The MetroHealth System
(A Component Unit of Cuyahoga County)

Financial Report
December 31, 2021

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
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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, 2021 through December 31, 2021. 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.

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

April 28, 2022

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Contents

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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, 2021, 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, 2021, 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.

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 4-14 as well as the pension and other postemployment benefit related data on pages 60-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022 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
March 23, 2022

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, 2021. 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.

Operating Highlights

- Recovery of patient volumes impacted by the COVID-19 pandemic in 2020.
- Outpatient visits increased 3.8% in 2021.
- Surgical Volumes increased 8.9% in 2021.
- Emergency visits increased 13.1% in 2021.
- Case Mix Index increased 1.7% in 2021.

Overview of the Financial Statements

The System is the public health care system for Cuyahoga County, Ohio (the County). The System includes the MetroHealth Medical Center, a short-term acute care and long-term rehabilitation facility, and a network of urban and suburban health care sites.

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 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 footnotes. In addition, Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging and Select Assurance Captive LLC are presented as blended component units whose financial activity is included within the activities of the System.

Overview of the Financial Statements (Continued)

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.

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 and deferred outflows 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 such questions as to what sources provided and expended cash during the reporting period.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the spread of the novel strain of coronavirus called COVID-19 a pandemic. Shortly thereafter, on March 13, the U.S. Federal Government declared the widespread outbreak of COVID-19 within the country to be a national emergency.

The State of Ohio had taken numerous actions in response to the onset COVID-19 pandemic, including enacting school closures, issuing a stay-at-home order for non-essential work and operations, and issuing a declaration that non-essential surgeries and clinical procedures using personal protective equipment (PPE) should not be conducted. These response actions and orders have since been lifted, but the State continues to monitor the evolution of the pandemic.

In a national response to the economic fallout of the COVID-19 pandemic, a stimulus bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by U.S. Congress and signed into law on March 27, 2020. The CARES Act provided for various relief funds including the Coronavirus Relief Fund (CRF), administered by the U.S. Department of the Treasury, and the Provider Relief Fund (PRF), administered by the Department of Health and Human Services (HHS). These funds are referred to as "Stimulus funding" in these financial statements.

COVID-19 Pandemic (Continued)

The CRF was established to provide funding to State, Local and Tribal governments. During 2020, MetroHealth received $20,966 of CRF pass-through funds from the State of Ohio and Cuyahoga County. The financial measurement to recognize the CRF, was based on attributed operating expenses. The PRF was established to support hospitals and healthcare providers on the front lines of the coronavirus response. The system received $5,490 and $71,337 in provider relief funds directly from HHS during 2021 and 2020, respectively. The financial measurement to recognize PRF funding provided for a year over year measurement of patient care lost revenues and expenses attributable to Coronavirus not reimbursed by other sources. The System met the requirements for revenue recognition, and the total Stimulus funding of $5,490 and $92,303 is included in the Statements of Revenues, Expenses and Changes in Net Position for 2021 and 2020, respectively.

In addition to Stimulus funding, the System received in 2020 $92,272 of accelerated and advanced payments from Centers for Medicare and Medicaid Services (CMS), commercial payors, and Cuyahoga County. These advanced payments were for the purpose of increasing cash flow to healthcare providers impacted by the COVID-19 pandemic. As of December 31, 2021, $41,586 was recouped and the remaining amount has been classified as Advance payments within current liabilities on the Statements of Net Position. In 2021, the System was also awarded $5,492 in Federal Emergency Management Agency (FEMA) funds, of which $4,904 was received in February 2022.

The System took immediate action in response to the COVID-19 outbreak. The efforts included:

- Implemented MetroHealth SMART (Situation Management and Response Team) as a centralized response with efforts focused on increasing capacity and assuring staff, patient and visitor safety.
- Increased inpatient bed capacity in preparation for a surge and established dedicated COVID-19 units including a COVID-19 Rehabilitation Unit to provide intensive therapy for patients.
- Launched a COVID-19 hotline to address the community's questions and concerns.
- Implemented COVID-19 care guidelines and protocols for maximizing and conserving personal protective equipment for clinical staff
- Rapidly implemented enhanced telehealth service offerings to help offset in-person visit deferrals.
- Introduced the Hospital at Home program to monitor patients remotely who suffer from chronic cardiac and pulmonary diseases
- Implemented a 24/7 COVID-19 testing program, with the System being the first in the region to offer two-hour rapid COVID-19 testing results.

Beginning in December 2020, the System was selected as one of the 10 hospitals to receive the first doses of vaccine in Ohio. In August 2021, the System announced it would require its employees to receive the COVID-19 vaccine unless an exemption was requested and approved. As of December 31, 2021, 99.94% of the System's 7,700-member workforce is in compliance with its COVID-19 vaccination policy, with approximately 94.4% being vaccinated.

(Dollars in Thousands)

The System's Net Position

A summary of the System's Statement of Net Position as of December 31, 2021 and 2020 is presented in Table 1.

Table 1
The MetroHealth System
Statements of Net Position

	2021	2020
Assets:		
Current assets	$ 586,022	$ 590,253
Investments	573,228	430,170
Restricted assets	281,346	495,288
Capital assets	944,874	720,374
Other assets	111,308	27,640
Total assets	2,496,778	2,263,725
Deferred outflows of resources	127,089	211,445
Liabilities:		
Current liabilities	315,496	245,275
Long-term liabilities	1,648,930	2,359,005
Total liabilities	1,964,426	2,604,280
Deferred inflows of resources	428,175	218,433
Net position (deficit):		
Net investment in capital assets	138,957	124,041
Restricted, debt service payments	53,872	15,452
Restricted, capital asset use	2,250	2,250
Restricted, program activities	4,993	2,710
Restricted, nonspendable	1,550	1,550
Unrestricted	29,644	(493,546)
Total net position (deficit)	$ 231,266	$ (347,543)

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.

(Dollars in Thousands)

The System's Net Position (Continued)

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.

The GASB Statement No. 68 and GASB Statement No. 75 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

	2021	2020
Net position (deficit):		
Net position (deficit), as reported in the Statement of Net Position	$ 231,266	$ (347,543)
Plus:		
Net pension liability	496,483	654,172
Net OPEB liability	-	518,601
Deferred inflows related to pensions	219,912	144,305
Deferred inflows related to OPEB	208,263	74,128
Less:		
Net pension asset	(16,855)	(10,542)
Net OPEB asset	(68,093)	-
Deferred outflows related to pensions	(84,496)	(119,999)
Deferred outflows related to OPEB	(40,941)	(89,555)
Total net position, excluding pension and OPEB related amounts	$ 945,539	$ 823,567

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.

The System's Net Position (Continued)

Total assets increased by $233,053 from 2020, primarily driven by an increase in capital assets, strong investment performance coupled with cash transferred to investments, and the GASB Statement No. 75 actuarial OPEB Adjustment. Investments increased by $143,058 and Capital Assets increased $224,500 from 2020. Capital asset purchases were made with bond project funds and operating cash. Restricted assets decreased by $213,942 from 2020 due to bond project fund draws and debt service payments.

In 2021, deferred outflows of resources decreased by $84,356, deferred inflows of resources increased by $209,742, and total liabilities decreased by $639,854. Fluctuations in the balances are primarily attributed to advance payments, the timing of payroll and related liability payments, the GASB Statement No. 68 pension adjustment and the GASB Statement No. 75 OPEB adjustment.

In 2021, the System's overall net position increased by $578,809 from 2020. The GASB Statement No. 68 actuarial pension adjustment of $52,892, and the GASB Statement No. 75 actuarial OPEB adjustment of $403,944 contributed to this increase, as the strong operating results prior to the GASB adjustments positively impacted net position by $121,973.

Capital Assets, Debt and Transformation

Capital Assets

The System had $944,874 and $720,374 invested in capital assets, net of accumulated depreciation at December 31, 2021 and 2020, respectively. Capital assets increased by $224,500 related to costs primarily associated with main campus transformation. The System acquired or constructed capital assets in the amount of $273,728 and $227,019 during 2021 and 2020, respectively.

Debt

The System had $1,051,259 and $1,053,280 in bonds, capital lease, and loan obligations outstanding at December 31, 2021 and 2020, 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 2021, the System's Transformation project continued, experiencing no disruption or adverse impacts due to the COVID-19 pandemic. By May 2022, the project will be "substantially complete," with furniture and equipment to be installed in Summer and Fall 2022. The System's Transformation project continues to be on time and on budget, with the first patients slated to be welcomed in October 2022.

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.

Stimulus funding in 2021 and 2020 has been recorded within total operating revenues. The Stimulus funding was provided by the U.S. Federal Government as financial relief to help combat the economic impact of the COVID-19 pandemic and includes both CRF and PRF. The financial measurement to recognize the CRF, was based on attributed operating expenses. Alternatively, the PRF recognition was based on a year over year measurement of patient care lost revenues. As both operating revenues and expenses supported the recognition of the stimulus funding the System's management has presented them within operating revenues. Additionally, presenting the Stimulus funds as operating revenues increases the comparability of the System's financial statements to peer Health systems who report under the Financial Accounting Standards Board (FASB) framework. The FASB concluded CARES Act (Stimulus funding) was to be classified within operating revenue.

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 below 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, 2021 and 2020, 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 which represent the System's statutorily required contributions for 2021 and 2020.

(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, 2021	2020
Operating Revenues		
Net patient service revenue	$ 1,198,393	$ 1,057,113
County funding	32,400	32,400
Stimulus funding	5,490	92,303
Other revenue	323,070	278,718
Total operating revenues, including county funding and stimulus funding	1,559,353	1,460,534
Operating Expenses		
Salaries and wages	718,059	661,169
OPERS contributions	86,082	81,418
Other employee benefits	90,347	77,552
Purchased services	107,100	91,325
Medical supplies	101,598	92,849
Pharmaceuticals	156,128	136,799
Plant operations	41,109	40,051
Non-medical supplies	11,964	12,424
Other expenses	66,306	54,431
Depreciation and amortization	49,227	47,793
Total operating expenses, excluding pension and OPEB actuarial adjustments	1,427,920	1,295,811
Operating income, excluding pension and OPEB acturial adjustments	131,433	164,723
Non-Operating Revenues (Expenses)		
Net investment income	36,551	32,346
Other non-operating revenue	6,432	7,870
Noncapital grants and donations	3,711	4,565
Grant expenses and support	(3,711)	(4,565)
Interest expense	(53,875)	(12,282)
Total non-operating revenues (expenses)	(10,892)	27,934
Income before pension and OPEB actuarial adjustments, and capital grants and gifts	120,541	192,657
OPERS actuarial pension adjustment	52,892	(47,369)
OPERS actuarial OPEB adjustment	403,944	(63,488)
Capital grants and gifts	1,432	130
Change in net position	578,809	81,930
Total net position (deficit) - beginning of year	(347,543)	(429,473)
Total net position (deficit) - end of year	$ 231,266	$ (347,543)

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

In 2021, total operating revenues including county funding and stimulus funding increased $98,819 or 6.8%. Net patient service revenue increased $141,280, offset by a decrease of $86,813 in Stimulus funding and an increase of $44,352 in Other revenue.

The net patient revenue increase of 13.4% was driven by increased 2021 volumes, which recovered due to the deferral and decline of elective visits, procedures, and surgeries due to the COVID-19 pandemic in 2020, and increased supplemental program revenues contributed to this increase in net patient revenue. Discharges increased 3.0%, surgical volumes increased 8.9%, emergency visits increased 13.1%, patient days decreased 0.7%, and deliveries remained consistent with 2020 results. In-person outpatient visits increased 6.8%, while telehealth visits decreased 4.3%, resulting in an overall increase in total outpatient visits of 3.8%.

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 2020 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 $64,800. 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.

Stimulus funding of $5,490 and $92,303 was received in 2021 and 2020, respectively, to assist with the revenue losses and incremental expenses related to responding to the COVID-19 pandemic. Other operating revenue increased $44,352 or 15.9% from 2020 primarily due to increased retail and contract pharmacy operations, value-based care program incentives, and the System's participation in the new Centers for Medicare & Medicaid Services (CMS) Direct Contracting Entity (DCE) program, a value-based care model consisting of a group of providers along the health care continuum working together to deliver high-quality coordinated care to patients with Medicare Fee-For-Service coverage while helping slow the growth of health care costs. County funding remained consistent from 2020 to 2021 at $32,400.

Total operating expenses, excluding pension and OPEB actuarial adjustments increased by 10.2% from 2020 primarily due to increased salaries and wages, other employee benefits, pharmaceuticals, purchased services, and other expenses including franchise fees. Costs associated with transformation projects, virtual care administration, and diversity and inclusion strategic initiatives increased purchased services. The increase in pharmaceuticals expense was due to growth in retail and contract pharmacy operations.

In 2021, salaries and wages increased 8.6% from the prior year. This increase is attributed to annual wage increases as well as increased staff overtime to combat the ongoing COVID-19 pandemic. In 2021, employee benefits increased 11.0% as compared to the prior year because of an increase in associated OPERS pension and employee health plan costs.

Non-operating revenues and expenses decreased $38,826 in 2021 as compared to 2020 due to an increase in interest expense of $41,593 resulting from implementation of GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Other non-operating revenues and expenses include net investment income, noncapital grants and donations, grant expenses and support and other non-operating revenue.

Operating Income, excluding pension and OPEB actuarial adjustments was $131,433 in 2021 as compared to $164,723 in 2020, a decrease of $33,290 or 20.2%. Income before pension and OPEB actuarial adjustments, and capital grants and gifts were $120,541 in 2021 versus $192,657 in 2020, a decrease of $72,116 or 37.4%.

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 2022 Hospital Care Assurance Program (HCAP) payment model has not been released. For 2021, the system received approximately $20,200 in net HCAP revenue. The system will receive approximately $4,000 in additional net HCAP revenue in 2022 for program years 2020 and 2021 due to the retroactive application of the COVID-19 Federal Medical Assistance Percentage (FMAP) increase. The State 2022-2023 budget appropriated the full amount necessary to draw down the State's full federal Medicaid DSH allotment.

- 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. In addition to the CCA model of disbursing the HFF funds, the State also made several directed payments to hospitals to ensure that hospitals received the appropriate level of HFF funds during the pandemic, which had a negative impact on patient volumes. For State Fiscal Year (SFY) 2021 and 2022 the anticipated gross distribution to the System is approximately $136,906. This redesign and the increased payments to hospitals required increasing the HFF Program assessment fee. For SFY 2022 the assessment fee is $34,093, which is up from SFY 2021 assessment of $26,758.

- Medicare DSH/uncompensated care payments are expected to decrease approximately $1,400, or about 10%, in Federal Fiscal Year (FFY) 2022 when compared to FFY 2021. The decrease is a result of a decrease in the National Uncompensated Care Payment Pool portion of the DSH payment of about 13%. The Medicare reductions associated with value-based purchasing and readmissions appear to have leveled off and should be consistent with 2021 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 in FFY 2022 for the third year in a row.

- The Care Innovation and Community Improvement Program (CICIP) was again authorized through the State 2022-2023 biennial budget. The current CICIP program will be in place until June 30, 2022. In the spring of 2022, CICIP will once again be considered for approval with the Centers for Medicare and Medicaid Services (CMS) for a three-year period. The renewal will be the third approval issued by CMS for the CICIP program. The System anticipates receiving net amounts in 2022 that are similar to previous years.

- As of this writing the System does not anticipate any changes in the 2022 Cuyahoga County subsidy level of $32,400, which is consistent with the 2020 and 2021 funding amounts.

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 Vice President of Finance by telephoning (216) 778-7800.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Net Position
December 31, 2021
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Assets			
Current Assets:			
Cash and cash equivalents	$ 297,147	$ 2,453	$ 64
Accounts receivable	165,949	5,610	-
Allowance for uncollectible accounts	(28,269)	(529)	-
Net accounts receivable	137,680	5,081	-
Other receivables	109,436	196	179
Supplies	23,765	-	-
Prepaid expenses	17,994	47	19
Total current assets	586,022	7,777	262
Noncurrent Assets:			
Investments	573,228	49,433	-
Restricted Assets:			
Cash and cash equivalents	4,109	-	772
Special purpose investments	2,532	31,198	-
Under bond indenture agreements	274,705	-	-
	281,346	31,198	772
Capital Assets:			
Land and construction in progress	641,114	-	4,580
Land improvements	14,006	-	-
Buildings and fixed equipment	772,117	-	4,473
Equipment	475,725	-	-
	1,902,962	-	9,053
Accumulated depreciation	(958,088)	-	(472)
	944,874	-	8,581
Other Assets:			
Net pension asset	16,855	-	-
Net OPEB asset	68,093	-	-
Equity interest in joint ventures	8,349	-	-
Other assets	18,011	384	-
	111,308	384	-
Total assets	2,496,778	88,792	9,615
Deferred Outflows of Resources			
Deferred outflows related to pensions	84,496	-	-
Deferred outflows related to OPEB	40,941	-	-
Deferred amounts on debt refundings	1,652	-	-
Total deferred outflows of resources	127,089	-	-

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Net Position
December 31, 2021
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Liabilities			
Current Liabilities:			
Accounts payable	$ 88,948	$ 28	$ 599
Accrued payroll and related liabilities	83,593	-	-
Contribution payable to the Public Employees Retirement System	15,713	-	-
Accrued interest payable	20,699	-	201
General and professional liabilities	12,908	-	-
Estimated amounts due to third-party payors	2,765	-	-
Accrued vacation and sick leave	8,416	-	-
Line of credit	1,732	-	-
Current installments of long-term debt	205	-	480
Advance payments	50,686	-	-
Other current liabilities	29,831	992	171
Total current liabilities	315,496	1,020	1,451
Long-Term Liabilities, less current installments:			
General and professional liabilities	32,742	-	-
Estimated amounts due to third-party payors	13,131	-	-
Accrued vacation and sick leave	54,612	-	-
Other long-term liabilities	908	-	-
Net pension liability	496,483	-	-
Long-term debt	1,051,054	-	6,765
Total long-term liabilities	1,648,930	-	6,765
Total liabilities	1,964,426	1,020	8,216
Deferred Inflows of Resources			
Deferred inflows related to pensions	219,912	-	-
Deferred inflows related to OPEB	208,263	-	-
Total deferred inflows of resources	428,175	-	-
Net Position (Deficit)			
Net investment in capital assets	138,957	-	1,349
Restricted, debt service payments	53,872	-	412
Restricted, capital asset use	2,250	-	-
Restricted, program activities	4,993	35,093	107
Restricted, nonspendable	1,550	20,722	-
Unrestricted	29,644	31,957	(469)
Total net position	$ 231,266	$ 87,772	$ 1,399

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, 2021
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Operating Revenues			
Net patient service revenue	$ 1,198,393	$ -	$ 1,016
Other revenue	323,070	-	-
Total operating revenues	1,521,463	-	1,016
Operating Expenses			
Salaries and wages	718,059	-	-
Pension and OPEB (benefit) - Note 9	(370,754)	-	-
Other employee benefits	90,347	-	-
Purchased services	107,100	-	456
Medical supplies	101,598	-	-
Pharmaceuticals	156,128	-	-
Plant operations	41,109	-	77
Non-medical supplies	11,964	-	-
Other expenses	66,306	-	37
Depreciation and amortization	49,227	-	292
Total operating expenses	971,084	-	862
Operating income (loss)	550,379	-	154
Non-Operating Revenues (Expenses)			
County funding	32,400	-	-
Stimulus funding	5,490	-	-
Net investment income	36,551	8,053	-
Other non-operating revenue	6,432	92	-
Noncapital grants and donations	3,711	13,008	-
Grant expenses and support	(3,711)	(13,374)	-
Interest expense	(53,875)	-	(198)
Total non-operating revenues (expenses)	26,998	7,779	(198)
Income (loss) before capital grants and gifts	577,377	7,779	(44)
Capital grants and gifts	1,432	-	-
Change in net position	578,809	7,779	(44)
Total net position (deficit) - beginning of year	(347,543)	79,993	1,443
Total net position - end of year	$ 231,266	$ 87,772	$ 1,399

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows
Year Ended December 31, 2021
(Dollars in Thousands)

Cash Flows From Operating Activities	
Patient service revenue	$ 1,192,227
Advance payments	(38,585)
Other operating cash receipts	311,967
Payments to suppliers	(490,035)
Payments for compensation and benefits	(862,787)
Net cash flows provided by operating activities	112,787
Cash Flows From Noncapital Financing Activities	
County funding	29,700
Stimulus funding	5,490
Restricted grants, donations and other	7,590
Specific purpose funds expenses	(3,711)
Payments for joint venture equity interests	(506)
Interest payments on long-term debt	(8,044)
Proceeds from revolving line of credit	3,211
Principal payments on revolving line of credit	(3,552)
Interest payments on revolving line of credit	(80)
Net cash flows provided by noncapital financing activities	30,098
Cash Flows From Capital and Related Financing Activities	
Capital grants	1,432
Acquisitions and construction	(261,203)
Proceeds from sale of assets	31
Principal payments on long-term debt	(312)
Interest payments on long-term debt	(47,195)
Build America Bond receipts	1,018
Net cash flows used in capital and related financing activities	(306,229)
Cash Flows From Investing Activities	
Payments for investment purchases and reinvestments	(401,813)
Proceeds from investment sales and maturities	479,858
Interest received	34,260
Net cash flows provided by investing activities	112,305
Net decrease in cash and cash equivalents	(51,039)
Cash and cash equivalents	
Beginning	352,295
Ending	$ 301,256

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows (Continued)
Year Ended December 31, 2021
(Dollars in Thousands)

Reconciliation of Operating Income to Net Cash Flows		
Provided by Operating Activities		
Operating income	$	550,379
Adjustments to reconcile operating income to net cash		
flows provided by operating activities		
Depreciation and amortization		49,227
Provision for bad debts		67,884
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Patient accounts receivable		(72,733)
Other assets		(117,690)
Deferred outflows of resources		84,117
Self-insurance liabilities		2,519
Advance payments		(38,585)
Accounts payable and other liabilities		42,456
Other long-term liabilities		11,761
Net pension liability		(157,689)
Net OPEB liability		(518,601)
Deferred inflows of resources		209,742
Net cash flows provided by operating activities	$	112,787

Noncash Investing, Capital and Financing Activities:

The System held investments at December 31, 2021, with a fair value of $591,333. During 2021, the net change in the fair value of these investments was an increase of $143,377.

Included in accounts payable at December 31, 2021 is $34,214 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 and long-term rehabilitation facility, and a network of urban and suburban primary care health sites. The Elizabeth Severance Prentiss Center for Skilled Nursing Care ceased operations in 2021.

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 2021. 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 Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging 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. Additionally, MH Holdings LLC holds an equity interest in a joint venture with partial ownership in NEO Total Health and Wellness LLC.

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.

Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging 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. The blended component unit's financial activity is included within the

Note 1. Summary of Significant Accounting Policies (Continued)

activities of the System and any activity between the System and its blended component units is eliminated.

The System entered into a joint venture with Promedica with an equity interest in 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, MetroHealth Holdings LLC formed a joint venture with Medical Mutual of Ohio with an equity interest in NEO Total Health and Wellness, LLC to provide coordinated primary care services to the senior population. Both 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 in the change in operating income (loss).

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 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, Stimulus funding, investment 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 $67,884 in 2021.

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 $2,548 in 2021, 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 26% and 39%, respectively, of the System's net patient service revenue for the year ended December 31, 2021. 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.

Direct Contracting Model: In 2021, the System voluntarily participated in the Centers for Medicare and Medicaid Services (CMS) Global and Professional Direct Contracting Model (DCE). The 2021 performance year began April 1st with the goal of preserving or enhancing the quality of care for Medicare Fee-for-Service beneficiaries while reducing healthcare costs. The DCE model was established as a risk-sharing arrangement through which participants could earn shared savings or payback shared losses based on performance. 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, 2021, the System recorded $6,267 of capitation revenue related to the DCE in the Other revenue line of the Statement of Revenues, Expenses, and Changes in Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

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 in 2020 and 2021, hospital additional payments (HAP) were made to hospitals as the CCA payment methodology was unable to distribute adequate funds to participating hospitals due to reduced patient volumes associated with the pandemic. At December 31, 2021, $21,289 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 $136,906 in 2021. The System incurred franchise fee expense of $29,791 in 2021 and recorded in other expenses in the Statement of Revenues, Expenses, and Changes in Net Position. At December 31, 2021, the System had prepaid Program assessments of $8,523 recorded in the Statement of Net Position in prepaid expenses.

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 $36,649 for 2021. These amounts are included in net patient service revenue and include Hospital Care Assurance (HCAP) revenue of $26,942 in 2021, reduced by HCAP assessments recorded by the System of $4,263 in 2021.

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. 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 2021, the System recorded CICIP program revenue of $69,127 which is included in net patient service revenue. At December 31, 2021, the System had a CICIP receivable of $9,716, CICIP prepaid assessments of $0, and a CICIP payable of $870. The receivable, prepaid assessment and payable are included in the Statement of Net Position in other receivables, prepaid expenses and other current liabilities, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

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 $176,366 in 2021, 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.

COVID-19: On March 11, 2020, the World Health Organization declared the spread of the novel strain of coronavirus called COVID-19 a pandemic. Shortly thereafter, on March 13, the U.S. Federal Government declared the widespread outbreak of COVID-19 within the country to be a national emergency. In response to the economic fallout of the COVID-19 pandemic, a stimulus bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by U.S. Congress and signed into law on March 27, 2020.

The System received grants totaling $5,490 through funds established by the CARES Act (Stimulus funding) in 2021. The System met the requirements for revenue recognition, and the Stimulus funding is included in Non-Operating Revenues on the Statements of Revenues, Expenses and Changes in Net Position.

During 2020, the System received $92,272 of accelerated and advanced payments from Centers for Medicare and Medicaid Services (CMS), commercial payors, and Cuyahoga County. These advanced payments are for the purpose of increasing cash flow to healthcare providers impacted by the COVID-19 pandemic. As of December 31, 2021, $41,586 was recouped and the remaining $50,686 has been classified as Advance payments within current liabilities on the Statements of Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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 2021 was $1,686 and is recorded as a reduction to interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

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. Medicaid, Medicare, and Medical Mutual of Ohio accounted for approximately 22%, 29% and 11% of the System's net patient accounts receivable, respectively. 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.

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. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The statement had a material impact on the financial statements. In 2021, The System did not record $42,126 of capitalized interest expense and $9,440 of capitalized interest income that would have been recorded if the standard was not adopted.

GASB Statement No. 98*, The Annual Comprehensive Financial Report*
This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

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

GASB Statement No. 87, *Leases*- The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for fiscal years beginning after June15, 2021, and all reporting periods thereafter. The System has determined this statement will have a material impact on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The System has not yet determined the impact this statement will have on the financial statements.

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

GASB Statement No. 92, *Omnibus* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The System has not yet determined the impact this statement will have on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* **-** As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. There is no impact to The System for the guidance on lease modifications. The System has not yet determined the impact this statement will have on the financial statements in relation to the remaining requirements.

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 has not yet determined the impact this statement will have on the financial statements.

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 has not yet determined the impact this statement will have on its financial statements.

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. 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 has a fixed interest rate of 2.60% with earned interest payments posting semiannually through the agreement maturity date on February 14, 2023. The agreement has a schedule of required withdrawals that cannot be accelerated. 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, 2021, the Capitalized Interest Payment Fund and the Bond Project Fund had balances of $37,693 and $220,833, respectively.

The GICs are classified as deposits and are eligible holdings 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.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

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, 2021 for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized, except for the invested proceeds of revenue bonds which follow the requirements stated in the bond indenture. The System's investment policy does not address custodial credit risk, but other than the GIC's which are uncollateralized, the System believes that the depository bank carries sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and is in compliance with the requirements specified in Sections 135.18 and 135.181 of the Ohio Revised Code. The System's bank deposits at December 31, 2021 totaled $560,562 and were subject to the following categories of custodial credit risk:

Uncollateralized	$ 258,526
Amount collateralized or insured	302,036
Total bank balances	$ 560,562

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.

Note 3. Deposits and Investments (Continued)

- 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.
- 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.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

As of December 31, 2021, 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+	$ 95,010	$ 5,350	$ 89,660
Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Banks and Federal Farm Credit Banks			
AA+	148,643	61,532	87,111
Corporate Bonds			
AA+	4,095	-	4,095
Money Market Mutual Funds			
AAA	18,879	18,576	303
Total investments	$ 266,627	$ 85,458	$ 181,169

Deposits of $606 and unrated investments of $324,706 are included in investments on the Statement of Net Position at December 31, 2021. Of these investments, $140,191 are fixed income mutual funds. The underlying securities held by these funds have a weighted-average maturity of 6 years. Additionally, $16,179 of Money Market Mutual Funds are included in Restricted assets under bond indenture agreements on the Statement of Net Position.

The System's carrying amounts of the deposits and investments at December 31, 2021 are as follows:

Deposits	$ 560,388
Investments	591,333
Total deposits and investments	$ 1,151,721

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

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

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, 2021:

	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	$ 95,010	$ -	$ 95,010
U.S. Agency securities	148,643	-	148,643
Corporate bonds	4,095	-	4,095
Total debt securities	247,748	-	247,748
Money market mutual funds	18,879	18,879	-
Mutual funds	306,213	306,213	-
Certificates of deposit	2,220	-	2,220
Equities	16,174	16,174	-
Other investments	99	-	99
Total investments measured at fair value	$ 591,333	$ 341,266	$ 250,067

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, 2021, the System's investments all have effective maturity dates of less than five years.

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, 2021, 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, 2021, the System is not exposed to custodial credit risk as it relates to its investment portfolio.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

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.

As of December 31, 2021, The System holds 12.2% in Federal National Mortgage Association (Fannie Mae) issues.

(Dollars in Thousands)

Note 4. Capital Assets

The following summarizes changes in the capital assets of the System for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Capital assets not being depreciated				
Land	$ 24,157	$ -	$ -	$ 24,157
Construction in progress	367,718	273,141	(23,902)	616,957
Total non-depreciated capital assets	391,875	273,141	(23,902)	641,114
Depreciable capital assets				
Land improvements	13,961	61	(16)	14,006
Buildings and fixed equipment	781,714	4,852	(14,449)	772,117
Equipment	459,801	19,576	(3,652)	475,725
Total depreciable capital assets	1,255,476	24,489	(18,117)	1,261,848
Less accumulated depreciation				
Land improvements	(12,096)	(1,795)	1,285	(12,606)
Buildings and fixed equipment	(526,703)	(23,004)	13,190	(536,517)
Equipment	(388,178)	(24,428)	3,641	(408,965)
Total accumulated depreciation	(926,977)	(49,227)	18,116	(958,088)
Total depreciable capital assets, net	328,499	(24,738)	(1)	303,760
Total capital assets, net	$ 720,374	$ 248,403	$ (23,903)	$ 944,874

Total depreciation and amortization expense related to capital assets for 2021 was $49,227.

Note 5. Revolving Line of Credit

During 2020, the System put a revolving line of credit in place with one of its corporate banks. There is $65,000 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 August 23, 2022.

Advances under the line of credit may be Base Rate Advances or LIBOR Advances, or a combination thereof, as selected by the System. The applicable interest rate under Base Rate Advances is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the LIBOR Rate for a one-month term in effect on such day plus two hundred basis points (200 bps) plus 1.00%. The applicable interest rate under LIBOR advances shall be the one Month LIBOR Rate plus the three hundred basis points (300 bps). Repayment of advances, plus accrued and unpaid interest at the applicable interest rate, is due on the term maturity date, as extended. There were no draws or repayments as of December 31, 2021.

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.

(Dollars in Thousands)

Note 5. Revolving Line of Credit (Continued)

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% (2.75% at December 31, 2021). At December 31, 2021, the outstanding balance under this line of credit was $1,732.

Lumina Imaging established lines of credit with KeyBank in 2019 with a maximum borrowing amount of $3,000. The lines bear interest at an annual rate of the highest of the Prime Rate, the Federal Funds Effective Rate in effect on such day plus 50 bps per annum, or the sum of the interest rate applicable to LIBOR Rate advances having a LIBOR Interest Period of one month plus 100 bps per annum (1.0% at December 31, 2021). In December 2021, the System granted $2,951 to Lumina to pay off its lines of credit. On December 29, 2021, the lines of credit were terminated.

Revolving line of credit activity for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance
MetroHealth System, bank line of credit as defined in the respective agreement, established in 2020	$ -	$ -	$ -	$ -
Recovery Resources, Wells Fargo line of credit as defined in the respective agreement, established in 2015	628	1,700	(596)	1,732
Lumina Imaging, Keybank line of credit as defined in the respective agreement, established in 2019	1,489	1,511	(3,000)	-
Revolving line of credit	$ 2,117	$ 3,211	$ (3,596)	$ 1,732

(Dollars in Thousands)

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, 2021 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	-	-	945,660	-
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 3.4% and matures through 2021.	125	-	(125)	-	-
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 5.1% and matures through 2025.	898	-	(187)	711	195
Loan obligation, OhioMAS, as defined in the respective loan agreement, bears interest at 0% and forgiven in equal installments through 2022.	33	-	(23)	10	10
	1,021,716	-	(335)	1,021,381	205
Unamortized discounts and premiums	31,564	-	(1,686)	29,878	-
Long-term debt	$ 1,053,280	$ -	$ (2,021)	$ 1,051,259	$ 205

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.

Note 6. Long-Term Debt (Continued)

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 from February 15, 2023 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.

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 ($1,652 at December 31, 2021), 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.

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.

(Dollars in Thousands)

Note 6. Long-Term Debt (Continued)

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, 2023. 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, 2021, there were no draws on this Letter of Credit.

The System leases various buildings and equipment under capital leases which expire at various dates through 2046. The assets and liabilities under capital lease obligations are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Depreciation of the assets under capital leases are included in depreciation expense for the year ended December 31, 2021.

Following is a summary of property held under capital leases at December 31, 2021:

Equipment	$ 10,166
Buildings	8,706
	18,872
Accumulated depreciation	(10,773)
	$ 8,099

The revenue bonds, leases and loan payment requirements for years subsequent to December 31, 2021, are as follows:

	Total Lease Obligations		Total Loan Obligations		Total Hospital Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 195	$ 32	$ 10	$ -	$ -	$ 55,196
2023	205	21	-	-	10,845	54,926
2024	217	11	-	-	11,410	54,369
2025	94	1	-	-	11,995	53,784
2026	-	-	-	-	12,605	53,169
2027-2031	-	-	-	-	73,110	255,480
2032-2036	-	-	-	-	93,795	232,421
2037-2041	-	-	-	-	121,215	199,277
2042-2046	-	-	-	-	156,265	161,823
2047-2051	-	-	-	-	202,605	115,477
2052-2056	-	-	-	-	264,850	53,230
2057	-	-	-	-	61,965	1,648
	$ 711	$ 65	$ 10	$ -	1,020,660	$ 1,290,800
Unamortized premiums					29,878	
Total hospital revenue bonds, net					$1,050,538	

(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, 2021, the total liability for amounts due to third-party payors was $15,896. 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, 2021, the total liability for accrued vacation and sick leave was $63,028. 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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 7,128	$ 13,550	$ (4,782)	$ 15,896	$ 2,765
Accrued vacation and sick leave	59,629	66,721	(63,322)	63,028	8,416
	$ 66,757	$ 80,271	$ (68,104)	$ 78,924	$ 11,181

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 2021, coverage through Select included professional liability, worker's compensation and medical stop loss. 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, 2021. 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 2021 and 2020 as follows:

	2021				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 6,132	$ 1,036	$ (1,659)	$ 5,509	$ 1,613
Professional liability	36,999	7,230	(4,088)	40,141	11,295
Employee health	4,556	43,778	(43,068)	5,266	5,266
	$ 47,687	$ 52,044	$ (48,815)	$ 50,916	$ 18,174

	2020				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 6,475	$ 1,107	$ (1,450)	$ 6,132	$ 1,616
Professional liability	33,699	5,220	(1,920)	36,999	11,806
Employee health	2,088	39,699	(37,231)	4,556	4,556
	$ 42,262	$ 46,026	$ (40,601)	$ 47,687	$ 17,978

The liabilities recorded for worker's compensation and professional liability at December 31, 2021 and 2020 are undiscounted liabilities.

Note 8. Operating Leases

The System has entered into operating lease agreements for medical and office space, which expire through 2039. Contract terms range between one and twenty years and contain rent escalation clauses and renewal options for additional periods ranging from one to ten years.

Minimum rental commitments under operating leases extending beyond one year at December 31, 2021, are as follows:

2022	$ 8,703
2023	8,298
2024	8,190
2025	7,317
2026	6,625
2027-2031	25,014
2032-2036	2,680
2037-2039	1,563
Total	$ 68,390

Rent expense totaled $9,041 in 2021.

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. 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 2020 ACFR for additional details.

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 2020 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.

Note 9. Benefit Plans (Continued)

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 purchase of a monthly annuity from OPERS (which includes joint and survivor options), 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.

Other benefits: Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment. The cost-of-living adjustment is calculated on the member's 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 benefit. The cost-of-living increase varies somewhat but is generally defined as Consumer Price Index (CPI) not to exceed 3%. A death benefit of 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, 2021 and 2020, 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 2021 and 2020, member and employer contribution rates were consistent across all three plans. The System's contributions to OPERS for the year ended December 31, 2021 were $86,214 equal to the statutorily required contributions for each year, made up of $70,111 for the Traditional Pension Plan, $3,353 for the Combined Plan, and $12,750 for the Member-Directed Plan. The contribution to the Member-Directed Plan includes $9,107 for the defined contribution pension plan and $3,643 for the defined contribution OPEB plan (RMA).

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

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

Pensions: At December 31, 2021, the System reported a liability of $496,483 for its proportionate share of the net pension liability related to the Traditional Pension Plan and an asset of $16,855, 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, 2020 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, 2020). 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, 2020, the System's proportion was 3.35% for the Traditional Pension Plan, which was an increase of .04 from its proportion measured as of December 31, 2019, and 4.96% for the Combined Plan, which was an increase of .14 from its proportion measured as of December 31, 2019, and 13.98% for the Member-Directed Plan, which was an increase of .50 from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the System recognized pension expense for the Traditional Pension Plan of $22,565, the Combined Plan of $173 and the Member-Directed Plan of $6,925.

At December 31, 2021, 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				
Difference between expected and actual experience	$ -	$ -	$ 1,751	$ 1,751
Changes in assumptions	-	893	73	966
Changes in proportionate share of contributions	8,094	144	-	8,238
System contributions subsequent to the measurement date	70,111	3,353	77	73,541
	$ 78,205	$ 4,390	$ 1,901	$ 84,496

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Deferred Inflow of Resources				
Difference between expected and actual experience	$ 20,768	$ 2,699	$ -	$ 23,467
Net difference between projected and actual earnings on pension plan investments	193,513	2,129	279	195,921
Changes in proportionate share of contributions	-	439	85	524
	$ 214,281	$ 5,267	$ 364	$ 219,912

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

At December 31, 2021, the Traditional Pension Plan reported $70,111, the Combined Plan reported $3,353, and the Member-Directed Plan reported $77, 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:			
2022	$ (75,598)	$ (917)	$ 184
2023	(25,313)	(737)	226
2024	(78,883)	(1,227)	161
2025	(26,393)	(608)	199
2026	-	(278)	211
Thereafter	-	(463)	479
Total	$ (206,187)	$ (4,230)	$ 1,460

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, 2020, 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.

Actuarial Information	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Valuation Date	December 31, 2020	December 31, 2020	December 31, 2020
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Actuarial Assumptions			
Investment Rate of Return	7.20%	7.20%	7.20%
Wage Inflation	3.25%	3.25%	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments*	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 0.50% Simple through 2021, then 2.15% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 0.50% Simple through 2021, then 2.15% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 0.50% Simple through 2021, then 2.15% Simple

* The Cost-of-living Adjustments assumption for Traditional, Combined Plan and Member-Directed Plan Post-1/7/13 Retirees was 1.4% Simple through 2020, then 2.15% Simple, at the December 31, 2019 valuation date.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

OPERS pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010 respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disability mortality table for males and females, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

The discount rate used to measure the total pension liability was 7.2% 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 table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

The OPERS Board approved asset allocation policy and long-term expected real rates of return is as follows at December 31, 2020:

Asset Class	Target Allocation as of December 31, 2020	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	100.00 %	5.43 %

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.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

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.

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 2020 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, 2021 net pension liability (asset) calculated using the discount rate of 7.2%, and the expected net pension liability (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 6.2%**	**Current Discount Rate 7.2%**	**1% Increase 8.2%**
All Plans	$934,845	$479,628	$101,502
Traditional Pension Plan	$947,044	$496,483	$121,842
Combined Plan	($9,962)	($14,307)	($17,545)
Member-Directed Plan	($2,237)	($2,548)	($2,796)

The Member-Directed Plan is a defined contribution pension plan that allows members at retirement, 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, 2021.

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.

Note 9. Benefit Plans (Continued)

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 2020 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.

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, 2021 and 2020, 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 determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2021. 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 2021 was 4.0%. The System's contributions for 2021 used to fund post-retirement healthcare benefits was $3,643, which is included in the System's contractually required contribution of $86,214 for the year ended December 31, 2021.

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

At December 31, 2021, the System reported an asset of $68,093 for its proportionate share of the OPERS collective net OPEB asset. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation performed as of December 31, 2019, with a rolled-forward measurement date of December 31, 2020. The System's proportion of the net OPEB asset 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, 2020). 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, 2020, the System's proportionate share of the OPERS net OPEB asset was 3.82%, an increase of 0.07 from the System's December 31, 2019 proportionate share of 3.75%.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

For the year ended December 31, 2021, the System recognized OPEB expense of ($400,417).

At December 31, 2021, 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	$ -	$ 36,267
Change in assumptions	33,475	110,331
Difference between expected and actual experience	-	61,453
Changes in proportionate share of contributions	7,466	212
	$ 40,941	$ 208,263

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:	
2022	$ (86,102)
2023	(61,187)
2024	(15,760)
2025	(4,273)
Total	$ (167,322)

Actuarial Assumptions – OPEB Liability Valuation

Key Methods and Assumptions Used in Valuation of Total OPEB Liablity	
Actuarial Information	
Actuarial Valuation Date	December 31, 2019
Rolled-Forward Measurement Date	December 31, 2020
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate*	8.5% initial, 3.50% ultimate in 2035

* The Health Care Cost Trend Rate assumption was 10.5% initial, 3.50% ultimate in 2030, at the December 31, 2019 measurement date.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

OPERS pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disability mortality table for males and females, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

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 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 were developed for each major asset class. The ranges are considered 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. The table below displays OPERS asset class allocation targets and arithmetic long-term expected real rates of return at December 31, 2020:

Asset Class	Target Allocation as of December 31, 2020	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
REITs	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	100.00 %	4.43 %

A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020, an increase of 2.84% from the previous rate of 3.16% on the measurement date December 31, 2019. 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 2.00%. At the December 31, 2019 measurement date, the expected rate of return for the health care investment portfolio and the municipal bond rate was 6.00% and 2.75%, respectively, a decrease of .75 in the municipal bond rate.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

The following table presents the December 31, 2021 net OPEB asset calculated using the discount rate of 6.0%, and the expected net OPEB 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 Asset to Changes in the Discount Rate			
	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net OPEB Asset	($16,932)	($68,093)	($110,152)

Changes in the health care cost trend rate may also have a significant impact on the System's net OPEB asset. The following table presents the December 31, 2021 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 Asset to Changes in the Health Care Cost Trend Rate			
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Asset	($69,752)	($68,093)	($66,236)

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 2021 is 8.50%. 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.

On January 15, 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.

(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, 2021:

Restricted, debt service payments	$	53,872
Restricted, capital asset use		2,250
Restricted, program activities		4,993
Restricted, nonspendable		1,550
Total	$	62,665

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 2021, the System received support from the Foundation totaling $5,888 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 $655 at December 31, 2021 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 $2,632 in 2021. 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, 2021, the fair values of the Foundation's investments were as follows:

Money market funds	$	5,495
Pooled investment fund		6,465
Mutual funds		68,579
Common stock		1
Limited partnerships interests		91
Total investments	$	80,631

The Foundation's net investment income for the year ended December 31, 2021 consisted of the following:

Interest and dividends	$	1,027
Net realized and unrealized gains (losses)		7,118
Less: investment management fees		(92)
	$	8,053

(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, 2021:

Programmatic activities of The MetroHealth System	$ 32,246
Time restrictions	2,847
Total	$ 35,093

The Foundation has restricted, nonexpendable net positions in the amounts of $20,722 at December 31, 2021 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 receivable from the System was $179 at December 31, 2021 which is included in other receivables – 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, 2021:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Nondepreciable capital assets:				
Land and construction in progress	$ 5,904	$ 1,484	$ (2,808)	$ 4,580
Depreciable capital assets:				
Buildings and fixed equipment	1,665	-	2,808	4,473
Total capital assets	$ 7,569	$ 1,484	$ -	$ 9,053
Less accumulated depreciation				
Buildings and fixed equipment	(180)	-	(292)	(472)
Total capital assets, net	$ 7,389	$ 1,484	$ (292)	$ 8,581

Total depreciation and amortization expense related to capital assets for 2021 was $292.

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 $3,840 at December 31, 2021.

(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 $3,405. The first, in the amount of $1,355, accrues interest at 2.86% with principal and interest payment due June 27, 2023. 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, 2021 are as follows:

	Principal	Interest
2022	$ 480	$ 113
2023	1,835	292
2024	1,980	220
2025	1,030	79
2026	480	53
2027-2029	1,440	70
	$ 7,245	$ 827

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, 2021 the System's equity interest in the joint venture was $5,134.

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, 2021 the System's equity interest in the joint venture was $3,214.

(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, 2021:

Condensed Combining Information:	Select Assurance Captive LLC	Recovery Resources	Lumina Imaging	MHS Care-Innovation LLC	MetroHealth Holdings LLC	MHS Purchasing LLC
Condensed statement of net position:						
Current assets						
Cash and cash equivalents	$ 12,542	$ 666	$ 53	$ 1,138	$ 11,843	$ 605
Receivables - related party	387	558	560	-	-	-
Other current assets	63	905	158	2,750	191	287
Noncurrent assets						
Capital assets	-	1,769	854	-	-	-
Other assets	81,141	6,806	28	-	16,190	11,062
Total assets	94,133	10,704	1,653	3,888	28,224	11,954
Current liabilities						
Other current liabilities	12,120	3,190	207	-	2,494	287
Other current liabilities - related party	320	-	-	-	-	-
Payables - related party	424	-	1,139	-	-	1
Long-term liabilities	30,002	149	192	-	-	716
Total liabilities	42,866	3,339	1,538	-	2,494	1,004
Condensed statement of net position:						
Net investment in capital assets	-	1,758	662	-	-	-
Restricted, program activities	-	961	-	-	-	-
Restricted, nonspendable	-	1,550	-	-	-	-
Unrestricted	51,267	3,096	(547)	3,888	25,730	10,950
Total net position	$ 51,267	$ 7,365	$ 115	$ 3,888	$ 25,730	$ 10,950

(Dollars in Thousands)

Note 12. Blended Component Unit Disclosures (Continued)

Condensed Combining Information:	**Select Assurance Captive LLC**	**Recovery Resources**	**Lumina Imaging**	**MHS Care-Innovation LLC**	**MetroHealth Holdings LLC**	**MHS Purchasing LLC**
Condensed statement of revenues, expenses and changes in net position:						
Operating revenues:						
Net patient service revenue	$ -	$ 1,020	$ 526	$ -	$ -	$ -
Other revenue	-	2,926	52	2	508	-
Other revenue - related party	13,890	4,575	181	-	-	-
Operating expenses:						
Salaries and wages	-	5,795	850	-	-	-
Other expenses	8,193	4,435	1,105	-	286	6
Other expenses - related party	-	-	221	-	-	-
Depreciation and amortization	-	195	149	-	-	-
Operating income (loss)	5,697	(1,904)	(1,566)	2	222	(6)
Non-operating revenues (expenses):						
Net investment income (loss)	5,253	877	-	(1,693)	71	1,988
Other non-operating revenue (expense)	-	257	-	-	500	-
Other non-operating revenue (expense) - related party	-	-	3,174	-	506	-
Interest expense	-	(24)	(59)	-	-	-
Change in net position	10,950	(794)	1,549	(1,691)	1,299	1,982
Beginning net position	40,317	8,159	(1,434)	5,579	24,431	8,968
Ending net position	$ 51,267	$ 7,365	$ 115	$ 3,888	$ 25,730	$ 10,950
Condensed statement of cash flows:						
Net cash provided (used) by:						
Operating activities	$ 8,937	$ (1,069)	$ (1,434)	$ 2	$ 1,568	$ -
Noncapital financing activities	-	1,300	1,450	-	506	-
Capital and related financing activities	-	(297)	(24)	-	-	-
Investing activities	(19,995)	409	-	750	(906)	480
Beginning cash and cash equivalent balances	23,600	323	61	386	10,675	125
Ending cash and cash equivalent balances	$ 12,542	$ 666	$ 53	$ 1,138	$ 11,843	$ 605

Note 13. Commitments and Contingencies

Purchase Commitments: As of December 31, 2021, the System had commitments for various projects totaling approximately $251,124. Projects with large commitments include $142,136 for construction of a new hospital and central utility plant; $15,259 for planning and executive services related to the campus transformation project; $34,573 for transformation medical equipment; $8,246 for the expansion of Behavioral Health Inpatient beds located at its Cleveland Heights Medical Center; $3,105 for structural repairs to the Old Brooklyn parking garage; $3,210 to upgrade the automatic medication dispensing platform related to the campus transformation project; $19,824 for the Apex garage enabling project and Apex project preliminary services. With the exception of Cleveland Heights Medical Center, Apex, and Old Brooklyn parking garage projects, the remaining projects are being funded with Series 2017 Bond project funds and 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 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, 2021:

Financial assets:	
Cash and cash equivalents	$ 2,453
Accounts receivable, net	5,081
Other receivables	196
Investments	80,631
Financial assets, at year-end	$ 88,361
Less those not available for general expenditures within one year:	
Promises to give, restricted by donors, supporting the mission of The MetroHealth System	$ (3,610)
Original donor-restricted gift, amounts required to be maintained in perpetuity by donor and accumulated investment gains	(31,197)
Less: earnings to be utilized within one year	675
Funds functioning as endowment funds	(2,663)
Less: funds functioning as endowment expected to be utiilized within one year	
Board-designated funds	(10,085)
Less: board-designated funds expected to be utilized within one year	450
Subject to expenditure for specified purpose	(13,716)
Investments held in annuity reserves	(634)
	(60,780)
Financial assets available to meet cash needs for general expenditures within one year	$ 27,581

(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	$ 10,022	$ -	$ -	$ 10,022
Salaries, wages and benefits	-	484	1,969	2,453
Purchased services	-	239	296	535
Occupancy and related overhead	-	139	486	625
Other	-	95	(356)	(261)
Total expenses	$ 10,022	$ 957	$ 2,395	$ 13,374

Note 15. Subsequent Event

Subsequent to December 31, 2021, the System entered into a joint venture with The Visiting Nurse Association Health Group (VNAHG) to acquire an interest in The Visiting Nurse Association Healthcare Partners of Ohio (VNA), an Ohio nonprofit corporation, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. VNA is the sole member of several subsidiaries that own and operate home health agencies, a hospice program, and other in-home and community-based healthcare services in northeastern and central Ohio.

The System has evaluated subsequent events for potential recognition and/or disclosure through March 23, 2022, the date the financial statements were available to be issued.

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 70,111	$ 66,169	$ 65,221	$ 61,686	$ 54,109	$ 48,676	$ 44,022	$ 42,107	$ 43,219	$ 31,696
Contributions in relation to the contractually required contributions	(70,111)	(66,169)	(65,221)	(61,686)	(54,109)	(48,676)	(44,022)	(42,107)	(43,219)	(31,696)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	500,793	472,636	465,864	440,614	416,221	405,636	366,850	350,890	332,450	316,957
Contributions as a percentage of employee covered payroll	14.0%	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%	13.0%	10.0%

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 3,353	$ 3,051	$ 2,994	$ 2,826	$ 2,391	$ 2,153	$ 1,832	$ 1,585	$ 1,537	$ 829
Contributions in relation to the contractually required contributions	(3,353)	(3,051)	(2,994)	(2,826)	(2,391)	(2,153)	(1,832)	(1,585)	(1,537)	(829)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 23,950	$ 21,793	$ 21,386	$ 20,186	$ 18,393	$ 17,943	$ 15,264	$ 13,207	$ 11,821	$ 10,421
Contributions as a percentage of employee covered payroll	14.0%	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%	13.0%	8.0%

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 9,107	$ 8,361	$ 7,970	$ 7,696	$ 7,302	$ 6,771	$ 5,558	not available	not available	not available
Contributions in relation to the contractually required contributions	(9,107)	(8,361)	(7,970)	(7,696)	(7,302)	(6,771)	(5,558)	not available	not available	not available
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 91,070	$ 83,610	$ 79,700	$ 76,960	$ 73,021	$ 71,273	$ 58,497	not available	not available	not available
Contributions as a percentage of employee covered payroll	10.0%	10.0%	10.0%	10.0%	10.0%	9.5%	9.5%	14.0%	14.0%	14.0%

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

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)

	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension liability	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	$ 496,483	$ 654,172	$ 892,828	$ 497,132	$ 726,077	$ 510,316	$ 348,619	$ 295,647
System's covered-employee payroll	$ 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	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	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)

	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	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	$ 14,307	$ 10,033	$ 5,282	$ 6,187	$ 2,600	$ 2,046	$ 1,454	$ 2,034
System's covered-employee payroll	$ 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	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	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)

	2020	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	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	$ 2,548	$ 509	$ 308	$ 470	$ 58	$ 47	$ 73	not available
System's covered-employee payroll	$ 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	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	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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 3,643	$ 3,344	$ 3,188	$ 3,078	$ 7,267	$ 11,679	$ 10,274	$ 7,351	$ 3,442	$ 13,308
Contributions in relation to the contractually required contributions	(3,643)	(3,344)	(3,188)	(3,078)	(7,267)	(11,679)	(10,274)	(7,351)	(3,442)	(13,308)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 615,813	$ 578,039	$ 566,950	$ 537,760	$ 507,635	$ 494,852	$ 440,611	not available	not available	not available
Contributions as a percentage of employee covered payroll	0.6%	0.6%	0.6%	0.6%	1.4%	2.4%	2.3%	not available	not available	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)

	2020	2019	2018	2017
System's proportion of the net OPEB asset (liability)	3.82%	3.75%	3.71%	3.61%
System's proportionate share of the net OPEB asset (liability)	$ 68,093	$ (518,601)	$ (483,355)	$ (392,047)
System's covered-employee payroll	$ 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	11.78%	91.47%	89.88%	77.23%
Plan fiduciary net position as a percentage of total OPEB asset (liability)	115.57%	47.80%	46.33%	54.14%

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

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 (1/1/2021-12/31/2021)
For The Year Ended December 31, 2021

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 Agriculture:				
Pass-Through Program from the Ohio Department of Health:				
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1830011WA1320 1830011WA1421 1830011WA1522	$ -	$ 3,653,021
TOTAL - U.S. Department of Agriculture Pass-Through Program.			**$ -**	**$ 3,653,021**
U.S. Department of Justice:				
Pass-Through Program from the Ohio Attorney General:				
Crime Victim Assistance	16.575	2021-VOCA-133917467 2022-VOCA-134714506	-	$ 802,090
TOTAL - U.S. Department of Justice Direct Pass-Through Program			$ **-**	**$ 802,090**
U.S. Department of Treasury:				
Pass-Through Program from the Ohio Attorney General's Office:				
COVID19: Coronavirus Relief Fund	21.019	2020-CARES-110	-	$ 50,000
Pass-Through Program from the Ohio Mental Health and Addiction Services:				
COVID19: Coronavirus Relief Fund	21.019	DMHF20CARE	-	$ 47,838
TOTAL - U.S. Department of Treasury - Pass-Through Programs			**$ -**	**$ 97,838**
U.S. Department of Homeland Security (Federal Emergency Management Agency):				
COVID 19: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	$ 1,852,769
COVID 19: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	$ 3,639,109
TOTAL - U.S. Department of Homeland Security - Direct Programs.			**$ -**	**$ 5,491,878**
U.S. Department of Health & Human Services:				
COVID19: Grants for New and Expanded Services under the Health Center Program Cluster	93.527		-	$ 90,667
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-	$ 335,825
COVID19: HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		-	$ 2,876,689
COVID19: Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	$ 71,337,490
TOTAL - U.S. Department of Health & Human Services - Direct Programs			**$ -**	**$ 74,640,671**
U.S. Department of Health & Human Services:				
Pass-Through Program from the Cuyhoga County Board of Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	NU52PS910184	-	$ 60,750
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B	93.686	UT8HA33929	-	$ 216,177
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	NU58DP006586	-	$ 4,458
HIV Emergency Relief Project Grants	93.914	H89HA23812	-	$ 1,243,860
HIV Prevention Activities Health Department Based	93.940	01810012HP0221 1NU62PS924637-01	-	$ 67,456
Pass-Through Program from the Mental Health and Addiction Services Board:				
Medical Assistance Program - Medicaid Cluster	93.778	60076897	-	$ 13,072
Opioid STR	93.788	2100517, 2100515, 2200411	-	$ 130,718
Pass-Through Program from Ohio Department of Health:				
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	01830014HD1421 01830014HD1522	-	$ 230,596
COVID19: National Bioterrorism Hospital Preparedness Program	93.889	01830012SU0120	-	$ 361,895
HIV Care Formula Grants	93.917	01830012RW1020 01830012RW1121	-	$ 197,605
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	01830012II0122	-	$ 20,398
Pass-Through Program from the Center for Health Affairs:				
National Bioterrorism Hospital Preparedness Program	93.889	01860052RP1421 01860052RP1522	-	$ 36,675
COVID19: National Bioterrorism Hospital Preparedness Program	93.889	1U3REP200665-01-06	-	$ 64,893
Pass-Through Program from City of Cleveland Department of Public Health:				
Healthy Start Initiative	93.926	CT5005SG 2021-010 CT5005SG 2021-133 H49MC00082	-	$ 134,284
TOTAL - U.S. Department of Health & Human Services Pass-Through Programs			**$ -**	**$ 2,782,837**
<u>Maternal, Infant and Early Childhood Home Visiting Cluster</u>				
U.S. Department of Health & Human Services:				
Pass-Through Program from Ohio Department of Health:				
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	01830011MH0521 01830011MH0622	-	$ 623,374
TOTAL - Maternal, Infant, and Early Childhood Home Visiting Pass-Through Program			**$ -**	**$ 623,374**

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Expenditures of Federal Awards (1/1/2021-12/31/2021) (Continued)
For The Year Ended December 31, 2021

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				
U.S. Department of Defense:				
Pass-Through Program from Myndtec:				
Military Medical Research and Development	12.420	W81XWH-16-1-0790	$ -	$ 193,780
Pass-Through Program from University of Miami:				
Military Medical Research and Development	12.420	W81XWH2110947	-	$ 10,382
Pass-Through Program from American Burn Association:				
Military Medical Research and Development	12.420	W81XWH-19-1-664	-	$ 4,124
Pass-Through Program from the University of Pittsburgh:				
USAMRAA	12.RD	W81XWH-16-D-0024 W81XWH20F0383	-	$ 3,150
Subtotal - U.S. Department of Defense - Pass Through Programs			**$ -**	**$ 211,436**
Research and Development Cluster				
U.S. Department of Health & Human Services:				
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	-	$ 18,121
Pass-Through Program from University of New Mexico:				
COVID19: Nursing Home COVID Action Net	93.RD	75Q80120C00003 3RJK7	83,467	$ 177,300
Pass-Through Program from Ohio State University:				
Maternal and Child Health Federal Consolidated Programs	93.110	60076260, 60080412 6U7AMC337160101	-	$ 9,665
Pass-Through Program from Rutgers University:				
Maternal and Child Health Federal Consolidated Programs	93.110	U3DMC32755	-	$ 3,920
Pass-Through Program from Cuyhoga County Board of Health:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	5NU17CE925005-02-00 5NU17CE925005-03-00	-	$ 1,439,003
Pass-Through Program from Emory University:				
Mental Health Research Grants	93.242	A464657 R01MH114692	-	$ 74,888
Pass-Through Program from University of Cincinnati:				
Drug Abuse and Addiction Research Programs	93.279	5UG1DA013732-21 5UG1DA013732-22	-	$ 24,952
Pass-Through Program from The State University of New Jersey:				
Trans-NIH Research Support	93.310	R61HD105619	-	$ 12,199
Pass-Through Program from Duke Clinical Research Institute:				
Cardiovascular Diseases Research	93.837	200464 U10HL084904	-	$ 94
Pass-Through Program from The Ohio State University / NIH-NHLBI:				
Cardiovascular Diseases Research	93.837	60059059 1UG3HL140144-01	-	$ 12,471
Pass-Through Program from The University of Alabama at Birmingham / NIH-NHLBI:				
Cardiovascular Diseases Research	93.837	000503570-20 HL120338	-	$ 33,381
Pass-Through Program from NYU Grossman School of Medicine:				
Lung Diseases Research	93.838	0T2HL156812	-	$ 114,707
Pass-Through Program from Duke University:				
IDIQ Contract	93.RD	ACTIV-2/A5401	-	$ 78,478
Pass-Through Program from Harvard Pilgrim Healthcare Institute:				
IDIQ Contract	93.RD	200-2016-91779	-	$ 8,743
Pass-Through Program from Duke Clinical Research:				
IDIQ Contract	93.RD	A03-4624, 1OT2HD107559-01	-	$ 7,746
Subtotal - U.S. Department of Health & Human Services - Pass-Through Programs.			**$ 83,467**	**$ 2,015,668**
TOTAL - Research & Development Cluster			**$ 83,467**	**$ 2,227,104**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 83,467**	**$ 90,318,813**

See Notes to Schedule of Expendutires of Federal Awards

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, 2021. 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. Indirect Cost Rate

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

Note 3. 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 4. Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions

During the year ended December 31, 2020, the Organization received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions program (PRF)(93.498). In accordance with HHS guidance, this funding was included on the Schedule for the year ended December 31, 2021. The Schedule represents distributions in the amount of $ 71,337,490 received by the Organization during the year ended December 31, 2020.

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, 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, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated March 23, 2022.

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 have not been 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
March 23, 2022

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on Schedule of Expenditures of Federal Awards 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, 2021. 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, 2021.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the System as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements. We issued our report thereon dated March 23, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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

RSM US LLP

Cleveland, Ohio
April 15, 2022

Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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
16.575	Crime Victim Assistance
93.498	COVID19: Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
93.461	COVID19: HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund
97.036	COVID 19: Disaster Grants - Public Assistance (Presidentially Declared Disasters

Dollar threshold used to distinguish between type A and type B programs:			$2,709,564	
Auditee qualified as a low risk auditee?	X	Yes		No

Section II - Financial Statement Findings

No findings were noted.

Section III – Findings and Questioned Costs for Federal Awards

No findings were noted.

MetroHealth

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2021

Identifying Number: 2020-001

Audit Finding: Criteria: The internal control environment in place should ensure compliance with Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 200.430, which indicates that costs must be necessary and reasonable for the performance of the Federal award, be allocable thereto under the principles and be adequately documented. Additionally, per section 200.430 and 200.431, charges to federal awards for salaries, wages and fringe benefits must be based on records that accurately reflect the work performed.

Condition: The internal control environment in place did not ensure that all charges to the federal program were supported in compliance with Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 200.430 and 200.431.

Cause: The internal control processes in place to ensure that charges to federal awards are entirely supported failed to detect the questioned cost.

Effect: The charges to the federal program were not entirely supported by accurate timecards and approved rates in the amount of $2,319.

Questioned cost: Based on audit procedures performed, the minimum known questioned cost is $2,319.

Context: In a sample of 60 payroll and non-payroll transactions selected for testing, we noted that the charges associated with 2 transactions could not be entirely supported.

Recommendation: We recommend that the internal controls surrounding compliance with Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 200.430 and 200.431 be enhanced to ensure that all charges to federal programs are properly supported.

Corrective Action Taken:

Management concurs with this recommendation. In order to enhance the control environment, management implemented a secondary review of all costs charged to this program. The internal control environment has been updated to include this secondary review. This corrective action was completed in April 2021.

In addition, in order to ensure that there were no additional unidentified unsupported costs associated with this Federal Award, management conducted a full review of all expenses and no additional unsupported costs were found. For the questioned costs identified in this finding, management identified other allowable costs to charge to the award.

Contact person responsible for corrective action:

Geoffrey Himes
Vice President, Finance

4-15-2022
Date

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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 5/10/2022

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