



Financial Highlights

Guam Memorial Hospital Authority Financial Audit

Fiscal Year 2024

October 8, 2025

The Guam Memorial Hospital Authority (GMHA) received an unmodified (clean) opinion on its financial statements for the fiscal year (FY) ended September 30, 2024, from independent auditors Ernst & Young LLP (EY).

In the report on compliance for major federal programs, EY rendered a qualified opinion on the COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program after identifying two material weaknesses and questioned costs totaling \$1.1 million (M) due to GMHA's noncompliance with procurement, suspension, and debarment requirements. In two separate management letters, EY identified three deficiencies in internal controls over financial reporting and four deficiencies in internal controls related to information technology.

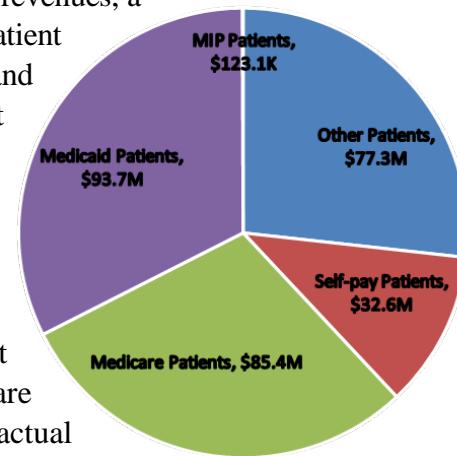
GMHA ended FY 2024 with a negative change in net position (net loss) of \$10.3M, increasing GMHA's cumulative deficit in net position from negative \$298.4M in FY 2023 to negative \$308.7M in FY 2024. GMHA reported an operating loss of \$83.7M in FY 2024, an improvement of \$14.2M from \$97.9M in FY 2023, primarily due to operating expenses of \$223.5M exceeding operating revenues of \$139.8M. The operating loss was partially offset by total nonoperating revenues of \$73.2M in FY 2024.

Gross and Net Patient Service Revenues Increased

GMHA's total operating revenues increased significantly by \$42.0M in FY 2024, from \$97.8M in FY 2023 to \$139.8M in FY 2024, primarily due to increases in net patient service revenue and other operating revenues. Other operating revenues increased by \$1.6M mainly due to the receipt of \$1.0M in insurance proceeds for Typhoon Mawar.

In FY 2024, GMHA generated \$289.2M in gross patient service revenues, a \$44.2M increase compared to \$245.0M in FY 2023. Gross patient service revenues are reduced by contractual adjustments and provision for bad debts totaling \$155.3M, resulting in net patient service revenue of \$133.9M in FY 2024, a \$40.4M increase compared to \$93.5M in FY 2023.

Of GMHA's \$289.2M gross patient revenues, 62% came from the Medicare, Medicaid, and Medically Indigent Program (3Ms), followed by third-party insurance payers and others at 26.7%, and self-pay at 11.3%. Reimbursements from Medicare and Medicaid claims remained significantly lower than actual



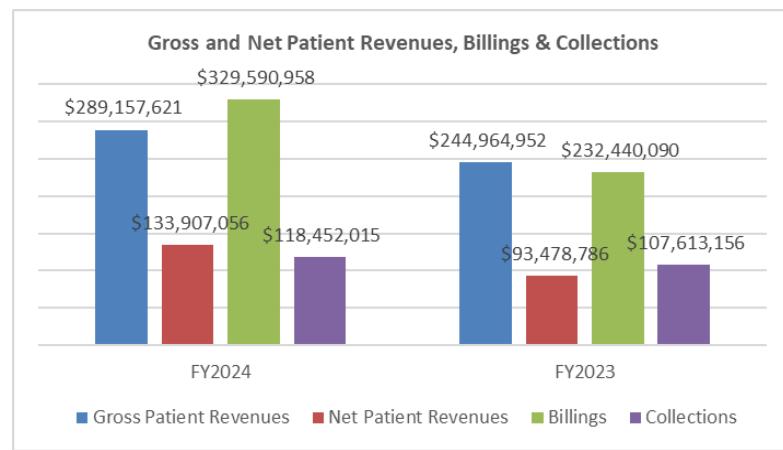
charges, resulting in a substantial entry for contractual allowances. Medicare contractual allowances totaled \$43.0M (50% of actual charges), while Medicaid contractual allowances were \$59.8M (64% of actual charges).

Gross patient revenues increased across inpatient, skilled nursing, and outpatient services. Inpatient services accounted for 80.6% of revenues, while outpatient services represented 19.4%. Inpatient revenues rose to \$223.6M in FY 2024, an increase of \$35.0M, driven by increases in room and board rates in November 2023 and a 2.5% increase in patient days, despite a 6.3% decline in inpatient admissions. Outpatient revenues reached \$53.7M in FY 2024, up \$6.1M from FY 2023 due to a 33.5% increase in outpatient volume. In addition, GMHA introduced a gastroenterology clinic in late FY 2023, expanding its Special Services Department, which already offered pulmonology, cardiology, and podiatry clinics.

Billings and Collections Increased

To recover from the negative effects of an extended network outage and Typhoon Mawar in FY 2023, GMHA significantly increased billing production. In FY 2024, GMHA billed \$329.6M in claims, an increase of \$97.2M from \$232.4M in FY 2023.

GMHA saw an increase in the percentage of billings relative to gross patient revenues in FY 2024 compared to FY 2023, largely attributed to GMHA's efforts to address outstanding billings from prior fiscal years. GMHA recognizes revenues when services are provided to patients, but amounts are not immediately billed due to the patient still being admitted, not coded, or medical records not being completed. Notably, approximately 11% of the total claims billed in FY 2024—equating to \$36.3M—were for services rendered in FY 2023 and prior years.



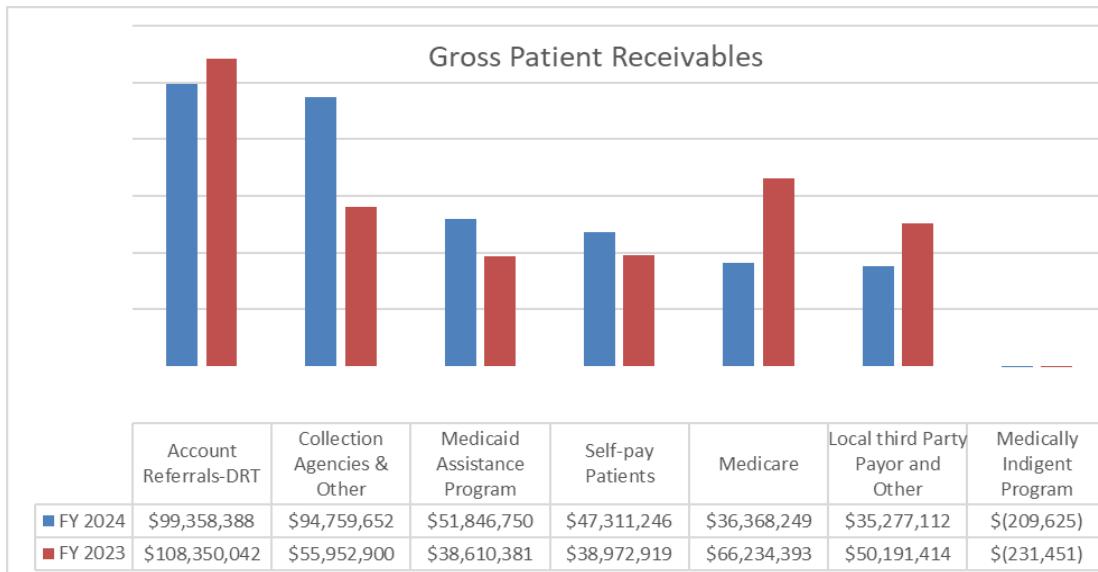
Although the percentage of collections relative to both net and gross patient revenues decreased compared to the previous fiscal year, GMHA's collections increased by \$10.9M, from \$107.6M in FY 2023 to \$118.5M in FY 2024. The increase was primarily due to collections from third-party payers by \$17.2M and self-pay by \$2.3M, and partially offset by a \$9.5M decrease in collections from the 3Ms. These increases were further offset by decreases in Medicaid collections of \$17.9M from clawbacks for advances paid to GMHA in FY 2023.

In FY 2024, GMHA's collection percentage over gross patient revenues was 41.0%. GMHA's challenges with collections stem mainly from its payer mix. Reimbursements from the 3M's are limited to a per diem rate for inpatient charges, which, in FY 2024, GMHA received \$1,689 per

day for an inpatient stay, regardless of charges incurred. GMHA's mandate to provide healthcare to all patients regardless of one's insurance coverage or ability to pay has resulted in continual growth of self-pay patient receivables. On average, GMHA collects 25 cents per dollar billed to self-pay patients.

Patient Accounts Receivable and Allowance for Uncollectible Accounts Increased

GMHA grants credit without collateral to its patients, many of whom are Guam residents and are insured under third-party payor agreements. In FY 2024, gross patient receivables totaled \$364.7M, an increase of \$6.6M from \$358.1M in FY 2023. The allowance for uncollectible accounts rose by \$5.5M to \$312.1M, resulting in a net patient accounts receivables of \$52.6M in FY 2024. This allowance for uncollectible accounts constitutes 85.6% of gross patient receivables.



Receivables increased by \$38.8M from collections agencies & others, \$13.2M from the Medicaid Assistance Program, and \$8.3M from self-pay patients. Offsetting these increases were decreases of \$29.9M from Medicare, \$9.0M from account referrals to the Department of Revenue and Taxation (DRT), and \$14.9M from local third-party payor and others. GMHA's prior collection agency agreement ended in early 2020, and a solicitation for collection agency services is currently underway and projected to be completed by early FY 2026. At the end of FY 2024, \$99.3M in patient accounts were referred to DRT for tax refund garnishments, of which \$4.4M was collected.

At FY 2024, \$44.4M in receivables were attributed to long-stay patients, classified as social cases. These patients are uninsured and underinsured, can be discharged, but do not have responsible parties willing to accept and support the patient. Social cases are mostly covered by Medicare or Medicaid, with any remaining amounts considered self-pay.

Nonoperating Revenues Increased due to Transfers from the Government of Guam (GovGuam)

Nonoperating revenues increased by \$18.9M in FY 2024, primarily due to a \$38.8M increase in transfers from GovGuam, totaling \$71.3M in FY 2024, up from \$32.5M in FY 2023. This increase

was partially offset by a \$19.9M decline in federal grants, from \$21.7M in FY 2023 to \$1.8M in FY 2024, largely attributed to the end of the COVID-19 pandemic and reduced Federal Emergency Management Agency and American Rescue Plan Act (ARPA) grant funding.

GMHA receives financial support from GovGuam in the form of supplemental appropriations and subsidies. In FY 2024, transfers from GovGuam totaling \$71.3M resulted from supplemental appropriations enacted in Public Laws (PL) from the General Fund and various special revenue funds, and are summarized below:

- PL 37-42, the General Appropriations Act of 2024, appropriated \$30.2M to GMHA, comprised of \$8.5M from the GMHA's General Fund and \$21.7M from the GMHA Pharmaceutical Fund.
- PL 37-43 appropriated \$30.0M in emergency funding for vendor payments in October 2023.
- PL 37-123 appropriated \$1.0M for past due merit bonus payouts for GMHA employees.
- PL 36-107 appropriated \$5.0M from the FY 2022 audited surplus fund balance for recruitment and hiring of specialty care physicians, of which \$3.4M was received for FY 2024. PL 36-107 also appropriated \$15.0M from the Hospital Capital Improvement Fund for GMHA's capital improvement projects or renovations of GMHA's delivery ward. No amount was received for FYs 2024 and 2023.

Operating Expenses Increased

Operating expenses rose by \$27.9M, from \$195.7M in FY 2023 to \$223.5M in FY 2024, which was mainly attributed to the following factors:

- Overall personnel costs totaled \$127.4M in FY 2024, making up 57% of the total operating expenses, and a \$13.7M increase from \$113.7M in FY 2023. GMHA's full-time equivalent (FTE) staff count increased by 20 to 1,180 at FY 2024, but below the budgeted FTE count of 1,272. Salaries increased by \$8.0M due to the implementation of the 2024 Nurse Pay Plan adjustment, raising base pay by 18% in April 2024 to help recruit and retain nurses, and the 2023 General Pay Plan, raising certain salaries by 22% in April 2023. Benefits increased by \$8.7M due to increases in pension expense of \$4.5M, retirement contributions of \$2.5M, and medical and dental insurance benefits of \$1.7M in FY 2024.
- Contractual services increased by \$6.0M from \$41.4M in FY 2023 to \$47.5M in FY 2024, mainly due to increases in contract physician costs of \$5.2M and travel nurses of \$2.5M. GMHA continues to experience staffing shortages in nursing and allied health professions, risking bed closures and lengthy emergency room holdings. To fill the gap in critical healthcare staffing, GMHA continues to rely on costly contract travel nurses. In FY 2024, GMHA contracted 31 travel nurses with an hourly rate averaged at \$95 per hour.
- Supplies and materials increased by \$1.8M due to the rising cost of medical supplies.

Dependency on GovGuam

In FY 2024, GMHA continued to incur losses from operations of \$83.7M and negative cash flows from operations of \$66.1M. As the only civilian public acute care hospital in Guam, GMHA will continue to exist despite negative operating losses and negative cash from operating activities. Accordingly, the financial statements were prepared as a going concern entity. GMHA management has taken the following actions and measures to address losses from operations and

negative cash flows from operations through funds subsidy and assistance from GovGuam and Medicare:

- FY 2024 transfers from GovGuam of \$71.3M and federal grants of \$2.0M subsidized GMHA net revenues for operational expenses. Non-cash pension expense of \$9.5M and other post-employment benefits expense of \$11.6M were attributed to operating losses.
- To date, FY 2025 appropriations are \$87.7M which augment net revenues. As of August 31, 2025, GMHA operating losses are \$50.5M, while transfers from GovGuam are \$61.1M, and federal grants are \$1.3M.
- FY 2026 budget request was submitted to the Guam Legislature on March 31, 2025, with a projected budget shortfall of \$21.9M for operations.
- GMHA also looks forward to continuing to collaborate with the Legislative Chairperson for the Committee on Health and Veterans Affairs and the Congressman to enhance Medicare and Medicaid reimbursements. Discussions have focused on rebasing and the Critical Access Hospital designation to increase GMHA's rate as a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hospital. TEFRA facilities are reimbursed based on their Medicare treatment costs, capped by a limit set from their base year's costs and adjusted annually by about 1% for inflation using the hospital market basket index. GMHA's Medicare Cost Report Preparer and Consultant completed adjustment requests, and the rebasing request will begin after the adjustment requests are submitted to the Medicare Administrative Contractor.

Facility Condition Assessment and Capital Improvements Additions

In November 2019, the US Army Corps of Engineers assessed GMHA and recommended constructing a new \$743.0M hospital while immediately addressing \$21.0M in critical life-safety repairs (roof, HVAC, and structural). In October 2023, GovGuam committed \$20.0M in ARPA funds for CIPs, but by December 2023, the amount was reduced to \$10.0M and redirected to vendor payments to alleviate revenue losses and decreased cash flows. GMHA will rely on other funding sources, including operations funds, to support CIPs.

As of September 30, 2024, GMHA's net investment in capital assets was \$27.0M with no long-term debt. Major FY 2024 capital improvement additions include the following:

- \$1.3M for angiography system and hemodynamic recording system, partially funded by ARPA Funds,
- \$0.9M for medical equipment for specialty services such as gastroenterology, surgery, and cardiology, funded by PL 36-107,
- \$0.6M for radiology and information technology equipment, funded by ARPA Funds, and
- \$0.2M for donated equipment, including a lithotripsy machine donated by the GMH Volunteers Association.

Report on Compliance and Internal Control

The auditors identified **two material weaknesses** and **questioned costs totaling \$1.1M** relative to GMHA's internal control over compliance with major federal programs, specifically due to noncompliance with the requirements of the COVID-19 Coronavirus SLFRF program.

1. ***Suspension & Debarment:*** For all seven procurements tested, GMHA did not properly document that verification was performed to identify if the selected person or entity in the

covered transaction was not suspended or debarred prior to transacting with them. This resulted in questioned costs of \$900 thousand (K). GMHA lacked effective monitoring to ensure that vendors and entities that are debarred, suspended, or excluded from or ineligible for participation in Federal assistance programs or activities are restricted from Federal awards, subawards, and contracts.

2. **Procurement:** For two of 12 items tested, GMHA's method of procurement did not comply with local procurement regulations. GMHA used the small purchase procurement method, but should have used competitive sealed bidding for two purchase orders, which resulted in questioned costs of \$151K. GMHA management disagreed with the finding. However, the auditors clarified the requirement with the pass-through entity, and concurred with the auditors' finding.

Management Letter

The auditors issued a management letter and identified three deficiencies in internal control over financial reporting:

1. **Patient Receivable Management:** As of September 30, 2024, GMHA has \$5.3M in Discharge Not Final Billed (DNFB) receivables, reflecting a 75% decrease from \$20.9M the previous year. As of July 31, 2025, DNFB receivables increased to \$8.6M, a 62% increase from FY 2024. Additionally, GMHA has \$9.9M in accounts receivable suspense accounts as of September 30, 2024, reflecting a 371% increase from \$2.1M the previous year. This situation arises from GMHA's mandate to provide medical services to all individuals, regardless of patient condition or financial ability to pay, combined with the complexity of billing and collection processes amidst limited resources. The accumulation of DNFB receivables poses a risk to cash flows, while suspense accounts may result in disputed receivables.
2. **Timely Accrual of Expenses:** EY noted that some expenses related to the prior year in two of the selected samples were not accrued in the appropriate fiscal year. Invoices that should have been recorded in the prior year were instead posted in the current fiscal year due to processing delays, leading to an overstatement in expenses in the current year.
3. **Timely Reconciliation of Related Party Transactions and Balances:** EY observed that the balances related to the Department of Administration (DOA) have not been reconciled on a regular basis. This lack of reconciliation has resulted in significant discrepancies, which are only identified upon confirmation with the DOA. This resulted in four additional client adjusting entries in the course of the reconciliation, delaying the finalization of the audit.

For more details, refer to GMHA's FY 2024 Financial Statements, Reports on Compliance and Internal Control, Management Letter, and The Auditor's Communication with Those Charged with Governance at www.opaguam.org and www.gmha.org.