


El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

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

September 30, 2023 and 2022



El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
September 30, 2023 and 2022

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Independent Auditor's Report

Board of Managers
El Paso County Hospital District
d/b/a University Medical Center of El Paso
El Paso, Texas

Opinion

We have audited the financial statements of El Paso County Hospital District d/b/a University Medical Center of El Paso (the District), a component unit of El Paso County, Texas, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District'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 financial position of the District as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District 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 opinion.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on October 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and combining information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

FORVIS, LLP

**Dallas, Texas
January 9, 2024**

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Introductory Information
Years Ended September 30, 2023 and 2022

The El Paso County Hospital District's d/b/a University Medical Center of El Paso (the District) management 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 of America as promulgated by the Governmental Accounting Standards Board and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements.

The 2023 and 2022 financial statements have been audited by the independent accounting firm of **FORVIS, LLP**, as stated in their reports, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Managers. The Board of Managers, through its Finance Committee (the Committee), provides oversight to the financial reporting process. Integral to this process is the Committee's review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

The District 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 and that assets are properly safeguarded, and to provide 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 that are regularly communicated and that demand highly ethical conduct from all employees.
- UMC's Compliance Department monitors the operation of the internal control system and reports findings and recommendations to 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.

El Paso County Hospital District
d/b/a University Medical Center of El Paso

/s/ R. Jacob Cintron

R. Jacob Cintron
President and Chief Executive Officer

/s/ Michael L. Nuñez

Michael L. Nuñez, CHFP, CPA
District Chief Financial Officer

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022
(In Millions)

Introduction

This management's discussion and analysis of the financial performance of El Paso County Hospital District (the District) d/b/a University Medical Center of El Paso provides an overview of the District's financial activities for the years ended September 30, 2023 and 2022. It should be read in conjunction with the District's financial statements. In addition, the 2021 balances included in this management's discussion and analysis have not been restated to reflect the adoption of GASB 96, *Subscription-Based Information Technology Arrangements* that was required to be adopted for the fiscal year ended September 30, 2023, retroactively restated the amounts reported in the 2022 financial statements.

The District's affiliated entities and blended component units include:

- University Medical Center of El Paso (UMC);
- El Paso First HealthPlans, Inc. d/b/a El Paso Health (the Health Plan), a blended component unit;
- University Medical Center Foundation of El Paso (the Foundation), a blended component unit (which includes El Paso Children's Hospital Foundation);
- El Paso Children's Hospital (El Paso Children's), a blended component unit;
- and
- UMC El Paso Healthcare, Inc. (El Paso Healthcare), a blended component unit.

Unless otherwise indicated, amounts are in millions.

Financial Highlights

- The District's current bond ratings and actions are:
 - S&P Global Ratings reaffirmed the "BBB+" rating with a stable outlook in December 2022.
 - Fitch Ratings reaffirmed the "A-" rating with a stable outlook revision from positive in June 2023.
 - Moody's reaffirmed the "Baa2" rating with a stable outlook revision from negative in September 2022.
- The District's net position change was \$22 million in 2023 and \$20 million in 2022 – an increase of \$2 million.
 - UMC's net position decrease (prior to transfers to/from affiliates) was \$16 million in 2023 and \$4 million in 2022 – an increase of \$12 million.
 - El Paso Children's net position increase was \$30 million in 2023 and \$8 million in 2022 – an increase of \$22 million.
 - The Health Plan's net position increase (prior to transfers to/from affiliates) was \$10 million in 2023 and \$8 million in 2022 – an increase of \$2 million.
 - The Foundation's net position increase in 2023 was \$2 million and \$162 thousand in 2022 – an increase of \$1.8 million.

- The District’s capital asset investment was \$79 million in 2023 and \$20 million in 2022, as part of the on-going hospital inpatient renovations, outpatient centers expansion and purchase of a surgical hospital.
- The District’s 2023 property tax rate was \$0.235153 as compared to the 2022 property tax rate of \$0.258145.
- The District’s contribution to the community included estimated costs to provide uncompensated care of \$240 million in 2023 and \$225 million in 2022 – a 7% increase.

Using this Annual Report

The District’s financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the District’s activities, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any organization’s finances is “Is the organization as a whole better or worse off as a result of the year’s activities?” The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year’s revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District’s net position and changes in them. The District’s total net position—the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources—is one measure of the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the District’s overall financial health.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

Table 1: Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)	2021
Assets and Deferred Outflows of Resources			
Current assets, noncurrent cash and other assets	\$ 457.0	\$ 406.4	\$ 354.4
Capital assets, net	450.3	408.8	427.6
Lease assets, net	7.9	9.8	9.6
Subscription assets, net	33.8	32.3	-
Net pension asset	-	11.8	-
Deferred outflows of resources	57.6	50.4	57.7
	<u>57.6</u>	<u>50.4</u>	<u>57.7</u>
Total assets and deferred outflows of resources	<u>\$ 1,006.6</u>	<u>\$ 919.5</u>	<u>\$ 849.3</u>
Liabilities and Deferred Inflows of Resources			
Long-term debt, including current maturities	\$ 383.6	\$ 340.4	\$ 349.7
Lease liabilities, including current maturities	8.4	10.6	10.4
Subscription liabilities, including current maturities	31.9	30.2	-
Other liabilities	350.6	259.4	284.0
Deferred inflows of resources	0.7	69.9	16.2
	<u>0.7</u>	<u>69.9</u>	<u>16.2</u>
Total liabilities and deferred inflows of resources	<u>775.2</u>	<u>710.5</u>	<u>660.3</u>
Net Position			
Net investment in capital assets	84.4	81.3	94.6
Restricted	11.3	21.0	9.0
Unrestricted	135.7	106.7	85.4
	<u>135.7</u>	<u>106.7</u>	<u>85.4</u>
Total net position	<u>231.4</u>	<u>209.0</u>	<u>189.0</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,006.6</u>	<u>\$ 919.5</u>	<u>\$ 849.3</u>

The District's significant balance sheet changes from 2022 to 2023 include the following:

- Total assets and deferred outflows of resources increased \$87 million (10%) between 2022 and 2023.
- Deferred outflows of resources decreased \$7 million (14%) primarily from the difference between projected and actual earnings on pension plan investments.
- At September 30, 2023, the District reported a net pension liability of \$66 million compared to a net pension asset of \$12 million at September 30, 2022 – a decrease of \$78 million, which is attributable to decreases in market performance on the plan's investments as of the measurement date.
- Current assets, noncurrent cash and other assets increased \$51 million (13%) primarily from increases in patient accounts receivable as a result of higher patient volumes in 2023 compared to 2022 as well as increases in current cash and short-term investments of \$35 million (18%).

- Total liabilities and deferred inflows of resources increased \$65 million (9%) primarily from the increase in net pension liability previously discussed, which was offset by the decrease in COVID-19 funding received in advance of \$5 million, discussed more fully in *Note 15* and a \$69 million decrease in deferred inflows of resources, primarily attributable to pensions. Accounts payable and accrued expenses increased \$44 million (20%) as a result of higher operating expenses incurred in 2023 as detailed in *Note 9*. Total liabilities also increased as a result of the District issuing \$55 million in Series 2023 Revenue Bonds, discussed in *Note 11*.

The District's significant balance sheet changes from 2021 to 2022 include the following:

- Total assets and deferred outflows of resources increased \$70 million (8%) between 2021 and 2022.
- Deferred outflows of resources decreased \$7 million (13%) primarily from the difference between projected and actual earnings on pension plan investments.
- At September 30, 2022, the District reported a net pension asset of \$12 million compared to a net pension liability of \$62 million at September 30, 2021 – an increase of \$74 million, which is attributable to improved market performance on the plan's investments as of the measurement date.
- Current assets, noncurrent cash and other assets increased \$52 million (15%) primarily from increases in patient accounts receivable as a result of higher patient volumes in 2022 compared to 2021. Additionally, Medicaid supplemental program revenue receivables increased \$46 million at September 30, 2022 compared to September 30, 2021 as a result of UMC beginning to participate in the Public Hospital Augmented Reimbursement Program (HARP) as discussed in *Note 4*.
- Total liabilities and deferred inflows of resources increased \$50 million (8%) primarily from the decrease in net pension liability previously discussed and the decrease in Medicare Advance Payments (\$23 million or 100%), discussed more fully in *Note 15*. These decreases were offset by the increase in COVID-19 funding received in advance of \$29 million, discussed more fully in *Note 15*. Accounts payable and accrued expenses increased \$26 million (13%) as a result of higher operating expenses incurred in 2022 and the Health Plan incurring significantly more health claims as detailed in *Notes 9* and *10*.
- The District adopted GASB 96, *Subscription-Based Information Technology Arrangements*, which resulted in \$30 million of subscription liabilities at September 30, 2022, a 100% increase from 2021 since 2021 balances have not been restated to reflect the adoption of this standard.

Table 2: Operating Results and Changes in Net Position

	2023	2022 (As Restated)	2021
Operating Revenue			
Net patient service revenue	\$ 623.8	\$ 570.7	\$ 501.4
Premium revenue	375.7	337.6	236.4
Medicaid Supplemental Program revenue	124.8	140.3	124.6
Contract revenue	16.7	12.6	11.3
Other revenue	75.8	41.9	44.6
	<u>1,216.8</u>	<u>1,103.1</u>	<u>918.3</u>
Operating Expense			
Salaries and employee benefits	439.8	365.8	322.2
Medical claims	322.8	294.7	195.5
Purchased services and other	144.1	144.5	148.7
Physician fees	141.6	125.7	112.0
Supplies and pharmaceuticals	256.7	233.8	220.9
Depreciation and amortization	52.1	50.4	38.7
	<u>1,357.1</u>	<u>1,214.9</u>	<u>1,038.0</u>
Operating Loss	(140.3)	(111.8)	(119.7)
Nonoperating Revenues, Net	<u>162.7</u>	<u>131.8</u>	<u>183.7</u>
Change in Net Position	<u>\$ 22.4</u>	<u>\$ 20.0</u>	<u>\$ 64.0</u>

Operating revenues increased \$114 million (10%) from 2022 to 2023.

- Net patient service revenue increased \$53 million (9%) primarily from patient volume increases, higher patient acuity, and increased collection rates.
- Premium revenue increased \$38 million (11%) primarily from increased Medicaid members as a result of the COVID-19 pandemic and the Public Health Emergency declaration.

Operating revenues increased \$185 million (20%) from 2021 to 2022.

- Net patient service revenue increased \$69 million (14%) primarily from patient volume increases due to the COVID-19 pandemic, higher patient acuity, and increased collection rates.
- Premium revenue increased \$101 million (43%) primarily from increased Medicaid members as a result of the COVID-19 pandemic and the Public Health Emergency declaration.

Operating expenses increased \$142 million (12%) between 2022 and 2023.

- Salaries and employee benefits expense increased by \$74 million (20%) primarily from additional staffing required due to the increases in patient volumes and wage increases due to a national nursing and staffage shortage.

- Medical claims expense increased by \$28 million (10%) primarily from increases in members and increased medical claim utilization.
- Supplies and pharmaceutical expense increased \$23 million (10%) from increased patient acuity levels and increased patient volumes, as well as increases in inflation caused by national supply chain issues and rising demand.

Operating expenses increased \$177 million (17%) between 2021 and 2022.

- Salaries and employee benefits expense increased by \$44 million (14%) primarily from additional staffing required by the COVID-19 pandemic and wage increases due to a national nursing and staffage shortage.
- Medical claims expense increased by \$99 million (51%) primarily from increases in members and increased medical claim utilization.
- Supplies and pharmaceutical expense increased \$13 million (6%) from increased patient acuity levels and increased patient volumes, as well as increases in inflation caused by national supply chain issues and rising demand.
- Depreciation expense increased \$12 million (30%) due to the adoption of GASB 96, which required that subscription-based information technology agreement assets now be depreciated versus being shown as purchased services and other operating expenses. A corresponding change was noted for purchased services and other operating expenses, which resulted in that line item decreasing by \$4 million (3%) from 2021 to 2022.

Net nonoperating revenues increased \$31 million (23%) from 2022 to 2023.

- The District recognized \$32 million of COVID-19 assistance revenue, as discussed more fully in *Note 15*.
- Property tax revenue increased \$4 million (3%) from \$129 million to \$133 million, due to increased property values.

Net nonoperating revenues decreased \$52 million (28%) from 2021 to 2022.

- The District recognized \$13 million of COVID-19 assistance revenue, as discussed more fully in *Note 15*.
- Property tax revenue increased \$1 million (2%) from \$128 million to \$129 million, due to increased property values.

Table 3: Payer Mix by Percentage

The following table presents the relative percentages of gross charges billed for patient services by payer for both UMC and El Paso Children’s for the fiscal years ended September 30, 2023, 2022 and 2021:

Payer	Years Ended September 30				
	2023	2022	Change	2021	Change
Medicare	23%	22%	1%	22%	0%
Medicaid	25%	26%	-1%	24%	2%
Commercial	10%	10%	0%	10%	0%
Charity	11%	11%	0%	13%	-2%
Self-pay	12%	13%	-1%	14%	-1%
HMO/PPO	9%	8%	1%	8%	0%
Other	10%	10%	0%	9%	1%
	<u>100%</u>	<u>100%</u>		<u>100%</u>	

Table 4: Capital Assets

The following table presents a summary of the District’s capital assets as of September 30, 2023, 2022 and 2021:

	2023	2022	Dollar Change	2021
Land and land improvements	\$ 27.8	\$ 27.8	\$ -	\$ 27.8
Building and leasehold improvements	527.1	526.1	1.0	526.5
Equipment	434.1	407.0	27.1	378.5
	989.0	960.9	28.1	932.8
Construction in progress	51.1	-	51.1	7.9
	1,040.1	960.9	79.2	940.7
Accumulated depreciation	(589.9)	(552.2)	(37.7)	(513.0)
Capital assets, net	<u>\$ 450.2</u>	<u>\$ 408.7</u>	<u>\$ 41.5</u>	<u>\$ 427.7</u>

Net capital assets were \$450 million at September 30, 2023. The District invested \$79 million, net, in capital assets in 2023, offset by annual depreciation expense of \$38 million.

Net capital assets were \$409 million at September 30, 2022. The District invested \$20 million, net, in capital assets in 2022, offset by annual depreciation expense of \$39 million.

Detailed information about the District’s capital assets is described in *Note 8*.

Long-term Debt, Lease and Subscription Liabilities

On September 30, 2023, long-term debt consists of the following:

- General Obligation Refunding Bonds, Series 2017 - \$93 million
- Combination Tax and Revenue Certificates of Obligation, Series 2013 - \$126 million
- General Obligation Refunding Bonds, Series 2013 - \$82 million
- Revenue Bonds, Series 2023 - \$55 million
- Other long-term debt - \$900 thousand
- Lease liabilities - \$8 million
- Subscription liabilities - \$32 million

Long-term debt, including the bond premium of \$27 million, at September 30, 2023 totaled \$384 million, a 13% increase from September 30, 2022, and represents 50% of the District's total liabilities at September 30, 2023.

Long-term debt, including the bond premium of \$28 million at September 30, 2022 totaled \$340 million, a 10% decrease, and represents 53% of the District's total liabilities at September 30, 2022.

Detailed information about the District's long-term debt, lease and SBITA liabilities are described in *Note 11*.

Economic Factors and Key Challenges

At a local level, the District continues to review its expansion plans (additional beds, surgery rooms and emergency department rooms) to address patient bed and plant capacity issues. The number of individuals receiving patient care continues to be higher than pre-pandemic levels placing a stress on the infrastructure for additional beds and staffing.

Because of patient volume increases and its impact on nursing staffing, the District continues to increase pay rates to remain competitive with other local hospitals. In addition, the industry continues to be concerned that Medicare, Medicaid and commercial insurance hospital payments fall short of the rising costs hospitals face, most notably from labor and inflation.

At the federal level, healthcare reform efforts and their potential financial and operational impact to the District include:

- **Medicare Disproportionate Share Program (DSH) cuts** - On November 14, 2023, the House passed legislation on a bipartisan basis to keep the government funded through January 19, 2024. Medicaid disproportionate share hospital payments would be guaranteed to remain at their full amount through that date. Minus any action by Congress on January 19, 2024, the same deadline applies for avoiding the start of a four-year (2024 to 2028), nearly \$32 billion cut to Medicaid DSH payments.

Meanwhile, Texas Health and Human Services Commission (HHSC) began FFY 2024 interim Medicaid DSH payments in October 2023. Absent any further federal legislation delaying the Medicaid DSH cuts, HHSC is making 2024 interim payments with an anticipated 45% percent reduction in the statewide Medicaid DSH pool size. HHSC has not received communication from Centers for Medicare and Medicaid Services (CMS) as to how the interim period from October 1, 2023 through January 19, 2024 will be funded and calculated.

On December 11, 2023, the House of Representatives voted 320 to 71 to pass legislation (H.R. 5378) that would delay the Medicaid DSH cuts for two years but also would permanently reduce Medicare payments for drug administration services in off-campus hospital outpatient departments.

- **340B Drug Pricing Program** - In a November 2, 2023 final rule, the CMS outlined its plan to remedy nearly five years of unlawful Medicare Part B cuts to hospitals in the 340B Drug Pricing Program with \$9 billion in lump sum Outpatient Prospective Payment System payments.

In the rule, CMS states that it will:

- Repay hospitals a total of \$9 billion in lump sum payments. An additional \$1.6 billion already has been repaid through reprocessed claims for 2022.
- Not pay hospitals interest on the underpayments from 2018 to 2022.
- Recoup \$7.8 billion from hospitals over a 16-year period, beginning in 2026, to offset the higher payments it made for non-drug items and services from 2018 to 2022.
- Begin repaying hospitals in the first quarter of 2024.
- CMS declined to address concerns related to Medicare Advantage Organizations (MAOs), including that they have not appropriately reimbursed hospitals for underpayments between 2018 and 2022. HHS stated that these issues were “out of the scope of this final rule” and that it “cannot interfere in the payment rates that MAOs set in contracts with providers and facilities.”

At the state level, Medicaid funding and their potential financial and operational impact to the District include:

- **COVID-19 Medicaid Redeterminations** – With the COVID-19 Public Health Emergency ending in 2023, state-wide Medicaid membership will continue to decrease through the summer of 2024 back to pre-pandemic levels. As such, an expected increase in uninsured patients, previously covered by Medicaid, is expected to occur.
- **Enhanced Ambulatory Patient Groups (EAPGs)** – HHSC is planning to implement the outpatient prospective payment system (OPPS) reimbursement in conjunction with the implementation of a modernized Medicaid Information System (MMIS), on December 1, 2024. The OPPS transition is required by the Texas Legislature, which requires that HHSC “convert outpatient hospital reimbursement systems to an appropriate prospective payment system”. HHSC is developing models to demonstrate anticipated payments as a result of this implementation.
- **Comprehensive Hospital Increase Reimbursement Program (CHIRP)** – HHSC recently published proposed rules to transition a portion of the CHIRP program to a new pay-for-performance component to become effective September 1, 2025. HHSC is not planning to release a final SFY 2025 CHIRP model until the early summer 2024. The industry is urging HHSC to pay the full amount of CHIRP in 2025 rather than artificially reduce CHIRP due to potential Uncompensated Care (UC) program impacts.
- **CMS’ concerns with the Local Provider Participation Fund (LPPF) financing** – The federal Office of the Inspector General (OIG), which is tasked with conducting independent audits and investigations of Department of Health and Human Services programs (essentially oversight of Medicare and Medicaid), recently announced a workplan that includes determining “whether the LPPFs that HHSC used as the state share of Medicaid payments were permissible and in accordance with applicable federal and state requirements.”

Contacting the District’s Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact UMC, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

**El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas**

**Balance Sheets
September 30, 2023 and 2022
(In Thousands)**

Assets and Deferred Outflows of Resources

	2023	2022 (As Restated)
Current Assets		
Cash and cash equivalents	\$ 182,089	\$ 188,024
Restricted cash and cash equivalents	36,793	5,750
Short-term investments	10,018	-
Patient accounts receivable, net of allowance for uncollectible accounts of 2023 - \$91,649; 2022 - \$106,274	92,425	77,800
County appropriation - property taxes receivable, net	1,623	1,928
Medicaid Supplemental Program Revenue receivable	64,258	79,859
Estimated amounts due from third party payers	2,671	6,491
Supplies	14,153	14,575
Prepaid expenses and other	29,986	19,784
Total current assets	434,016	394,211
Noncurrent Cash and Investments		
Project construction	9,174	2,945
Held by Foundation	8,461	7,480
Restricted for medical claims	500	700
	18,135	11,125
Capital Assets, Net	450,311	408,781
Lease Assets, Net	7,853	9,801
Subscription Assets, Net	33,771	32,328
Net Pension Asset	-	11,783
Other Assets	4,925	1,077
Total assets	949,011	869,106
Deferred Outflows of Resources		
Loss on bond refundings	10,235	11,020
Goodwill	1,371	1,877
Other postemployment benefits	398	322
Pensions	45,557	37,153
	57,561	50,372
Total assets and deferred outflows of resources	\$ 1,006,572	\$ 919,478

**El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas**

**Balance Sheets (Continued)
September 30, 2023 and 2022
(In Thousands)**

Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)
Current Liabilities		
Accounts payable and accrued expenses	\$ 261,159	\$ 217,008
Current maturities of long-term debt	11,407	11,507
Current portion of lease liabilities	3,054	3,190
Current portion of subscription liabilities	9,193	7,756
Note payable to bank and other current liabilities	1,013	649
COVID-19 funding received in advance	4,861	28,844
Estimated self-insurance costs - current	4,379	3,579
Estimated amounts due to third-party payers	5,312	5,312
	300,378	277,845
Other Liabilities		
Long-term debt	372,200	328,937
Lease liabilities	5,340	7,371
Subscription liabilities	22,663	22,417
Net pension liability	66,301	-
Net other postemployment benefits liability	2,003	1,967
Other	5,628	2,055
	774,513	640,592
Deferred Inflows of Resources		
Other postemployment benefits	686	506
Pensions	-	69,366
	686	69,872
Net Position		
Net investment in capital assets	84,394	81,292
Restricted - expendable	8,224	6,699
Restricted - non-expendable	3,083	2,502
Restricted for pension	-	11,783
Unrestricted	135,672	106,738
	231,373	209,014
Total liabilities, deferred inflows of resources and net position	\$ 1,006,572	\$ 919,478

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of 2023 - \$43,813; 2022 - \$73,440	\$ 623,839	\$ 570,657
Premium revenue	375,653	337,559
Medicaid Supplemental Program revenue	124,776	140,257
Contract revenue	16,659	12,647
Other revenue	75,797	41,890
Total operating revenues	1,216,724	1,103,010
Operating Expenses		
Salaries and employee benefits	439,795	365,753
Medical claims	322,815	294,673
Purchased services and other	144,126	144,459
Physician fees	141,623	125,708
Supplies and pharmaceuticals	256,659	233,816
Depreciation and amortization	52,082	50,403
Total operating expenses	1,357,100	1,214,812
Operating Loss	(140,376)	(111,802)
Nonoperating Revenues (Expenses)		
Investment return	7,039	275
Interest expense	(15,516)	(15,492)
County appropriation - property taxes, net	133,442	129,390
COVID-19 assistance revenue	32,445	12,846
Tobacco settlement	2,493	2,293
Other	2,832	2,506
Total nonoperating revenues, net	162,735	131,818
Increase in Net Position	22,359	20,016
Net Position, Beginning of Year	209,014	188,998
Net Position, End of Year	\$ 231,373	\$ 209,014

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Cash Flows
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022 (As Restated)
	2023	(As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients and members	\$ 1,009,826	\$ 913,182
Payments to suppliers and contractors	(857,438)	(775,637)
Payments to employees	(435,460)	(375,030)
Gross receipts from LPPF	118,782	95,351
Gross payments for LPPF	(86,868)	(100,183)
Cash received from contract revenues and other operating activities	52,984	22,543
Cash received from uncompensated care related activities	150,426	101,492
	<u>(47,748)</u>	<u>(118,282)</u>
Net cash used in operating activities		
Cash Flows From Noncapital Financing Activities		
County appropriations supporting operations	109,668	105,877
Cash received from tobacco settlement	2,493	2,293
Cash received for COVID-19 assistance	8,462	41,690
Other cash received, net	2,734	2,909
	<u>123,357</u>	<u>152,769</u>
Net cash provided by noncapital financing activities		
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(9,795)	(9,102)
Principal paid on lease liabilities	(4,143)	(2,926)
Principal paid on short-term debt	(155)	(151)
Interest paid on long-term debt and lease liabilities	(16,005)	(15,705)
Principal paid on subscription liabilities	(9,141)	(7,600)
Interest paid on subscription liabilities	(1,034)	(811)
County appropriations to acquire or retire debt for acquisitions of capital assets	24,079	23,626
Proceeds from issuance of debt	55,000	-
Purchase of capital assets	(79,199)	(21,699)
	<u>(40,393)</u>	<u>(34,368)</u>
Net cash used in capital and related financing		
Cash Flows From Investing Activities		
Interest on investments	6,764	809
Proceeds from disposition of investments	7,971	194
Purchase of investments	(24,329)	(360)
	<u>(9,594)</u>	<u>643</u>
Net cash provided by (used in) investing activities		
Increase in Cash and Cash Equivalents	25,622	762
Cash and Cash Equivalents, Beginning of Year	201,884	201,122
Cash and Cash Equivalents, End of Year	\$ 227,506	\$ 201,884

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Cash Flows (Continued)
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 182,089	\$ 188,024
Restricted cash and cash equivalents	36,793	5,750
Cash and cash equivalents in noncurrent cash and investments	8,624	8,110
Total cash and cash equivalents	\$ 227,506	\$ 201,884
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (140,376)	\$ (111,802)
Depreciation and amortization	52,082	50,403
Provision for uncollectible accounts	43,813	73,440
Changes in operating assets and liabilities		
Patient accounts receivable, net	(58,438)	(79,546)
Estimated amounts due to third-party payers	(4,144)	2,203
Accounts payable and accrued expenses	43,044	28,703
Medicare Advance Payments	-	(23,159)
Net pension asset/liability	78,084	(73,061)
Net other postemployment benefits liability	36	90
Deferred outflows of resources - pensions	(8,404)	6,038
Deferred inflows of resources - pensions	(69,366)	53,713
Deferred outflows of resources - other postemployment benefits	(76)	22
Deferred inflows of resources - other postemployment benefits	180	4
Other assets, deferred outflows of resources, and liabilities	15,817	(45,330)
Net cash used in operating activities	\$ (47,748)	\$ (118,282)
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable and accrued expenses	\$ 3,792	\$ 1,900
Lease obligation incurred for lease assets	\$ 1,976	\$ 3,057
Long-term debt incurred for purchase of property and equipment	\$ -	\$ 1,623
SBITA obligations incurred for SBITA assets	\$ 10,873	\$ 6,093

El Paso County Hospital District
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A Component Unit of El Paso County, Texas

Notes to Financial Statements
September 30, 2023 and 2022
(In Thousands)

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

Reporting Entity

The El Paso County Hospital District (the District) d/b/a University Medical Center of El Paso, is a component unit of El Paso County, Texas (the County). The County's Commissioner's Court appoints the District's governing body (the Board of Managers) and approves the District's budget, tax rate and issuance of bonded debt. The District is charged with the legal responsibility to provide medical and hospital care to all County residents regardless of their ability to pay based upon Board of Managers approved eligibility guidelines.

The accompanying financial statements present University Medical Center of El Paso (UMC) and its component units, entities for which UMC 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. UMC and its blended component units are collectively referred to as "the District" in these footnotes.

In January 2016, UMC became the sole corporate member of El Paso Children's Hospital (El Paso Children's). El Paso Children's is organized as a not-for-profit corporation, and its purpose is to provide pediatric inpatient, outpatient, and emergency care services to the residents of El Paso and the surrounding areas. El Paso Children's is reported as a blended component unit. Separately issued El Paso Children's financial reports are available and may be obtained by contacting El Paso Children's Hospital, 4845 Alameda Avenue, El Paso, Texas 79905.

UMC is the sole corporate member of El Paso First Health Plans, Inc. d/b/a El Paso Health (the Health Plan). The Health Plan is organized as a health maintenance organization to provide health coverage for qualifying members in its service area. The Health Plan has agreements with health care providers in its service area to provide health care to its members. Payments under these agreements include predetermined, prepaid periodic fee and prospectively determined rates and discounts from established charges. The Health Plan has a Certificate of Authority from the Texas Department of Insurance (TDI) and commenced insurance operations in October 2000. The Health Plan is reported as a blended component unit of UMC. The Health Plan's Board of Directors is appointed by UMC's Board of Managers. Separately issued Health Plan financial reports are available and may be obtained by contacting El Paso First Health Plans, Inc., 1145 Westmoreland, El Paso, Texas 79925.

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UMC is also the sole corporate member of the University Medical Center Foundation of El Paso (UMC Foundation). UMC Foundation's Board of Directors are appointed by the Board of Managers. UMC Foundation is the sole corporate member of the El Paso Children's Foundation (the El Paso Children's Foundation). The El Paso Children's Foundation's Board of Directors are appointed by the UMC Foundation's Board of Directors. The UMC Foundation and the El Paso Children's Foundation are collectively referred to as "the Foundation" in these footnotes. The UMC Foundation and the El Paso Children's Foundation are the designated Section 501(c)(3) charitable organizations for UMC and El Paso Children's, respectively, and their purpose is to provide support in fulfilling their vital mission of providing patient care, education of health care professionals, research and community service for the County. The Foundation is reported as a blended component unit of UMC. Separately issued Foundation and El Paso Children's Foundation financial reports are available and may be obtained by contacting the El Paso County Hospital District, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

UMC El Paso Healthcare, Inc. (El Paso Healthcare) 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. Because UMC is the sole corporate member of El Paso Healthcare, El Paso Healthcare is presented as a blended component unit of UMC. El Paso Healthcare does not issue separate financial statements.

In prior years, UMC acquired the Medicaid license of two nursing homes.

Basis of Accounting and Presentation

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

**El Paso County Hospital District
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**Notes to Financial Statements
September 30, 2023 and 2022
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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2023 and 2022, cash equivalents consisted primarily of money market mutual funds and pooled investments in LOGIC.

Authorized Investments

The Board of Managers has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (Section 2256, Texas Government Code). Under the Public Funds Investment Act, the District is authorized to make investments in (1) obligations of the United States or its agencies, (2) direct obligations of the state of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit and (5) other instruments and obligations authorized by statute.

For the fiscal years ended September 30, 2023 and 2022, the District’s management believes that it has complied with the provisions of the Public Funds Investment Act and the District’s investment policies.

County Appropriations – Property Taxes

The District received approximately 10% of its support from County appropriations funded by property taxes in both 2023 and 2022. These funds were used as follows:

	2023	2022
Percentage used to support operations	82.2%	81.6%
Percentage used for debt service on bonds	17.8%	18.4%
Total	100.0%	100.0%

**El Paso County Hospital District
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**Notes to Financial Statements
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Property taxes are levied January 1 and become due October 1 each year based on the value of all real and personal property located in the County. Assessed taxes become delinquent the following February. The tax rate is set at a level to meet UMC's budgeted debt service and operating needs. Debt service needs include both interest expense and scheduled principal reductions of general obligation bonds and obligations for which property tax revenues have been pledged.

County appropriations funded by property taxes are recorded in the fiscal period for which the appropriations are budgeted. Appropriations receivable for delinquent property taxes are recorded net of a provision for uncollectible amounts, collection expenses and appraisal fees. Subsequent adjustments to the tax rolls made by the County Assessor are included in revenues in the period such adjustments are made.

UMC's total property tax rate was \$0.235153 and \$0.258145 in 2023 and 2022, respectively. UMC's maintenance and operations property tax rate was \$0.193259 per \$100 valuation in 2023 and \$0.210760 per \$100 valuation in 2022. UMC's interest and debt service property tax rate was \$0.041894 per \$100 valuation in 2023 and \$0.047385 per \$100 valuation in 2022.

Premium Revenue

Premium revenue represents premiums collected through the Texas Department of Health and Human Services (HHSC) for the State of Texas Access Reform (STAR), Children's Health Insurance Program (CHIP) and CHIP Perinate programs. Premiums are due monthly and are recognized as revenue during the period in which the Health Plan is obligated to provide services to members.

Tobacco Settlement Revenue

Tobacco settlement revenue is the result of a settlement between various counties and hospitals in Texas and the tobacco industry for tobacco-related health care costs. UMC received approximately \$2.5 million and \$2.3 million in 2023 and 2022, respectively, associated with the settlement. The funding from the tobacco industry is to offset indigent health care costs of local governments. This revenue is recognized as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

**El Paso County Hospital District
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Risk Management

The District 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; employment practices and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, worker's compensation and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

UMC is self-insured for a portion of its exposure to risk of loss from medical malpractice, workers' compensation and employee health claims. The El Paso Children's is self-insured for employee health claims and purchases commercial insurance for medical malpractice and workers' compensation. Annual estimated provisions are accrued for the self-insured portion of medical malpractice, worker's compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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, including money market funds, are carried at fair value. Fair value is 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.

Patient Accounts Receivable

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

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Reserves for Incurred But Not Reported Medical Claims

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

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

Supplies

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

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.

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. The District has a capitalization policy to only record lease assets related to leases with more than \$50 thousand of payments over the life of the lease.

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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 at or 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.

Capital, Lease, and Subscription Asset Impairment

The District evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

Compensated Absences

The District's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Defined Benefit Pension Plan and Defined Contribution Pension Plan

UMC has an agent multiple-employer defined benefit pension plan through the Texas County and District Retirement System (TCDRS), (the Retirement Plan). For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement 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.

**El Paso County Hospital District
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El Paso Children's employees participate in a 401(k) defined contribution pension plan.

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Outflows/Inflows of Resources

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

Net Position

Net position of the District is classified in five components on its balance sheets.

- Net investment in capital assets consists of capital assets, including lease and SBITA assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings, including lease and SBITA liabilities, 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 the District, 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 the District, such as permanent endowments.
- Restricted for pension represents assets restricted for providing contributions to the agent multiple-employer defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan.
- 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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**Notes to Financial Statements
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Net Patient Service Revenue

UMC and El Paso Children's have agreements with third-party payers that provide for payments to the hospitals 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

UMC and El Paso Children's provide care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the hospitals do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, UMC is generally exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, UMC is subject to federal income tax on any unrelated business taxable income. UMC also holds dual status as a 501(c)(3) organization.

The Health Plan, El Paso Healthcare, the Foundation and El Paso Children's are incorporated as not-for-profit corporations in the state of Texas and are exempt from income taxes under Section 501(a) of the Internal Revenue Code. These entities are subject to federal income tax on any unrelated business income.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net position.

Change in Accounting Principle

On October 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all SBITAs in place and not yet completed at the beginning of the earliest period presented, October 1, 2021. The statement requires governmental entities to report a subscription asset and subscription liability for a SBITA

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Notes to Financial Statements
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(In Thousands)

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.

The effect of the changes made to the accompanying financial statements as of and for the year ended September 30, 2022, are shown below.

	2022 (As Previously Reported)	Effect of Adoption	2022 (As Restated)
Balance Sheet			
Prepaid expenses and other	\$ 21,838	\$ (2,054)	\$ 19,784
Total current assets	\$ 396,265	\$ (2,054)	\$ 394,211
Subscription assets, net	\$ -	\$ 32,328	\$ 32,328
Total assets	\$ 838,832	\$ 30,274	\$ 869,106
Total assets and deferred outflows of resources	\$ 889,204	\$ 30,274	\$ 919,478
Accounts payable and accrued expenses	\$ 216,893	\$ 115	\$ 217,008
Current portion of subscription liabilities	\$ -	\$ 7,756	\$ 7,756
Total current liabilities	\$ 269,974	\$ 7,871	\$ 277,845
Subscription liabilities	\$ -	\$ 22,417	\$ 22,417
Total liabilities	\$ 610,304	\$ 30,288	\$ 640,592
Net investment in capital assets	\$ 79,136	\$ 2,156	\$ 81,292
Unrestricted net position	\$ 108,908	\$ (2,170)	\$ 106,738
Total net position	\$ 209,028	\$ (14)	\$ 209,014
Total liabilities, deferred inflows of resources and net position	\$ 889,204	\$ 30,274	\$ 919,478
Statement of Revenues, Expenses and Changes in Net Position			
Purchased services and other	\$ 153,113	\$ (8,654)	\$ 144,459
Depreciation and amortization	\$ 42,521	\$ 7,882	\$ 50,403
Total operating expenses	\$ 1,215,584	\$ (772)	\$ 1,214,812
Operating loss	\$ (112,574)	\$ 772	\$ (111,802)
Interest expense	\$ (14,706)	\$ (786)	\$ (15,492)
Total nonoperating revenues, net	\$ 132,604	\$ (786)	\$ 131,818
Increase in net position	\$ 20,030	\$ (14)	\$ 20,016
Statement of Cash Flows			
Payments to suppliers and contractors	\$ (784,048)	\$ 8,411	\$ (775,637)
Net cash used in operating activities	\$ (126,693)	\$ 8,411	\$ (118,282)
Principal paid on subscription liabilities	\$ -	\$ (7,600)	\$ (7,600)
Interest paid on subscription liabilities	\$ -	\$ (811)	\$ (811)
Net cash used in capital and related financing activities	\$ (25,957)	\$ (8,411)	\$ (34,368)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	\$ (112,574)	\$ 772	\$ (111,802)
Depreciation and amortization	\$ 42,521	\$ 7,882	\$ 50,403
Other assets, deferred outflows of resources and liabilities	\$ (45,087)	\$ (243)	\$ (45,330)
Net cash used in operating activities	\$ (126,693)	\$ 8,411	\$ (118,282)
Noncash Investing, Capital and Financing Activities			
SBITA obligations incurred for SBITA assets	\$ -	\$ -	\$ 6,093

El Paso County Hospital District
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Note 2: Net Patient Service Revenue

UMC and El Paso Children's have agreements with third-party payers that provide for payments to UMC and El Paso Children's 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. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. UMC's Medicare cost reports have been audited by the Medicare administrative contractor through September 30, 2019, while El Paso Children's Medicare cost reports have been audited through September 30, 2021.

Medicaid – Non-managed. Inpatient services rendered to Medicaid program beneficiaries that are not part of a managed care plan are paid at prospectively determined rates per discharge similar to those of the Medicare inpatient program. Medicaid outpatient beneficiaries are reimbursed using a mixture of cost-based and fee schedule methodologies. For outpatients, the District is reimbursed for cost-based services at a preliminary rate, with the final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. A retroactive settlement only occurs if payments exceed costs. UMC's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2016, while El Paso Children's Medicaid cost reports have been audited through September 30, 2021.

Medicaid – Managed. Inpatient and outpatient services rendered to Medicaid managed care program beneficiaries are primarily paid based on prospective rates and fee schedule amounts, with no retroactive settlement for the difference in the cost of services and the payments received.

Revenue from the Medicare program accounted for approximately 23% and 22% of the District's total gross patient revenues in 2023 and 2022, respectively. Revenue from the Medicaid non-managed program accounted for approximately 25% and 26% of the District's total gross patient revenues in 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.

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

Note 3: Uncompensated Care

In support of its mission, UMC and El Paso Children's voluntarily provides care to patients at less than its established charges for patients that meet the UMC and El Paso Children's charity care criteria. Because UMC and El Paso Children's do not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue.

Charges excluded from revenue under the charity care policy were \$283.9 million in 2023 and \$251.3 million in 2022. Additional uncompensated care in the form of uncollectible patient account receivables totaled \$43.8 million in 2023 and \$73.4 million in 2022. In total charges, UMC and El Paso Children's provided uncompensated care of \$327.7 million in 2023 and \$324.7 million in 2022.

The estimated costs of uncompensated care provided under the UMC and El Paso Children's charity care policy and to self-pay patients totaled \$240.1 million and \$224.8 million for 2023 and 2022, respectively. The cost of uncompensated care is estimated by applying the ratio of cost to gross charges to gross charity care charges and gross self-pay charges.

Note 4: Funds for the Indigent's Medical Care

In response to the growing number of uninsured patients and the rising cost of health care, the Texas Legislature established a Texas Medicaid Disproportionate Share Program (DSH Program) that was designed to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. This program allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas.

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On December 12, 2011, the United States Department of Health and Human Services (HHSC) approved a new Medicaid section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assists providers with uncompensated care costs (UC Pool) and promotes health system transformation (DSRIP Pool).

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool. The DSRIP program ended on September 30, 2021, and was not extended under the Waiver extension. CMS also approved an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program. One of the new directed payment programs is the Comprehensive Hospital Increased Reimbursement Program (CHIRP), which adds a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP).

Under UHRIP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP also provides for rate increases similar to UHRIP but also provides for a rate enhancement above the UHRIP rate, based upon a percentage of estimated average commercial reimbursement. Participating hospitals may opt into this second component. The UHRIP program transitioned on August 31, 2021, and the CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2024. Revenue from UHRIP and CHIRP is estimated based on patient claims and known program factors and are recognized as a component of net patient service revenue. Both programs also include additional payment and recoupment provisions based on certain quality measures.

UMC participates in the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, 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 UMC. This program runs through 2027.

UMC receives supplemental payments through the Public Hospital Medicaid Graduate Medical Education (GME) 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.

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In 2022, UMC began participating in the Public Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to 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 hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.

UMC has acquired the Medicaid license of nursing homes and participates in Texas Quality Incentive Payment Program (QIPP) to qualified nursing facilities. This program is directed to encourage transformative efforts in the delivery of nursing facility services, including "efforts to promote a resident-centered care culture through facility design and services provided."

El Paso Children's and certain health plans work toward improving member access, satisfaction and quality of care, maximizing program efficiency and effectiveness, and containing costs. In efforts to facilitate these goals being met, a Quality Incentive Fund (QIF) was created, which incentivizes hospitals in the service delivery area to collaboratively improve the quality of patient care and also contain costs. During 2023 and 2022, the Hospital recognized approximately \$29.0 million and \$816 thousand, respectively, of QIF revenue, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. Amounts due from settlement of the QIF program was approximately \$6.3 million and \$0 at September 30, 2023 and 2022, respectively, and is included as part of Medicaid supplemental program revenue receivable in the balance sheets.

Total revenue recognized from all programs (excluding UHRIP and CHIRP, which are recorded as a component of net patient service revenue and QIF, which is recorded as a component of other operating revenue) was approximately \$124.8 million in 2023 and \$140.3 million in 2022, and is included as Medicaid Supplemental Program revenue within operating revenues in the statements of revenues, expenses and changes in net position. Accounts receivable under these programs was \$64.3 million and \$79.9 million at September 30, 2023 and 2022, respectively.

Funding from the DSH Program and the UC Pool are limited to certain costs incurred. At September 30, 2023 and 2022, El Paso Children's recorded an expected overpayment related to these programs of approximately \$5.3 million, which is included in estimated amounts due to third-party payers on the balance sheets and as a reduction in Medicaid supplemental revenue on the statements of revenues, expenses and changes in net position in 2022. Of this amount, approximately \$1.6 million of intergovernmental transfers would then be returned to UMC, which represents the state's share of the supplemental funding which was originally provided by UMC.

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The District participates in a Local Provider Participation Fund (LPPF) program in El Paso County. The District acts as the administrator of the LPPF by assessment and collection of mandatory payments from non-public hospitals in the County (including El Paso Children's). These payments are to be used to fund intergovernmental transfers representing the state's share of supplemental Medicaid funding programs. As UMC acts as a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenue and expense in the statements of revenues, expenses and changes in net position. At September 30, 2023 and 2022, UMC held \$36.8 million and \$5.8 million, respectively, in LPPF funds, which is reported as restricted cash and accounts payable in the balance sheets.

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 the District received is subject to audit and is not representative of funding to be received in future years.

Note 5: 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. UMC's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2023 and 2022, the Health Plan and UMC's deposits were either insured or collateralized in accordance with state law.

The Foundation bank balances in excess of FDIC limits totaled \$4.9 million at September 30, 2023 and \$4.5 million at September 30, 2022. El Paso Children's bank balances in excess of FDIC limits totaled \$27.0 million and \$26.9 million at September 30, 2023 and 2022, respectively.

Investments

The District may legally invest in direct obligations of, and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

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At September 30, 2023 and 2022, the District had the following investments and maturities:

Type	September 30, 2023				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	
Money market mutual funds	\$ 3,073	\$ 3,073	\$ -	\$ -	\$ -
Certificates of deposit	4,047	4,047	-	-	-
U.S. Agency obligations	997	997	-	-	-
U.S. Treasury notes	4,949	4,949	-	-	-
Investment pool	18,992	18,992	-	-	-
Equity securities	659	659	-	-	-
Exchange traded funds	941	941	-	-	-
Mutual funds	1,336	1,336	-	-	-
	<u>\$ 34,994</u>	<u>\$ 34,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Type	September 30, 2022				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	
Money market mutual funds	\$ 12,238	\$ 12,238	\$ -	\$ -	\$ -
Investment pool	9,335	9,335	-	-	-
Equity securities	895	895	-	-	-
Exchange traded funds	280	280	-	-	-
Mutual funds	1,126	1,126	-	-	-
	<u>\$ 23,874</u>	<u>\$ 23,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses due to rising interest rates, the District’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 obligation’s fair value decrease. Likewise, when interest rates decrease, the obligation’s fair value increase.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District’s policy to allow for investments in U.S. Treasury and agency securities or otherwise follow the restriction of the Texas Public Funds Investment Act. The District’s investment in U.S. Treasury obligations carry the explicit guarantee of the U.S.

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government. At September 30, 2023 and 2022, the District’s government money market funds were rated AAA by Standard & Poor’s rating agency.

UMC also invests in LOGIC which is a state investment pool that is considered an investment for financial reporting. LOGIC is a local government investment pool offering professionally managed portfolios to government entities in the state of Texas. LOGIC is administered by HilltopSecurities and JPMorgan Chase. The District has an undivided beneficial interest in the pool of assets held by LOGIC. Investments must be in compliance with the *Texas Public Funds 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. LOGIC 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, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the District’s investments are held in safekeeping or trust accounts.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer as long as the restrictions of the *Texas Public Funds Investment Act* are followed. The following table reflects the District’s investments in single issuers that represent more than 5% of total investments:

	2023	2022
Wells Fargo Government Money Market Fund - WFFXX	23.9%	82.8%
U.S. Treasury notes	41.4%	0.0%
U.S. Agency obligations - FHDN	8.3%	0.0%

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2023	2022
Carrying value		
Deposits	\$ 212,041	\$ 181,025
Investments	34,994	23,874
	\$ 247,035	\$ 204,899
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 182,089	\$ 188,024
Restricted cash and cash equivalents, current	36,793	5,750
Short-term investments	10,018	-
Noncurrent cash and investments	18,135	11,125
	\$ 247,035	\$ 204,899

Note 6: 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 and liabilities (in thousands) recognized in the accompanying consolidated 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 September 30, 2023 and 2022:

	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)
September 30, 2023				
Investments by Fair Value Level				
Money market mutual funds	\$ 3,073	\$ 3,073	\$ -	\$ -
U.S. Agency obligations	997	-	997	-
U.S. Treasury notes	4,949	-	4,949	-
Equity securities	659	659	-	-
Exchange traded funds	941	941	-	-
Mutual funds	1,336	1,336	-	-
Total investments by fair value level	11,955	\$ 6,009	\$ 5,946	\$ -
Investment Pool Carried at Amortized Cost	18,992			
Total Investments	<u>\$ 30,947</u>			
September 30, 2022				
Investments by Fair Value Level				
Money market mutual funds	\$ 12,238	\$ 12,238	\$ -	\$ -
Equity securities	895	895	-	-
Exchange traded funds	280	280	-	-
Mutual funds	1,126	1,126	-	-
Total investments by fair value level	14,539	\$ 14,539	\$ -	\$ -
Investment Pool Carried at Amortized Cost	9,335			
Total Investments	<u>\$ 23,874</u>			

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

Note 7: Patient Accounts Receivable

UMC and El Paso Children’s grant credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2023	2022
Medicare	\$ 6,966	\$ 5,073
Medicaid - non-managed	22,425	20,494
Other third-party payers	72,491	69,291
Patients	54,675	89,216
	156,557	184,074
Less allowance for uncollectible accounts	64,132	106,274
	\$ 92,425	\$ 77,800

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Note 8: Capital, Lease, and Subscription Assets

Capital assets activity for the years ended September 30 was:

	Estimated Useful Lives In Years	2021	Additions	Transfer/ Disposals/ Retirements	2022	Additions	Transfers/ Disposals/ Retirements	2023
Land and land improvements	5-25	\$ 27,823	\$ -	\$ -	\$ 27,823	\$ -	\$ -	\$ 27,823
Buildings and leasehold improvements	8-40	526,469	1,100	(1,444)	526,125	1,008	4	527,137
Movable and fixed equipment	3-15	378,482	18,545	9,979	407,006	27,972	(860)	434,118
		932,774	19,645	8,535	960,954	28,980	(856)	989,078
Less accumulated depreciation		(513,032)	(39,141)	-	(552,173)	(39,371)	1,656	(589,888)
		419,742	(19,496)	8,535	408,781	(10,391)	800	399,190
Construction in progress including capitalized interest		7,904	982	(8,886)	-	51,121	-	51,121
Capital assets, net		\$ 427,646	\$ (18,514)	\$ (351)	\$ 408,781	\$ 40,730	\$ 800	\$ 450,311

Lease assets activity for the years ended September 30 was:

	2021	Additions	Disposals	2022	Additions	Disposals	2023
Buildings	\$ 2,400	\$ 2,899	\$ -	\$ 5,299	\$ 351	\$ -	\$ 5,650
Equipment	9,140	158	-	9,298	1,625	(1,841)	9,082
	11,540	3,057	-	14,597	1,976	(1,841)	14,732
Less accumulated amortization							
Buildings	(442)	(890)	-	(1,332)	(989)	706	(1,615)
Equipment	(1,478)	(1,986)	-	(3,464)	(1,907)	107	(5,264)
	(1,920)	(2,876)	-	(4,796)	(2,896)	813	(6,879)
Lease assets, net	\$ 9,620	\$ 181	\$ -	\$ 9,801	\$ (920)	\$ (1,028)	\$ 7,853

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Subscription asset activity for the years ended September 30 was:

	<i>(As Restated)</i>			2022	Additions	Disposals	2023
	2021	Additions	Disposals				
Subscription-based IT Assets	\$ 34,117	\$ 6,093	\$ (180)	\$ 40,030	\$ 10,873	\$ (811)	\$ 50,092
Less accumulated amortization	-	(7,882)	180	(7,702)	(9,416)	797	(16,321)
Subscription assets, net	<u>\$ 34,117</u>	<u>\$ (1,789)</u>	<u>\$ -</u>	<u>\$ 32,328</u>	<u>\$ 1,457</u>	<u>\$ (14)</u>	<u>\$ 33,771</u>

Note 9: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2023	2022 (As Restated)
	Payable to suppliers and contractors	\$ 108,738
Payable to employees (including payroll taxes and benefits)	46,757	41,838
Payable for LPPF	36,793	5,750
Accrued interest	2,060	1,985
Patient refunds	8,899	4,502
Other	2,456	2,238
Health Plan medical claims payable - <i>Note 10</i>	<u>55,456</u>	<u>62,846</u>
	<u>\$ 261,159</u>	<u>\$ 217,008</u>

Note 10: Medical Malpractice, Employee Health and Workers' Compensation Claims

Except for claims related to the El Paso Children's employees, the District is self-insured for claims under the *Texas Workers' Compensation Act*. At September 30, 2023 and 2022, the District had accrued amounts, which in the opinion of management, are sufficient to cover all claims arising under the Act through September 30, 2023 and 2022, respectively. The accrual is based on an independent actuarial determination obtained by management for all claims arising in the self-insured period.

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Except for claims related to El Paso Children’s activities, the District is also self-insured for medical malpractice claims. At September 30, 2023 and 2022, the District had accrued amounts that, in the opinion of management, are sufficient to cover all asserted and unasserted claims incurred through September 30, 2023 and 2022, respectively. The accrual is based on an independent actuarial determination obtained by management for all claims arising in the self-insured period. The estimate is based on a maximum liability, under Texas statute, of \$100 thousand for each person, \$300 thousand for each single occurrence for bodily injury or death and \$100 thousand for each single occurrence for injury to or destruction of property. Because of these limits on its liability, the District does not hold commercial stop-loss coverage for malpractice claims.

District eligible employees are covered under a self-insured health plan, which is administered by the Health Plan. The District accrues a liability for all claims that are estimated to have been incurred prior to year-end under the plan.

Losses from asserted and unasserted claims identified under the District’s incident reporting system are accrued based on estimates that incorporate the District’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 the District’s estimate of losses could change by a material amount in the near term.

The accruals and fiscal year activity (current year expenses and claim payments made) for workers’ compensation and professional liability are not material in 2023 and 2022.

Changes in and the balances of the District’s claims liability for employee health insurance in fiscal years 2023 and 2022 are as follows:

	Beginning of Fiscal Year Liability	Current- Year Expenses	Claim Payments	Balance at Fiscal Year-End
2022	\$ 3,128	\$ 17,661	\$ (17,732)	\$ 3,057
2023	\$ 3,057	\$ 18,978	\$ (18,402)	\$ 3,633

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Health Plan Medical Claims Payable

The following table provides a reconciliation of the beginning and ending health plan medical claims payable balances for the years ended September 30, 2023 and 2022:

	2023	2022
Medical claims payable, beginning of year	\$ 62,846	\$ 29,184
Incurred claims related to		
Current year	324,561	292,877
Prior years	(1,586)	1,956
Total incurred claims	322,975	294,833
Paid claims related to		
Current year	300,165	245,176
Prior years	30,200	15,995
Total paid claims	330,365	261,171
Medical claims payable, end of year	\$ 55,456	\$ 62,846

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates. The Health Plan medical claims payable, which is included in accounts payable and accrued expenses in the balance sheet, includes an amount determined from claim reports, actuarial estimates and individual cases and an amount, based on prior experience, for claims incurred but not reported. This liability is based on estimates, and while management believes the amount is adequate, the ultimate claims payable could vary materially from the amount provided in the near term.

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Note 11: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended September 30:

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
General Obligation Refunding Bonds, Series 2017	\$ 96,030	\$ -	\$ 2,780	\$ 93,250	\$ 2,925
Combination Tax and Revenue Certificates of Obligation, Series 2013	126,585	-	1,090	125,495	1,145
General Obligation Refunding Bonds, Series 2013	87,305	-	4,935	82,370	5,180
Revenue Bonds, Series 2023	-	55,000	-	55,000	-
Other long-term debt	2,155	-	1,261	894	386
	<u>312,075</u>	<u>55,000</u>	<u>10,066</u>	<u>357,009</u>	<u>9,636</u>
Plus bond premium	28,369	-	1,771	26,598	1,771
Total long-term debt	<u>340,444</u>	<u>55,000</u>	<u>11,837</u>	<u>383,607</u>	<u>11,407</u>
Other long-term liabilities					
Lease liabilities	10,561	1,976	4,143	8,394	3,054
Subscription liabilities	30,173	10,873	9,190	31,856	9,193
Total long-term obligations	<u>\$ 381,178</u>	<u>\$ 67,849</u>	<u>\$ 25,170</u>	<u>\$ 423,857</u>	<u>\$ 23,654</u>
	2022 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
General Obligation Refunding Bonds, Series 2017	\$ 98,685	\$ -	\$ 2,655	\$ 96,030	\$ 2,780
Combination Tax and Revenue Certificates of Obligation, Series 2013	127,645	-	1,060	126,585	1,090
General Obligation Refunding Bonds, Series 2013	92,000	-	4,695	87,305	4,935
Other long-term debt	1,224	1,623	692	2,155	931
	<u>319,554</u>	<u>1,623</u>	<u>9,102</u>	<u>312,075</u>	<u>9,736</u>
Plus bond premium	30,140	-	1,771	28,369	1,771
Total long-term debt	<u>349,694</u>	<u>1,623</u>	<u>10,873</u>	<u>340,444</u>	<u>11,507</u>
Other long-term liabilities					
Lease liabilities	10,430	3,057	2,926	10,561	3,190
Subscription liabilities	31,679	6,094	7,600	30,173	7,756
Medicare Advance Payments	23,159	-	23,159	-	-
Total long-term obligations	<u>\$ 383,283</u>	<u>\$ 4,680</u>	<u>\$ 36,958</u>	<u>\$ 351,005</u>	<u>\$ 14,697</u>

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General Obligation Refunding Bonds, Series 2017

In April 2017, the District refunded \$107.8 million of the then outstanding \$110.0 million of Series 2008A General Obligation Bonds (2008A bonds) with \$106.8 million of Series 2017 General Obligation Refunding Bonds (2017 bonds). Interest rates on the 2017 refunding bonds range from 4% to 5%. The 2017 Bonds are secured by ad valorem tax. The maturity schedule of the 2017 bonds was consistently maintained with the 2008A bonds.

As a result of the refunding, the District decreased its total debt service requirements by \$8.3 million (\$6.1 million present value) and incurred an accounting loss of approximately \$6.5 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2038.

The balance of the deferred loss on the debt refunding is \$4.6 million at September 30, 2023 and \$4.9 million at September 30, 2022, and is included as a deferred outflow of resources in the accompanying balance sheets. Any 2017 Bonds maturing after August 15, 2028 are subject to optional early redemption at par by the District on or after August 15, 2027.

Combination Tax and Revenue Certificates of Obligation, Series 2013

In May 2013, the District issued \$134.3 million in Series 2013 Combination Tax and Revenue Certificates of Obligation (Certificates). Net bond proceeds were used to finance the renovation and improvements of UMC, construct and equip new clinics in the east, northeast, central and west areas of the county, renovate existing hospital inpatient floors, acquire certain medical equipment and machinery for the main hospital campus, and upgrade the District's electronic medical record and billing systems. Interest rates for the Series 2013 bonds range from 3% to 5%. This bond issuance is a direct obligation of the District and is payable from an ad valorem tax.

The Certificates, at the option of the District, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

General Obligation Refunding Bonds, Series 2013

In May 2013, the District refunded \$115.9 million of the \$120 million Series 2005 Combination Tax and Revenue Bonds with \$110.4 million of Series 2013 General Obligation Refunding Bonds (2013 Bonds). Interest rates on the 2013 refunding bonds range from 3% to 5%. The 2013 Bonds are secured by an ad valorem tax. The maturity schedule of the Series 2013 refunding bonds was consistently maintained with the Series 2005 bonds.

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As a result of the refunding, the District decreased its total debt service requirements by \$13.3 million (\$9.1 million present value) and incurred an accounting loss of approximately \$10.6 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2035. The balance of the deferred loss on the debt refunding is \$5.7 million at September 30, 2023 and \$6.1 million at September 30, 2022, and is included as a deferred outflow of resources in the accompanying balance sheets. Any 2013 Bonds maturing after August 24, 2024 are subject to optional early redemption at par by the District on or after August 15, 2023.

Revenue Bonds, Series 2023

In June 2023, the District issued \$55.0 million in Series 2023 Revenue Bonds. Interest varies, and is set at Secured Overnight Financing Rate (SOFR) +2.07% *.8, which was 6.21% at September 30, 2023. Net bond proceeds were used to finance the acquisition, renovation and improvements and equipping of a surgical center. This bond issuance is a direct obligation of the District and is payable from operating revenue.

The Certificates, at the option of the District, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The Bonds are subject to redemption at the option of the District prior to maturity on or after March 1, 2024 in principal amounts of \$250,000 or any integral multiple of \$5,000 in excess thereof, at a redemption price of 100% of their principal amount plus accrued interest, if any.

The bonds contain covenants, including maintaining a debt service coverage ratio of at least 1.50 to 1.0 as of the last day of each March and September on a trailing 12-month basis and maintaining unrestricted cash and investments of at least \$125 million.

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The debt service requirements for the bonds as of September 30, 2023, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2024	\$ 30,234	\$ 9,250	\$ 20,984
2025	43,349	23,252	20,097
2026	54,451	37,698	16,753
2027	38,006	24,645	13,361
2028	23,630	11,220	12,410
2029 - 2033	118,126	64,765	53,361
2034 - 2038	118,130	81,090	37,040
2039 - 2043	120,332	104,195	16,137
	<u>\$ 546,258</u>	<u>\$ 356,115</u>	<u>\$ 190,143</u>

Lease Liabilities

The District leases equipment and office space, the terms of which expire in various years through 2028. Various leases include escalation in payments on the anniversary of the commencement of the lease at various intervals. The leases were measured based upon the aggregate incremental lease borrowing rate at lease commencement.

During the years ended September 30, 2023 and 2022, the District recognized \$6.3 million and \$7.2 million, respectively, of rental expense for variable payments, short-term and cancellable leases that are not included in the measurement of the lease liability.

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The following is a schedule by year of payments under the leases as of September 30, 2023.

<u>Year Ending September 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 3,281	\$ 3,054	\$ 227
2025	2,723	2,595	128
2026	1,677	1,620	57
2027	804	788	16
2028	339	337	2
	<u>\$ 8,824</u>	<u>\$ 8,394</u>	<u>\$ 430</u>

Subscription Liabilities

The District has various SBITAs, the terms of which expire in various years through 2029. The subscription liabilities are measured at the present value of subscription payments expected to be made during the subscription 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 September 30, 2023 and 2022, the District recognized approximately \$13.8 million and \$10.5 million, respectively, of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of September 30, 2023:

<u>Year Ending September 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 10,120	\$ 9,193	\$ 927
2025	8,465	7,815	650
2026	6,668	6,261	407
2027	6,122	5,917	205
2028	1,299	1,233	66
2029	1,462	1,437	25
	<u>\$ 34,136</u>	<u>\$ 31,856</u>	<u>\$ 2,280</u>

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Note 12: Pension Plans

Defined Benefit Plan

Plan Description

The District contributes to TCDRS, an agent multiple-employer defined benefit pension plan (the Retirement Plan) covering substantially all employees other than those employed by El Paso Children's. The Retirement Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the retirement plan document and were established and can be amended by action of the District's governing body within the options available in the state statutes governing TCDRS. The Retirement Plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website www.tcdrs.org.

Benefits Provided

The Retirement Plan provides retirement, disability and survivor benefits to plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the District to contribute to the retirement plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TCDRS.

Members can retire at age 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave their accumulated contributions in the retirement plan to receive any employer-financed benefit. If a member withdraws their personal contributions in a lump sum, they are not entitled to any amounts contributed by the employer.

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The employees covered by the Retirement Plan at December 31, are:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	954	889
Inactive employees entitled to but not yet receiving benefits	4,093	3,843
Active employees	3,471	3,150
	8,518	7,882

Contributions

The District’s governing body has the authority to establish and amend the contribution requirements of the District and active employees.

The District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The Retirement Plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members.

Retirement Plan members are required to contribute 5% of their annually covered salary. Under the TCDRS Act, rates are 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employees contributed approximately \$12.8 million in 2023 and \$11.4 million in 2022, or 5.0% of annual pay, and the District contributed approximately \$20.6 million or 7.61% in 2023 and \$18.4 million or 8.04% in 2022 to the Retirement Plan.

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Net Pension (Asset) Liability

The District's net pension (asset) liability as of September 30, 2023 and 2022 was measured as of December 31, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension (asset) liability was determined by actuarial valuations as of those dates.

The total pension liability in the December 31, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	4.7% average over career including inflation
Ad hoc cost of living adjustments	Not included
Investment rate of return	7.5%, net of pension plan administrative expenses
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020.

The long-term expected rate of return on pension 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.

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The target allocation and best estimates of geometric rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
U.S. Equities	11.5%	5.0%
International Equities — Developed	5.0%	5.0%
International Equities — Emerging	6.0%	4.3%
Global Equities	2.5%	5.0%
Hedge Funds	6.0%	2.9%
High-Yield Investments		
Strategic Credit	9.0%	3.4%
Distressed Debt	4.0%	7.6%
Direct Lending	16.0%	7.0%
Private Equity	25.0%	8.0%
Real Assets		
REITs	2.0%	4.2%
Private Real Estate Partnerships	6.0%	5.7%
Master Limited Partnerships	2.0%	5.3%
Cash Equivalents	2.0%	20.0%
Investment-Grade Bonds	3.0%	2.4%
	<hr/>	
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.6% at December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the total pension liability, plan fiduciary net position and the net pension (asset) liability for the years ended September 30, 2023 and 2022 are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at September 30, 2022	\$ 612,778	\$ 624,561	\$ (11,783)
Changes for the year:			
Service cost	19,221	-	19,221
Interest on total pension liability	47,242	-	47,242
Effect of economic/demographic gains or losses	7,167	-	7,167
Effect of assumption changes or inputs	-	-	-
Refund of contributions	(1,377)	(1,377)	-
Benefit payments	(19,795)	(19,795)	-
Administrative expenses	-	(351)	351
Member contributions	-	11,898	(11,898)
Net investment income	-	(37,487)	37,487
Employer contributions	-	19,536	(19,536)
Other changes	-	1,950	(1,950)
Net changes	52,458	(25,626)	78,084
Balances at September 30, 2023	\$ 665,236	\$ 598,935	\$ 66,301

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at September 30, 2021	\$ 567,178	\$ 505,900	\$ 61,278
Changes for the year:			
Service cost	18,533	-	18,533
Interest on total pension liability	43,781	-	43,781
Effect of economic/demographic gains or losses	2,200	-	2,200
Effect of assumption changes or inputs	729	-	729
Refund of contributions	(1,957)	(1,957)	-
Benefit payments	(17,686)	(17,686)	-
Administrative expenses	-	(338)	338
Member contributions	-	10,505	(10,505)
Net investment income	-	111,899	(111,899)
Employer contributions	-	15,904	(15,904)
Other changes	-	334	(334)
Net changes	45,600	118,661	(73,061)
Balances at September 30, 2022	\$ 612,778	\$ 624,561	\$ (11,783)

The net pension asset has been calculated using a discount rate of 7.6%. The following table presents the net pension (asset) liability using a discount rate 1% higher and 1% lower than the current rate for September 30:

	2023		
	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Net pension liability (asset)	\$ 169,558	\$ 66,301	\$ (18,273)

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

For the years ended September 30, 2023 and 2022, the District recognized pension expense of approximately \$20.9 million and \$5.3 million, respectively. At September 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,382	\$ -
Changes of assumptions	9,301	-
Net difference between projected and actual earnings on pension plan investments	14,167	-
Contributions subsequent to the measurement date	15,707	-
	<u>\$ 45,557</u>	<u>\$ -</u>
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,939	\$ -
Changes of assumptions	18,602	-
Net difference between projected and actual earnings on pension plan investments	-	69,366
Contributions subsequent to the measurement date	14,612	-
	<u>\$ 37,153</u>	<u>\$ 69,366</u>

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At September 30, 2023 and 2022, the District reported approximately \$15.7 million and \$14.6 million, respectively, as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as a decrease in the net pension liability at September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2023, related to pensions will be recognized in pension expense as follows:

Year ending September 30:		
	2024	\$ 7,453
	2025	2,878
	2026	2,439
	2027	17,080
		\$ 29,850

Pension Plan Fiduciary Net Position

Detailed information about the Retirement Plan’s fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2022.

Defined Contribution Plan

El Paso Children’s sponsors a 401(k) defined contribution plan covering substantially all employees. The plan document includes required matching contributions subject to formulas outlined in the plan document, and also allows for additional discretionary contributions. Retirement expense for the 401(k) defined contribution plan was approximately \$3.2 million in 2023 and \$2.3 million in 2022.

Note 13: Other Postemployment Benefits (OPEB)

Plan Description and Benefits Provided

The District provides certain medical benefits to eligible retirees who are age 60 or older and have 20 years of service. Eligible employees are able to elect medical coverage for themselves (and spouses and dependents, as applicable). Benefits will end when the retiree either reaches age 65 or starts receiving Medicare benefits, whichever occurs first.

The District funds these other postemployment benefits (OPEB) on a pay-as-you-go basis, meaning the District will pay the benefits as they come due. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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At June 30, 2023 and 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	28
Active employees	3,270
Total	3,298

Total OPEB Liability

The District's total OPEB liability of \$2.0 million was measured as of June 30, 2023 and 2022, and was determined by an actuarial valuation as of June 1, 2022. No significant differences existed between the 2022 actuarial valuation and the measurement date, which would have required a roll-forward to the measurement date.

Actuarial Assumptions

The total OPEB liability in the actuarial valuation report was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Rate of salary increase	2.00%
Discount rate	4.00%, including inflation (3.90% in prior year)
Healthcare cost trend rates	7.00% decreasing to 4.75% in 2033 (7.00% decreasing to 4.75% in 2032 in prior year)

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023 and 2022, was 4.00% and 3.90%, respectively, which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

For the June 30, 2023 and 2022 measurement dates, mortality rates are from the Society of Actuaries Pub-2010 Public Retirement Plans Headcount weighted General Mortality Tables using Scale MP-2021 Full Generational Improvement.

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Changes in the Total OPEB Liability

	2023	2022
Total OPEB liability, beginning of year	\$ 1,967	\$ 1,877
Changes for the year:		
Service cost	91	103
Interest	80	40
Differences between actual and expected experience	111	5
Changes in assumptions and inputs	(241)	(49)
Employee contributions	162	179
Benefit payments	(167)	(188)
Total OPEB liability, end of year	\$ 2,003	\$ 1,967

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

The total OPEB liability has been calculated using a discount rate of 4.00%. The following table presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Total OPEB liability	\$ 2,202	\$ 2,003	\$ 1,830

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total District's OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher and 1% lower than the current healthcare cost trend rates.

	1% Decrease 6.00%	Current Healthcare Cost Trend Rates 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 1,787	\$ 2,003	\$ 2,262

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

For the years ended September 30, 2023 and 2022, the District recognized OPEB expense of \$145 thousand and \$126 thousand, respectively. At September 30, 2023 and 2022, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 216	\$ 538
Changes of assumptions	182	148
	\$ 398	\$ 686
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 86	\$ 161
Changes of assumptions	236	345
	\$ 322	\$ 506

Amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2023, related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (26)
2025	(26)
2026	(26)
2027	(26)
2028	(26)
2029 and thereafter	(158)
	\$ (288)

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Note 14: Litigation

In the normal course of business, the District 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 the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The District 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.

Note 15: COVID19 Pandemic, CARES Act Funding and COVID-19 Assistance

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

UMC and El Paso Children's received general and targeted Provider Relief Fund distributions provided for under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* as well as other various types of COVID-19 assistance, as discussed below.

Provider Relief Fund

During the years ended September 30, 2023 and 2022, the District received approximately \$0 and \$3.0 million, respectively, of distributions from the CARES Act Provider Relief Fund (the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services.

The District is accounting for such payments as conditional contributions. Payments are recognized as other non-operating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses, the District recognized \$0 and \$2.8 million of Provider Relief Fund Revenue for the years ended September 30, 2023 and 2022, respectively, which is included in COVID-19 assistance revenue on the statements of revenues, expenses and changes in net position.

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The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, the District's ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Coronavirus State and Local Fiscal Recovery Funds

UMC received approximately \$0 and \$34.8 million of funding from the County as part of the Coronavirus State and Local Fiscal Recovery Funds as established by the *American Rescue Plan Act*, in 2023 and 2022, respectively. These funds are to be used for qualifying expenses incurred by the District through 2025 in response to the COVID-19 pandemic.

The District is accounting for such payments as conditional contributions. Payments are recognized as other non-operating revenue once the applicable terms and conditions required to retain the funds have been met. The District recognized \$23.9 million and \$5.9 million of American Rescue Plan Funding for the years ended September 30, 2023 and 2022, respectively, which is included as COVID-19 assistance revenue in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2023 and 2022, the unrecognized amount of American Rescue distributions are recorded as COVID-19 funding received in advance in the accompanying balance sheets.

Federal Emergency Management Agency (FEMA)

UMC applied for and received payments from FEMA for the purpose of reimbursing specific costs incurred during the COVID-19 pandemic. UMC recognized revenue from FEMA payments of approximately \$8.5 million and \$4.1 million during the years ending September 30, 2023 and 2022, respectively, which are included as COVID-19 assistance revenue on the accompanying statements of revenues, expenses and changes in net position. FEMA payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended September 30, 2020, UMC requested and received approximately \$30.1 million of accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are being recaptured by CMS according to the payback provisions. UMC's outstanding balance related to the accelerated Medicare payments was \$0 million at September 30, 2022.

El Paso County Hospital District
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A Component Unit of El Paso County, Texas

Notes to Financial Statements
September 30, 2023 and 2022
(In Thousands)

Note 16: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its material blended component units as of September 30, 2023 and 2022.

	September 30, 2023					
	Component Units					Total
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	
Assets and Deferred Outflows of Resources						
Current assets	\$ 214,925	\$ 77,293	\$ 140,537	\$ 1,261	\$ -	\$ 434,016
Due from affiliates	10,574	-	1,227	-	(11,801)	-
Noncurrent cash and investments	9,174	-	500	8,461	-	18,135
Capital assets, net	423,801	20,252	6,258	-	-	450,311
Lease assets, net	7,853	-	-	-	-	7,853
Subscription assets, net	29,902	-	3,869	-	-	33,771
Net pension asset	-	-	-	-	-	-
Other assets	350	101,878	-	1,402	(98,705)	4,925
Total assets	696,579	199,423	152,391	11,124	(110,506)	949,011
Deferred outflows of resources	56,536	1,025	-	-	-	57,561
Total assets and deferred outflows of resources	\$ 753,115	\$ 200,448	\$ 152,391	\$ 11,124	\$ (110,506)	\$ 1,006,572
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 173,296	\$ 22,872	\$ 104,070	\$ 140	\$ -	\$ 300,378
Due to affiliates	1,003	35,092	1,480	177	(37,752)	-
Long-term debt	371,692	508	-	-	-	372,200
Lease liabilities	5,340	-	-	-	-	5,340
Subscription liabilities	20,064	-	2,599	-	-	22,663
Net pension liability	66,301	-	-	-	-	66,301
Other long-term liabilities	4,958	91,669	-	-	(88,996)	7,631
Total liabilities	642,654	150,141	108,149	317	(126,748)	774,513
Deferred inflows of resources	686	-	-	-	-	686
Net position						
Net investment in capital assets	59,460	18,731	6,203	-	-	84,394
Restricted - expendable	-	6,175	500	7,724	(6,175)	8,224
Restricted - non-expendable	-	3,036	-	3,083	(3,036)	3,083
Restricted for pension	-	-	-	-	-	-
Unrestricted	50,315	22,365	37,539	-	25,453	135,672
Total net position	109,775	50,307	44,242	10,807	16,242	231,373
Total liabilities, deferred inflows of resources and net position	\$ 753,115	\$ 200,448	\$ 152,391	\$ 11,124	\$ (110,506)	\$ 1,006,572

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

Notes to Financial Statements
September 30, 2023 and 2022
(In Thousands)

	September 30, 2022 (As Restated)					
	Component Units					Total
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	
Assets and Deferred Outflows of Resources						
Current assets	\$ 186,314	\$ 54,243	\$ 152,978	\$ 676	\$ -	\$ 394,211
Due from affiliates	9,779	-	521	22	(10,322)	-
Noncurrent cash and investments	2,945	-	700	7,480	-	11,125
Capital assets, net	387,678	13,335	7,768	-	-	408,781
Lease assets, net	9,801	-	-	-	-	9,801
Subscription assets, net	28,861	-	3,467	-	-	32,328
Net pension asset	11,783	-	-	-	-	11,783
Other assets	400	7,214	-	677	(7,214)	1,077
Total assets	<u>637,561</u>	<u>74,792</u>	<u>165,434</u>	<u>8,855</u>	<u>(17,536)</u>	<u>869,106</u>
Deferred outflows of resources	<u>48,891</u>	<u>1,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,372</u>
Total assets and deferred outflows of resources	<u>\$ 686,452</u>	<u>\$ 76,273</u>	<u>\$ 165,434</u>	<u>\$ 8,855</u>	<u>\$ (17,536)</u>	<u>\$ 919,478</u>
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 146,159	\$ 18,790	\$ 112,746	\$ 150	\$ -	\$ 277,845
Due to affiliates	366	35,532	1,217	204	(37,319)	-
Long-term debt	327,744	1,193	-	-	-	328,937
Lease liabilities	7,371	-	-	-	-	7,371
Subscription liabilities	20,510	-	1,907	-	-	22,417
Net pension liability	-	-	-	-	-	-
Other long-term liabilities	4,022	-	-	-	-	4,022
Total liabilities	<u>506,172</u>	<u>55,515</u>	<u>115,870</u>	<u>354</u>	<u>(37,319)</u>	<u>640,592</u>
Deferred inflows of resources	<u>69,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,872</u>
Net position						
Net investment in capital assets	62,945	10,410	7,937	-	-	81,292
Restricted - expendable	-	4,751	700	5,999	(4,751)	6,699
Restricted - non-expendable	-	2,463	-	2,502	(2,463)	2,502
Restricted for pension	11,783	-	-	-	-	11,783
Unrestricted	35,680	3,134	40,927	-	26,997	106,738
Total net position	<u>110,408</u>	<u>20,758</u>	<u>49,564</u>	<u>8,501</u>	<u>19,783</u>	<u>209,014</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 686,452</u>	<u>\$ 76,273</u>	<u>\$ 165,434</u>	<u>\$ 8,855</u>	<u>\$ (17,536)</u>	<u>\$ 919,478</u>

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

Notes to Financial Statements
September 30, 2023 and 2022
(In Thousands)

The following tables include condensed District combining statements of revenues, expenses and changes in net position information and its material blended component units for the years ended September 30, 2023 and 2022.

	September 30, 2023					
	Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Net patient service revenue and other revenues	\$ 654,465	\$ 206,513	\$ 23,058	\$ 5,924	\$ (48,889)	\$ 841,071
Premium revenue	-	-	375,653	-	-	375,653
Operating expenses	(785,718)	(171,397)	(387,864)	(2,346)	42,307	(1,305,018)
Depreciation and amortization expense	(44,441)	(4,320)	(3,321)	-	-	(52,082)
Operating income (loss)	(175,694)	30,796	7,526	3,578	(6,582)	(140,376)
Nonoperating revenues, net	160,061	(1,247)	2,152	(1,272)	3,041	162,735
Transfers (to) from affiliates	15,000	-	(15,000)	-	-	-
Increase (decrease) in net position	(633)	29,549	(5,322)	2,306	(3,541)	22,359
Net position, beginning of year	110,408	20,758	49,564	8,501	19,783	209,014
Net position, end of year	<u>\$ 109,775</u>	<u>\$ 50,307</u>	<u>\$ 44,242</u>	<u>\$ 10,807</u>	<u>\$ 16,242</u>	<u>\$ 231,373</u>

	September 30, 2022 (As Restated)					
	Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Net patient service revenue and other revenues	\$ 620,561	\$ 158,348	\$ 22,486	\$ 4,114	\$ (40,058)	\$ 765,451
Premium revenue	-	-	337,559	-	-	337,559
Operating expenses	(704,102)	(148,276)	(348,819)	(1,860)	38,648	(1,164,409)
Depreciation and amortization expense	(43,249)	(3,566)	(3,588)	-	-	(50,403)
Operating income (loss)	(126,790)	6,506	7,638	2,254	(1,410)	(111,802)
Nonoperating revenues, net	130,612	210	134	(2,092)	2,954	131,818
Transfers (to) from affiliates	-	-	-	-	-	-
Increase (decrease) in net position	3,822	6,716	7,772	162	1,544	20,016
Net position, beginning of year	106,586	14,042	41,792	8,339	18,239	188,998
Net position, end of year	<u>\$ 110,408</u>	<u>\$ 20,758</u>	<u>\$ 49,564</u>	<u>\$ 8,501</u>	<u>\$ 19,783</u>	<u>\$ 209,014</u>

**El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas**

**Notes to Financial Statements
September 30, 2023 and 2022
(In Thousands)**

The following tables include condensed District combining statements of cash flows information and its material blended component units for the years ended September 30, 2023 and 2022.

	September 30, 2023					
	Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Net cash provided by (used in):						
Operating activities	\$ (71,803)	\$ 26,933	\$ (3,193)	\$ 315	\$ -	\$ (47,748)
Noncapital financing activities	140,914	(2,782)	(15,000)	225	-	123,357
Capital and related financing activities	(27,486)	(11,319)	(1,588)	-	-	(40,393)
Investing activities	(7,666)	(3,901)	2,152	(179)	-	(9,594)
Increase (decrease) in cash and cash equivalents	33,959	8,931	(17,629)	361	-	25,622
Cash and cash equivalents, beginning of year	25,801	24,760	146,158	5,165	-	201,884
Cash and cash equivalents, end of year	<u>\$ 59,760</u>	<u>\$ 33,691</u>	<u>\$ 128,529</u>	<u>\$ 5,526</u>	<u>\$ -</u>	<u>\$ 227,506</u>

	September 30, 2022 (As Restated)					
	Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Net cash provided by (used in):						
Operating activities	\$ (185,169)	\$ 9,508	\$ 56,534	\$ 845	\$ -	\$ (118,282)
Noncapital financing activities	153,922	(1,271)	-	118	-	152,769
Capital and related financing activities	(29,202)	(3,689)	(1,477)	-	-	(34,368)
Investing activities	611	-	134	(102)	-	643
Increase (decrease) in cash and cash equivalents	(59,838)	4,548	55,191	861	-	762
Cash and cash equivalents, beginning of year	85,639	20,212	90,967	4,304	-	201,122
Cash and cash equivalents, end of year	<u>\$ 25,801</u>	<u>\$ 24,760</u>	<u>\$ 146,158</u>	<u>\$ 5,165</u>	<u>\$ -</u>	<u>\$ 201,884</u>

Required Supplementary Information

**El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Schedule of Changes in the District's Net Pension
(Asset) Liability and Related Ratios
As of December 31,
(In Thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 19,221	\$ 18,533	\$ 14,928	\$ 13,225	\$ 12,844	\$ 12,690	\$ 12,162	\$ 11,531	\$ 11,453
Interest on total pension liability	47,242	43,781	40,166	37,029	33,980	31,131	28,134	26,051	23,877
Effect of plan changes	-	-	-	-	4,884	-	-	(2,467)	-
Effect of assumption changes or inputs	-	729	36,232	-	-	1,902	-	4,304	-
Effect of economic and demographic (gains) or losses	7,167	2,200	3,480	2,927	35	1,746	865	(3,230)	(656)
Benefit payments, including refunds of employee contributions	(21,172)	(19,643)	(16,822)	(15,528)	(13,463)	(11,486)	(10,307)	(9,474)	(8,088)
Net change in total pension liability	52,458	45,600	77,984	37,653	38,280	35,983	30,854	26,715	26,586
Total pension liability—beginning	612,778	567,178	489,194	451,541	413,261	377,278	346,424	319,709	293,123
Total pension liability—ending (a)	\$ 665,236	\$ 612,778	\$ 567,178	\$ 489,194	\$ 451,541	\$ 413,261	\$ 377,278	\$ 346,424	\$ 319,709
Plan fiduciary net position									
Contributions—employer	\$ 19,536	\$ 15,904	\$ 15,345	\$ 12,412	\$ 10,530	\$ 10,064	\$ 8,981	\$ 8,294	\$ 8,342
Contributions—employee	11,898	10,505	9,787	8,501	7,800	7,683	7,060	6,490	6,339
Net investment income	(37,487)	111,899	46,615	62,874	(7,123)	48,385	22,427	(2,734)	18,629
Benefit payments, including refunds of employee contributions	(21,172)	(19,643)	(16,822)	(15,528)	(13,463)	(11,486)	(10,307)	(9,474)	(8,088)
Administrative expense	(351)	(338)	(370)	(344)	(308)	(256)	(244)	(217)	(221)
Other	1,950	334	285	248	184	96	651	149	132
Net change in plan fiduciary net position	(25,626)	118,661	54,840	68,163	(2,380)	54,486	28,568	2,508	25,133
Plan fiduciary net position—beginning	624,561	505,900	451,060	382,897	385,277	330,791	302,223	299,715	274,582
Plan fiduciary net position—ending (b)	\$ 598,935	\$ 624,561	\$ 505,900	\$ 451,060	\$ 382,897	\$ 385,277	\$ 330,791	\$ 302,223	\$ 299,715
District's net pension (asset) liability—ending (a) - (b)	\$ 66,301	\$ (11,783)	\$ 61,278	\$ 38,134	\$ 68,644	\$ 27,984	\$ 46,487	\$ 44,201	\$ 19,994
Plan fiduciary net position as a percentage of the total pension liability	90.03%	101.92%	89.20%	92.20%	84.80%	93.23%	87.68%	87.24%	93.75%
Covered payroll	\$ 237,954	\$ 210,091	\$ 195,588	\$ 170,028	\$ 155,998	\$ 153,652	\$ 141,207	\$ 129,797	\$ 126,780
District's net pension (asset) liability as a percentage of covered payroll	27.86%	-5.61%	31.33%	22.43%	44.00%	18.21%	32.92%	34.05%	15.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. All amounts are in thousands, unless otherwise indicated.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

Schedule of District Contributions

Year Ending September 30,

(In Thousands)

Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered payroll (1)	Contributions as a Percentage of Covered Payroll
2023	\$ 19,778	\$ 19,778	\$ -	\$ 255,349	7.7%
2022	\$ 18,408	\$ 18,408	\$ -	\$ 228,836	8.0%
2021	\$ 15,708	\$ 15,708	\$ -	\$ 205,557	7.6%
2020	\$ 14,061	\$ 14,061	\$ -	\$ 182,179	7.7%
2019	\$ 11,936	\$ 11,936	\$ -	\$ 166,322	7.2%
2018	\$ 10,420	\$ 10,420	\$ -	\$ 155,455	6.7%
2017	\$ 9,798	\$ 9,798	\$ -	\$ 150,570	6.5%
2016	\$ 9,163	\$ 9,163	\$ -	\$ 143,894	6.4%
2015	\$ 8,186	\$ 8,186	\$ -	\$ 127,109	6.4%

Notes to Schedule:

(1) Payroll is calculated based on contributions as reported to TCDRS

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years 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 of payroll, closed
Remaining amortization period	18.1 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	4.7% average over career, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	61 (average)
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 110% of the MP-2021 Ultimate scale after 2010

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. All amounts are in thousands, unless otherwise indicated.

**El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas**

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ending September 30,
(In Thousands)**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 91	\$ 103	\$ 95	\$ 69	\$ 62	\$ 540
Interest	80	40	47	47	45	227
Changes of benefit terms	-	-	-	-	-	(5,272)
Difference between expected and actual experience	111	5	(76)	(118)	24	94
Changes of assumptions or other inputs	(241)	(49)	100	177	10	(440)
Employee contributions	162	179	186	174	155	129
Benefit payments	(167)	(188)	(163)	(141)	(94)	(148)
Net change in total OPEB liability	<u>36</u>	<u>90</u>	<u>189</u>	<u>208</u>	<u>202</u>	<u>(4,870)</u>
Total OPEB liability—beginning	<u>1,967</u>	<u>1,877</u>	<u>1,688</u>	<u>1,480</u>	<u>1,278</u>	<u>6,148</u>
Total OPEB liability—ending	<u>\$ 2,003</u>	<u>\$ 1,967</u>	<u>\$ 1,877</u>	<u>\$ 1,688</u>	<u>\$ 1,480</u>	<u>\$ 1,278</u>
Covered-employee payroll	\$ 205,335	\$ 205,335	\$ 166,615	\$ 166,615	\$ 142,625	\$ 142,625
District's total OPEB liability as a percentage of covered-employee payroll	0.98%	0.96%	1.13%	1.01%	1.04%	0.90%

Notes to Schedule:

Benefit changes. Effective May 1, 2018, plan eligibility was changed to age 60 and 20 years of service.

Changes of assumptions. Changes in per capita costs, contribution premiums, trends, retirement, turnover, disability and discount rate.

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. All amounts are in thousands, unless otherwise indicated.

Supplementary Information

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Balance Sheet Information
September 30, 2023 and 2022
(In Thousands)

Assets and Deferred Outflows of Resources	2023						2022 (As Restated)					
	Component Units						Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Current Assets												
Cash and cash equivalents	\$ 19,869	\$ 33,691	\$ 128,529	\$ -	\$ -	\$ 182,089	\$ 17,106	\$ 24,760	\$ 146,158	\$ -	\$ -	\$ 188,024
Restricted cash and cash equivalents	36,793	-	-	-	-	36,793	5,750	-	-	-	-	5,750
Short-term investments	5,971	4,047	-	-	-	10,018	-	-	-	-	-	-
Patient accounts receivable, net	67,275	25,150	-	-	-	92,425	54,159	23,641	-	-	-	77,800
County appropriation - property taxes receivable, net	1,623	-	-	-	-	1,623	1,928	-	-	-	-	1,928
Medicaid Supplemental Program Revenue receivable	53,116	11,142	-	-	-	64,258	76,681	3,178	-	-	-	79,859
Estimated amounts due from third-party payers	2,671	-	-	-	-	2,671	6,491	-	-	-	-	6,491
Supplies	12,542	1,611	-	-	-	14,153	12,691	1,884	-	-	-	14,575
Prepaid expenses and other	15,065	1,652	12,008	1,261	-	29,986	11,508	780	6,820	676	-	19,784
Due from component units	10,574	-	1,227	-	(11,801)	-	9,779	-	521	22	(10,322)	-
Total current assets	225,499	77,293	141,764	1,261	(11,801)	434,016	196,093	54,243	153,499	698	(10,322)	394,211
Noncurrent Cash and Investments												
Project construction	9,174	-	-	-	-	9,174	2,945	-	-	-	-	2,945
Held by Foundation	-	-	-	8,461	-	8,461	-	-	-	7,480	-	7,480
Restricted for medical claims	-	-	500	-	-	500	-	-	700	-	-	700
Total noncurrent cash and investments	9,174	-	500	8,461	-	18,135	2,945	-	700	7,480	-	11,125
Capital Assets, Net	423,801	20,252	6,258	-	-	450,311	387,678	13,335	7,768	-	-	408,781
Lease Assets, Net	7,853	-	-	-	-	7,853	9,801	-	-	-	-	9,801
Subscription Assets, Net	29,902	-	3,869	-	-	33,771	28,861	-	3,467	-	-	32,328
Net Pension Asset	-	-	-	-	-	-	11,783	-	-	-	-	11,783
Other Assets	350	101,878	-	1,402	(98,705)	4,925	400	7,214	-	677	(7,214)	1,077
Total assets	696,579	199,423	152,391	11,124	(110,506)	949,011	637,561	74,792	165,434	8,855	(17,536)	869,106
Deferred Outflows of Resources												
Loss on bond refunding's	10,235	-	-	-	-	10,235	11,020	-	-	-	-	11,020
Goodwill	346	1,025	-	-	-	1,371	396	1,481	-	-	-	1,877
Other postemployment benefits	398	-	-	-	-	398	322	-	-	-	-	322
Pensions	45,557	-	-	-	-	45,557	37,153	-	-	-	-	37,153
Total deferred outflows of resources	56,536	1,025	-	-	-	57,561	48,891	1,481	-	-	-	50,372
Total assets and deferred outflows of resources	\$ 753,115	\$ 200,448	\$ 152,391	\$ 11,124	\$ (110,506)	\$ 1,006,572	\$ 686,452	\$ 76,273	\$ 165,434	\$ 8,855	\$ (17,536)	\$ 919,478

See Notes to Financial Statements

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Balance Sheet Information (Continued)
September 30, 2023 and 2022
(In Thousands)

	2023						2022 (As Restated)					
	UMC	Component Units					UMC	Component Units				
		El Paso Children's	El Paso Health	Foundation	Eliminations	Total		El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Liabilities, Deferred Inflows of Resources and Net Position												
Current Liabilities												
Accounts payable and accrued expenses	\$ 142,586	\$ 15,664	\$ 102,769	\$ 140	\$ -	\$ 261,159	\$ 93,768	\$ 11,736	\$ 111,354	\$ 150	\$ -	\$ 217,008
Current maturities of long-term debt	11,021	386	-	-	-	11,407	10,586	921	-	-	-	11,507
Current portion of lease liabilities	3,054	-	-	-	-	3,054	3,190	-	-	-	-	3,190
Current portion of subscription liabilities	7,892	-	1,301	-	-	9,193	6,364	-	1,392	-	-	7,756
Notes payable and other current liabilities	-	1,013	-	-	-	1,013	-	649	-	-	-	649
COVID-19 funding received in advance	4,861	-	-	-	-	4,861	28,844	-	-	-	-	28,844
Estimated self-insurance costs - current	3,882	497	-	-	-	4,379	3,407	172	-	-	-	3,579
Estimated amounts due to third party payers	-	5,312	-	-	-	5,312	-	5,312	-	-	-	5,312
Due to component units	1,003	35,092	1,480	177	(37,752)	-	366	35,532	1,217	204	(37,319)	-
Total current liabilities	174,299	57,964	105,550	317	(37,752)	300,378	146,525	54,322	113,963	354	(37,319)	277,845
Other Liabilities												
Long-term debt	371,692	508	-	-	-	372,200	327,744	1,193	-	-	-	328,937
Lease liabilities	5,340	-	-	-	-	5,340	7,371	-	-	-	-	7,371
Subscription liabilities	20,064	-	2,599	-	-	22,663	20,510	-	1,907	-	-	22,417
Net pension liability	66,301	-	-	-	-	66,301	-	-	-	-	-	-
Other postemployment benefits liability	2,003	-	-	-	-	2,003	1,967	-	-	-	-	1,967
Other	2,955	91,669	-	-	(88,996)	5,628	2,055	-	-	-	-	2,055
Total liabilities	642,654	150,141	108,149	317	(126,748)	774,513	506,172	55,515	115,870	354	(37,319)	640,592
Deferred Inflows of Resources												
Other postemployment benefits	686	-	-	-	-	686	506	-	-	-	-	506
Pensions	-	-	-	-	-	-	69,366	-	-	-	-	69,366
Total deferred inflows of resources	686	-	-	-	-	686	69,872	-	-	-	-	69,872
Net Position												
Net investment in capital assets	59,460	18,731	6,203	-	-	84,394	62,945	10,410	7,937	-	-	81,292
Restricted - expendable	-	6,175	500	7,724	(6,175)	8,224	-	4,751	700	5,999	(4,751)	6,699
Restricted - non-expendable	-	3,036	-	3,083	(3,036)	3,083	-	2,463	-	2,502	(2,463)	2,502
Restricted for pension	-	-	-	-	-	-	11,783	-	-	-	-	11,783
Unrestricted	50,315	22,365	37,539	-	25,453	135,672	35,680	3,134	40,927	-	26,997	106,738
Total net position	109,775	50,307	44,242	10,807	16,242	231,373	110,408	20,758	49,564	8,501	19,783	209,014
Total liabilities, deferred inflows of resources and net position	\$ 753,115	\$ 200,448	\$ 152,391	\$ 11,124	\$ (110,506)	\$ 1,006,572	\$ 686,452	\$ 76,273	\$ 165,434	\$ 8,855	\$ (17,536)	\$ 919,478

See Notes to Financial Statements

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

Combined Statements of Revenues, Expenses and Changes in Net Position Information
September 30, 2023 and 2022
(In Thousands)

	2023						2022 (As Restated)					
	Component Units						Component Units					
	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total	UMC	El Paso Children's	El Paso Health	Foundation	Eliminations	Total
Operating Revenues												
Net patient service revenue	\$ 452,533	\$ 171,306	\$ -	\$ -	\$ -	\$ 623,839	\$ 414,090	\$ 156,567	\$ -	\$ -	\$ -	\$ 570,657
Premium revenue	-	-	375,653	-	-	375,653	-	-	337,559	-	-	337,559
Medicaid Supplemental Program revenue	122,430	2,346	-	-	-	124,776	142,385	(2,128)	-	-	-	140,257
Contract revenue	42,909	-	-	-	(26,250)	16,659	34,652	-	-	(22,005)	-	12,647
Other revenue	36,593	32,861	23,058	5,924	(22,639)	75,797	29,434	3,909	22,486	4,114	(18,053)	41,890
Total operating revenues	654,465	206,513	398,711	5,924	(48,889)	1,216,724	620,561	158,348	360,045	4,114	(40,058)	1,103,010
Operating Expenses												
Salaries and employee benefits	363,462	76,426	17,284	1,156	(18,533)	439,795	304,775	60,867	13,860	902	(14,651)	365,753
Medical claims	-	-	322,975	-	(160)	322,815	-	-	294,833	-	(160)	294,673
Purchased services and other	103,836	32,960	19,184	602	(12,456)	144,126	111,423	35,357	11,196	409	(13,926)	144,459
Physician fees	121,211	20,960	-	-	(548)	141,623	108,814	17,442	-	-	(548)	125,708
Supplies and pharmaceuticals	197,209	41,051	28,421	588	(10,610)	256,659	179,090	34,610	28,930	549	(9,363)	233,816
Depreciation and amortization	44,441	4,320	3,321	-	-	52,082	43,249	3,566	3,588	-	-	50,403
Total operating expenses	830,159	175,717	391,185	2,346	(42,307)	1,357,100	747,351	151,842	352,407	1,860	(38,648)	1,214,812
Operating Income (Loss)	(175,694)	30,796	7,526	3,578	(6,582)	(140,376)	(126,790)	6,506	7,638	2,254	(1,410)	(111,802)
Nonoperating Revenues (Expenses)												
Investment return (loss)	4,381	146	2,152	380	(20)	7,039	702	-	134	(471)	(90)	275
Interest expense	(15,669)	(1,393)	-	-	1,546	(15,516)	(15,339)	(1,769)	-	-	1,616	(15,492)
County appropriation - property taxes, net	133,442	-	-	-	-	133,442	129,390	-	-	-	-	129,390
COVID-19 assistance revenue	32,445	-	-	-	-	32,445	10,867	1,979	-	-	-	12,846
Tobacco settlement	2,493	-	-	-	-	2,493	2,293	-	-	-	-	2,293
Other	2,969	-	-	(1,652)	1,515	2,832	2,699	-	-	(1,621)	1,428	2,506
Total nonoperating revenues, net	160,061	(1,247)	2,152	(1,272)	3,041	162,735	130,612	210	134	(2,092)	2,954	131,818
Income (Loss) Before Transfers	(15,633)	29,549	9,678	2,306	(3,541)	22,359	3,822	6,716	7,772	162	1,544	20,016
Transfer to (from) affiliate	15,000	-	(15,000)	-	-	-	-	-	-	-	-	-
Increase (Decrease) In Net Position	(633)	29,549	(5,322)	2,306	(3,541)	22,359	3,822	6,716	7,772	162	1,544	20,016
Net Position, Beginning of Year	110,408	20,758	49,564	8,501	19,783	209,014	106,586	14,042	41,792	8,339	18,239	188,998
Net Position, End of Year	\$ 109,775	\$ 50,307	\$ 44,242	\$ 10,807	\$ 16,242	\$ 231,373	\$ 110,408	\$ 20,758	\$ 49,564	\$ 8,501	\$ 19,783	\$ 209,014