The MetroHealth System
(A Component Unit of Cuyahoga County)

Financial Report
December 31, 2023

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Trustees
The MetroHealth System
5410 Lancaster Drive
Brooklyn Heights, Ohio 44131

We have reviewed the *Independent Auditor's Report* of The MetroHealth System, Cuyahoga County, prepared by RSM US LLP, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Depending on the outcome of the investigation, results may be reported on at a later date.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The MetroHealth System is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2024

This page intentionally left blank.

Contents

This page intentionally left blank.

RSM US LLP

Independent Auditor's Report

Board of Trustees of
The MetroHealth System

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The MetroHealth System (the System), a component unit of Cuyahoga County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The MetroHealth System, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
As discussed in Note 8 to the financial statements, The System adopted Governmental Accounting Standard Board Statement No. 96, *Subscription-Based Information Technology Arrangements,* which resulted in a restatement of assets and liabilities as of January 1, 2023. Our opinion is not modified with respect to this matter. Reference Note 2 for the impact to assets, liabilities and net position as of January 1, 2023.

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 System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 System'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 System'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 on pages 4-12 as well as the pension and other postemployment benefit related data on pages 58-60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
April 3, 2024

Management's Discussion and Analysis

This section of The MetroHealth System's (the System) annual financial report presents management's discussion and analysis (MD&A) of the System's financial performance and provides an overall review of the System's financial position and activities as of and for the year ended December 31, 2023. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis, while covering two years, is designed to focus on current year activities.

Overview of the Financial Statements

The System is the public health care system for Cuyahoga County, Ohio (the County) and includes four hospitals, four emergency departments, and a network of urban and suburban health care sites. The System is home to Cuyahoga County's most experienced Level I Adult Trauma Center, and Ohio's only adult and pediatric trauma and burn center. As an academic medical center, each active staff physician holds a faculty appointment at Case Western Reserve University's School of Medicine. The System's main campus hospital houses the Cleveland Metropolitan School District's Lincoln-West School of Science & Health, the only high school in the United States located inside a hospital.

The MetroHealth System is established and operated pursuant to Chapter 339 of the Ohio Revised Code and governed by a Board of Trustees. The members of the Board of Trustees are appointed pursuant to Chapter 339 of the Ohio Revised Code.

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100: *Defining the Financial Reporting Entity*, the System's financial statements are included, as a discretely presented component unit, in the Cuyahoga County's Annual Comprehensive Financial Report (ACFR). A copy of the ACFR can be obtained from Cuyahoga County Fiscal Officer, Reserve Square, 2079 East Ninth Street, Cleveland, Ohio 44115.

In accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure,* The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) are classified as discretely presented component units in the System's financial statements. The Foundation and CCH are 501(c)(3) nonprofit organizations supporting the System through fundraising and economic development. The Foundation and CCH are not included in Management's Discussion and Analysis but are included in greater detail in the financial statements and accompanying footnotes. In addition, Recovery Resources, MetroHealth Ventures LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging, Select Assurance Captive LLC and Collaborative Care Partners, LLC are presented as blended component units whose financial activity is included within the activities of the System.

The System's financial statements consist of three statements – Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements and related notes provide information about the activities of the System.

The System 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. Revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred.

(Dollars in Thousands)

Overview of the Financial Statements (Continued)

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the System's total net position and is one measure of the System's financial health. Over time, increases or decreases in the System's net position can be an indicator of whether its financial health is improving or deteriorating. Included in assets, liabilities, deferred inflows of resources, and deferred outflows of resources is the impact of the recognition of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* These should be considered when evaluating the overall changes in net position. Other nonfinancial factors, such as changes in the System'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 overall financial health of the System.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from defined types of activities. It provides answers to questions such as what sources provided or expended cash during the reporting period.

The System's Net Position

A summary of the System's Statement of Net Position as of December 31, 2023 and 2022 is presented in Table 1.

Table 1
The MetroHealth System
Statements of Net Position

	2023	2022
Assets:		
Current assets	$ 451,276	$ 475,903
Investments	536,909	535,266
Restricted assets	62,602	102,488
Capital assets, net	1,234,442	1,206,030
Right-of-use assets	103,479	88,527
Other assets	44,800	182,550
Total assets	2,433,508	2,590,764
Deferred outflows of resources	523,837	165,036
Liabilities:		
Current liabilities	270,432	319,718
Long-term liabilities	2,253,924	1,499,515
Total liabilities	2,524,356	1,819,233
Deferred inflows of resources	19,603	515,789
Net position:		
Net investment in capital assets	249,645	214,491
Restricted, debt service payments	15,165	38,083
Restricted, capital asset use	2,250	2,250
Restricted, program activities	6,087	5,692
Restricted, nonspendable	1,550	1,550
Unrestricted	138,689	158,712
Total net position	$ 413,386	$ 420,778

(Dollars in Thousands)

The System's Net Position

Significant changes in the System's total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and net position occurred beginning in 2015 as a result of the implementation of GASB Statement No. 68. Under the standard, the net pension liability and asset equals the System's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus the plan assets available to pay those benefits.

In 2018, The System implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* further impacting the System's total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and net position. Other postemployment benefits (OPEB) consist primarily of postemployment healthcare and under the new standard, the Net OPEB asset (liability) equals the System's proportionate share of the plan's collective present value of estimated future OPEB benefits attributable to active and inactive employees' past service minus the plan assets available to pay those benefits.

Pension and OPEB adjustments are recorded on an annual basis using the results from the Ohio Public Employees Retirement System (OPERS) actuary reports. In Ohio, employer contributions to the State's cost-sharing multi-employer retirement systems are established by statute. These contributions are payable to the retirement systems one month in arrears and constitute the full legal claim on the System for pension and OPEB funding. Although the asset and liability recognized under GASB Statements No. 68 and 75 meet the GASB definition of an asset and liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system against the public employer, and the employer cannot direct the use of pension system assets. Additionally, there are no cash flows associated with the recognition of net pension and net OPEB assets and liabilities, deferrals and expenses beyond the requirement to make statutory contributions. End users of the financial statements will gain a clearer understanding of the System's actual financial condition by excluding the pension and OPEB related amounts from the recorded net position, as shown below in Table 2.

Table 2
The MetroHealth System
Net Position Excluding Pension and OPEB Related Amounts

	2023	2022
Net position:		
Net position, as reported in the Statement of Net Position	$ 413,386	$ 420,778
Plus:		
Net pension liability	1,037,575	304,075
Net OPEB liability	25,200	-
Deferred inflows related to pensions	2,570	377,142
Deferred inflows related to OPEB	9,257	130,430
Less:		
Net pension asset	(13,265)	(23,316)
Net OPEB asset	-	(124,584)
Deferred outflows related to pensions	(445,666)	(157,086)
Deferred outflows related to OPEB	(76,995)	(6,536)
Total net position, excluding pension and OPEB related amounts	$ 952,062	$ 920,903

The System's Net Position (Continued)

In Ohio, the employee shares the obligation of funding pension and other postemployment benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. Additional information on the standards and their impact is available in the notes to the financial statements.

Effective for the System beginning January 1, 2023, a new accounting standard, GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* has been implemented. The objective of GASB Statement No. 96 is to improve the accounting and financial reporting of subscription-based vendor-provided information technology arrangements (SBITAs) by establishing uniform accounting and financial reporting requirements for SBITAs; improving the comparability of financial statements among governments that have entered into SBITAs; and enhance the understandability, reliability, relevance, and consistency of information about SBITAs. The standard requires all SBITAs except for those classified as short-term, to be treated similarly to leases under current accounting standards, with additional provisions for accounting for payments associated with preliminary project, initial implementation, and operational and additional implementation stages. Short-term SBITAs are defined as those that have a maximum possible term of 12 months or less, including any options to extend, regardless of the probability the option will be exercised. Short-term SBITAs do not fall within the scope of GASB Statement No. 96, and subscription expense is recognized as incurred.

SBITAs which fall within the scope of GASB Statement No. 96 are classified similarly to leases which requires a software subscription user to recognize a SBITA liability and corresponding right-of-use asset. At the commencement of the subscription term, the SBITA liability or is measured at the present value of the lease payments. The right-of-use assets are amortized over the shorter of their useful life or the subscription term. Expense associated with software subscriptions are now recognized as amortization and interest as compared to prior years in which software service contracts was recognized within the Purchased Services line of the Statement of Revenues, Expenses, and Changes in Net Position.

Effective for the System beginning January 1, 2022, a new leasing standard, GASB Statement No. 87 *Leases* has been implemented. The objective of GASB Statement No. 87 is to improve the accounting and financial reporting of leases by establishing a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The standard requires all leases except for those classified as short-term, to be treated as a financing lease. Short-term leases are defined as those that have a maximum possible term of 12 months or less, including any options to extend, regardless of the probability the option will be exercised. Short-term leases do not fall within the scope of GASB Statement No. 87, and lease expense is recognized as incurred.

Conversely, leases which fall within the scope of GASB Statement No. 87 are classified as financing leases which requires a lessee to recognize a lease liability and corresponding right-of-use asset, and a lessor to recognize a lease receivable and deferred inflow of resources on the Statement of Net Position. At the commencement of the lease term, the lease liability or lease receivable is measured at the present value of the lease payments. The right-of-use assets are amortized over the shorter of their useful life or the lease term. Expense associated with leases are now recognized as amortization and interest as compared to prior years in which lease/rent expense was recognized within the Plant Operations line of the Statement of Revenues, Expenses, and Changes in Net Position.

The System's Net Position (Continued)

Total assets decreased by $157,256 from 2022, primarily driven by decreases in restricted assets of $39,886 due to bond fund draws and interest payments made during the period, and in the net pension and OPEB assets of $134,635 resulting from the GASB Statement No. 68 & GASB Statement No. 75 actuarial adjustments. These decreases were partially offset by an increase in capital assets of $28,412 related to ongoing campus transformation. Investments remained consistent at year-end and increased $1,643.

In 2023, deferred outflows of resources increased by $358,801, deferred inflows of resources decreased by $496,186 and total liabilities increased by $705,123. Fluctuations in liabilities balances are primarily attributed to the GASB Statement No. 68 net pension liability increase of $733,500 and the GASB Statement No. 75 net OPEB liability increase of $25,200, partially offset by a decrease in amounts due for construction projects in process of $39,897.

In 2023, the System's overall net position decreased by $7,392 from 2022. The GASB Statement No. 68 actuarial pension adjustment of ($80,398), and the GASB Statement No. 75 actuarial OPEB adjustment of $41,848 contributed to this decrease, as the operating results prior to the GASB adjustments increased net position by $31,158.

Capital Assets, Debt and Transformation

Capital Assets

The System had $1,234,442 and $1,206,030 invested in capital assets, net of accumulated depreciation at December 31, 2023 and 2022, respectively. Capital assets increased by $28,412 due primarily to construction of the new outpatient tower at main campus and equipment purchases for the new Glick Center. The System acquired or constructed capital assets in the amount of $114,536 and $324,133 during 2023 and 2022, respectively.

Debt

The System had $1,036,641 and $1,049,302 in bonds, capital lease, and loan obligations outstanding at December 31, 2023 and 2022, respectively.

Transformation

The System has embarked on a large-scale transformation project that includes a reconstruction of its aging main campus. Many of the existing hospital structures were constructed more than 60 years ago and, for decades, have been repaired, rehabilitated or replaced episodically. It was determined that the cost to maintain and utilize the existing structures is greater than the costs to be incurred to replace those components with new facilities that are sized, configured and equipped to more effectively, efficiently and reliably deliver care.

In October 2022, MetroHealth opened a new 112 bed, Behavioral Health Hospital in Cleveland Heights. The following month, in November 2022, the System opened the Glick Center, a new state-of-the-art, main campus hospital which consists of 11 floors and 316 patient rooms situated in the first EcoDistrict anchored by a healthcare system in the nation. The transformation project is still ongoing with construction currently underway of a new, 5-floor outpatient tower at main campus that is expected to be completed in 2025.

Operating Results and Changes in the System's Net Position

The System's annual results, as presented in Table 3, are measured for the purposes of System management, the System's Board of Trustees and a wide range of other users of the audited financial statements as they enhance the usefulness of the statements, and the understandability of the System's financial and operating performance. The presentation of the County funding, Stimulus funding and the GASB Statement No. 68 pension and GASB Statement No. 75 OPEB adjustments in Table 3 will provide the end users of the audited financial statements a clearer understanding of the System's actual financial condition.

County funding has been recorded within total operating revenues. The county funding is sustained through the Health and Human Services tax levies which aid our most vulnerable citizens: children, seniors, families and people in crisis across Cuyahoga County. The System makes an integral contribution to meeting the health, safety and welfare needs of County residents though the provision of health care services and its participation in community health programs. The county funding is therefore included in the other revenue category within the total operating revenues as it supports MetroHealth's principal ongoing operations as a public health system and is deemed by the System as a direct exchange with the County for the ongoing provision of health care services to County residents.

The GASB Statement No. 68 actuarial pension adjustment and the GASB Statement No. 75 actuarial OPEB adjustment that are non-cash transactions, have been presented in the non-operating section of the financial statements as separate line items within the change in net position. While the assets and liabilities recognized under GASB Statements No. 68 and 75 meet the GASB definition of an asset and liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer, and the employer cannot direct the use of the pension system assets. Additionally, there are no cash flows associated with the related expenses. The Ohio Revised Code (section 145.48) provides statutory authority for employee and employer contributions and rates are capped by State statute. For the years ended December 31, 2023 and 2022, the employee contribution rate was 10.0% of covered payroll and the System was required to contribute 14.0% of covered payroll for all covered benefits. As such, the System's pension and OPEB plan cash contributions are presented in the operating expenses in the financial statements below which represent the System's statutorily required contributions for 2023 and 2022.

(Dollars in Thousands)

Operating Results and Changes in the System's Net Position (Continued)

Table 3
The MetroHealth System
Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31, 2023	2022
Operating Revenues		
Net patient service revenue	$ 1,257,523	$ 1,160,664
County funding	32,400	32,400
Other revenue	522,437	408,794
Total operating revenues, including county funding	1,812,360	1,601,858
Operating Expenses		
Salaries and wages	856,993	762,548
OPERS contributions	102,090	91,050
Other employee benefits	111,997	95,121
Purchased services	118,646	118,568
Medical supplies	115,289	105,715
Pharmaceuticals	239,624	179,069
Plant operations	40,409	38,258
Non-medical supplies	17,383	14,190
Other expenses	80,396	71,796
Depreciation and amortization	101,840	63,457
Total operating expenses, excluding pension and OPEB actuarial adjustments	1,784,667	1,539,772
Operating income, excluding pension and OPEB acturial adjustments	27,693	62,086
Non-Operating Revenues (Expenses)		
Net investment (loss) income	54,086	(44,185)
Other non-operating revenue	4,730	3,714
Noncapital grants and donations	4,728	8,177
Grant expenses and support	(4,728)	(3,575)
Interest expense	(56,650)	(55,993)
Total non-operating revenues (expenses)	2,166	(91,862)
Income (loss) before pension and OPEB actuarial adjustments, and capital grants and gifts	29,859	(29,776)
OPERS actuarial pension adjustment	(80,398)	114,229
OPERS actuarial OPEB adjustment	41,848	99,919
Capital grants and gifts	1,299	5,140
Change in net position	(7,392)	189,512
Total net position - beginning of year	420,778	231,266
Total net position - end of year	$ 413,386	$ 420,778

Operating Results and Changes in the System's Net Position (Continued)

In 2023, total operating revenues including county funding increased $210,502 or 13.1%. Net patient service revenue increased $96,859, while other revenue increased $114,983.

The increase in net patient revenue of 8.3% was driven by an increase in the volumes of various clinical services. Discharges increased 5.5% surgical volumes increased 8.4%, emergency visits increased 5.6%, and patient days increased 3.0% from 2022 results. In-person outpatient visits increased 9.9%, while telehealth visits decreased 20.7%, resulting in an overall increase in total outpatient visits of 6.9%.

Net patient service supplemental program revenues including Hospital Care Assurance Program (HCAP), Hospital Franchise Fee Program (HFF), and Care Innovation and Community Improvement Program (CICIP), increased as compared to 2022 levels. The Cost Coverage Add-on (CCA) program, which adds to the System's base rate for each Medicaid inpatient discharge and outpatient service, increased by $7,417 This excludes retrospective adjustments which are recognized through estimated amounts due to third-party payors. The HCAP, HFF, and CICIP programs are discussed in further detail in the System's financial statement notes.

Other operating revenue increased $113,643 or 27.8% from 2022 primarily due to increased retail pharmacy operations and Federal Emergency Management Agency (FEMA) grant funding, partially offset by a decrease in value-based care program incentives. County funding remained consistent from 2022 to 2023 at $32,400.

Total operating expenses, excluding pension and OPEB actuarial adjustments, increased by 15.9% from 2022 primarily due to increased salaries and wages, other employee benefits, pharmaceuticals, medical supplies, and other expenses, including franchise fees. The increase in pharmaceuticals expense was directly attributed to growth in retail pharmacy operations while the increase in medical supplies was driven by the increased emergency visits, surgical volumes and in-person outpatient visits. Depreciation and amortization increased due to transformation assets being placed into service, while software contract expense previously classified as purchased services is now presented as amortization expense due to the implementation of the GASB Statement No. 96.

In 2023, salaries and wages increased 12.4% as compared to the prior year. This increase is attributed to increased contracted labor, incentives and staff overtime, as well as an increase in premium pay programs. In 2023, employee benefits increased 15.0% with an increase in employee health plan costs in addition to an increase OPERS contributions resulting from higher salaries and wages.

Non-operating revenues and expenses increased $94,028 in 2023 as compared to 2022 due largely to an increase in net investment income of $98,271 resulting from improving market conditions. Other non-operating revenues and expenses include net investment income, noncapital grants and donations, grant expenses and support, joint venture equity gains and losses and other non-operating revenue.

Operating income, excluding pension and OPEB actuarial adjustments was $27,693 in 2023 as compared to $62,086 in 2022, a decrease of $34,393 or 55.4%. Income before pension and OPEB actuarial adjustments, and capital grants and gifts was $29,859 in 2023 versus loss of $29,776 in 2022, an increase of $59,635 or 200.3%.

Economic Factors and Next Year's Budget

Several factors and uncertainties that are contained in the budget are:

- As a safety net adult Disproportionate Share Hospital (DSH), the System benefits from the State of Ohio's decision, effective beginning in 2014, to adopt the Medicaid expansion provisions of the Affordable Care Act (ACA), with previously uninsured patients now insured through Medicaid. As of this writing, it does not appear that components of the ACA which benefited the hospital, such as Medicaid expansion, are at immediate risk in the foreseeable future based on failed attempts to repeal and replace the ACA in recent years.

- As of this writing, a 2024 Hospital Care Assurance Program (HCAP) payment model has not been released. For 2023, the system received approximately $32,640 in net HCAP revenue. The State fiscal years 2024-2025 operating budget has been released and the HCAP has been renewed for the next biennium.

- The Medicaid Hospital Franchise Fee Program (HFF) was unsustainable in its prior format and was completely redesigned for 2020 and going forward. The new program is a Cost Coverage Add-On (CCA) model and was intended to restore the benefits of the HFF program to previous years' levels. For State fiscal year (SFY) 2024, the anticipated gross distribution to the System is approximately $122,400. This redesign and the increased payments to hospitals required increasing the HFF Program assessment fee. For SFY 2023 the assessment fee is $35,300. The 2024 HFF program saw an increase of the assessment to $42,814.

- Medicare DSH/uncompensated care payments are expected to decrease approximately $1,228, or about 9%, in Federal Fiscal Year (FFY) 2024 when compared to FFY 2023. The decrease is a result of a decrease in the Uncompensated Care Payment is a result of a decrease in the National Uncompensated Care Payment Pool of 13.6%. The Medicare reductions associated with the readmissions penalty appear to have leveled off and should be consistent with 2023 levels, per estimates by the Association of American Medical Colleges (AAMC) and the Ohio Hospital Association (OHA). The System will not be subject to the Hospital Acquired Conditions (HAC) penalty nor the value-based purchasing in FFY 2024.

- The current CICIP program will be in place until June 30, 2025. CICIP will once again be considered as part of Ohio's SFY 2024-2025 operating budget. The Program was reauthorized by the State; however, it will be receiving net amounts in 2024 that are slightly lower than previous years due to lower Medicaid utilization. The Centers for Medicare and Medicaid Services (CMS) renewed the program in 2023 through December 31, 2024.

- Cuyahoga County has agreed to provide $35,000 annually for charity care funding in the next two years. The new charity care funding agreement replaces the general subsidy that was received in years prior to 2024. The 2023 general subsidy was $32,400.

Contacting the System's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Corporate Controller by telephoning (216) 778-7800.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Net Position
December 31, 2023
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Assets			
Current Assets:			
Cash and cash equivalents	$ 167,168	$ 3,221	$ 1,021
Accounts receivable	181,965	4,651	-
Allowance for uncollectible accounts	(32,420)	(435)	-
Net accounts receivable	149,545	4,216	-
Other receivables	87,531	310	1,666
Supplies	28,287	-	-
Prepaid expenses	18,745	28	8
Total current assets	451,276	7,775	2,695
Noncurrent Assets:			
Investments	536,909	79,385	-
Restricted Assets:			
Cash and cash equivalents	5,597	-	2,647
Special purpose investments	2,205	-	-
Under bond indenture agreements	54,800	-	-
	62,602	-	2,647
Capital Assets:			
Land and construction in progress	274,382	-	4,580
Land improvements	25,832	-	-
Buildings and fixed equipment	1,451,945	-	49,973
Equipment	289,986	-	-
	2,042,145	-	54,553
Accumulated depreciation	(807,703)	-	(3,305)
	1,234,442	-	51,248
Right-of-use assets:			
Lease assets, net	81,799	-	585
Subscription assets, net	21,680	-	-
	103,479	-	585
Other Assets:			
Net pension asset	13,265	-	-
Equity interest in joint ventures	17,173	-	-
Other assets	14,362	363	52,877
	44,800	363	52,877
Total assets	2,433,508	87,523	110,052
Deferred Outflows of Resources			
Deferred outflows related to pensions	445,666	-	-
Deferred outflows related to OPEB	76,995	-	-
Deferred amounts on debt refundings	1,176	-	-
Total deferred outflows of resources	523,837	-	-

See Notes to Financial Statements.

Statement of Net Position
December 31, 2023
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Liabilities			
Current Liabilities:			
Accounts payable	$ 89,658	$ 55	$ 1,052
Accrued payroll and related liabilities	86,824	-	-
Contribution payable to the Public Employees Retirement System	15,178	-	-
Accrued interest payable	20,908	-	327
General and professional liabilities	12,566	-	-
Estimated amounts due to third-party payors	1,312	-	-
Accrued vacation and sick leave	6,652	-	-
Line of credit	1,643	-	-
Lease liability	6,850	-	-
Subscription liability	6,809	-	-
Current installments of long-term debt	11,627	-	2,631
Other current liabilities	10,405	1,218	69
Total current liabilities	270,432	1,273	4,079
Long-Term Liabilities, less current installments:			
General and professional liabilities	29,847	-	-
Estimated amounts due to third-party payors	2,370	-	-
Accrued vacation and sick leave	58,489	-	-
Other long-term liabilities	389	-	739
Net pension liability	1,037,575	-	-
Net OPEB liability	25,200	-	-
Lease liability	65,418	-	580
Subscription liability	9,622	-	-
Long-term debt	1,025,014	-	44,445
Total long-term liabilities	2,253,924	-	45,764
Total liabilities	2,524,356	1,273	49,843
Deferred Inflows of Resources			
Deferred inflows related to pensions	2,570	-	-
Deferred inflows related to OPEB	9,257	-	-
Deferred inflows related to leases	7,776	-	58,520
Total deferred inflows of resources	19,603	-	58,520
Net Position (Deficit)			
Net investment in capital assets	249,645	-	4,172
Restricted, debt service payments	15,165	-	-
Restricted, capital asset use	2,250	-	-
Restricted, program activities	6,087	35,468	2,298
Restricted, nonspendable	1,550	21,988	-
Unrestricted	138,689	28,794	(4,781)
Total net position	$ 413,386	$ 86,250	$ 1,689

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2023
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Operating Revenues			
Net patient service revenue	$ 1,257,523	$ -	$ -
Other revenue	522,437	-	2,277
Total operating revenues	1,779,960	-	2,277
Operating Expenses			
Salaries and wages	856,993	-	-
Pension and OPEB	140,640	-	-
Other employee benefits	111,997	-	-
Purchased services	118,646	-	427
Medical supplies	115,289	-	-
Pharmaceuticals	239,624	-	-
Plant operations	40,409	-	(141)
Non-medical supplies	17,383	-	-
Other expenses	80,396	-	42
Depreciation and amortization	101,840	-	1,758
Total operating expenses	1,823,217	-	2,086
Operating (loss) income	(43,257)	-	191
Non-Operating Revenues (Expenses)			
County funding	32,400	-	-
Net investment income	54,086	10,649	-
Other non-operating revenue	4,730	93	2,137
Noncapital grants and donations	4,728	11,560	-
Grant expenses and support	(4,728)	(12,904)	-
Interest expense	(56,650)	-	(2,008)
Total non-operating revenues (expenses)	34,566	9,398	129
Income (loss) before capital grants and gifts	(8,691)	9,398	320
Capital grants and gifts	1,299	-	-
Change in net position	(7,392)	9,398	320
Total net position - beginning of year	420,778	76,852	1,369
Total net position - end of year	$ 413,386	$ 86,250	$ 1,689

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows
Year Ended December 31, 2023
(Dollars in Thousands)

Cash Flows From Operating Activities	
Patient service revenue	$ 1,260,677
Other operating cash receipts	536,426
Payments to suppliers	(643,576)
Payments for compensation and benefits	(1,056,556)
Net cash flows provided by operating activities	96,971
Cash Flows From Noncapital Financing Activities	
County funding	32,400
Restricted grants, donations and other	9,841
Specific purpose funds expenses	(5,873)
Payments for joint venture equity interests	(2,773)
Principal payments on long-term debt	(1,779)
Interest payments on long-term debt	(7,999)
Proceeds from revolving line of credit	1,000
Principal payments on revolving line of credit	(250)
Interest payments on revolving line of credit	(91)
Net cash flows provided by noncapital financing activities	24,476
Cash Flows From Capital and Related Financing Activities	
Capital grants	1,299
Acquisitions and construction	(152,809)
Proceeds from sale of assets	266
Principal payments on long-term debt	(9,272)
Principal payments on leases and subscriptions	(15,903)
Interest payments on long-term debt	(46,948)
Interest payments on leases and subscriptions	(2,521)
Build America Bond receipts	3,059
Net cash flows used in capital and related financing activities	(222,829)
Cash Flows From Investing Activities	
Payments for investment purchases and reinvestments	(221,602)
Proceeds from investment sales and maturities	291,909
Interest received	22,148
Net cash flows provided by investing activities	92,455
Net decrease in cash and cash equivalents	(8,927)
Cash and cash equivalents	
Beginning	181,692
Ending	$ 172,765

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows (Continued)
Year Ended December 31, 2023
(Dollars in Thousands)

Reconciliation of Operating Loss to Net Cash Flows Provided by Operating Activities		
Operating loss	$	(43,257)
Adjustments to reconcile operating loss to net cash flows provided by operating activities		
Depreciation and amortization		101,840
Provision for bad debts		73,469
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Patient accounts receivable		(83,669)
Other assets		155,086
Deferred outflows of resources		(359,039)
General and professional liabilities		(2,230)
Accounts payable and other liabilities		(14,394)
Other long-term liabilities		6,210
Net pension liability		733,500
Net OPEB liability		25,200
Deferred inflows of resources		(495,745)
Net cash flows provided by operating activities	$	96,971

Noncash Investing, Capital and Financing Activities:
The System held investments at December 31, 2023, with a fair value of $574,399.
During 2023, the net change in the fair value of these investments was an increase of $8,775.

Included in accounts payable at December 31, 2023 is $29,154 of invoices related to unpaid capital acquisitions.

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Reporting entity: The accompanying financial statements of the MetroHealth System (System) include the MetroHealth Medical Center, a short-term acute care academic medical center with rehabilitation and psychiatric distinct part units, and a network of urban and suburban primary care health sites.

The System is the public health care system for Cuyahoga County, Ohio (the County). It is organized and operated by its board of county hospital trustees (the Board) pursuant to Chapter 339 of the Ohio Revised Code. Members of the Board are appointed by the County Executive together with the senior judges of the Probate and Common Pleas Courts of the County, subject to confirmation by the County Council. To support the general operations of the System, the County approved funding of $32,400 for 2023. The System is exempt from federal income taxes as a governmental entity.

In accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure*, the System's financial statements are included, as a discretely presented component unit, in the Cuyahoga County's Annual Comprehensive Financial Report (ACFR). A copy of the ACFR can be obtained from Cuyahoga County Fiscal Officer, 2079 East 9th Street, Cleveland, Ohio 44115.

Furthermore, in accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure*, the System's financial statements include The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) as discretely presented component units and Collaborative Care Partners LLC, Lumina Imaging, MetroHealth Holdings LLC, MetroHealth Ventures LLC, MHS Purchasing LLC, Recovery Resources, and Select Assurance Captive LLC as blended component units. The System holds an equity interest in a joint venture with partial ownership of Senior & Rehab Care at MetroHealth LLC and Visiting Nurse Association Healthcare Partners of Ohio. Additionally, MH Holdings LLC holds an equity interest in a joint venture with partial ownership in NEO Total Health and Wellness LLC and MetroHealth Ventures LLC holds an equity interest in a joint venture with partial ownership in Ovatient, Inc.

The Foundation is a nonprofit organization acting primarily as a fundraising organization to supplement the resources that are available to the System in support of its programs. Although the System does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the System. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the System, it is considered a component unit of the System. Complete financial statements of the Foundation can be obtained by writing to The MetroHealth Foundation, 2500 MetroHealth Drive, Cleveland, Ohio 44109.

CCH Development Corporation (CCH), was formed on August 1, 2017, for the benefit of, and to support the System's community through economic and community development. CCH is a legally separate nonprofit corporation, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The System appoints the voting majority of CCH's Board; however, the System does not have a financial benefit/burden relationship and is not able to impose its will on CCH. The System has determined it would be misleading to exclude CCH and therefore it has been presented as a component unit. See Note 11 for additional information.

Collaborative Care Partners LLC, Lumina Imaging, MetroHealth Holdings LLC, MetroHealth Ventures LLC, MHS Purchasing LLC, Recovery Resources, and Select Assurance Captive LLC are presented as blended component units of the System. Although these entities are legally separate, the System is the sole corporate member. System's management has operational responsibility for these component units as they almost exclusively support the System's mission and operations.

Note 1. Summary of Significant Accounting Policies (Continued)

The blended component unit's financial activity is included within the activities of the System and any activity between the System and its blended component units is eliminated.

The System entered into the joint venture Senior & Rehab Care at MetroHealth LLC for the purpose of operating a duly licensed Medicare/Medicaid certified short-stay skilled nursing facility at MetroHealth's Old Brooklyn Senior Health and Wellness Center. Additionally, the System entered into the joint venture Visiting Nurse Association Health Care Partners of Ohio for the purpose of delivering health care services and resources to clients in the communities. The services include home health, hospice, home-based primary care and mental health services. MetroHealth Holdings LLC entered into the joint venture NEO Total Health and Wellness, LLC to provide coordinated primary care services to the senior population. MetroHealth Ventures LLC entered into the joint venture Ovatient, Inc. to establish an integrated virtual first, mobile and in home clinical model where patients can transition between traditional and non traditional care. All four joint ventures are recorded as Equity Interest in joint ventures on the System's Statement of Net Position. Any change in the interest is reflected as a change in non-operating revenue (expense).

Separately issued financial statements for the component units are prepared for Select Assurance Captive LLC and Recovery Resources and can be obtained by writing to The MetroHealth System, 2500 MetroHealth Drive, Cleveland, Ohio 44109, Attention: Finance Department.

Basis of accounting: The System reports only "business-type" activities, which requires the following financial statements and management discussion and analysis:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, for the System as a whole
- Notes to Financial Statements

The System is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the System's operations are included in the Statement of Net Position. Revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which incurred.

The System's fiscal year is the calendar year. Pursuant to Ohio law, the System submits a budget to the County by November 1 of each year. The fundamental purpose of the budget is to plan for an expected level of operations and to provide management with a tool to control deviation from such a plan. The budget is prepared on an accrual basis.

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 and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of revenues, expenses, and changes in net position: The System recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating

Note 1. Summary of Significant Accounting Policies (Continued)

expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Non-operating revenues include County funding, investment income, joint venture income and special purpose grants and donations, primarily research. Non-operating expenses include interest expense and expenses from special purpose funds for research related activities.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, estimated allowances for uncollectible accounts and uncompensated care allowances. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue is reported net of a provision for uncollectible accounts of $73,469 in 2023.

The System has agreements with third-party payors that provide for payment at amounts different from established charge rates. A summary of the basis of payment by major third-party payors follows:

Medicare and Medicaid: Inpatient acute care, behavioral medicine, rehabilitation, skilled nursing and outpatient services rendered to Medicare and Medicaid 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.

The System also receives reimbursement for medical education costs, disproportionate share and unreimbursed Medicare bad debts which are reimbursed at interim rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor (MAC). The System's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review. Differences between the estimated amounts recorded at interim and final settlements are reported in the Statement of Revenues, Expenses, and Changes in Net Position in the year of settlement. The System recorded favorable adjustments to net patient revenue of $707 in 2023, due to prior year retroactive adjustments of amounts previously estimated and changes in estimates.

Net revenue from the Medicare and Medicaid programs accounted for approximately 27% and 37%, respectively, of the System's net patient service revenue for the year ended December 31, 2023. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements. The System believes that it is compliant with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

ACO Reach Model: In 2023, the System voluntarily participated in the Centers for Medicare and Medicaid Services (CMS) Accountable Care Organization Realizing Equity, Access, and Community Health Model (ACO Reach). The goal of the program is to redesign health care delivery system reform through the redesign of primary care. The ACO Reach model was established to improve the quality of care and health outcomes for Medicare beneficiaries. The System received capitated, risk-adjusted monthly payments for primary care services provided by participating providers. Technical claims continued to be paid on a fee-for-service basis. As of December 31, 2023, the System recorded $39,920 of capitation revenue related to the ACO Reach in the other revenue line of the Statement of Revenues, Expenses, and Changes in Net Position.

Other payors: The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Hospital Franchise Fee Program (HFF): In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). The program provided access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. Effective July 1, 2009, the UPL program was expanded to include Section 501(c)(3) non-profit hospitals. As a result of the program expansion, the funding mechanism moved from inter-governmental payments to a HFF tax paid by the participating hospitals to draw down federal matching funds. In State Fiscal Year 2020, the Program was redesigned using a Cost Coverage Add-on (CCA) model, resulting in additional payments added to the System's base rate for each Medicaid inpatient discharge and outpatient service. As a result of the Pandemic, to ensure stability, hospital additional payments (HAP were added to program payments. At December 31, 2023, $23,403 was due to the System and recorded in the Statement of Net Position in other receivables.

The estimate recorded in net patient service revenue for HFF by the System was $119,662 in 2023. The System incurred franchise fee expense of $37,181 in 2023 and was recorded in other expenses in the Statement of Revenues, Expenses, and Changes in Net Position. At December 31, 2023, the System had no Program assessments payables recorded in the Statement of Net Position in other current liabilities.

Disproportionate share: As a public health care provider, the System renders services to residents of the County and others regardless of ability to pay. The System is classified as a disproportionate share provider by the Medicare and Medicaid programs due to the volume of low-income patients it serves. Accordingly, the System receives additional payments from these programs resulting from this status totaling $45,772 for 2023. These amounts are included in net patient service revenue and include Hospital Care Assurance (HCAP) revenue of $32,028 in 2023, reduced by HCAP assessments recorded by the System of $5,382 in 2023.

Care Innovation and Community Improvement Program: The Care and Innovation and Community Improvement Program (CICIP), established by House Bill 49, provides for each participating nonprofit hospital agency and public hospital agency to receive supplemental payments under the Medicaid program for physician and other professional services that are covered by the Medicaid program and provided to Medicaid recipients. The amount of the supplemental payments is equal to the difference between the Medicaid rates for the services and the average commercial rates for the services.

Note 1. Summary of Significant Accounting Policies (Continued)

Participating nonprofit and public hospital agencies are responsible for the State share of the program's costs and the Medicaid Director may terminate or adjust the amount of supplemental payments if funding for the program is inadequate. As the program develops, specific duties and goals to benefit Medicaid recipients will be defined.

For 2023, the System recorded CICIP program revenue of $60,537 which is included in net patient service revenue. At December 31, 2023, the System had a CICIP receivable of $12,139 and a CICIP payable of $1,124. The receivable and payable are included in the Statement of Net Position in other receivables and other current liabilities, respectively.

Charity care: The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Key elements used to determine eligibility include household income, real property and other assets. The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue.

The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of these services and supplies. The System has a presumptive charity program, which recognizes that there is a segment of the population that should fall within the guidelines of its charity programs, yet do not qualify due to failure to apply or failure to provide income documentation. The System's presumptive charity program seeks to identify and provide financial relief for those patients who would have qualified had their economic situation been known and documented. The System also contracts with an independent third party, which provides assistance in determining which patients qualify for presumptive charity.

The charges foregone for charity care provided by the System, totaled $200,698 in 2023, which represents 4.3% of gross charges and are not reported as revenue.

Grants: The System receives financial assistance from federal and state agencies in the United States in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Other such audits could be undertaken by federal and state granting agencies and result in the disallowance of claims and expenditures; however, in the opinion of management, any such disallowed claims or expenditures will not have a material effect on the overall financial position of the System.

Cash and cash equivalents: The System considers cash in its commercial checking accounts to be cash and cash equivalents.

Supplies: Medical and pharmaceutical supplies are stated at the lower of cost or market value on a first-in first-out basis.

Investments: The System generally records its investments at fair value in accordance with GASB Statement No. 72 – *Fair Value Measurement and Application*. Changes in unrealized gains and losses on investments are included in net investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted assets: Restricted assets are cash and cash equivalents and investments whose use is limited by legal requirements. Investments under bond indenture agreements represent amounts required by debt instruments to pay bond principal and interest and approved projects. Restricted cash and cash equivalents and special purpose investments represent monies received from donors or grantors to be used for specific purposes, primarily research. The System has elected to use restricted assets before unrestricted assets when an expense is incurred for a purpose for which both resources are available.

Fundraising revenues: Gifts, grants, and program income result from fundraising activities of the Foundation. Though donations are solicited for the Foundation, donors occasionally make their gifts directly to the System.

Contributions: The Foundation and CCH recognize contributions as revenue in the period in which the pledge (promise to give) is received. The Foundation and CCH recognize donated services as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

Annuity payment obligations: The Foundation has entered into gift annuity agreements which include provisions requiring the Foundation to pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, unrestricted assets of the Foundation will be utilized to fund future payments.

Income taxes: The Foundation and CCH are Ohio nonprofit corporations and were granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and therefore are exempt from income tax on related income pursuant to Section 501(a) of the Code. The Foundation and CCH are required to pay taxes on unrelated business income.

Capital assets: Capital assets are stated at cost and contributed capital assets are stated at their acquisition value at the date of contribution. Expenditures for equipment must exceed $5 per unit and expenditures for renovations must exceed $25 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation and amortization of assets recorded under capital lease (straight-line method) are provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives.

The following are the most commonly used estimated useful lives:

Buildings	25-40 years
Building improvements	5-20 years
Equipment	3-15 years
Land improvements	5-15 years
Vehicles	4 years

The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any income or loss resulting from this disposal is recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

Leases: The System recognizes lease assets and lease liabilities on the statement of net position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of revenues, expenses and changes in net position. At the commencement of the lease term, the System recognizes a lease liability and an intangible right-to-use asset. The System measures the lease liability at the present value of the payments expected to be made during the lease term.

The future lease payments are discounted using the rate implicit in the lease. If the interest rate cannot be readily determinable, the System's estimated incremental borrowing rate is used. In subsequent financial periods, the System calculates the amortization of the discount on the lease liability and reports that amount as an outflow of resources. The corresponding leased assets are measured at the amount of the initial measurement of the lease liability plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful lives of the underlying asset.

Subscription-Based Information Technology Arrangements (SBITA): All SBITAs except for those classified as short-term are treated similarly to leases under current accounting standards, with additional provisions for accounting for payments associated with preliminary project, initial implementation, and operational and additional implementation stages. Short-term SBITAs are defined as those that have a maximum possible term of 12 months or less, including any options to extend, regardless of the probability the option will be exercised. SBITAs which fall within the scope of GASB Statement No. 96 are classified similarly to leases which requires a software subscription user to recognize a SBITA liability and corresponding right-of-use asset. At the commencement of the subscription term, the SBITA liability or is measured at the present value of the lease payments.

Pensions: For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) Traditional, Combined and Member-Directed Plans and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they were reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) were recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position of the OPERS OPEB plan and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they were reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) were recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position: The System classifies its net position into three categories as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, other debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted – result when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of the remaining net position that does not meet the previously listed criteria.

Note 1. Summary of Significant Accounting Policies (Continued)

Bond premiums and discounts: The System uses the effective interest method to calculate bond premiums and discounts. Amortization related to bond premiums and discounts in 2023 was $1,610 and is recorded as a reduction to interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Concentrations of credit risk – patient accounts: Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the System's patients and payors. Patient accounts receivable consist of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Medicare and Medicaid accounted for approximately 29% and 23%, respectively, of the System's net patient accounts receivable. Excluding these payors, no other payor source represents more than 10% of the System's patient accounts receivable. The System maintains a provision for uncollectible accounts based on the expected collectability of patient accounts receivable.

Subsequent event: On February 21, 2024, Change Healthcare, a third-party service provider to the System, became aware of a cybersecurity incident (the "Incident") causing a disruption across the health care industry. The System uses Change Healthcare for certain clinical claims processing. As a result of the Incident, the System does not know what, if any, System data, including personally identifiable information (PII) and/or protected health information (PHI), that has been compromised as a result of the Incident. At this time, the System is not aware of any legal claims asserted against the System and is not able to predict if the Incident will have a material adverse effect on the System 's financial condition or results of operations.

On March 29, 2024, the System entered into an agreement to close its joint venture Senior & Rehab Care at MetroHealth LLC, and the related skilled nursing facility at MetroHealth's Old Brooklyn Senior Health and Wellness Center. Management estimates that the joint venture will cease operations by June 30, 2024.

The System has evaluated subsequent events for potential recognition and/or disclosure through April 3, 2024, the date the financial statements were available to be issued.

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements

GASB has issued the following statements that have been recently implemented by the System:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The System adopted this statement during the year ended December 31,2023, noting no significant impact to the financial statements.

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The System adopted this statement on January 1, 2023 and had a material impact on the financial statements. As of January 1, 2023, the financial statements were restated as follows: right of use SBITA assets increased by approximately $20 million and SBITA liabilities were increased by approximately $16 million.

GASB Statement No. 99, Omnibus 2022
The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The System adopted this statement during the year ended December 31, 2023, noting no significant impact to the financial statements.

GASB has recently issued the following statements not yet implemented by the System:

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The System has not yet determined the impact this statement will have on its financial statements

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The System has not yet determined the impact this statement will have on its financial statements.

(Dollars in Thousands)

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The System has not yet determined the impact this statement will have on its financial statements.

Note 3. Deposits and Investments

Deposits
All monies are deposited with the System's banks or trust companies as designated by the Board of Trustees. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts.

Guaranteed investment contracts (GICs): The System entered into two distinct investment contracts with separate banks yielding guaranteed fixed interest rates for its Series 2017 Bond Project and Capitalized Interest Payment Funds. Deposits totaling $830,670 were made into the two accounts on the bond settlement date of May 25, 2017. The Capitalized Interest Payment Fund had a fixed interest rate of 2.60% with earned interest payments posting semiannually through the agreement maturity date on February 14, 2023. The agreement had a schedule of required withdrawals that could not be accelerated and this agreement matured in February 2023. The Bond Project Fund bears a fixed interest rate of 2.54% with earnings reinvested each February 15 and August 15. The agreement terminates with respect to the funds at the earlier of the March 31, 2024 maturity date or the date the Bonds are no longer outstanding under the Indenture. The agreement may be extended by mutual written agreement. As of December 31, 2023, the Capitalized Interest Payment Fund and the Bond Project Fund had balances of $0 and $19,140 respectively.

The remaining GIC is classified as deposits and is an eligible holding in accordance with the Twelfth Supplemental Trust Indenture enacted May 1, 2017 between the County, acting by and through the System's Board of Trustees, and the bond trustee.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the System's deposits might not be recovered. FDIC insurance through December 31, 2023, for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. The System's investment policy does not address custodial credit risk. The System's bank deposits at December 31, 2023 totaled $192,892 and were subject to the following categories of custodial credit risk:

Uncollateralized	$ 157,902
Collateralized with securities held by the pledging institution's trust department, but not in the System's name	32,109
Total amount subject to custodial risk	190,011
Amount insured	2,881
Total bank balances	$ 192,892

Note 3. Deposits and Investments (Continued)

Investments

The System's investment policy was established in accordance with the provisions of Sections 339.06 and 339.061 of the Ohio Revised Code (ORC). The investment portfolio consists of both a Reserve Portfolio and a Non-Reserve Portfolio. Per section 339.061 of the Ohio revised code, at least 25% of the average amount of the System's investment portfolio over the course of the preceding fiscal year needs to be invested as a "reserve" in specific types of low-risk investment instruments. Investments in the Non-Reserve Portfolio have a long-term time horizon and are not needed for operations for at least seven years. The System is still in the process of transferring funds to the Non-Reserve Portfolio. The blended component units of the System are not required to adhere to the System's investment policy.

The System's investment policy authorizes the System to invest in the following investments within the Reserve Portfolio:

- Securities and obligations of the U.S. Treasury and other direct issuances of federal government agencies or instrumentalities.
- No-load money market mutual funds investing exclusively in the previously listed items, rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization (NRSRS); and repurchase agreements made through eligible institutions mentioned in section 135.32 of the ORC, secured by the previously listed items.
- Time certificates of deposit or savings accounts and deposit accounts in any eligible institution mentioned in section 135.32 of the ORC.
- Municipal and state bonds of Ohio or any political subdivisions of Ohio
- The Ohio subdivision's fund as provided in Section 135.45 of the ORC.
- Commercial paper notes that constitutes unsecured short-term debt on an entity defined in Division (D) of Section 1705.01 of the ORC and matures no later than 270 days from purchase date, the aggregate value of the commercial paper does not exceed 10% of the aggregate value of the outstanding paper of the entity, the paper is rated by at least two NRSRS and is rated in the highest classification and the entity has assets exceeding $500,000, and total combined investments in commercial paper and bankers acceptances does not exceed 40% of the System's average aggregate Reserve Portfolio, and the investment in commercial paper of a single issuer does not exceed in the aggregate 5% of the Reserve Portfolio.
- Bankers acceptances of banks that are insured by the FDIC, that mature no later than 180 days from purchase, are eligible for purchase by the Federal Reserve System, and the total combined investments in banker's acceptances and commercial paper does not exceed 40% of the System's average aggregate Reserve Portfolio.
- Notes issued by corporations incorporated in the United States and operating in the United States, the notes are rated in the second highest or higher category by at least two NRSRS at the time of purchase, mature in two years or less from the date of purchase, not to exceed 15% of the System's total average Reserve Portfolio.
- Securities lending agreements with any eligible institution mentioned in section 135.32 of the Revised Code that is a member of the federal reserve system or federal home loan bank or with any recognized United States securities dealer, under the terms of which agreements the System lends securities and the eligible institution or dealer agrees to simultaneously exchange similar securities or cash, equal value for equal value.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

- Debt interests rated at the time of purchase in the three highest categories by two NRSRS and issued by foreign nations diplomatically recognized by the U.S. government, where the investment made does not exceed 1% of a country's total average portfolio.
- A current unpaid or delinquent tax line of credit authorized under section (G) of the section 135.341 of the Revised Code, provided that all of the conditions for entering into such a line of credit under that division are met.

The System's investment policy authorizes the System to invest in the following investments within the Non-Reserve Portfolio:

- Any permissible investments previously described within the Reserve Portfolio.
- Fixed income investments that emphasize high quality (BBB- rating or higher) and the single issuer, excluding the US Treasury and Federal Government Agencies, does not exceed 10% of the market value of the Non-Reserve Portfolio. Permissible fixed income investments are U.S. government and U.S. government agency securities, corporate notes and bonds, mortgage-backed securities, preferred stock, fixed income securities of foreign governments and corporations, guaranteed investment contracts (GIC), and fixed income mutual funds and comingled pools.
- Equity investments of domestic and international common stocks, real estate investment trusts (REITs), convertible notes and bonds, convertible preferred stocks, and equity mutual funds or comingled pools. Stocks must emphasize companies with total market capitalizations exceeding $100 million and any individual commitment at the time or purchase should not represent more than 10% nor should a sector group exceed 50% of the portfolio's market value. International equity investments are limited to 20% of the Non-Reserve Portfolio balance, must be made through mutual funds or comingled structures, and cannot be weighed more than 50% to a single country. Cash equivalents are to be considered temporary and should not exceed 10% of a manager's portfolio.

As of December 31, 2023, the fair values of the System's investments and their ratings by Standard and Poor's were as follows:

		Investment Maturities	
	Total	Less than 1 year	1-5 years
U.S. Treasury Notes			
AA+	$ 89,087	$ 23,016	$ 66,071
Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Banks and Federal Farm Credit Banks			
AA+	108,833	15,658	93,175
Money Market Mutual Funds			
AAA	39,549	39,549	-
Total investments	$ 237,469	$ 78,223	$ 159,246

Deposits of $375 and unrated investments of $336,930 are included in investments on the Statement of Net Position at December 31, 2023. Of these investments, $141,322 are fixed income mutual funds. The underlying securities held by these funds have a weighted-average maturity of 5 years. Additionally, $35,660 of Money Market Mutual Funds are included in Restricted assets under bond indenture agreements on the Statement of Net Position.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

The System's carrying amounts of the deposits and investments at December 31, 2023 are as follows:

Deposits	$ 192,280
Investments	574,399
Total deposits and investments	$ 766,679

The difference between bank balances and financial statement carrying amounts represent outstanding checks payable and normal reconciling items.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following as of year ended December 31, 2023:

	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Debt Securities			
U.S. Treasury securities	$ 89,087	$ -	$ 89,087
U.S. Agency securities	108,833	-	108,833
Total debt securities	197,920	-	197,920
Money market mutual funds	39,549	39,549	-
Mutual funds	325,568	325,568	-
Certificates of deposit	956	-	956
Equities	10,406	10,297	109
Total investments measured at fair value	$ 574,399	$ 375,414	$ 198,985

Mutual funds and equities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Domestic equities and certificates of deposit, classified in Level 2 of the fair value hierarchy, are valued using prices quoted in active markets for similar assets.

Interest Rate Risk: The System's investment policy limits investment portfolios to maturities of five years or less. At December 31, 2023, the System's investments all have effective maturity dates of less than five years.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

Credit Risk: The System's investment policy limits the System to commercial paper investments with ratings only in the highest category and emphasizes high-quality fixed income investments within the Non-Reserve Portfolio, with an average portfolio rating of BBB- or higher. The System's blended component units do not have a credit risk policy or investments. At December 31, 2023, the System held no commercial paper investments.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. For the year ended December 31, 2023, the System is not exposed to custodial credit risk as it relates to its investment portfolio.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. This does not apply to debt securities explicitly guaranteed by the United States Treasury which are deemed to be "risk-free". The System's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security.

Investment policy asset class allocation guidelines, for the System's total investment portfolio and the Non-Reserve Portfolio are as follows:

	Total System Portfolio		Non-Reserve Portfolio	
Asset Class	Minimum %	Maximum %	Minimum %	Maximum %
Fixed Income / Cash & Cash Equivalents	60%	100%	0%	100%
Domestic Equity	0%	30%	0%	100%
International Equity	0%	10%	0%	20%

The overall investment portfolio is kept within the above specified ranges through portfolio rebalancing and cash flow considerations. Rebalancing is implemented not less than quarterly to maintain the asset allocation ranges.

The System's investment policy requires further diversification by limiting exposure to any one issuer, excluding U.S. government issued or backed securities, in the Non-Reserve Fund to 10% of the portfolio. Combined commercial paper notes and banker's acceptances is limited to 40% of the Reserve Portfolio balance. Investments of U.S. corporate notes is limited to 15% of the Reserve Portfolio.

(Dollars in Thousands)

Note 4. Capital Assets

The following summarizes changes in the capital assets of the System for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Capital assets not being depreciated				
Land	$ 23,794	$ 4,576	$ 285	$ 28,655
Construction in progress	294,401	110,797	(159,471)	245,727
Total non-depreciated capital assets	318,195	115,373	(159,186)	274,382
Depreciable capital assets				
Land improvements	13,989	11,933	(90)	25,832
Buildings and fixed equipment	1,362,724	91,415	(2,194)	1,451,945
Equipment	291,103	55,001	(56,118)	289,986
Total depreciable capital assets	1,667,816	158,349	(58,402)	1,767,763
Less accumulated depreciation				
Land improvements	(12,941)	(2,050)	88	(14,903)
Buildings and fixed equipment	(559,762)	(49,183)	1,427	(607,518)
Equipment	(207,278)	(33,112)	55,108	(185,282)
Total accumulated depreciation	(779,981)	(84,345)	56,623	(807,703)
Total depreciable capital assets, net	887,835	74,004	(1,779)	960,060
Total capital assets, net	$ 1,206,030	$ 189,377	$ (160,965)	$ 1,234,442

Total depreciation and amortization expense related to capital assets for 2023 was $84,345.

Note 5. Revolving Line of Credit

During 2023, the System renegotiated and extended a line of credit in place with one of its corporate banks. There is $100,000 available under the credit facility, which is unsecured and can be used for any working capital or liquidity management purposes. The term maturity date is April 22, 2026.

Advances under the line of credit may be Base Rate Advances or Secured Overnight Financing Rate (SOFR) Advances, or a combination thereof, as selected by the System. The applicable interest rate under Base Rate Advances is equal to the highest of (a) the Prime Rate, (b) one half of one percent (0.50%) in excess of the Federal Funds Effective Rate, (c) one percent (1.00%) in excess of Daily Simple SOFR, or (d) one percent (1.00%). The applicable interest rate under SOFR advances shall be the Daily Simple SOFR Rate plus SOFR Index Adjustment (0.10%) plus Applicable Margin (0.45%). Interest accrued on each advance is to be paid on each monthly payment date. Principal is due on the term maturity date. There were no draws or repayments as of December 31, 2023.

(Dollars in Thousands)

Note 5. Revolving Line of Credit (Continued)

The System is required to be compliant with certain financial and performance-related covenants. Upon the occurrence of any event of default, the System's obligations will immediately become due and payable and the obligation of the lender to make credits will automatically terminate.

Recovery Resources established a line of credit with Wells Fargo in 2015. The maximum amount of credit that would be extended is based on the eligible securities maintained in Wells Fargo accounts. Each security is assigned a loanable value as outlined in the agreement. The line bears interest at the base rate minus 2.25% (7.82% at December 31, 2023). At December 31, 2023, the outstanding balance under this line of credit was $1,643.

Revolving line of credit activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance
MetroHealth System, bank line of credit as defined in the respective agreement, extended in 2023	$ -	$ -	$ -	$ -
Recovery Resources, Wells Fargo line of credit as defined in the respective agreement, established in 2015	892	1,092	(341)	1,643
Revolving line of credit	$ 892	$ 1,092	$ (341)	$ 1,643

Note 6. Long-Term Debt

Information regarding the System's long-term debt activity and balances as of and for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Hospital Facilities Revenue Bonds, Series 2009B, bear interest at 8.2% and mature in varying amounts through 2040.	$ 75,000	$ -	$ -	$ 75,000	$ -
Hospital Revenue Bonds, Series 2017, bear fixed interest rates ranging from 4.0% to 5.5%, and mature in varying amounts through 2057.	945,660	-	(10,846)	934,814	11,410
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 5.1% and matures through 2025.	516	-	(205)	311	217
	1,021,176	-	(11,051)	1,010,125	11,627
Unamortized discounts and premiums	28,126	-	(1,610)	26,516	-
Long-term debt	$ 1,049,302	$ -	$ (12,661)	$ 1,036,641	$ 11,627

Note 6. Long-Term Debt (Continued)

Effective January 28, 2010, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $75,000 of Hospital Facilities Revenue Bonds, Taxable Series 2009B, (The MetroHealth System), (Build America Bonds – Direct Payment). Proceeds from the Series 2009B were used to pay for costs of hospital facilities, including three medical helicopters, the acquisition, construction and equipping of additional multi-specialty ambulatory centers in strategic locations, and additional scheduled equipment purchases and facilities renovations; funding the Bond Reserve Fund for the Series 2009B Bonds; and certain bond issuance costs. The Bonds bear interest at a fixed rate of 8.223% per annum and mature at various dates through 2040. As a qualified Build America Bond Issue, per terms of the federal government's American Recovery and Reinvestment Act of 2009, the System will apply to receive direct payments semiannually from the Secretary of the United States Treasury in the amount of 35% of the corresponding bond interest paid. Payments received from the Treasury are recorded in other non-operating revenue.

Effective May 25, 2017, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $945,660 of Hospital Revenue Bonds, Series 2017, (The MetroHealth System), (Series 2017 Bonds). Proceeds from the Series 2017 Bonds were used to refund the principal amounts of the Series 2015 Bonds maturing on February 1, 2018 through February 1, 2035, the Series 2012 Bonds principal amounts maturing on March 1, 2018 through March 1, 2033, and the Series 2011 Bonds principal amounts maturing on February 15, 2018 through February 15, 2019, payoff a loan associated with a capital lease, establish a bond interest payment fund, pay certain bond issuance costs, payoff a revolving line of credit which was drawn to fully refund the remaining Series 1997 Bonds, maturing on February 15, 2020 through February 15, 2027, and pay settlement costs associated with the early termination of two interest rate swap agreements. The remaining bond proceeds are being used to fund the System's transformation project.

The Series 2017 Bonds mature in varying amounts through February 15, 2057 and the interest rates are fixed and range between 4.0% and 5.5%. So long as the Series 2017 Bonds are outstanding, the System is required to be compliant with certain financial and performance-related covenants. For the year ended December 31, 2023, the first principal payment related to these bonds were made in the amount of $10,846.

The 2017 bond refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,311. The unamortized difference ($1,176 at December 31, 2023), reported in the accompanying financial statements as a deferred outflow of resources, is being amortized as an increase to interest expense through the year 2029.

The Series 2009B and 2017 Bonds were each issued pursuant to a supplemental trust bond indenture agreement between the County, acting by and through the System's Board of Trustees, and the bond trustee. The Series 2009B and 2017 Bonds are special obligations issued by the County payable solely from the revenue derived from the operation of the System and other monies available to the System's Board of Trustees. Accordingly, the bond proceeds and indebtedness have been recorded as assets and liabilities of the System.

The Twelfth Supplemental Trust Indenture provides for the establishment of a bond reserve fund and maintenance of certain special funds, which are maintained under the control of the bond trustee and are used for payment of principal and interest on the bonds when due. Under the Indenture an event of default may occur if principal, interest or any premium on any Bond is not paid when due, or if the System fails to perform or observe any covenant, agreement or obligation contained in the Indenture, subject to certain notice, duration, extension and cure provisions specified in the Indenture.

(Dollars in Thousands)

Note 6. Long-Term Debt (Continued)

Upon the occurrence of any event of default, the Trustee must, at the written request of the holders of not less than a majority, in aggregate principal amount of outstanding Bonds, and may, in other events, declare the principal of all outstanding Bonds to be immediately due and payable, together with accrued interest thereon.

To satisfy the bond reserve fund requirement Cuyahoga County has entered into an Irrevocable Letter of Credit for an amount not to exceed $63,622, expiring on April 22, 2026. Cuyahoga County is responsible for payment of the annual Letter of Credit Fee, up to a maximum of $350 per year, with any amount over the maximum to be paid by the System. Should the County fail to timely provide notice of renewal of the Letter of Credit prior to its scheduled termination date, the Trustee is required to draw down the full amount available to be drawn under the Letter of Credit and place the drawn funds into the Bond Reserve Fund. In the event there is a draw on the Letter of Credit, the System is required to repay Cuyahoga County in accordance with the terms of the payment agreement in which the County may reduce their appropriation to the System for the amount to be reimbursed. As of December 31, 2023, there were no draws on this Letter of Credit.

The System maintains a financed piece of equipment which expires during 2025. The asset and liability under a financed purchase is recorded at the lower of the present value of minimum payments or the fair value of the asset. Depreciation of the asset under a financed purchase is included in depreciation expense for the year ended December 31, 2023.

Following is a summary of property held under financed purchases at December 31, 2023:

Equipment	$ 10,166
Accumulated depreciation	(9,855)
	$ 311

The revenue bonds and equipment related financed purchases requirements for years subsequent to December 31, 2023, are as follows:

	Total Financed Purchases Obligations		Total Hospital Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	$ 217	$ 11	$ 11,410	$ 54,369
2025	94	1	11,995	53,784
2026	-	-	12,605	53,169
2027	-	-	13,255	52,523
2028	-	-	13,935	51,843
2029-2033	-	-	80,595	247,342
2034-2038	-	-	103,910	220,429
2039-2043	-	-	134,200	184,497
2044-2048	-	-	173,085	145,005
2049-2053	-	-	225,575	92,513
2054-2057	-	-	229,249	25,206
	$ 311	$ 12	1,009,814	$ 1,180,680
Unamortized premiums			26,516	
Total hospital revenue bonds, net			$ 1,036,330	

(Dollars in Thousands)

Note 7. Other Long-Term Liabilities

Amounts due to third-party payors: The System has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See Note 1, net patient service revenue, for additional information. As of December 31, 2023, the total liability for amounts due to third-party payors was $3,682. Amounts classified as 'due within one year' are based on historical communications and estimated timing of recoupment requests from third-party payors.

Accrued vacation and sick leave: System employees earn vacation and sick leave at varying rates depending on job classification and years of service. Employees can accumulate up to one and a half years of their earned vacation leave. All accumulated, unused vacation time is paid upon separation if the employee has completed 90 days of employment with the System. There is no limit on the amount of sick time earned. Upon retirement, employees with a minimum of 10 years of service have sick leave balances paid out at 50% of eligible hours at their current rate of pay. Depending on the employee's hire date the maximum payout is either 240 hours or 800 hours. As of December 31, 2023, the total liability for accrued vacation and sick leave was $65,141. Amounts classified as 'due within one year' are based on historical usage patterns.

Other long-term liabilities: The following summarizes changes in other long-term liabilities for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 4,388	$ 8,293	$ (8,999)	$ 3,682	$ 1,312
Accrued vacation and sick leave	60,358	75,743	(70,960)	65,141	6,652
	$ 64,746	$ 84,036	$ (79,959)	$ 68,823	$ 7,964

Risk management: The System is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System is self-insured for professional liability, employee health and worker's compensation but maintains commercial policies for property and casualty, automobile and aircraft (helicopter and fixed wing) insurance. The System manages certain insurance risks through Select Assurance Captive LLC (Select). See Note 12 for additional information. For 2023, coverage through Select included professional liability, worker's compensation, medical stop loss and cyber liability. The System also maintains excess coverage for professional liability and employee health claims. For professional liability and worker's compensation, professional actuarial consultants have been retained to determine funding requirements. Amounts funded for professional liability have been placed in an irrevocable self-insurance trust account, which is being administered by a trustee. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2023. Settled claims have not exceeded insurance coverage in any of the past three years.

During the normal course of its operations, the System has become a defendant in various legal actions. In the opinion of legal counsel and the System administration, the disposition of the pending cases will not have a material adverse effect of the financial condition or operations of the System. Losses from asserted claims and from unasserted claims identified under the System's incident reporting systems are recorded based on estimates that incorporate the System's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors.

(Dollars in Thousands)

Note 7. Other Long-Term Liabilities (Continued)

The liability for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims for 2023 and 2022 as follows:

	2023				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 5,600	$ 1,408	$ (1,573)	$ 5,435	$ 1,752
General and professional liability	39,043	3,786	(5,851)	36,978	10,814
Employee health	4,402	56,006	(57,372)	3,036	3,036
	$ 49,045	$ 61,200	$ (64,796)	$ 45,449	$ 15,602

	2022				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 5,509	$ 1,777	$ (1,686)	$ 5,600	$ 1,675
General and professional liability	40,141	3,451	(4,549)	39,043	11,215
Employee health	5,266	45,629	(46,493)	4,402	4,402
	$ 50,916	$ 50,857	$ (52,728)	$ 49,045	$ 17,292

The liabilities recorded for worker's compensation and general and professional liability as of December 31, 2023 and 2022 are undiscounted liabilities.

Note 8. Leases and Subscriptions

System as Lessee and Subscriptions

The System and its component units have entered into various noncancellable leases and subleases of real estate and equipment.

Additionally, the System has entered into various leasing arrangements with its related entities. The System subleases two real estate properties from Recovery Resources. The terms of these arrangements, including renewal periods extend to 2029. These amounts are eliminated upon consolidation. The System leases five real estate properties from CCH Development Corporation. The terms of these arrangements, including renewal periods, extend to 2096.

(Dollars in Thousands)

Note 8. Leases and Subscriptions (Continued)

Lease asset activity for year ended December 31, 2023, is summarized as follows:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Lease assets:				
Real estate	$ 95,853	$ 2,303	$ (734)	$ 97,422
Equipment	5,237	806	(742)	5,301
Total lease assets	101,090	3,109	(1,476)	102,723
Less accumulated amortization:				
Real estate	11,802	7,832	(181)	19,453
Equipment	761	1,107	(397)	1,471
Total accumulated amortization	12,563	8,939	(578)	20,924
Total lease assets, net	88,527	(5,830)	(898)	81,799
Subscription assets:	19,858	10,408	-	30,266
Less accumulated amortization:	-	8,586	-	8,586
Subscription assets, net	19,858	1,822	-	21,680
Total lease and subscription assets, net	$ 108,385	$ (4,008)	$ (898)	$ 103,479

Included within this beginning balance are subscriptions that have been reclassified from prepaid assets to right of use assets due to implementation of GASB Statement No.96. The carrying value of these assets at January 1, 2023 was $3,739.

Lease and subscription liability activity for the year ended December 31, 2023 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	$ 77,030	$ 3,152	$ (7,914)	$ 72,268	$ 6,850
Subscription liability	16,099	9,209	(8,877)	16,431	6,809
Total	$ 93,129	$ 12,361	$ (16,791)	$ 88,699	$ 13,659

(Dollars in Thousands)

Note 8. Leases and Subscriptions (Continued)

Future annual lease and subscription payment requirements of the System are as follows:

Future Lease Payments

	Principal	Interest	Total
2024	$ 6,850	$ 2,346	$ 9,196
2025	5,789	2,183	7,972
2026	4,918	2,042	6,960
2027	4,460	1,908	6,368
2028	3,900	1,793	5,693
2029-2033	41,844	1,736	43,580
2034-2038	2,800	516	3,316
2039-2043	950	177	1,127
2044-2048	552	84	636
2049-2052	205	6	211
	$ 72,268	$ 12,791	$ 85,059

Future Subscription Payments

	Principal	Interest	Total
2024	$ 6,809	$ 674	$ 7,483
2025	5,839	412	6,251
2026	2,062	155	2,217
2027	1,125	71	1,196
2028	146	26	172
2029-2033	450	37	487
	$ 16,431	$ 1,375	$ 17,806

During 2023, the outflows of resources recognized for variable payments not previously included in the measurement of the lease and subscription liabilities was $807 and $441, respectively. Variable payments not included in the measurement of the lease liability and subscription liability are based on volumes of equipment-related usage and the number of user licenses, respectively. Commitments under subscription arrangements before the commencement of the subscription are at minimum $47, with an additional $126 committed should the software not be in service as of the anniversary date of the arrangement.

System as Lessor

The System and its component units act as lessor for various noncancellable leasing and subleasing arrangements of real estate. The System leases building space to the Senior & Rehab Care at MetroHealth LLC, the terms of which extend to 2052. The System leases parking spaces to the CCH Development Corporation with terms extending to 2096. In addition, Lumina Imaging subleases building space to NEO Total Health and Wellness LLC through 2025.

Note 8. Leases and Subscription-Based IT Arrangements (Continued)

The System had a balance of $961 of lease receivables due within a year included within other receivables and $7,397 of long-term lease receivables included within other assets on the Statement of Net Position as of December 31, 2023. The System also had deferred inflows related to leases of $7,776 included within deferred inflows of resources on the Statement of Net Position as of December 31, 2023. The System recognized lease related revenue in the amount of $1,279 for the year ended December 31, 2023. Included in this revenue was interest revenue of $238.

During 2023, the inflows of resources recognized for variable payments not previously included in the measurement of the lease receivables was $4. Variable payments not included in the measurement of the lease receivable are based on either the tenant's prior year net sales or the lesser of a fixed percentage of 7.728% or the aggregate Consumer Price Index (CPI) increase over the most recent 60-month period of CPI statistics available.

Note 9. Benefit Plans

Pension: Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the Ohio Public Employees Retirement System (OPERS). The plans are the Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan; the Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan; and the Member-Directed Plan — a defined contribution pension plan in which the member invests both the member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Beginning January 1, 2022, new members may no longer select the Combined Plan and current members may no longer make a change to the Combined Plan. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. The Ohio Public Employees Retirement System issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Legislation: Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the Plan Statement in the OPERS 2022 ACFR for additional details.

Note 9. Benefit Plans (Continued)

Benefits in the Traditional Pension Plan for members are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Refer to the age-and-service tables located in the OPERS 2022 ACFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS for the first 35 years of service. A factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the annuitization of their benefit account (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Note 9. Benefit Plans (Continued)

Other benefits: Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, the member is eligible for an annual cost-of-living adjustment. This cost-of-living adjustment is calculated on the member's original base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3%. For those retiring on or after January 7, 2013, beginning in 2019, the adjustment is based on the average percentage increase in the Consumer Price Index (CPI), capped at 3%. A death benefit between five hundred and twenty-five hundred dollars, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Both employee and employer contribution rates are capped by State statute. For the years ended December 31, 2023 and 2022, the employee contribution rate was 10.0% of covered payroll and the System was required to contribute 14.0% of covered payroll for all covered benefits, including OPEB. A change in these caps requires action of both Houses of the General Assembly, and approval by the Governor. For years 2023 and 2022, member and employer contribution rates were consistent across all three plans. The System's contributions to OPERS for the year ended December 31, 2023 were $103,239 equal to the statutorily required contributions for each year, made up of $84,574 for the Traditional Pension Plan, $3,324 for the Combined Plan, and $15,341 for the Member-Directed Plan. Contributions for the Combined Plan and Member-Directed Plan include defined OPEB plan (RMA) contributions of $475 and $4,383 respectively; a total of $4,858 for the OPEB plan in 2023.

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

Pensions: At December 31, 2023, the System reported a liability of $1,037,575 for its proportionate share of the net pension liability related to the Traditional Pension Plan and an asset of $13,265, for its proportionate share of the net pension asset related to the Combined and Member-Directed Plans. The net pension liability and asset were measured as of December 31, 2022 and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability/asset was based on the System's contributions to the pension plan relative to contributions of all participating employers contributed to the Plan during the measurement period (year ended December 31, 2022). Although the pension asset and liability recognized in accordance with GASB Statement No. 68 meets the definition of an asset and liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the unfunded liability of the pension system as against the public employer and the employer cannot direct use of the pension asset. Additionally, there are no cash flows associated with the recognition of net pension assets, liabilities, deferrals and expense beyond the requirement to make statutory contributions.

At December 31, 2022, the System's proportion was 3.51% for the Traditional Pension Plan, which was an increase of .02 from its proportion measured as of December 31, 2021, and 5.16% for the Combined Plan, which was a decrease of .10 from its proportion measured as of December 31, 2021, and 14.21% for the Member-Directed Plan, which was an increase of .01 from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the System recognized pension expense for the Traditional Pension Plan of $165,642, the Combined Plan of $1,643 and the Member-Directed Plan of $10,394.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

At December 31, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Deferred Outflow of Resources				
Net difference between projected and actual earnings on pension plan investments	$ 295,742	$ 4,429	$ 521	$ 300,692
Difference between expected and actual experience	34,464	747	3,194	38,405
Changes in assumptions	10,960	805	71	11,836
Changes in proportionate share of contributions	6,890	182	-	7,072
System contributions subsequent to the measurement date	84,574	2,849	238	87,661
	$ 432,630	$ 9,012	$ 4,024	$ 445,666

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Deferred Inflow of Resources				
Difference between expected and actual experience	$ -	$ 1,737	$ -	$ 1,737
Changes in proportionate share of contributions	-	716	117	833
	$ -	$ 2,453	$ 117	$ 2,570

At December 31, 2023, the Traditional Pension Plan reported $84,574, the Combined Plan reported $2,849, and the Member-Directed Plan reported $238, as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Year ending December 31:			
2024	$ 46,446	$ 53	$ 514
2025	69,684	697	550
2026	87,051	1,040	563
2027	144,875	1,816	644
2028	-	(86)	362
Thereafter	-	190	1,036
Total	$ 348,056	$ 3,710	$ 3,669

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

Actuarial Assumptions – OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability (Traditional Plan) and pension asset (Combined Plan and Member-Directed Plan) were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. In 2021, the OPERS Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% to 6.9%, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, reflecting experience study results, are presented in the following table.

Actuarial Information	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Valuation Date	December 31, 2022	December 31, 2022	December 31, 2022
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Actuarial Assumptions			
Investment Rate of Return	6.90%	6.90%	6.90%
Wage Inflation	2.75%	2.75%	2.75%
Projected Salary Increases*	2.75%-10.75% (includes wage inflation at 2.75%)	2.75%-8.25% (includes wage inflation at 2.75%)	2.75%-8.25% (includes wage inflation at 2.75%)
Cost-of-living Adjustments*	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 3.0% Simple through 2023, then 2.05% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 3.0% Simple through 2023, then 2.05% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 3.0% Simple through 2023, then 2.05% Simple

*At the December 31, 2021 valuation date, for the Combined and Member-Directed Plans, Projected Salary Increases were between 3.25% and 8.25%. The Cost-of-living Adjustments assumption for the three plans for Post 1/7/13 Retirees was 3.00% Simple through 2022, then 2.05% Simple.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the OPERS Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation as of December 31, 2022	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00 %	2.62 %
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other Investments	5.00	3.27
Total	100.00 %	

OPERS manages investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all the plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1% for 2022.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. Additional information supporting the preparation of the Schedules of Collective Pension Amounts and Employer Allocations (including the disclosures of the net pension liability (asset) required supplementary information on the net position liability (asset), and the unmodified audit opinion on the combined financial statements) is located at OPERS 2022 ACFR. This ACFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

The following table presents the December 31, 2023 net pension liability or asset calculated using the discount rate of 6.9%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate			
Net Pension Liability (Asset)	**1% Decrease 5.9%**	**Current Discount Rate 6.9%**	**1% Increase 7.9%**
All Plans	$1,547,199	$1,024,310	$589,612
Traditional Pension Plan	$1,554,253	$1,037,575	$607,792
Combined Plan	($6,343)	($12,154)	($16,759)
Member-Directed Plan	($711)	($1,111)	($1,421)

The Member-Directed Plan is a defined contribution pension plan allowing members at retirement to have the option to convert their defined contribution account to a defined benefit annuity. The purchased defined benefit annuities under this plan were immaterial to the System and immaterial from a GASB 68 perspective to the System's financial statements as of December 31, 2023.

Other Post-retirement benefits: OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit based on criteria established by GASB. Please see the Plan Statement in the OPERS 2022 ACFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Note 9. Benefit Plans (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For the years ended December 31, 2023 and 2022, State and Local employers contributed, at a combined rate for pension and OPEB, 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care. In 2023, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0.0% and for the Combined Plan was 2.0%. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2023 was 4.0%. The System's contributions for 2023 used to fund post-retirement healthcare benefits was $4,858, which is included in the System's contractually required contribution of $103,239 for the year ended December 31, 2023.

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

At December 31, 2023, the System reported a liability of $25,200 for its proportionate share of the OPERS collective net OPEB liability. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of December 31, 2021, with a rolled-forward measurement date of December 31, 2022. The System's proportion of the net OPEB liability was based on contributions to the OPEB plan relative to contributions of all participating employers contributed to the Plan during the measurement period (year ended December 31, 2022). Although the assets (liabilities) recognized under GASB Statements No. 68 and 75 meet the GASB definition of an asset (liability) in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer, and the employer cannot direct the use of the OPEB assets. Additionally, there are no cash flows associated with the recognition of net pension and net OPEB assets (liabilities), deferrals and expenses beyond the requirement to make statutory contributions.

At December 31, 2022, the System's proportionate share of the OPERS net OPEB asset was 4.00%, an increase of .02 from the System's December 31, 2021 proportionate share of 3.98%. For the year ended December 31, 2023, the System recognized an OPEB benefit of ($37,039).

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

At December 31, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 50,048	$ -
Difference between expected and actual experience	-	6,286
Change in assumptions	24,614	2,025
Changes in proportionate share of contributions	1,858	946
System contributions subsequent to the measurement date	475	-
	$ 76,995	$ 9,257

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	
2024	$ 9,171
2025	18,308
2026	15,607
2027	24,177
Total	$ 67,263

Actuarial Assumptions – OPEB Liability Valuation

Key Methods and Assumptions Used in Valuation of Total OPEB Liablity	
Actuarial Information	
Actuarial Valuation Date	December 31, 2021
Rolled-Forward Measurement Date	December 31, 2022
Experience Study	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions	
Single Discount Rate*	5.22%
Investment Rate of Return	6.00%
Municipal Bond Rate*	4.05%
Wage Inflation	2.75%
Projected Salary Increases	2.75%-10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate*	5.50% initial, 3.50% ultimate in 2036

*At the December 31, 2021 rolled-forward measurement date, the Single Discount Rate was 6.00%, the Municipal Bond Rate assumption was 1.84%, and the Health Care Cost Trend Rate was 5.50% initial, 3.50% ultimate in 2034.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2022, a decrease of 0.78% from the previous rate of 6.00% on the measurement date December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

The allocation of investments within the Health Care portfolio is approved by the OPERS Board as outlined in its annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on OPERS Health Care portfolio assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation as of December 31, 2022	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	2.56 %
Domestic Equities	26.00	4.60
REITs	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other Investments	6.00	1.84
Total	100.00 %	

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighed rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

The following table presents the December 31, 2023 net OPEB liability calculated using the discount rate of 5.22%, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 4.22%	Current Discount Rate 5.22%	1% Increase 6.22%
Net OPEB Liability (Asset)	$85,770	$25,200	($24,780)

Changes in the health care cost trend rate may also have a significant impact on the System's net OPEB liability. The following table presents the December 31, 2023 net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rate			
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	$23,621	$25,200	$26,978

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

(Dollars in Thousands)

Note 10. Restricted, Expendable and Nonexpendable Net Position

The System has a restricted expendable net position that is restricted by the supplemental trust bond indenture and other external parties for specific purposes. In addition, the System has a restricted nonexpendable net position related to Recovery Resources' general operations and educational activities. The net position is restricted for the following purposes at December 31, 2023:

Restricted, debt service payments	$	15,165
Restricted, capital asset use		2,250
Restricted, program activities		6,087
Restricted, nonspendable		1,550
Total	$	25,052

Note 11. Related Party Transactions

The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) are legally separate nonprofit organizations organized for the purpose of providing support to The MetroHealth System and its community. Both the Foundation and CCH are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's purpose is to raise charitable funds and receive grants in support of the System's projects and goals. In 2023, the System received support from the Foundation totaling $10,519 which is recorded in other revenue and capital grants and gifts on the System's Statement of Revenues, Expenses, and Changes in Net Position. The outstanding receivable from the Foundation was $922 at December 31, 2023 which is included in other receivables – related party on the System's Statement of Net Position.

The System provided the Foundation in-kind support totaling $3,838 in 2023. This support covered the direct expenses of the Development Department and indirect expenses for the use of space and support departments such as information services and environmental services.

As of December 31, 2023, the fair values of the Foundation's investments were as follows:

Money market funds	$	6,426
Pooled investment fund		5,678
Mutual funds		67,250
Common stock		1
Limited partnerships interests		30
Total investments	$	79,385

The Foundation's net investment income for the year ended December 31, 2023 consisted of the following:

Interest and dividends	$	1,753
Net realized and unrealized gains		8,985
Less: investment management fees		(89)
	$	10,649

(Dollars in Thousands)

Note 11. Related Party Transactions (Continued)

The Foundation has a restricted expendable net position that is restricted by the donors or grantors to a specific time or purpose. The net position is restricted for the following purposes at December 31, 2023:

Programmatic activities of The MetroHealth System	$ 33,127
Time restrictions	2,341
Total	$ 35,468

The Foundation has restricted, nonexpendable net positions in the amounts of $21,988 at December 31, 2023 that are restricted in perpetuity, the income from which is expendable to support the programmatic activities of The MetroHealth System.

CCH was formed for the benefit of, and to support the System's community through economic and community development. The outstanding payable to the System was $638 at December 31, 2023 which is included in accounts payable – related party on the System's Statement of Net Position.

The following summarizes changes in the capital assets of CCH for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Nondepreciable capital assets:				
Land	$ 4,580	$ -	$ -	$ 4,580
Depreciable capital assets:				
Buildings and fixed equipment	49,973	-	-	49,973
Total capital assets	54,553	-	-	54,553
Less accumulated depreciation				
Buildings and fixed equipment	(1,555)	(1,750)	-	(3,305)
Total capital assets, net	$ 52,998	$ (1,750)	$ -	$ 51,248

Total depreciation and amortization expense related to capital assets for 2023 was $1,750.

On December 4, 2019, CCH executed a mortgage loan agreement with KeyBank for $4,800. The proceeds of the loan were used to finance a capital acquisition and further develop the property which was subsequently leased to the System. The loan is collateralized by the capital acquisition and has a fixed interest rate of 3.13%. The loan requires monthly principal and interest payments, is set to mature on December 3, 2029 and is subject to financial covenants. The outstanding loan balance was $2,880 at December 31, 2023.

On June 29, 2022, CCH executed a mortgage loan agreement with KeyBank for $41,220. The proceeds of the loan were used to finance a capital acquisition, which was subsequently leased to the System. The loan is collateralized by the capital acquisition and has a fixed interest rate of 4.38%. The loan requires annual principal and semiannual interest payments, is set to mature on June 29, 2029 and is subject to financial covenants. The outstanding loan balance was $40,597 at December 31, 2023.

(Dollars in Thousands)

Note 11. Related Party Transactions (Continued)

Additionally, also included in long-term debt on the Statement of Net Position is the balance of three promissory notes executed with MetroHealth Holdings, LLC totaling $3,599. The first, in the amount of $1,549, accrues interest at 3.57% with principal and interest payment due June 27, 2028. The original note of $1,355 due on June 27, 2023, was extended five years and had an interest rate of 2.86%. The second, in the amount of $1,500, accrues interest at 2.37% with principal and interest payment due May 13, 2024. The third, in the amount of $550, accrues interest at 0.38% with principal and interest payment due October 13, 2025. Each of the notes may be prepaid all or in part at any time without penalty. The corresponding notes receivable is included in other assets on the System's Statement of Net Position.

The loan payment requirements for years subsequent to December 31, 2023 are as follows:

	Principal	Interest
2024	$ 2,631	$ 1,998
2025	1,715	1,828
2026	1,197	1,774
2027	1,234	1,726
2028	2,820	1,976
2029	37,479	944
	$ 47,076	$ 10,246

Senior & Rehab Care at MetroHealth LLC: The System has an equity interest in Senior & Rehab Care at MetroHealth LLC, which is recorded as Equity Interest in Joint Ventures on the System's Statement of Net Position. At December 31, 2023, the System's equity interest in the joint venture was $1,588. As of December 31, 2023, Senior & Rehab Care at MetroHealth LLC is accumulating some fiscal stress, but the System does not anticipate it imposing a material financial burden. Separately issued financial statements can be obtained by writing to Promedica, 100 Madison Avenue, Toledo, OH 43604, Attention: Finance Department.

Visiting Nurse Association Healthcare Partners of Ohio: The System has an equity interest in Visiting Nurse Association Healthcare Partners of Ohio, which is recorded as Equity Interest in Joint Ventures on the System's Statement of Net Position. At December 31, 2023, the System's equity interest in the joint venture was $3,604. Separately issued financial statements can be obtained by writing to VNA Health Group, 23 Main Street, Holmdel, NJ 07733, Attention: Finance Department.

NEO Total Health and Wellness LLC: The System has an equity interest in NEO Total Health and Wellness LLC, which is recorded as Equity Interest in Joint Ventures on the System's Statement of Net Position. At December 31, 2023, the System's equity interest in the joint venture was $1,881. Separately issued financial statements can be obtained by writing to The MetroHealth System, 2500 MetroHealth Drive, Cleveland, OH 44109, Attention: Finance Department.

CCF/MHS Renal Care Company, LTD: The System has an equity interest in CCF/MHS Renal Care Company, LTD, which is recorded as Equity Interest in Joint Ventures on the System's Statement of Net Position. At December 31, 2023, the System's equity interest was $8,610. Separately issued financial statements can be obtained by writing to Fresenius Kidney Care, 3500 Lacey Road, Downers Grove, IL 60515, Attention: Finance Department.

(Dollars in Thousands)

Note 12. Blended Component Unit Disclosures

The following is condensed combining information for the System's blended component units for the year ended December 31, 2023:

Condensed Combining Information:	**Select Assurance Captive LLC**	**Recovery Resources**	**Lumina Imaging**	**MetroHealth Ventures LLC**	**MetroHealth Holdings LLC**	**MHS Purchasing LLC**
Condensed statement of net position:						
Current assets						
Cash and cash equivalents	$ 15,227	$ 665	$ 103	$ 1,209	$ 16,155	$ 1,487
Receivables - related party	306	762	-	569	-	-
Other current assets	161	744	367	-	160	391
Noncurrent assets						
Capital assets	-	802	2,434	-	-	-
Right-of-use assets	-	2,873	1,353	-	-	-
Other assets	98,106	5,782	54	1,508	14,090	5,799
Total assets	113,800	11,628	4,311	3,286	30,405	7,677
Current liabilities						
Other current liabilities	11,687	2,904	657	500	-	287
Other current liabilities - related party	306	-	-	-	-	-
Payables - related party	3,293	285	1,600	-	-	-
Long-term liabilities	27,954	2,968	1,453	-	-	143
Total liabilities	43,240	6,157	3,710	500	-	430
Total deferred inflows of resources	-	-	37	-	-	-
Condensed statement of net position:						
Net investment in capital assets	-	222	2,052	-	-	-
Restricted, program activities	-	579	-	-	-	-
Restricted, nonspendable	-	1,550	-	-	-	-
Unrestricted	70,560	3,120	(1,488)	2,786	30,405	7,247
Total net position	$ 70,560	$ 5,471	$ 564	$ 2,786	$ 30,405	$ 7,247

(Dollars in Thousands)

Note 12. Blended Component Unit Disclosures (Continued)

Condensed Combining Information:	Select Assurance Captive LLC	Recovery Resources	Lumina Imaging	MetroHealth Ventures LLC	MetroHealth Holdings LLC	MHS Purchasing LLC
Condensed statement of revenues, expenses and changes in net position:						
Operating revenues:						
Net patient service revenue	$ -	$ 511	$ 1,625	$ -	$ -	$ -
Other revenue	-	3,582	21	69	-	-
Other revenue - related party	13,313	5,203	69	-	-	-
Operating expenses:						
Salaries and wages	-	5,665	946	-	-	-
Other expenses	4,607	3,945	1,494	-	-	-
Other expenses - related party	1,592	285	736	-	-	-
Depreciation and amortization	-	613	621	-	-	-
Operating income (loss)	7,114	(1,212)	(2,082)	69	-	-
Non-operating revenues (expenses):						
Net investment income	12,084	922	-	(98)	85	(2,653)
Other non-operating revenue (expense)	-	182	-	(261)	919	-
Other non-operating revenue - related party	-	-	2,842	1,750	1,818	-
Interest expense	-	(145)	(54)	-	-	-
Change in net position	19,198	(253)	706	1,460	2,822	(2,653)
Beginning net position	51,362	5,724	(142)	1,326	27,583	9,900
Ending net position	$ 70,560	$ 5,471	$ 564	$ 2,786	$ 30,405	$ 7,247
Condensed statement of cash flows:						
Net cash provided (used) by:						
Operating activities	$ 6,358	$ (459)	$ (961)	$ -	$ -	$ -
Noncapital financing activities	-	842	142	1,250	1,168	-
Capital and related financing activities	-	(680)	876	-	-	-
Investing activities	(4,479)	403	-	(1,207)	1,184	443
Beginning cash and cash equivalent balances	13,348	559	46	1,166	13,803	1,044
Ending cash and cash equivalent balances	$ 15,227	$ 665	$ 103	$ 1,209	$ 16,155	$ 1,487

Collaborative Care Partners LLC had no activity as of December 31, 2023.

Note 13. Commitments and Contingencies

Purchase Commitments: As of December 31, 2023, the System had commitments for various projects totaling approximately $30,266. Projects with large commitments include $19,441 for the new outpatient building upgrade; $5,374 for building upgrades to the Parma Medical Center; $2,827 for upgraded medical equipment; and $2,623 for building upgrades to the Beachwood Medical Center. Of this total, $7,963 of the outpatient building construction are being funded by the Series 2017 Bond project funds and the remaining projects are funded through operating funds.

Regulatory Environment Including Fraud and Abuse Matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

(Dollars in Thousands)

Note 13. Commitments and Contingencies (Continued)

Due to the information technology systems used by the System and/or our third-party vendors, the System may often be the target of cyber-attacks and other security threats which could cause significant disruption in the System business. Programs are in place which are intended to detect, contain, and respond to data security incidents and provide employee awareness training regarding phishing, malware and other cyber risks to protect against cyber risks and security breaches. However, because the techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and are increasing in sophistication, the System may be unable to anticipate these techniques, detect breaches or implement adequate preventive measures and may be subject to breaches of our information technology systems or business interruption.

Note 14. Foundation Liquidity and Functional Expenses

As the Foundation's basis of presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958: *Financial Statements of Not-for-Profit Organizations*, the entity is required to disclose an assessment of liquidity at year end and a summarization of the costs of program and supporting service activities on both a functional and natural classification basis. See Note 1 for further disclosure regarding the inclusion of the Foundation in the reporting entity.

Liquidity: The following table reflects the Foundation's financial assets reduced by amounts not available for general expenditures within one year as of December 31, 2023:

Financial assets:	
Cash and cash equivalents	$ 3,221
Accounts receivable, net	4,216
Other receivables	310
Investments	79,385
Financial assets, at year-end	$ 87,132
Less those not available for general expenditures within one year:	
Promises to give, restricted by donors, supporting the mission of The MetroHealth System	$ (2,624)
Original donor-restricted gift, amounts required to be maintained in perpetuity by donor and accumulated investment gains	(31,509)
Less: earnings to be utilized within one year	675
Funds functioning as endowment funds	(2,598)
Board-designated funds	(10,920)
Less: board-designated funds expected to be utilized within one year	450
Subject to expenditure for specified purpose	(21,493)
Less purpose-restricted funds expected to be released within one year	7,500
Investments held in annuity reserves	(534)
	(61,053)
Financial assets available to meet cash needs for general expenditures within one year	$ 26,079

(Dollars in Thousands)

Note 14. Foundation Liquidity and Functional Expenses (Continued)

Functional expenses: The following table presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy on a square footage basis, as well as salaries, wages and benefits, professional services, and other, which are allocated based on time and effort.

	Grantmaking Program	Management and General	Fundraising	Total
Grants and other assistance	$ 8,498	$ -	$ -	$ 8,498
Salaries, wages and benefits	-	471	2,442	2,913
Purchased services	-	155	187	342
Occupancy and related overhead	-	143	758	901
Other	-	82	168	250
Total expenses	**$ 8,498**	**$ 851**	**$ 3,555**	**$ 12,904**

Required Supplementary Information

Schedules of Required Supplementary Information

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Traditional Pension Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 84,574	$ 76,382	$ 70,111	$ 66,169	$ 65,221	$ 61,686	$ 54,109	$ 48,676	$ 44,022	$ 42,107
Contributions in relation to the contractually required contributions	(84,574)	(76,382)	(70,111)	(66,169)	(65,221)	(61,686)	(54,109)	(48,676)	(44,022)	(42,107)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	604,100	545,586	500,793	472,636	465,864	440,614	416,221	405,636	366,850	350,890
Contributions as a percentage of employee covered payroll	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Combined Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 2,849	$ 3,129	$ 3,353	$ 3,051	$ 2,994	$ 2,826	$ 2,391	$ 2,153	$ 1,832	$ 1,585
Contributions in relation to the contractually required contributions	(2,849)	(3,129)	(3,353)	(3,051)	(2,994)	(2,826)	(2,391)	(2,153)	(1,832)	(1,585)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 23,742	$ 24,069	$ 23,950	$ 21,793	$ 21,386	$ 20,186	$ 18,393	$ 17,943	$ 15,264	$ 13,207
Contributions as a percentage of employee covered payroll	12.0%	13.0%	14.0%	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Member-Directed Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 10,958	$ 9,614	$ 9,107	$ 8,361	$ 7,970	$ 7,696	$ 7,302	$ 6,771	$ 5,558	not available
Contributions in relation to the contractually required contributions	(10,958)	(9,614)	(9,107)	(8,361)	(7,970)	(7,696)	(7,302)	(6,771)	(5,558)	not available
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 109,580	$ 96,140	$ 91,070	$ 83,610	$ 79,700	$ 76,960	$ 73,021	$ 71,273	$ 58,497	not available
Contributions as a percentage of employee covered payroll	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	9.5%	9.5%	14.0%

Schedules of Required Supplementary Information

Schedule of System's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) Traditional Pension Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension liability	3.51%	3.49%	3.35%	3.31%	3.26%	3.17%	3.20%	2.95%	2.89%	2.87%
System's proportionate share of the net pension liability	$ 1,037,575	$ 304,075	$ 496,483	$ 654,172	$ 892,828	$ 497,132	$ 726,077	$ 510,316	$ 348,619	$ 295,647
System's covered-employee payroll	$ 545,586	$ 500,793	$ 472,636	$ 465,864	$ 440,614	$ 416,221	$ 405,636	$ 366,850	$ 350,890	$ 332,450
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190.18%	60.72%	105.05%	140.42%	202.63%	119.44%	179.00%	139.11%	99.35%	88.93%
Plan fiduciary net position as a percentage of total pension liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	not available

Schedule of the System's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) Combined Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	5.16%	5.26%	4.96%	4.81%	4.72%	4.54%	4.67%	4.20%	3.78%	3.36%
System's proportionate share of the net pension asset	$ 12,154	$ 20,737	$ 14,307	$ 10,033	$ 5,282	$ 6,187	$ 2,600	$ 2,046	$ 1,454	$ 2,034
System's covered-employee payroll	$ 24,069	$ 23,950	$ 21,793	$ 21,386	$ 20,186	$ 18,393	$ 17,943	$ 15,264	$ 13,207	$ 11,821
System's proportionate share of the net pension asset as a percentage of its covered-employee payroll	50.50%	86.58%	65.65%	46.91%	26.17%	33.64%	14.49%	13.41%	11.01%	17.21%
Plan fiduciary net position as a percentage of total pension asset	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	not available

Schedule of the System's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) Member-Directed Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	14.21%	14.20%	13.98%	13.48%	13.51%	13.47%	13.84%	12.28%	12.33%	not available
System's proportionate share of the net pension asset	$ 1,111	$ 2,579	$ 2,548	$ 509	$ 308	$ 470	$ 58	$ 47	$ 73	not available
System's covered-employee payroll	$ 96,140	$ 91,070	$ 83,610	$ 79,700	$ 76,960	$ 73,021	$ 71,273	$ 58,497	not available	not available
System's proportionate share of the net pension asset as a percentage of its covered-employee payroll	1.16%	2.83%	3.05%	0.64%	0.40%	0.64%	0.08%	0.08%	not available	not available
Plan fiduciary net position as a percentage of total pension asset	126.74%	171.84%	188.21%	118.84%	113.42%	124.46%	103.40%	103.91%	not available	not available

* The System has presented as many years as information is available.

Schedules of Required Supplementary Information

Schedule of System's OPEB Contributions
Ohio Public Employees Retirement System (OPERS)
Last 10 Fiscal Years
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 4,858	$ 4,086	$ 3,643	$ 3,344	$ 3,188	$ 3,078	$ 7,267	$ 11,679	$ 10,274	$ 7,351
Contributions in relation to the contractually required contributions	(4,858)	(4,086)	(3,643)	(3,344)	(3,188)	(3,078)	(7,267)	(11,679)	(10,274)	(7,351)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 737,422	$ 665,795	$ 615,813	$ 578,039	$ 566,950	$ 537,760	$ 507,635	$ 494,852	$ 440,611	not available
Contributions as a percentage of employee covered payroll	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	1.4%	2.4%	2.3%	not available

Schedule of the System's Proportionate Share of the Net OPEB Asset (Liability)
Ohio Public Employees Retirement System (OPERS)
Last 10 Fiscal Years*
(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017
System's proportion of the net OPEB asset (liability)	4.00%	3.98%	3.82%	3.75%	3.71%	3.61%
System's proportionate share of the net OPEB asset (liability)	#REF!	$ 124,584	$ 68,093	$ (518,601)	$ (483,355)	$ (392,047)
System's covered-employee payroll	$ 665,795	$ 615,813	$ 578,039	$ 566,950	$ 537,760	$ 507,635
System's proportionate share of the net OPEB asset (liability) as a percentage of its covered-employee payroll	#REF!	20.23%	11.78%	91.47%	89.88%	77.23%
Plan fiduciary net position as a percentage of total OPEB asset (liability)	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%

*The System has presented as many years of information as is available.

Factors Significantly Affecting Tends in Reported Amounts

For the year ended December 31, 2023
Beginning January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to the Combined Plan. The plan retains all plan design features with no changes for current participants. Changes in the Pension actuarial assumptions include projected salary increases from 3.25%-8.25% to 2.75%-8.25% for the Combined and Member-Deirected Plans. Changes in OPEB actuarial assumptions include the single discount rate changing from 6.00 to 5.22%, the municipal bond rate assumption changing from 1.84% to 4.05%.

For the year ended December 31, 2022

In 2021, a five-year experience study was completed for the period January 1, 2016 through December 31,2020. The OPERS Board adopted changes to the demographic and economic assumptions for pension and healthcare as a result of the study. One key trend in the demographic portion of the study is the continued reduction in disability rates resulting from changes in the disability program that encourage disabled participants to seek rehabilitation and return to work. The most notable changes in economic assumptions were a reduction in the long-term pension investment return assumption from 7.2% to 6.9%, a reduction in the long-term expected wage inflation from 3.25% to 2.75%, and a reduction in long-term expected price inflation from 2.50% to 2.35%.

For the year ended December 31, 2021

There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2020, except for the following: In January 2020, the OPERS Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation, which significantly decreased the total OPEB liability.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Uniform Guidance Audit Requirements

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security (Federal Emergency Management Agency):				
Pass -Through Program from the Ohio Emergency Management Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW174, PW375, PW381	$ -	$ 4,008,343
TOTAL - U.S. Department of Homeland Security - Pass- Through Program			**-**	**4,008,343**
Center for Disease Control and Prevention:				
Improving the Health of Americans Through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		-	20,179
TOTAL - Center for Disease Control and Prevention- Direct Program			**-**	**20,179**
National Endowment for the Humanities:				
Promotion of the Arts Grants to Organizations and Individuals	45.024		-	43,685
TOTAL - National Endowment for the Humanities - Direct Program			**-**	**43,685**
U.S. Department of Health & Human Services:				
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		24,961	60,146
Public Health Training Centers Program	93.516		428,332	731,502
Grants for New and Expanded Services under the Health Center Program - Health Center Program Cluster	93.527		-	364,103
Teaching Health Center Graduate Medical Education Payments Program	93.530		-	120,245
TOTAL - U.S. Department of Health & Human Services - Direct Programs			**453,293**	**1,275,996**
U.S. Department of Health & Human Services:				
Pass-Through Programs from the Cuyahoga County Board of Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	51884, 53029	-	190,000
Injury Prevention and Control Research and State and Community Based Programs	93.136	5NU17CE925005-03-03 1NH28CE003558-01-00	-	1,184,173
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B	93.686	UT8HA33929	-	255,405
HIV Emergency Relief Project Grants	93.914	H89HA23812	-	1,284,793
HIV Prevention Activities Health Department Based	93.940	PS20-2010 1NU62PS924637-01	-	222,708
Pass-Through Program from the Mental Health and Addiction Services Board:				
Opioid STR	93.788	2200411, 2300562, 2300801, 2400666	-	319,455
Pass-Through Programs from Ohio Department of Health:				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	6 NU90TP922193-01-01	-	1,400,401
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	1830011010123	-	329,904
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	01830014HD1623 01830014HD1724	-	221,373
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	01830011MH0723 01830011MH0824	-	724,785
HIV Care Formula Grants	93.917	01830012RW1222 01830012RW1323	-	237,094

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Pass-Through Program from the Center for Health Affairs:				
National Bioterrorism Hospital Preparedness Program	93.889	01860052RP1522 01860052RP1623	$ -	$ 44,599
Pass-Through Program from University Hospitals:				
Mental and Behavioral Health Education and Training Grants	93.732	63CDF352-5B42-4EF2-B88E-85FA27	-	208,460
Pass-Through Program from The Ohio State University:				
Maternal and Child Health Federal Consolidated Programs	93.110	SPC-1000007194 GR129552	-	4,039
Pass-Through Program from Rutgers:				
Maternal and Child Health Federal Consolidated Programs	93.110	4U3DMC32755-03-02	-	7,719
Pass-Through Program from City of Cleveland Department of Public Health:				
Healthy Start Initiative	93.926	CT5005-562022-0061 CT5008-SG2023-0068 H49MC00082	-	138,048
Pass-Through Program from Northeast Ohio Medical University:				
PPHF Geriatric Education Centers	93.969	5U1QHP33073, GO274-AA	-	18,876
TOTAL - U.S. Department of Health & Human Services Pass Through Programs			**-**	**6,791,832**
TOTAL - U.S. Department of Health & Human Services Programs			**-**	**8,067,828**
U.S. Department of Agriculture:				
Pass -Through Program from the Ohio Department of Health:				
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1830011WA1623 1830011WA1724	$ -	3,110,686
TOTAL - U.S. Department of Agriculture Pass-Through Program			**-**	**3,110,686**
U.S. Department of Justice:				
Pass-Through Programs from the Ohio Attorney General:				
Crime Victim Assistance	16.575	2023-VOCA-135105100 2024-VOCA-135500834	-	546,209
Pass-Through Program from the Office of Criminal Justice Services:				
Comprehensive Opioid, Stimulant, and Other Substances Abuse Program	16.838	2021-CS-LEF-512A	-	402,002
COVID19: Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-AR-CVI-1182	-	133,405
TOTAL - U.S. Department of Justice Direct Pass-Through Programs			**-**	**1,081,616**
Research and Development Cluster				
U.S. Department of Defense:				
Pass-Through Program from University of Miami:				
Military Medical Research and Development	12.420	W81XWH2110947	-	38,990
Pass-Through Program from John Hopkins University Bloomberg:				
Military Medical Research and Development	12.420	10054547-01, 2005317722	-	5,114
Pass-Through Program from University of Maryland:				
Military Medical Research and Development	12.420	W81XWH-19-664	-	8,258
Subtotal - U.S. Department of Defense - Pass-Through Programs			**-**	**52,362**
Research and Development Cluster				
U.S. Department of Health & Human Services:				
Pass-Through Program from Emory University:				
Mental Health Research Grants	93.242	A464657 R01MH114692	-	12,209
Pass-Through Program from University of Cincinnati:				
Drug Abuse and Addiction Research Programs	93.279	5UG1DA013732-23	-	6,134
Pass-Through Program from Palo Alto Veterans Institute for Research:				
Minority Health and Health Disparities Research	93.307	R01MD017063 WOG0009-06	-	90,597
Pass-Through Program from Rutgers:				
Trans-NIH Research Support	93.310	1R61HD105619-01 4R61HD105619-02	-	7,810
Pass-Through Program from Duke University:				
Trans-NIH Research Support	93.310	OT2HD107559-02	-	5,327
Pass-Through Program from University of Southern California:				
Trans-NIH Research Support	93.310	1DP2MH129967-01 SCON-00003300	-	40,427
Pass-Through Program from Massachusetts General Hospital:				
Cancer Cause and Prevention Research	93.393	5R01CA248742	-	359,760

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (continued)				
U.S. Department of Health & Human Services:				
Pass-Through Program from The University of Alabama at Birmingham / NIH-NHLBI:				
Cardiovascular Diseases Research	93.837	000530812-SC008 R01HL120338	$ -	$ 62,289
Pass-Through Program from NYU Grossman School of Medicine:				
Lung Diseases Research	93.838	0T2HL156812	-	500
Pass-Through Program from Nervive Inc:				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	U44NS094307-MH01	-	14,241
Pass-Through Program from Boston Children's Hospital:				
Allergy and Infectious Diseases Research	93.855	5U01AI143514-04, GENFD0002163653	-	8,781
Pass-Through Program from RTI Institute:				
Child Health and Human Development Extramural Research	93.865	888-21-04-14 NICHD-ACT-Now-0003 CIRB#260053	-	1,893
Pass-Through Program University North Carolina:				
Child Health and Human Development Extramural Research	93.865	R01HD098127, 5122027	-	80,159
Pass-Through Program from PPD Investigator Services:				
IDIQ Contract	93.RD	ACTIV-2/A5401	-	12,736
Pass-Through Program from University of Pittsburgh:				
IDIQ Contract	93.RD	W81XWH-16-D-0024 AWD0002988-1	-	45,476
Subtotal - U.S. Department of Health & Human Services - Pass-Through Programs			**-**	**748,339**
TOTAL - Research & Development Cluster			**-**	**800,701**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 453,293**	**$ 17,133,038**

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The MetroHealth System and its controlled entities (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
The MetroHealth System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of The MetroHealth System (the System) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered The MetroHealth System's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The MetroHealth System's internal control. Accordingly, we do not express an opinion on the effectiveness of The MetroHealth System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The MetroHealth System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Cleveland, Ohio
April 3, 2024

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees
The MetroHealth System

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited The MetroHealth System's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The MetroHealth System's major federal programs for the year ended December 31, 2023. The MetroHealth System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The MetroHealth System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The MetroHealth System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The MetroHealth System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The MetroHealth System's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The MetroHealth System's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The MetroHealth System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 MetroHealth System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of The MetroHealth System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The MetroHealth System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Cleveland, Ohio
April 3, 2024

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health
93.516	Public Health Training Centers Program
93.914	HIV Emergency Relief Project Grants
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs:			$ 750,000	
Auditee qualified as a low risk auditee?		Yes	X	No

Section II - Financial Statement Findings

No findings were noted.

Section III – Findings and Questioned Costs for Federal Awards

No findings were noted.

The MetroHealth System

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2022

Section II - Financial Statement Findings

Identifying Number: **Finding Number 2022 - 001**

Audit Finding: **Criteria:** Control activities consist of preventative, detective and corrective controls that allow an organization to mitigate risk and achieve its objectives. These actions should be described in policies and control procedures; be communicated to all stakeholders; and developed for all transaction cycles including the executive compensation process.

Condition: In November 2022, the President and CEO of the System was terminated, by the Board of Trustees (Board) of The MetroHealth System, because he authorized more than $1.9 million in bonus payments to himself over a five-year period beginning in 2018, without disclosing those payments to the Board and without board approval.

The circumstances that led to the termination include the following: The Board approved a Performance-Based Variable Compensation Incentive program (PBVC) bonus pool. Without approval of the Board, the President and CEO created a Supplemental Performance-Based Variable Compensation Incentive Program (SPBVC), allocated a portion of the PBVC to the SPBVC and calculated, controlled and approved compensation payments to himself from the SPBVC.

Cause: The results of an external forensic audit obtained by The MetroHealth System (the System) disclosed that this situation occurred for the following reasons:

- The CEO controlled the creation, implementation and execution of the SPBVC program resulting in the concealment of the supplemental compensation.
- The CEO failed to implement a formal structure for the SPBVC program.
- The CEO circumvented controls resulting in supplemental compensation.
- The CEO failed to implement an effective control structure by excluding the System's Human Resource function from the PBVC and SPBVC process.
- Other compensation control weaknesses resulting in supplemental compensation.

Effect or potential effect: The CEO authorized more than $1.9MM in bonus payments to himself over a five-year period beginning in 2018, without disclosing those payments to the Board and without Board approval.

Recommendation: Policies and procedures should be implemented to ensure that effective controls are in place to ensure monitoring of CEO compensation.

Corrective Action Taken:

- The MetroHealth CEO's annual PBVC compensation (or any bonus compensation) is now subject to a separate Board of Trustees resolution and will be audited to assure compliance with all MetroHealth Compensation policies and requirements.

- MetroHealth's compensation consultants now verify details of the CEO's pay directly with MetroHealth's Department of Human Resources.

- The Board created a stand-alone Compensation Committee to manage all policies and procedures related to executive compensation.

- The Board's Compensation Committee will review annually and revise, as needed, MetroHealth's executive compensation philosophy and plan to ensure the total compensation program is administered consistently. Additionally, the Committee will review the CEO's and other members of senior leadership's total compensation as set forth in Board policy, including all executive incentive compensation plans, approval of goals for the CEO and any awards payable under such plans.

- MetroHealth hired a Chief People Officer whose duties include supervising Human Resources and providing regular updates to the board.

- MetroHealth's Department of Human Resources formalized written plan and procedures documents for the PBVC program.

Section III – Findings and Questioned Costs for Federal Awards

No findings were noted.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

THE METROHEALTH SYSTEM

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 9/5/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370