect of Adoption	Change in Reporting Entity	2022 (As Restated)
Balance Sheet				
Prepaid expenses and other current assets	\$ 127,357	\$ (16,952)	\$ -	\$ 110,405
Total current assets	\$ 1,504,327	\$ (16,952)	\$ -	\$ 1,487,375
Subscription assets, net	\$ -	\$ 68,065	\$ -	\$ 68,065
Total assets	\$ 4,684,733	\$ 51,113	\$ -	\$ 4,735,846
Total assets and deferred outflows of resources	\$ 4,799,951	\$ 51,113	\$ -	\$ 4,851,064
Current portion of subscription liabilities	\$ -	\$ 28,464	\$ -	\$ 28,464
Accounts payable and accrued expenses	\$ 397,222	\$ 326	\$ -	\$ 397,548
Total current liabilities	\$ 564,197	\$ 28,790	\$ -	\$ 592,987
Subscription liabilities, noncurrent	\$ -	\$ 32,502	\$ -	\$ 32,502
Total liabilities	\$ 1,966,713	\$ 61,292	\$ -	\$ 2,028,005
Net investment in capital assets	\$ 683,777	\$ 7,179	\$ -	\$ 690,956
Unrestricted net position	\$ 1,401,855	\$ (17,358)	\$ -	\$ 1,384,497
Total net position	\$ 2,136,079	\$ (10,179)	\$ -	\$ 2,125,900
Total liabilities, deferred inflows of resources and net position	\$ 4,799,951	\$ 51,113	\$ -	\$ 4,851,064
Statement of Revenues, Expenses and Changes in Net Position				
Purchased services	\$ 322,771	\$ (21,374)	\$ -	\$ 301,397
Depreciation and amortization	\$ 92,273	\$ 31,108	\$ -	\$ 123,381
Total operating expenses	\$ 2,620,688	\$ 9,734	\$ -	\$ 2,630,422
Operating loss	\$ (282,950)	\$ (9,734)	\$ -	\$ (292,684)
Interest expense	\$ (31,712)	\$ (445)	\$ -	\$ (32,157)
Total nonoperating revenues, net	\$ 516,460	\$ (445)	\$ -	\$ 516,015
Increase in net position	\$ 233,510	\$ (10,179)	\$ -	\$ 223,331
Net position, end of year	\$ 2,136,079	\$ (10,179)	\$ -	\$ 2,125,900
Statement of Cash Flows				
Payments to suppliers and contractors	\$ (975,706)	\$ 32,942	\$ -	\$ (942,764)
Net cash provided by operating activities	\$ 5,810	\$ 33,192	\$ 8,145	\$ 47,147
Principal paid on subscription liabilities	\$ -	\$ (32,497)	\$ -	\$ (32,497)
Net cash used in capital and related financing activities	\$ (317)	\$ (32,942)	\$ -	\$ (33,259)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	\$ (288,196)	\$ (9,734)	\$ 5,246	\$ (292,684)
Depreciation and amortization	\$ 92,273	\$ 31,108	\$ -	\$ 123,381
Other assets, deferred outflows of resources, liabilities and deferred inflows of resources	\$ 164,988	\$ 11,818	\$ 2,899	\$ 179,705
Net cash used in operating activities	\$ 5,810	\$ 33,192	\$ 8,145	\$ 47,147
Noncash Investing, Capital and Financing Activities				
SBITA obligations incurred for SBITA assets	\$ -	\$ 24,165	\$ -	\$ 24,165

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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, 2017.

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 54% and 60% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, 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.

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.

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Supplemental Medicaid Funding Revenue

The Texas Medicaid Disproportionate Share Program (DSH Program) was designed to assist facilities, like the University Health, 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, 2023 and 2022, respectively, University Health had recorded approximately \$5,197 and \$3,208 of DSH revenue for services to be provided in 2024 and 2023, 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.

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 a number of directed payment programs. The directed payment programs University Health participates in are discussed more fully below.

- Comprehensive Hospital Increased Reimbursement Program (CHIRP) - CHIRP began on September 1, 2021. CHIRP provides for a uniform percentage rate increase to all hospitals within a particular class of hospitals as well as a quality component, which participating hospitals may opt into. The state’s share of 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, 2024.

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Revenue from CHIRP is 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.

- Network Access Improvement Program (NAIP) - 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. Under federal law, pass-through payments to hospitals, like NAIP, must be phased out by July 1, 2027.
- Quality Improvement Payment Program (QIPP) - QIPP 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.
- 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.
- 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.
- 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.

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Revenue from these programs is recognized throughout the program year as services are rendered and the revenue is earned. 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>2023</u>	<u>2022</u>
DSH Program	\$ 47,899	\$ 45,435
UC Pool	171,242	105,390
DSRIP	-	2,926
NAIP	40,667	42,469
GME	16,120	15,388
QIPP	2,530	2,771
TIPPS	18,739	3,279
HARP	<u>30,644</u>	<u>42,163</u>
	<u>\$ 327,841</u>	<u>\$ 259,821</u>

Accounts receivable under the programs listed above were \$75,890 and \$51,397 at December 31, 2023 and 2022, respectively, and are included in estimated amounts due from third-party payers. At December 31, 2023 and 2022, University Health recorded approximately \$27,669 and \$12,114, respectively, of prepaid intergovernmental transfers, which University Health is required to contribute as the state share of 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, 2023 and 2022, University Health held \$28,628 and \$13,110, respectively, in mandatory payments that will be transferred in 2024 and 2023.

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.

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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, 2023, 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.

At December 31, 2023 and 2022, University Health also had the following investments and maturities:

Type	December 31, 2023				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 354,161	\$ 310,648	\$ 43,513	\$ -	\$ -
U.S. agencies obligations	964,505	511,533	445,480	7,492	-
Municipal bonds	21,745	19,474	2,271	-	-
Commercial paper	276,412	276,412	-	-	-
Money market mutual funds	562,427	562,427	-	-	-
Investment pool	361,861	361,861	-	-	-
	<u>\$ 2,541,111</u>	<u>\$ 2,042,355</u>	<u>\$ 491,264</u>	<u>\$ 7,492</u>	<u>\$ -</u>

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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	463,263	463,263	-	-	-
Exchange traded funds	7,262	7,262	-	-	-
Investment pool	98,461	98,461	-	-	-
	<u>\$ 2,099,826</u>	<u>\$ 1,489,473</u>	<u>\$ 610,353</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.

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

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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, 2023, 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, and AA- by S&P or Aa1, Aa3, or Aaa by Moody's at December 31, 2023. University Health's investments in commercial paper was rated A-1+ or A-1 by S&P at December 31, 2023.

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.

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

	2023	2022
Federal Home Loan Bank	27%	25%
Federal Farm Credit Bank	8%	5%

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	\$ 13,085	\$ 4,301
Investments	2,541,111	2,099,826
	\$ 2,554,196	\$ 2,104,127
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 430,322	\$ 356,686
Restricted cash equivalents - Local Provider Participation Fund	28,628	13,110
Short-term investments	311,078	301,381
Noncurrent cash and investments	1,784,168	1,432,950
	\$ 2,554,196	\$ 2,104,127

University Health’s outstanding checks in excess of deposit balances (if any) 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:

	2023	2022
Medicare	\$ 48,774	\$ 55,054
Medicaid	55,409	58,057
Other third-party payers	88,414	94,998
Patients	431,444	404,779
	624,041	612,888
Less allowance for uncollectible accounts	427,362	427,180
	\$ 196,679	\$ 185,708

Note 5: Capital, Lease and Subscription Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was:

	2023			
	Beginning Balance	Additions/ Transfers	Disposals/ Other	Ending Balance
Land and land improvements	\$ 65,270	\$ 3,591	\$ -	\$ 68,861
Buildings and improvements	1,449,471	534,247	-	1,983,718
Equipment	655,201	107,257	(5,159)	757,299
Construction in progress	538,804	(358,421)	-	180,383
	2,708,746	286,674	(5,159)	2,990,261
Less accumulated depreciation	1,024,214	89,097	(4,867)	1,108,444
Capital assets, net	\$ 1,684,532	\$ 197,577	\$ (292)	\$ 1,881,817

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	2022			Ending Balance
	Beginning Balance	Additions/ Transfers	Disposals/ Other	
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	960,213	86,215	(22,214)	1,024,214
Capital assets, net	<u>\$ 1,458,751</u>	<u>\$ 228,247</u>	<u>\$ (2,466)</u>	<u>\$ 1,684,532</u>

At December 31, 2022, construction in progress (CIP) included costs incurred in connection with the expansion and renovation of facilities and related equipment. The women’s and children’s hospital located at the main campus was placed in service in December 2023. The \$778,000 project was completed in several phases including; phase I (which was comprised of a new heart, vascular and endoscopy center known as the Advanced Diagnostic Center), was built in University Health’s Sky Tower and placed in service in 2020. Phases II and III include a patient tower, a parking structure and expanded podium to accommodate support services. A few projects are still underway in the podium section of the new tower, including a new CT and catheterization lab. The project was funded by a combination of debt proceeds that were issued in 2018 and 2022 (*Note 8*) as well as existing cash and investments.

New projects impacting the CIP account at December 31, 2023 include two new community hospitals, which are planned to open in 2027 and two new community health centers. Funding for the community hospital projects will be a combination of 2022 and 2023 bond proceeds (*Note 8*) and existing cash and investments. The two community health centers will be primarily funded from Bexar County through a grant from the American Rescue Plan Act (ARPA).

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Lease assets activity for the years ended December 31, 2023 and 2022 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 6,227	\$ -	\$ -	\$ 6,227
Buildings	35,596	357		35,953
Equipment	3,309	-	-	3,309
	<u>45,132</u>	<u>357</u>	<u>-</u>	<u>45,489</u>
Less accumulated amortization				
Land	146	113	-	259
Buildings	8,123	4,770		12,893
Equipment	1,141	1,082	-	2,223
	<u>9,410</u>	<u>5,965</u>	<u>-</u>	<u>15,375</u>
Lease assets, net	<u>\$ 35,722</u>	<u>\$ (5,608)</u>	<u>\$ -</u>	<u>\$ 30,114</u>
	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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Subscription assets activity for the years ended December 31, 2023 and 2022 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription IT assets	\$ 98,101	\$ 37,161	\$ (10,691)	\$ 124,571
	<u>98,101</u>	<u>37,161</u>	<u>(10,691)</u>	<u>124,571</u>
Less accumulated amortization Subscription IT assets	<u>30,036</u>	<u>37,692</u>	<u>(10,691)</u>	<u>57,037</u>
	<u>30,036</u>	<u>37,692</u>	<u>(10,691)</u>	<u>57,037</u>
Subscription Assets, Net	<u>\$ 68,065</u>	<u>\$ (531)</u>	<u>\$ -</u>	<u>\$ 67,534</u>
	2022 (As Restated)			
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription IT assets	\$ 75,008	\$ 24,165	\$ (1,072)	\$ 98,101
	<u>75,008</u>	<u>24,165</u>	<u>(1,072)</u>	<u>98,101</u>
Less accumulated amortization Subscription IT assets	<u>-</u>	<u>31,108</u>	<u>(1,072)</u>	<u>30,036</u>
	<u>-</u>	<u>31,108</u>	<u>(1,072)</u>	<u>30,036</u>
Subscription Assets, Net	<u>\$ 75,008</u>	<u>\$ (6,943)</u>	<u>\$ -</u>	<u>\$ 68,065</u>

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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>2023</u>	<u>2022</u>
Payable to suppliers and contractors	\$ 225,527	\$ 180,629
Payable to employees (including payroll taxes and benefits)	54,904	45,843
Accrued interest	23,411	18,492
Premium deficiency reserve	1,300	1,000
Estimated self-insurance costs - current	3,101	3,833
Payable to HHSC by Community First	123,950	140,024
Other accrued liabilities	<u>6,976</u>	<u>7,727</u>
	<u>\$ 439,169</u>	<u>\$ 397,548</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, 2023 and 2022, Community First has recorded an experience rebate of \$99,177 and \$131,341, 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.

Changes in and the balances of University Health’s employee health claims liability in 2023, 2022 and 2021 are as follows:

	Beginning of Fiscal Year Liability	Current Year Expenses	Claim Payments	Balance at Fiscal Year-End
Employee health claims				
2023	\$ 3,042	\$ 37,436	\$ (37,377)	\$ 3,101
2022	2,288	37,941	(37,187)	3,042
2021	4,556	37,065	(39,333)	2,288

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. Changes in and the balances of University Health’s workers’ compensation claims liability are not material in 2023 and 2022.

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. Changes in and the balances of University Health’s professional claims liability are not material in 2023 and 2022.

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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.

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.

Changes in and the balances of Community First’s aggregate medical claims liability in 2023, 2022 and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Medical claims payable, beginning of year	\$ 116,933	\$ 54,200	\$ 58,845
Incurred related to			
Current year	701,072	691,721	518,177
Prior years	<u>(676)</u>	<u>5,586</u>	<u>(11,173)</u>
Total incurred losses and claims payable	<u>700,396</u>	<u>697,307</u>	<u>507,004</u>
Paid related to			
Current year	696,020	574,659	463,156
Prior years	<u>18,718</u>	<u>59,915</u>	<u>48,493</u>
Total paid losses and claims payable	<u>714,738</u>	<u>634,574</u>	<u>511,649</u>
Medical claims payable, end of year	<u>\$ 102,591</u>	<u>\$ 116,933</u>	<u>\$ 54,200</u>

Patient service revenue and medical claims expense for Community First members amounting to \$70,983 and \$54,703 in 2023 and 2022, 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:

	2023	2022
Limited Tax Refunding Bonds, Series 2016	\$ 159,470	\$ 167,355
Certificates of Obligation, Series 2018	247,720	253,015
Limited Tax Refunding Bonds, Series 2019	175,070	183,855
Limited Tax Refunding Bonds, Series 2020	127,060	131,830
Certificates of Obligation, Series 2020	136,055	138,435
Certificates of Obligation, Series 2022	287,090	293,710
Certificates of Obligation, Series 2023	188,120	-
	<u>1,320,585</u>	<u>1,168,200</u>
Bond premium	92,396	91,177
	<u>\$ 1,412,981</u>	<u>\$ 1,259,377</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 \$9,235 and \$11,411 at December 31, 2023 and 2022, 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 \$9,754 and \$10,524 at December 31, 2023 and 2022, 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 for \$308,000, 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 were 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 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 \$15,460 and \$17,055 at December 31, 2023 and 2022, 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 \$937 and \$998 at December 31, 2023 and 2022, 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 \$14,651 and \$17,294 at December 31, 2023 and 2022, 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 \$571 and \$607 at December 31, 2023 and 2022, 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 \$13,700 and \$16,009 at December 31, 2023 and 2022, 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 were 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 \$19,129 and \$20,960 at December 31, 2023 and 2022, 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, related hardware, 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 \$7,103 and \$8,448 at December 31, 2023 and 2022, respectively.

Certificates of Obligation – Series 2023

During 2023, University Health issued the Certificates of Obligation, Series 2023 (the 2023 Certificates) in the amount of \$188,120. 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, related hardware, software, and parking facilities. The 2023 Certificates mature in various amounts annually on February 15, from 2025 through 2053, with a stated coupon rate of 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2023 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 2023 Certificates were issued at a premium and the outstanding balance of the premium is \$13,118 at December 31, 2023.

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

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Limited Tax Refunding Bonds, Series 2016	\$ 167,355	\$ -	\$ (7,885)	\$ 159,470	\$ 8,285
Certificates of Obligation, Series 2018	253,015	-	(5,295)	247,720	5,570
Limited Tax Refunding Bonds, Series 2019	183,855	-	(8,785)	175,070	8,925
Limited Tax Refunding Bonds, Series 2020	131,830	-	(4,770)	127,060	5,015
Certificates of Obligation, Series 2020	138,435	-	(2,380)	136,055	2,505
Certificates of Obligation, Series 2022	293,710	-	(6,620)	287,090	745
Certificates of Obligation, Series 2023	-	188,120	-	188,120	-
	<u>\$ 1,168,200</u>	<u>\$ 188,120</u>	<u>\$ (35,735)</u>	<u>\$ 1,320,585</u>	<u>\$ 31,045</u>
Total long-term debt					
	<u>\$ 1,168,200</u>	<u>\$ 188,120</u>	<u>\$ (35,735)</u>	<u>\$ 1,320,585</u>	<u>\$ 31,045</u>

	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>

The debt service requirements as of December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 31,045	\$ 60,104	\$ 91,149
2025	41,955	58,329	100,284
2026	44,140	56,176	100,316
2027	40,370	54,064	94,434
2028	42,415	51,994	94,409
2029 - 2033	256,760	223,876	480,636
2034 - 2038	297,425	160,444	457,869
2039 - 2043	211,155	103,372	314,527
2044 - 2048	222,250	55,627	277,877
2049 - 2053	133,070	11,955	145,025
	<u>\$ 1,320,585</u>	<u>\$ 835,941</u>	<u>\$ 2,156,526</u>

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Note 9: Lease Liabilities

University Health leases medical office space, office space and equipment, the terms of which expire in various years through 2039, and also leases land, the terms of which expire in 2076. University Health recognized approximately \$12,420 and \$13,644 in 2023 and 2022, 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
2023 - Lease liabilities	\$ 36,591	\$ 357	\$ (5,640)	\$ 31,308
2022 - Lease liabilities	\$ 30,492	\$ 11,286	\$ (5,187)	\$ 36,591

The following is a schedule by year of payments under the leases as of December 31, 2023:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 4,943	\$ 434	\$ 5,377
2025	3,258	396	3,654
2026	2,766	361	3,127
2027	2,800	325	3,125
2028	2,900	288	3,188
2029 - 2033	7,445	971	8,416
2034 - 2038	1,366	571	1,937
2039 - 2043	359	473	832
2044 - 2048	444	438	882
2049 - 2053	548	395	943
2054 - 2058	665	342	1,007
2059 - 2063	799	278	1,077
2064 - 2068	949	201	1,150
2069 - 2073	1,119	111	1,230
2074 - 2076	947	17	964
	<u>\$ 31,308</u>	<u>\$ 5,601</u>	<u>\$ 36,909</u>

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Note 10: Subscription Liabilities

University Health has various SBITAs, the terms of which expire in various years through 2027. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the years ended December 31, 2023 and 2022, University Health recognized approximately \$19,511 and \$30,505, respectively, of subscription expense for variable payments not previously included in the measurement of the subscription liability.

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

	Beginning Balance	Additions	Deductions	Ending Balance
2023 - Subscription liabilities	\$ 60,966	\$ 37,161	\$ (40,093)	\$ 58,034
2022 - Subscription liabilities <i>(as restated)</i>	\$ 69,298	\$ 24,165	\$ (32,497)	\$ 60,966

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 28,304	\$ 748	\$ 29,052
2025	20,092	328	20,420
2026	8,171	102	8,273
2027	1,467	34	1,501
	\$ 58,034	\$ 1,212	\$ 59,246

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Note 11: 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.

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.

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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.

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.

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The employees covered by the Plan at January 1 are:

	2023	2022
Inactive participants:		
Retirees and beneficiaries currently receiving benefits	1,477	1,445
Terminated employees with deferred benefits	1,841	1,841
Total inactive participants	3,318	3,286
Active participants:		
Fully vested	4,189	4,148
Nonvested	2,725	2,765
Total active participants	6,914	6,913
Total participants	10,232	10,199

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, 2023 and 2022, employees contributed \$11,133 and \$10,877 (or 2.4% and 2.5% of covered payroll), and University Health contributed \$21,503 and \$21,734 (or 4.6% and 4.9% of covered payroll), respectively, to the Plan.

Net Pension Liability

University Health's net pension liability was measured as of December 31, 2022 and 2021 for the years ended December 31, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2022 and 2021, respectively. Update procedures were used to roll forward the total pension liability to the respective measurement dates.

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The total pension liability in the 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
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) in both the 2022 and 2021 actuarial valuations.

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.

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:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31%	5.2%
International equity	26%	5.2%
Fixed income	21%	2.8%
Real estate	10%	3.5%
Private equity	7%	6.2%
Absolute return/Hedge fund	5%	3.6%
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, 2023 and 2022. 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.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the years ended December 31, 2023 and 2022 are:

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	2023		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 669,256	\$ 605,037	\$ 64,219
Service cost	24,158	-	24,158
Interest on total pension liability	47,414	-	47,414
Effect of economic/demographic gains or losses	28,606	-	28,606
Assumption changes	-	-	-
Employer contributions	-	21,503	(21,503)
Member contributions	-	11,133	(11,133)
Benefit payments	(32,698)	(32,698)	-
Net investment income	-	(77,639)	77,639
Net changes	67,480	(77,701)	145,181
Balance, end of year	<u>\$ 736,736</u>	<u>\$ 527,336</u>	<u>\$ 209,400</u>

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	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>

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	<u>\$ 288,176</u>	<u>\$ 209,400</u>	<u>\$ 143,292</u>

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Pension Expense and Deferred Outflows of Resources Related to Pensions

For the years ended December 31, 2023 and 2022, University Health recognized pension expense of \$35,186 and \$3,674, respectively. At December 31, 2023 and 2022, University Health reported deferred inflows and outflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,159	\$ 835
Net difference between projected and actual earnings on pension plan investments	44,191	-
Changes in assumptions	6,150	2,118
Contributions subsequent to the measurement date	21,868	-
	<u>\$ 100,368</u>	<u>\$ 2,953</u>
	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>

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At December 31, 2023 and 2022, University Health reported \$21,868 and \$21,504, 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, 2024 and 2023, respectively.

Other amounts reported as deferred outflows of resources at December 31, 2023, related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2024	\$	8,102
2025		15,562
2026		20,717
2027		29,804
2028		1,362
		75,547
	\$	75,547

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 \$2,615 and \$2,265 for the years ended December 31, 2023 and 2022, 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 \$2,206 and \$1,755 for 2023 and 2022, respectively.

Note 12: Other Postemployment Benefits

Plan Description

University Health contributes to the University Health System Other Postemployment 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, 2023 and 2022, are:

	2023	2022
Inactive plan members or beneficiaries currently receiving payments	1,061	1,024
Active plan members	2,102	2,251
	3,163	3,275

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 \$2,159 and \$2,691 in 2023 and 2022, respectively, through the following required monthly contributions which were in effect for 2023 and 2022.

	2023	2022
Retiree-only coverage	\$ 174.44	\$ 201.38
Retiree-only coverage - Medicare	148.28	N/A*
Retiree and spouse coverage	331.44	382.61
Retiree and spouse coverage - Medicare	281.74	N/A*
Retiree and children coverage	411.72	411.72
Retiree and family coverage	753.95	753.95

*Rates not offered to participants in 2022.

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, 2023 and 2022, University Health contributed \$7,611 and \$5,862, respectively, to the OPEB Plan.

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Net OPEB Liability

University Health’s net OPEB liability at December 31, 2023 and 2022 was \$121,109 and \$78,060, respectively, and was measured as of December 31, 2022 and 2021. The total OPEB Plan liability used to calculate the net OPEB Plan liability was determined by actuarial valuations as of January 1, 2022 and 2021, and rolled forward to the measurement dates.

The total OPEB liability in the January 1, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement period, unless otherwise specified:

	<u>2022</u>	<u>2021</u>
Health care cost trend rates - initial	7.0%	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 - 7.0%	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 2022 and 2021 actuarial valuations.

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:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	42%	5.2%
International equity	28%	5.2%
Fixed income	30%	2.8%
Total	<u>100%</u>	

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:

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	2023		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 148,080	\$ 70,020	\$ 78,060
Service cost	4,136	-	4,136
Interest on total OPEB liability	10,400	-	10,400
Effect of economic/demographic gains or losses	21,900	-	21,900
Effects of assumption changes	2,405	-	2,405
Employer contributions	-	7,418	(7,418)
Benefit payments	(5,862)	(5,862)	-
Net investment income	-	(11,626)	11,626
Net changes	32,979	(10,070)	43,049
Balance, end of year	\$ 181,059	\$ 59,950	\$ 121,109

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	2022		
	Total OPEB Liability (a)	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

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	\$ 143,433	\$ 121,109	\$ 102,464

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The net OPEB liability of University Health has been calculated using the initial health care cost trend rate of 7.0%, 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	\$ 98,811	\$ 121,109	\$ 148,253
	\$ 98,811	\$ 121,109	\$ 148,253

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

For the years ended December 31, 2023 and 2022, University Health recognized OPEB expense of \$24,214 and \$16,253, respectively. At December 31, 2023 and 2022, University Health reported deferred outflows or resources and deferred inflows of resources related to the OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,131	\$ 440
Changes of assumptions	8,381	-
Net difference between projected and actual earnings on OPEB plan investments	7,659	-
Contributions subsequent to the measurement date	7,611	-
	\$ 70,782	\$ 440

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	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

At December 31, 2023 and 2022, University Health reported \$7,611 and \$5,862, 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, 2024 and 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	
2024	\$ 13,790
2025	15,139
2026	15,436
2027	12,987
2028	4,420
Thereafter	959
	\$ 62,731

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Note 13: 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 \$17,450 and \$17,473 in 2023 and 2022, 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 \$167,902 and \$159,361 during 2023 and 2022, respectively, related to qualified health care professional services.

Note 14: 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

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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, 2023 and 2022:

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, 2023				
Investments by fair value level				
U.S. Treasury obligations	\$ 354,161	\$ -	\$ 354,161	\$ -
U.S. agencies obligations	964,505	-	964,505	-
Municipal bonds	21,745	-	21,745	-
Commercial paper	276,412	-	276,412	-
Money market mutual funds	562,427	562,427	-	-
Total investments by fair value level	2,179,250	<u>\$ 562,427</u>	<u>\$ 1,616,823</u>	<u>\$ -</u>
Investment pool carried at amortized cost	<u>361,861</u>			
Total investments	<u>\$ 2,541,111</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, 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	-
Exchange traded funds	7,262	7,262	-	-
Money market mutual funds	463,263	463,263	-	-
	<u>2,001,365</u>	<u>470,525</u>	<u>1,530,840</u>	<u>-</u>
Total investments by fair value level	\$ 2,001,365	\$ 470,525	\$ 1,530,840	\$ -
Investment pool carried at amortized cost	<u>98,461</u>			
Total investments	<u>\$ 2,099,826</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, 2023 and 2022.

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Note 15: Condensed Combining Information

The following tables include condensed combining balance sheet information for University Health and its material blended component unit as of December 31, 2023 and 2022:

	December 31, 2023			
	University Health	Community First	Eliminations	Total
Assets				
Current assets	\$ 1,187,226	\$ 375,516	\$ (3,497)	\$ 1,559,245
Capital assets, net	1,878,541	3,276	-	1,881,817
Lease assets, net	18,046	12,068	-	30,114
Subscription assets, net	63,923	3,611	-	67,534
Other assets	1,716,844	86,497	-	1,803,341
Total assets	<u>4,864,580</u>	<u>480,968</u>	<u>(3,497)</u>	<u>5,342,051</u>
Deferred Outflows of Resources	193,561	-	-	193,561
Total assets and deferred outflows of resources	<u>\$ 5,058,141</u>	<u>\$ 480,968</u>	<u>\$ (3,497)</u>	<u>\$ 5,535,612</u>
Liabilities				
Current liabilities	\$ 387,441	\$ 232,605	\$ (3,497)	\$ 616,549
Noncurrent liabilities	1,759,865	15,056	-	1,774,921
Total liabilities	<u>2,147,306</u>	<u>247,661</u>	<u>(3,497)</u>	<u>2,391,470</u>
Deferred Inflows of Resources	676,792	-	-	676,792
Net Position				
Net investments in capital assets	871,138	2,632	-	873,770
Restricted expendable	76,411	-	-	76,411
Restricted - non-expendable	750	-	-	750
Unrestricted	1,285,744	230,675	-	1,516,419
Total net position	<u>2,234,043</u>	<u>233,307</u>	<u>-</u>	<u>2,467,350</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,058,141</u>	<u>\$ 480,968</u>	<u>\$ (3,497)</u>	<u>\$ 5,535,612</u>

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	December 31, 2022 (As Restated)			
	University Health	Community First	Eliminations	Total
Assets				
Current assets	\$ 1,086,287	\$ 404,230	\$ (3,142)	\$ 1,487,375
Capital assets, net	1,681,731	2,801	-	1,684,532
Lease assets, net	22,207	13,515	-	35,722
Subscription assets, net	63,105	4,960	-	68,065
Other assets	1,400,646	59,506	-	1,460,152
Total assets	<u>4,253,976</u>	<u>485,012</u>	<u>(3,142)</u>	<u>4,735,846</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>\$ 4,369,194</u>	<u>\$ 485,012</u>	<u>\$ (3,142)</u>	<u>\$ 4,851,064</u>
Liabilities				
Current liabilities	\$ 326,818	\$ 269,311	\$ (3,142)	\$ 592,987
Noncurrent liabilities	1,419,870	15,148	-	1,435,018
Total liabilities	<u>1,746,688</u>	<u>284,459</u>	<u>(3,142)</u>	<u>2,028,005</u>
Deferred Inflows of Resources	<u>697,159</u>	<u>-</u>	<u>-</u>	<u>697,159</u>
Net Position				
Net investments in capital assets	688,683	2,273	-	690,956
Restricted expendable	49,947	-	-	49,947
Restricted - non-expendable	500	-	-	500
Unrestricted	1,186,217	198,280	-	1,384,497
Total net position	<u>1,925,347</u>	<u>200,553</u>	<u>-</u>	<u>2,125,900</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,369,194</u>	<u>\$ 485,012</u>	<u>\$ (3,142)</u>	<u>\$ 4,851,064</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 material blended component unit for the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023			
	University Health	Community First	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 1,613,889	\$ -	\$ -	\$ 1,613,889
Premium revenue	-	798,600	-	798,600
Other	104,791	36,568	(8,262)	133,097
Total operating revenues	<u>1,718,680</u>	<u>835,168</u>	<u>(8,262)</u>	<u>2,545,586</u>
Operating Expenses				
Salaries and employee benefits	933,676	55,160	(3,400)	985,436
Purchased services, supplies and other	1,022,219	65,504	(4,862)	1,082,861
Medical claims expense	-	700,396	-	700,396
Depreciation and amortization	130,010	2,744	-	132,754
Total operating expenses	<u>2,085,905</u>	<u>823,804</u>	<u>(8,262)</u>	<u>2,901,447</u>
Operating Income (Loss)	<u>(367,225)</u>	<u>11,364</u>	<u>-</u>	<u>(355,861)</u>
Nonoperating Revenues				
Property tax revenue, net	619,750	-	-	619,750
Interest expense	(41,631)	-	-	(41,631)
Other, net	97,802	21,390	-	119,192
Total nonoperating revenues, net	<u>675,921</u>	<u>21,390</u>	<u>-</u>	<u>697,311</u>
Increase in Net Position	<u>308,696</u>	<u>32,754</u>	<u>-</u>	<u>341,450</u>
Net Position, Beginning of Year	<u>1,925,347</u>	<u>200,553</u>	<u>-</u>	<u>2,125,900</u>
Net Position, End of Year	<u>\$ 2,234,043</u>	<u>\$ 233,307</u>	<u>\$ -</u>	<u>\$ 2,467,350</u>

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	Year Ended December 31, 2022 (As Restated)			
	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	94,224	29,883	(6,588)	117,519
Total operating revenues	<u>1,490,983</u>	<u>853,343</u>	<u>(6,588)</u>	<u>2,337,738</u>
Operating Expenses				
Salaries and employee benefits	818,366	38,570	(3,600)	853,336
Purchased services, supplies and other	891,355	68,031	(2,988)	956,398
Medical claims expense	-	697,307	-	697,307
Depreciation and amortization	120,776	2,605	-	123,381
Total operating expenses	<u>1,830,497</u>	<u>806,513</u>	<u>(6,588)</u>	<u>2,630,422</u>
Operating Income (Loss)	<u>(339,514)</u>	<u>46,830</u>	<u>-</u>	<u>(292,684)</u>
Nonoperating Revenues				
Property tax revenue, net	542,219	-	-	542,219
Interest expense	(32,157)	-	-	(32,157)
Other, net	3,767	2,186	-	5,953
Total nonoperating revenues, net	<u>513,829</u>	<u>2,186</u>	<u>-</u>	<u>516,015</u>
Distributions from (to) Affiliate	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	204,315	19,016	-	223,331
Net Position, Beginning of Year	<u>1,721,032</u>	<u>181,537</u>	<u>-</u>	<u>1,902,569</u>
Net Position, End of Year	<u>\$ 1,925,347</u>	<u>\$ 200,553</u>	<u>\$ -</u>	<u>\$ 2,125,900</u>

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The following tables include condensed combining statements of cash flows information for University Health and its material blended component unit for the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023		
	University Health	Community First	Total
Net cash provided by (used in)			
Operating activities	\$ (219,620)	\$ (34,395)	\$ (254,015)
Noncapital financing activities	684,984	-	684,984
Capital and related financing activities	(98,206)	(4,110)	(102,316)
Investing activities	(242,087)	(12,930)	(255,017)
Increase (decrease) in cash and cash equivalents	<u>125,071</u>	<u>(51,435)</u>	<u>73,636</u>
Cash and cash equivalents, beginning of year	<u>112,607</u>	<u>244,079</u>	<u>356,686</u>
Cash and cash equivalents, end of year	<u><u>\$ 237,678</u></u>	<u><u>\$ 192,644</u></u>	<u><u>\$ 430,322</u></u>

	Year Ended December 31, 2022 (As Restated)		
	University Health	Community First	Total
Net cash provided by (used in)			
Operating activities	\$ (188,515)	\$ 235,662	\$ 47,147
Noncapital financing activities	499,560	(30,000)	469,560
Capital and related financing activities	(29,741)	(3,518)	(33,259)
Investing activities	(300,942)	(32,459)	(333,401)
Increase (decrease) in cash and cash equivalents	<u>(19,638)</u>	<u>169,685</u>	<u>150,047</u>
Cash and cash equivalents, beginning of year	<u>132,245</u>	<u>74,394</u>	<u>206,639</u>
Cash and cash equivalents, end of year	<u><u>\$ 112,607</u></u>	<u><u>\$ 244,079</u></u>	<u><u>\$ 356,686</u></u>

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Note 16: 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.

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

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Schedule of Changes in University Health's Net Pension Liability and Related Ratios
December 31
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	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 24,158	\$ 23,183	\$ 21,569	\$ 21,645	\$ 20,698	\$ 19,603	\$ 19,175	\$ 17,036	\$ 16,627
Interest	47,414	44,541	41,534	37,600	35,195	33,128	29,286	28,862	26,615
Effect of economic/demographic gains or losses	28,606	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	(32,698)	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)	(13,749)
Net Change in Total Pension Liability	67,480	43,073	42,613	57,066	34,580	30,190	54,244	33,008	29,493
Total Pension Liability - Beginning	669,256	626,183	583,570	526,504	491,924	461,734	407,490	374,482	344,989
Total Pension Liability - Ending (a)	\$ 736,736	\$ 669,256	\$ 626,183	\$ 583,570	\$ 526,504	\$ 491,924	\$ 461,734	\$ 407,490	\$ 374,482
Plan Fiduciary Net Position									
Contributions - employer	\$ 21,503	\$ 21,734	\$ 21,502	\$ 23,431	\$ 24,110	\$ 24,296	\$ 17,891	\$ 16,903	\$ 16,297
Contributions - employee	11,133	10,877	9,751	8,796	8,045	7,325	6,589	6,724	5,742
Net investment income	(77,639)	85,091	70,100	66,962	(16,152)	53,559	19,944	1,370	12,564
Benefit payments, including refunds of employee contributions	(32,698)	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)	(13,749)
Net Change in Plan Fiduciary Net Position	(77,701)	91,116	77,357	76,790	(4,006)	68,729	27,559	11,358	20,854
Plan Fiduciary Net Position - Beginning	605,037	513,921	436,564	359,774	363,780	295,051	267,492	256,134	235,280
Plan Fiduciary Net Position - Ending (b)	\$ 527,336	\$ 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)	\$ 209,400	\$ 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	71.58%	90.40%	82.07%	74.81%	68.33%	73.95%	63.90%	65.64%	68.40%
Covered Payroll	\$ 471,478	\$ 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	44.41%	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
2023	\$ 21,868	\$ 21,868	-	\$ 494,889	4.4%
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:	22
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)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 4,136	\$ 3,927	\$ 3,977	\$ 3,910	\$ 3,101	\$ 3,191
Interest	10,400	9,896	7,894	5,331	4,975	3,942
Effect of economic/demographic gains or losses	21,900	(617)	20,704	24,846	425	11,204
Effect of assumption changes	2,405	565	-	12,715	-	-
Plan amendments	-	-	-	(5,659)	-	-
Benefit payments	(5,862)	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net Change in Total OPEB Liability	32,979	7,603	27,855	36,961	4,960	15,900
Total OPEB Liability - Beginning	148,080	140,477	112,622	75,661	70,701	54,801
Total OPEB Liability - Ending (a)	<u>\$ 181,059</u>	<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	\$ 7,418	\$ 6,168	\$ 4,720	\$ 4,182	\$ 3,541	\$ 2,437
Benefit payments	(5,862)	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net investment income (loss)	(11,626)	8,320	8,273	9,799	(1,664)	6,686
Net Change in Plan Fiduciary Net Position	(10,070)	8,320	8,273	9,799	(1,664)	6,686
Plan Fiduciary Net Position - Beginning	70,020	61,700	53,427	43,628	45,292	38,606
Plan Fiduciary Net Position - Ending (b)	<u>\$ 59,950</u>	<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>\$ 121,109</u>	<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	33.11%	47.29%	43.92%	47.44%	57.66%	64.06%
Covered Employee Payroll	\$ 160,319	\$ 161,057	\$ 161,127	\$ 171,472	\$ 180,712	\$ 189,368
University Health's Net OPEB Liability as a Percentage of Covered Employee Payroll	75.54%	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
December 31
(In Thousands)

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
2023	\$ 9,818	\$ 4,310	\$ (5,508)	\$ 158,874	2.7%
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	7.0% 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.