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Hagåtña, Guam – The Office of Public Accountability has released the Guam Memorial Hospital Authority's (GMHA) financial statements, reports on internal control and compliance, management letter, and the auditor's communication with those charged with governance for fiscal year (FY) 2020.

Uncertainty as to GMHA's Ability as a Going Concern

In its FY 2020 unmodified (clean) opinion on financial statements, independent auditors Deloitte & Touche, LLP reiterated its FY 2019's emphasis that GMHA incurred recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern (i.e., meet its obligations). GMHA's *going concern* was removed in FY 2018 as GMHA expected it will be able to pay down its obligations and will not reach the level that led to the previous years' going concern.

Responding to Coronavirus (COVID-19)

In March 2020, the Governor of Guam declared a state of emergency for Guam in response to COVID-19. The COVID-19 pandemic dramatically changed GMHA's landscape and established a new normal for GMHA that continues to require a tremendous amount of resources. GMHA was designated as Guam's only COVID-19 care facility. See Image 1 for several activities implemented and protective measures. Activities also included converting the Skilled Nursing Facility (SNF) to the COVID-19 Isolation Facility to treat and monitor COVID-19 patients. GMHA not only utilized its human resources, but financial resources outside of normal operations were needed despite GMHA's cash flow limitations.

While emergency services continued, GMHA restricted visitation, non-essential surgeries, and outpatient procedures as recommended by the Centers for Medicaid and Medicare Services (CMS). This would reduce COVID-19 exposure and preserve personal protective equipment and other resources. As a result, since April 2020, GMHA revenues were negatively impacted as patient census declined significantly.

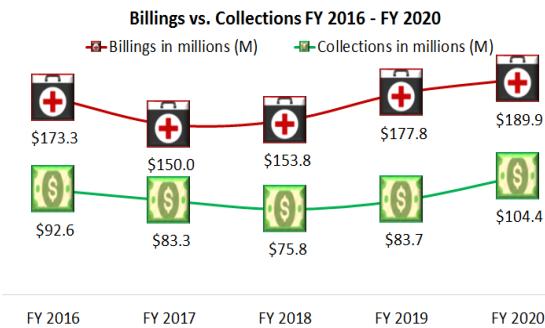
COVID-19 will continue to challenge GMHA's finances, particularly with declines in-patient census and the reliance on Government of Guam (GovGuam) subsidies funded by Business Privilege Taxes and the General Fund. As GMHA recovers from disrupted revenue streams, GMHA will seek federal assistance afforded to healthcare providers to recover lost revenues.

\$7.8M Decrease in Net Patient Revenues

Net patient revenues decreased by \$7.8 million (M) to \$91.3M in FY 2020 due to increases in allowances for uncollectible accounts. GMHA's patient/payer mix consists mainly of the 3M's (Medicaid, Medicare, and MIP patients), third-party payers, and self-pay patients. Of the \$177.7M in gross patient revenues, \$66.0M were contractual adjustments based on costs

Image 1: GMHA COVID-19 Activities Implemented and Protective Measures

	Daily health and wellness checks, including temperature screenings, and mandated face coverings/masks for all GMHA staff.
	Instituted protocols and directives with guidance from the Centers for Disease Control and the Guam Department of Public Health and Social Services.
	Adequate supply and proper use of personal protective equipment.
	Critical redesign and retrofitting of GMHA to create COVID-19 care units.
	Hiring additional staff to include physicians, nurses, housekeeping, and security.
	Committing to a 90% vaccination rate for all GMHA staff.
	Providing telemedicine technologies through video communications for face-to-face services, such as consultations and in-patient doctor's visits.
	Care Units and CIF maintained in a state of readiness for immediate occupancy in the event of another surge.



2020 from \$14.6M in FY 2019. Improved collections are attributed to aggressive billing, increased Medicare and Medicaid reimbursements, and GMHA's continued partnerships with the Office of the Attorney General for collection referrals and the Department of Revenue and Taxation for garnishments.

Despite increased collections, GMHA's mandate to provide healthcare to all patients regardless of one's coverage or ability to pay has resulted in the continual growth of patient receivables. For the last five years, self-pay patients received an average of \$21.9M of care per year. The likelihood of collecting self-pay accounts is low and GMHA's provision for bad debts averaged \$14.8M a year. This means that GMHA expects to collect an average of 32 cents per dollar billed to self-pay patients.

GMHA Memorandum of Agreement (MOA) with TakeCare Insurance Company (TakeCare)

From March to September 2020, GMHA patients subscribed as TakeCare members were considered self-pay due to TakeCare's non-payment of accounts. As a result, self-pay revenues absorbed \$3.0M of insurance payers' revenues. In September 2020, an MOA was signed to have a third party reconcile disputed claims and GMHA resumed accepting insurance coverage under TakeCare. Upon signing the MOA, TakeCare made good faith payments of \$3.2M in September 2020 for claims with dates of service from January 1, 2018, to March 11, 2020, subject to reconciliation. As of March 2021, the reconciliation is ongoing.

Operating Revenues Decreased and Operating Expenses Increased

GMHA's FY 2020 operating revenues decreased by \$6.0M due to the decreases of \$7.8M in net patient revenue and increases in allowances for uncollectible accounts. This was offset by an increase of \$1.8M in other revenue, net, which includes \$2.2M billed to the Department of Corrections (DOC) for medical care provided to detainees and inmates. All amounts billed to DOC in FY 2020 and FY 2019 were collected.

Operating expenses increased 11% or \$14.7M due to increases in expenses to prevent, prepare for, and respond to COVID-19. Other Pay and Salaries combined for Nursing and Medical Staff (including physicians) increased by \$4.0M and \$3.6M, respectively. This was due to the COVID-19 differential pay and additional hiring to care for COVID-19 patients or persons under investigation. Retiree healthcare costs and other pension benefits increased by 73.6% or \$4.6M due to increased retiree OPEB expenses.

Non-operating revenues increased by \$400 thousand (K) due to an increase in federal grants of \$7.7M, including \$7.3M in Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) relief funds. The increases were offset by decreases in transfers from GovGuam of \$5.7M and a reduction in legal contingencies of \$1.6M in FY 2019.

COVID-19 Relief Funds and Assistance

To provide financial relief caused by COVID-19 difficulties, the CARES Act included provisions for immediate cash relief to U.S. hospitals. As of FY 2020, GMHA received \$7.8M in direct CARES Act funding

from the U.S. Department of Health and Human Services through the Provider Relief Fund. Subsequent distribution of \$2.0M was received in December 2020.

In April 2020, GMHA received \$4.5M from CMS under the Expanded Accelerated and Advance Payment Program. The CARES Act expanded the CMS program to provide immediate cash flow to providers impacted by the COVID-19 pandemic. CMS will recoup the advanced payments from GMHA in April 2021 by offsetting remittances for claims.

In May 2020, GMHA received a budget allocation of \$11.9M from the GovGuam's \$118M Coronavirus Relief Fund (CRF) distribution to states, territories, local and tribal governments. The funds were budgeted for GMHA projected expenses for physicians, supplies, payroll, and projects. These include expanding the patient monitoring system and an upgraded capacity for negative pressure and hemodialysis. GMHA expended \$5.3M of the \$11.9M as of FY 2020.

COVID-19 Response Led to Decrease in Outpatient and Skilled Nursing Gross Revenues

Overall gross patient revenues decreased slightly by \$1.2M, from \$178.9M in FY 2019 to \$177.7M in FY 2020. Gross outpatient revenues decreased by \$4.1M and skilled nursing care gross revenues decreased by \$900K. The decrease was attributable to limiting elective surgeries and outpatient services and decompressing the SNF to prepare it as the COVID Isolation Facility.

The decrease in gross outpatient revenues and gross skilled nursing were offset by gross in-patient revenue increases of \$3.8M. Gross in-patient revenue growth was most notable in pharmaceutical charges and an early indicator of the benefits of the new Pyxis Medstation. This medication dispensing system would improve documentation, billing, and controls while reducing medication errors. GMHA's annual 5% rate increase and implementation of new fees are also factors in the gross patient revenue growth.

Increased Nursing and COVID-Related Support Staffing

GMHA increased its overall FY 2020 staffing by 82 full-time equivalents to 1,107 primarily to increase resources to support GMHA's COVID-19 response in the nursing, administrative support, and professional support staffing. Personnel costs increased by \$10.4M due to the \$5.1M for additional staff hiring and \$5.6M in other pay. Other pay includes certification pay for GMHA's certified allied health professionals and incentive pay for nurses. Another contributing factor in other pay was GMHA's April 2020 implementation of COVID-19 response differential pay for essential GMHA employees supporting the public health emergency per the Governor's Executive Order No. 2020-08. In FY 2020, GMHA incurred \$3.6M for such differential pay, of which \$3.4M was reimbursed by the CRF.

Compliance Report and Management Letter

Deloitte identified a repeat material weakness concerning GMHA's patient receivables. There was an accumulation of uncollectible receivables and the potential for inadequate cash flows to meet current obligations. This included the untimely analysis of receivables and the collections in the receivable suspense accounts were not recorded against specific receivable balances.

A separate letter was issued to management citing nine comments related to pharmacy inventory, patient receivable credit balances, patient fees, patient revenue, tagged fixed assets, professional service contracts, file retention, long-outstanding accounts journal entries, and useful lives of fixed assets. In addition, four IT-related control deficiencies were identified.

For more details on GMHA's operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.gmha.org.