Lubbock County Hospital District
d/b/a UMC Health
A Component Unit of Lubbock County

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County

December 31, 2022 and 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Managers
Lubbock County Hospital District
d/b/a UMC Health System
Lubbock, Texas

Opinion

We have audited the financial statements of Lubbock County Hospital District d/b/a UMC Health System (District), a component unit of Lubbock County, Texas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about '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 supplemental pension information listed in the table of contents to 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.

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

FORVIS, LLP

Dallas, Texas
November 7, 2023

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Balance Sheets
December 31, 2022 and 2021
(In Thousands)

Assets

	2022	2021
Current Assets		
Cash	$ 74,328	$ 111,024
Restricted cash	1,663	1,274
Investments	291,472	325,009
Patient accounts receivable, net of allowance; 2022 – $86,762, 2021 – $93,915	103,815	91,522
Property taxes receivable, net	17,943	17,372
Supplies	20,410	20,159
Supplemental Medicaid funding receivable	17,749	18,750
Estimated amounts due from third-party payers	10,921	11,577
Prepaid expenses and other	21,429	20,360
Total current assets	559,730	617,047
Noncurrent Cash and Investments		
Investments	61,276	57,934
Restricted by donors	23,122	21,091
Internally designated for self-insurance and other	16,909	17,977
Total noncurrent cash and investments	101,307	97,002
Capital Assets, Net	388,185	325,385
Other Assets	28,600	20,666
Total assets	$ 1,077,822	$ 1,060,100

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Balance Sheets (Continued)
December 31, 2022 and 2021
(In Thousands)

Liabilities and Net Position

	2022	2021
Current Liabilities		
Accounts payable	$ 31,843	$ 37,353
Accrued payroll	27,432	28,256
Estimated self-insurance costs – current	3,718	2,950
Estimated amounts due to third-party payers	1,487	1,487
Other accrued liabilities	5,636	5,176
Medicare Advance Payments, current	-	43,543
Intergovernmental transfer obligation	1,663	1,274
Provider Relief Funds received in advance	3,301	3,283
Total current liabilities	75,080	123,322
Estimated Self-insurance Costs	944	1,127
Other Postemployment Benefits	934	732
Other Noncurrent Liabilities	3,618	4,250
Total liabilities	80,576	129,431
Net Position		
Net investment in capital assets	384,490	319,192
Restricted – nonexpendable	12,588	8,362
Restricted – expendable	25,272	15,186
Unrestricted	574,896	587,929
Total net position	997,246	930,669
Total liabilities and net position	$ 1,077,822	$ 1,060,100

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – $59,969, 2021 – $59,827	$ 669,658	$ 635,256
Supplemental Medicaid funding	136,751	148,291
Other revenue	17,173	19,609
Total operating revenues	823,582	803,156
Operating Expenses		
Salaries, wages and benefits	386,863	335,277
Purchased services and professional fees	200,081	185,604
Supplies and other	186,393	174,097
Depreciation and amortization	41,815	40,443
Total operating expenses	815,152	735,421
Operating Income	8,430	67,735
Nonoperating Revenues		
Property tax revenue	29,329	25,839
Investment return	153	1,981
Tobacco settlement and uncompensated trauma care	413	457
Gain on investment in equity investee	3,398	1,752
Noncapital grant revenue	5,418	6,485
Other revenue (expense)	(62)	470
Total nonoperating revenues	38,649	36,984
Excess of Revenues Over Expenses Before Capital Grants and Gifts	47,079	104,719
Capital Grants and Gifts	19,498	4,635
Increase in Net Position	66,577	109,354
Net Position, Beginning of Year	930,669	821,315
Net Position, End of Year	$ 997,246	$ 930,669

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash flows from Operating Activities		
Receipts from and on behalf of patients	$ 614,478	$ 596,384
Cash received from supplemental Medicaid funding programs	137,752	148,726
Net receipts from Local Provider Participation Fund	389	(5,001)
Payments to suppliers and contractors	(389,575)	(365,242)
Payments to or on behalf of employees	(388,473)	(334,701)
Other receipts, net	15,202	19,357
Net cash provided by (used in) operating activities	(10,227)	59,523
Cash flows from Noncapital Financing Activities		
Receipt of property taxes supporting operations	28,758	23,073
Proceeds received from tobacco settlement and uncompensated trauma care	413	458
Proceeds from contributions	978	359
Proceeds from grant funds	5,436	6,449
Net cash provided by noncapital financing activities	35,585	30,339
Cash flows from Capital and Related Financing Activities		
Capital grants and gifts	5,904	1,873
Proceeds from sale of capital assets	-	125
Purchase of capital assets	(101,555)	(57,038)
Net cash used in capital and related financing activities	(95,651)	(55,040)
Cash flows from Investing Activities		
Income on investments	7,616	753
Purchase of investments	(48,639)	(334,423)
Maturities and sales of investments	73,258	296,381
Distributions from (advances to) equity investee	4,497	(1,971)
Other investing activities	338	1,886
Net cash provided by (used in) investing activities	37,070	(37,374)
Decrease in Cash and Cash Equivalents	(33,223)	(2,552)
Cash and Cash Equivalents, Beginning of Year	120,142	122,694
Cash and Cash Equivalents, End of Year	$ 86,919	$ 120,142

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash in current assets	$ 75,991	$ 112,298
Cash and cash equivalents in investments	358	996
Cash and cash equivalents in assets restricted by donors	10,570	6,848
Total cash and cash equivalents	$ 86,919	$ 120,142
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 8,430	$ 67,735
Depreciation and amortization	41,815	40,443
Loss on sale of capital assets	-	18
Provision for uncollectible accounts	58,631	59,827
Changes in operating assets and liabilities		
Patient accounts receivable, net	(70,924)	(73,251)
Medicaid supplemental funding receivable	1,001	435
Estimated amounts due from and to third-party payers	656	(6,891)
Intergovernmental transfer obligation	389	(5,001)
Accounts payable and accrued expenses	(8,732)	2,614
Medicare Advance Payments	(43,543)	(18,557)
Other assets and liabilities	2,050	(7,849)
Net cash provided by (used in) operating activities	$ (10,227)	$ 59,523
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	$ 7,843	$ 5,943
Capital assets donated	$ -	$ 835

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

Nature of Operations and Reporting Entity

Lubbock County Hospital District d/b/a UMC Health System (District) is a political subdivision of the state of Texas and operates University Medical Center (UMC) on the Texas Tech University Health Sciences Center (TTUHSC) campus in Lubbock, Texas. UMC is a teaching hospital for the Texas Tech University School of Medicine, is licensed for 494 beds and primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Lubbock County and surrounding areas. The District is governed by a Board of Managers (Board) appointed by the Commissioners Court of Lubbock County (County).

UMC Physicians (UMCP) is a taxable not-for-profit corporation organized for the purpose of delivering physician-related primary health care to the residents of the District's primary service area. The District is the sole corporate member of UMCP and has the District to exercise significant control over and absorb all losses from the financial operations of UMCP. As such, UMCP is presented as a blended component unit of the District. Separate financial statements of UMCP can be obtained by contacting the District's management.

UMC Foundation (Foundation) is a not-for-profit corporation organized to support and benefit scientific, education and charitable activities conducted by the District. The Foundation is a nonprofit organization whose purpose is to perform services on behalf of the District, including organizing fundraising activities. Because the Foundation operates primarily for the exclusive benefit of the District, it is presented as a blended component unit of the District. Separate financial statements of the Foundation can be obtained by contacting the District's management.

UMC Holding, Inc., (Holding) is a not-for-profit corporation organized to hold title to property, collect revenues therefrom, pay expenses and remit net profits to the District. The Board serves as Holding's board of directors and Holding is presented as a blended component unit of the District.

UMC Health Network, Inc., (Health Network) is a taxable nonprofit corporation organized for delivery of various modalities of health care. The District is the sole member of Health Network and the District appoints the board of directors of Health Network. Health Network is presented as a blended component unit of the District.

UMC Accountable Care, LLC (UMC ACO) is a taxable nonprofit corporation organized for operating an accountable care organization (ACO) as defined in the *Patient Protection and Affordable Care Act*, as amended by the *Health Care and Education Reconciliation Act of 2012*. Effective December 2021, UMC ACO no longer operates an ACO and transactions during the year ended December 31, 2022 were primarily related to the wind down of the organization. Health Network is the sole member of the UMC ACO. UMC ACO is presented as a blended component unit of the District.

The District holds a 50 percent interest in South Plains Rehabilitation Hospital (South Plains), which is accounted for using the equity method of accounting. South Plains was formed to provide inpatient rehabilitation services for stroke, brain injury and other complex neurological and orthopedic conditions.

The District holds a 50 percent interest in UMC Home Health and Hospice (UMC Home Health), which is accounted for using the equity method of accounting. UMC Home Health was formed to provide adult and pediatric home health and hospice services in Lubbock, Texas.

The District's financial statements include the activities set forth above. All material intercompany accounts and transactions have been eliminated in the financial statements.

Basis of Accounting and Presentation

The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange, and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions are recognized when all applicable eligibility requirements are met.

Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers.

Property Taxes

The District received approximately 3.4 percent and 3.1 percent of its financial support from property taxes in 2022 and 2021, respectively. The property tax revenue was used to support operations in both 2022 and 2021.

Property taxes are levied by the District on October 1, of each year based on the preceding January 1, assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which enforceable legal claims arise and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31, of the following year. The District recorded an allowance for uncollectible property taxes of approximately $1,376 and $1,279 at December 31, 2022 and 2021, respectively.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, employee health and workers' compensation claims. UMCP purchases commercial insurance coverage for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health claims and workers' compensation claims. UMCP is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice, employee health claims and workers compensation claims, and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* are carried at amortized cost per share. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	10 – 20 years
Buildings and leasehold improvements	10 – 40 years
Equipment	3 – 20 years
Computer software	3 – 10 years

Capital Asset Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Compensated Absences

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

Net Position

Net position of the District is classified in four components on its balance sheets. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets, if any. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments, and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. The District and the Foundation also carry an exemption from income taxes under IRC Section 501(c)(3). Holding is exempt from income taxes under IRC Section 501(c)(2). The District, the Foundation and Holding are all subject to federal income tax on any unrelated business taxable income.

UMCP, Health Network and UMC ACO are taxable for federal income tax purposes.

UMCP has net operating loss carryforwards. Beginning in 2020, the net operating loss carryforwards arising from tax years prior to 2018 have started to expire, as they are not utilized. Net operating loss carryforwards arising from tax years beginning in 2018 and onward carry forward indefinitely for future utilization. Management has provided a valuation allowance for the entire balance of the deferred tax asset. The valuation allowance was established due to the uncertainties regarding the realization of the tax benefits in future years and because it is more likely than not that some portion or all of the deferred tax asset may not be realized.

Pending Adoption of Recent Accounting Pronouncements

GASB Statement No. 96 – *Subscription Based Information Technology Arrangement*. 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 the District for fiscal year ending December 31, 2023.

Note 2: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Inpatient reimbursement is inclusive of an add-on for trauma care that is based on the Medicaid Standard Dollar Amount. Outpatient and physician services rendered to Medicaid program beneficiaries are reimbursed under a mixture of fee schedules and cost reimbursement. The District is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Approximately 48 percent and 44 percent of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, respectively. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review, or investigation.

Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due under the reimbursement programs. These audits often require several years to reach their financial determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Supplemental Medicaid Funding Revenue

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

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a Medicaid section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program" (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the HHSC and the Center for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool and an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program which ended on September 30, 2021 and was not extended under the waiver extension. One of the new directed payment programs is the Comprehensive Hospital Increased Reimbursement Program (CHIRP), which replaces the existing Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP also provides for a rate increase similar to UHRIP but also provides for a rate enhancement above the UHRIP rate, based upon a percentage of estimated average commercial reimbursement. Participating hospitals may opt into this second component. The UHRIP program ended on August 31, 2021, and the CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2023.Revenue from UHRIP and CHIRP was part of the claims payment from the Medicaid managed care organizations and is recognized as a component of net patient service revenue in the statements of changes in revenues, expenses and changes in net position.

The District participates in the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid by providing incentive payments to participating Health Related Institutions (HRIs).

Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as the District.

The District participates in a Medicaid Graduate Medical Education (GME) supplemental payment program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals.

In 2022, the District began participating in the Texas Incentives for Physicians and Professional Services Program (TIPPS). TIPPS is a directed payment program for certain physician practice groups providing health care services to children and adults enrolled in the STAR, STAR+PLUS and STAR Kids Medicaid managed care programs. Eligible physician practice groups include HRIs, indirect medical education physician practice groups affiliated with hospitals and other physician practice groups.

In 2022, District also began participating in the Public Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to certain hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to participating hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.

Revenue recognized from all programs that are not components of claims payments (UHRIP and CHIRP) is included as Supplemental Medicaid funding within operating revenues in the statements of revenues, expenses and changes in net position as follows:

	2022	2021
DSH Program	$ 30,596	$ 24,891
UC Pool	44,522	42,739
DSRIP	4,517	23,612
NAIP	46,275	53,585
GME	3,406	3,464
TIPPS	3,254	-
HARP	4,181	-
	$ 136,751	$ 148,291

Accounts receivable under the programs listed above were $12,241 and $13,160 at December 31, 2022 and 2021, respectively, and are included as a component of the supplemental Medicaid funding receivable in the balance sheets. At December 31, 2022 and 2021, the District recorded approximately $5,508 and $5,590, respectively, of prepaid intergovernmental transfers, which the District is required to contribute as the state share of CHIRP funding, which is included as a component of the supplemental Medicaid funding receivable in the balance sheets.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding the District has historically received from these programs is not representative of funding to be received in future years.

Note 4: Local Provider Participation Fund

During 2020, the District began participation in a Local Provider Participant Fund (LPPF) in Lubbock County. The District acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Lubbock County. These payments are to be used to fund intergovernmental transfers representing the state's share of supplemental Medicaid funding program. As the District acts a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenues and expenses in the statements of revenues, expenses, and changes in net position. At December 31, 2022 and 2021, the District held $1,663 and $1,274 in mandatory payments, respectively, that will be transferred in the following year.

Note 5: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments.

At December 31, 2022, Hospital cash accounts exceeded federally insured limits by $19,762. Foundation cash accounts exceeded federally insured limits by $210. Health Network cash accounts exceeded federally insured limits by $2,149 at December 31, 2022. UMCP cash accounts exceeded federally insured limits by $513 at December 31, 2022.

Investments

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

At December 31, 2022 and 2021, the District had the following investments and maturities:

	December 31, 2022			
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
Money market mutual funds	$ 358	$ 358	$ -	$ -
Investment pools	245,114	245,114	-	-
U.S. agencies obligations	83,702	14,329	61,394	7,979
Municipal bonds	4,466	-	4,466	-
Corporate bonds	3,024	398	2,253	373
		$ 260,199	$ 68,113	$ 8,352
Equity securities	8,832			
Mutual funds	726			
	$ 346,222			

	December 31, 2021			
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
Money market mutual funds	$ 996	$ 996	$ -	$ -
Investment pools	270,604	270,604	-	-
U.S. agencies obligations	87,160	21,293	58,775	7,092
Municipal bonds	4,870	-	4,870	-
Corporate bonds	3,010	403	2,084	523
		$ 293,296	$ 65,729	$ 7,615
Equity securities	10,157			
Mutual funds	887			
	$ 377,684			

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy prohibits individual investment maturities from exceeding 10 years and the weighted-average life cannot exceed five years. The longer the maturity of a fixed rate bond or note, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the notes and bonds decrease. Likewise, when interest rates decrease, the fair value of the notes and bonds increase. The money market mutual funds are presented as an investment with maturity of less than one-year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District has developed an investment policy that addresses the limitation of credit risk or otherwise follow the restrictions of the *Texas Public Funds Investment Act*. UMC and UMCP are restricted to purchases of investments in mortgage-backed securities, other government agencies, government pooled funds, certificates of deposit, repurchase agreements and general obligation bonds of the state of Texas. The Foundation has invested in corporate bonds, mutual funds and equity securities. The notes and bonds of the U.S. government-sponsored entities and municipal bonds include ratings that range from AA- to AAA by Standard & Poor's (S&P) rating agency. UMC's investment pools include local government investment pools that are AAAm rated by S&P. The Foundation's corporate bonds include ratings that range from BBB+ to AA+ by S&P. Other investments that include mortgage-backed securities, certificates of deposit, mutual funds, and equity securities are not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the District are held in safekeeping or trust accounts.

Concentration of Credit Risk – The District's investment policy seeks to diversify the use of investment instruments, maturities, and individual financial institutions to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, maturities or individual financial institutions.

Investment in State Investment Pools – The District invests in TexPool and TexSTAR. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

TexSTAR's governing body is a five-member board of directors. Three directors are officers or employees of participants; one director is an officer or employee of Hilltop Securities, Inc.; and the final director is an officer or employee of an affiliate of J.P. Morgan Asset Management, Inc. TexSTAR's bylaws also require the board of directors to appoint an advisory board.

The advisory board currently consists of six members, each of whom is either (1) a representative of a participant or (2) a person who has no business relationship with the board of directors, but who is qualified to advise the board of directors. The advisory board shall at all times include at least one member of each such designation.

The following table reflects the District's investments in single issuers that represent more than 5 percent of total investments:

	2022	2021
Federal National Mortgage Association	8.3%	10.9%
Federal Home Loan Mortgage Corp	6.6%	5.8%

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 122,548	$ 156,625
Investments	346,222	377,684
	$ 468,770	$ 534,309
Included in the following balance sheet captions		
Cash and restricted cash	$ 75,991	$ 112,298
Short-term investments	291,472	325,009
Noncurrent cash and investments	101,307	97,002
	$ 468,770	$ 534,309

Investment Income

Investment income for the years ended December 31, consisted of:

	2022	2021
Interest income	$ 7,850	$ 1,500
Net change in fair value of investments	(7,697)	481
Total investment income	$ 153	$ 1,981

Note 6: Patient Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, consisted of:

	2022	2021
Medicare	$ 29,283	$ 24,454
Medicaid	11,127	12,156
Other third-party payers	95,466	96,443
Patients	54,701	52,384
	190,577	185,437
Less allowance for uncollectible accounts	86,762	93,915
	$ 103,815	$ 91,522

Note 7: Capital Assets

Capital assets activity for the years ended December 31, was:

2022

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 19,450	$ -	$ -	$ -	$ 19,450
Land improvements	12,602	186	-	-	12,788
Buildings and improvements	355,985	362	-	19,681	376,028
Equipment	303,984	32,136	(17)	1,104	337,207
Leasehold improvements	3,191	-	-	5,328	8,519
Construction in progress	33,486	70,771	-	(26,113)	78,144
	728,698	103,455	(17)	-	832,136
Less accumulated depreciation					
Land improvements	11,543	230	-	-	11,773
Buildings and improvements	156,881	13,762	-	-	170,643
Equipment	232,775	26,371	(17)	-	259,129
Leasehold improvements	2,114	292	-	-	2,406
	403,313	40,655	(17)	-	443,951
Capital assets, net	$ 325,385	$ 62,800	$ -	$ -	$ 388,185

2021

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 18,920	$ 530	$ -	$ -	$ 19,450
Land improvements	12,593	-	(3)	12	12,602
Buildings and improvements	341,908	3,553	(26)	10,550	355,985
Equipment	277,092	26,127	(411)	1,176	303,984
Leasehold improvements	3,158	-	(1)	34	3,191
Construction in progress	17,758	27,500	-	(11,772)	33,486
	671,429	57,710	(441)	-	728,698
Less accumulated depreciation					
Land improvements	10,491	1,055	(3)	-	11,543
Buildings and improvements	144,609	12,298	(26)	-	156,881
Equipment	207,232	25,811	(268)	-	232,775
Leasehold improvements	1,823	292	(1)	-	2,114
	364,155	39,456	(298)	-	403,313
Capital assets, net	$ 307,274	$ 18,254	$ (143)	$ -	$ 325,385

The District has approved various capital improvement projects that will be completed over the next three years that have a total estimated cost of completion of approximately $156,876.

Note 8: Risk Management

Professional and General Liability Risk

The District is self-insured for medical malpractice and general liability claims. The District's maximum liability for professional and general liability claims as a governmental unit under the *Tort Claims Act* is generally $100 per individual and $300 per occurrence.

Losses from asserted and unasserted claims identified under the District's incident reporting system are accrued based on estimates that incorporate the District's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the District's estimate of losses will change by a material amount in the near term.

UMCP purchases medical malpractice insurance under a claims-made policy on a fixed premium basis and general liability insurance under an occurrence basis policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon UMCP's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Employee Health Claims

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. Commercial stop-loss insurance coverage is purchased for claims in excess of $500 for UMC and $100 for UMCP. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

Workers' Compensation Claims

The District is self-insured for workers' compensation claims. Commercial stop-loss insurance coverage is purchased for workers' compensation claims in excess of $600. A provision is accrued for self-insured workers' compensation claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

UMCP purchases workers' compensation insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of workers' compensation claim costs, if any, for any reported and unreported incidents occurring during the year by estimating the probable ultimate costs of the incidents. Based upon UMCP's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Activity in the District's self-insured claims liability accounts during 2022 and 2021 is summarized below:

	2022		
	Employee Health Care Benefits	Workers' Compensation	General and Professional Liability
Balance, beginning of year	$ 1,434	$ 1,826	$ 817
Current year claims incurred and changes in estimates for claims incurred in prior years	22,793	734	114
Claims and expenses paid, net	(21,837)	(1,034)	(184)
Balance, end of year	$ 2,390	$ 1,526	$ 746

	2021		
	Employee Health Care Benefits	Workers' Compensation	General and Professional Liability
Balance, beginning of year	$ 1,721	$ 1,600	$ 910
Current year claims incurred and changes in estimates for claims incurred in prior years	17,021	1,200	114
Claims and expenses paid, net	(17,308)	(974)	(207)
Balance, end of year	$ 1,434	$ 1,826	$ 817

Note 9: Restricted and Designated Net Position

At December 31, 2022 and 2021, $16,909 and $17,977, respectively, of unrestricted net position has been designated by the Board for self-insurance liability coverage, pension obligations and support of programs at TTUHSC. Designated net position remains under the control of the Board, which may at its discretion later use this net position for other purposes.

At December 31, 2022 and 2021, $12,588 and $8,362, respectively, of net position is restricted under donor endowments whereby the Foundation is the beneficiary.

At December 31, 2022 and 2021, $25,272 and $15,186, respectively, of net position was restricted by donors for capital and operating activities.

Note 10: Charity Care

In support of its mission, the District voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. The costs of charity care provided under the District's charity care policy was approximately $79,741 and $78,343 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: Benefit Plans

Defined Contribution Plan

Part-time and full-time employees of the District may elect to participate in a tax-sheltered annuity plan under Sections 403(b) and 457 of the IRC after completion of 90 days of service. An employee may contribute earnings up to the maximum amount allowable by law and direct contributions to the investment account selected by the employee. UMC matches employees' contributions up to 2 percent of the employees' annual salary during the first five years of service, 3 percent after five years of service, 4 percent after eight years of service, 5 percent after 11 years of service, 6 percent after 15 years of service, 7 percent after 20 years of service and 8 percent after 25 years of service. The annuity plan is administered by the District. The annuity plan provisions and contribution requirements are established and may be amended by District administration. The employees are vested in 100 percent of the contributions to the plan at the time the contributions are made. Employees contributed $12,195 and $10,678 for the years ended December 31, 2022 and 2021, respectively. The District contributed $8,364 and $6,539 for the years ended December 31, 2022 and 2021, respectively.

Defined Benefit Plans

Plan Description

The District has established a supplemental retirement plan (SRP) and an excess benefit plan (EBP) (Plans) for the benefit of four executives. Two of the executives are active employees and two are retired employees currently receiving benefits. The District serves as the Plans' administrator and the Plans' assets are invested in trust funds with a bank serving as trustee. The EBP assets are subject to the District's creditors. Amendments to the Plans are made only with the District of the Board. The Plans do not issue stand-alone financial reports. However, an annual actuarial valuation report is available from the District. The Board has sole authority to establish or amend the obligations to contribute to the Plans by participants or the District.

Benefits Provided

The Plans provide retirement, disability and death benefits. Retirement benefits for eligible employees are defined dollar amounts specified in the Plans' documents. Participants are eligible to retire at their normal retirement date unless an early retirement date is specified in the Plans' documents. Disability retirement benefits and death benefits are determined in the same manner as retirement benefits.

Contributions

The District's contributions are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the established amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability

The District's net pension liability relates to the SRP and was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

The total pension liability was determined using the following actuarial assumptions:

Inflation	3.25%
Salary increases	3.25%
Investment rate of return	4%, net of investment expense, including inflation

All of the SRP assets are invested in fixed income securities.

Discount Rate

The discount rate used to measure the total pension liability of the SRP was 4 percent at December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that District contributions will be made in amounts consistent with the most recent five-year District contribution history. Based on those assumptions, the SRP's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on SRP investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, fiduciary net position and net pension liability of the SRP for the years ended December 31, are:

	2022		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	$ 5,295	$ 4,812	$ 483
Changes for the year			
Service cost	351	-	351
Interest	219	-	219
Differences between expected and actual experience	-	-	-
Contributions – employer	-	450	(450)
Net investment income	-	(278)	278
Benefit payments	(298)	(298)	-
Administrative expense	-	(12)	12
Balance at December 31, 2022	$ 5,567	$ 4,674	$ 893

	2021		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2021	$ 5,112	$ 4,876.00	$ 236.00
Changes for the year			
Service cost	340.00	-	340
Interest	210	-	210
Differences between expected and actual experience	33	-	33
Contributions – employer	-	400	(400)
Net investment income	-	(52)	52
Benefit payments	(400)	(400)	-
Administrative expense	-	(12)	12
Balance at December 31, 2021	$ 5,295	$ 4,812	$ 483

The net pension liability is reflected in the balance sheets as a component of other post-employment benefits.

At December 31, 2022 and 2021, EBP assets, invested primarily in certificates of deposit and U.S. agency obligations, were $813 and $861, respectively, and are reflected as a component of internally designated for self-insurance and other under noncurrent cash and investments in the balance sheets. At December 31, 2022 and 2021, the EBP liability was $37 and $0, respectively, and is reflected as a component of other postemployment benefits in the balance sheets.

Postemployment Health Care Plan

The District also provides certain health care benefits for retired employees (OPEB Plan). The OPEB Plan is a single-employer defined benefit postretirement health care plan sponsored and administered by the District. As of December 31, 2022 and 2021, the number of retirees and eligible beneficiaries were three and four, respectively. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75.

As of January 1, 2010, all current participants in the OPEB Plan may continue participating in the plan for three years or until age 65, whichever period is greater. As of January 1, 2010, if a covered employee has met all eligibility requirements to retire, on or before December 31, 2012, the covered employee and eligible dependents may participate in the plan for three years or until age 65, whichever period is greater. Effective January 1, 2013, no new retirees or dependents are eligible to participate in the plan. The OPEB Plan is administered by the Board and does not issue a publicly available financial report.

The OPEB Plan provisions and contribution requirements of plan members and the District are established and may be amended by the Board. Monthly contributions are required by retirees who are eligible for coverage. The District pays for costs in excess of required retiree contributions.

As of December 31, 2020, the most recent actuarial valuation date, the OPEB Plan was not prefunded. Contributions were for current-year costs paid only. The District's total OPEB liability was $121 and $228, as of December 31, 2022 and 2021, respectively, which is reflected as a component of other post-employment benefits in the balance sheets.

Actuarial valuations of the OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the annual required contributions of the District and the funded status of the OPEB Plan are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

In the December 31, 2020, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 2.12 percent discount rate.

Note 12: Master Coordinating Agreement

The District has a contractual agreement as outlined in the Master Coordinating Agreement and certain ancillary agreements (collectively, MCA) with TTUHSC for certain services provided and space owned by TTUHSC. The current MCA, which is effective for the period from July 1, 2022 through June 30, 2023, renewing automatically annually for successive one-year terms, provide for payments to TTUHSC for resident services, medical director services, indigent and charity care services, hospital physician services, space rentals and utilities. The total cost to the District for these services was $76,266 and $78,232 for the years ended December 31, 2022 and 2021, respectively.

Note 13: Related Party Transactions

At the direction of Lubbock County, an exclusive banking relationship was established with City Bank, Lubbock, Texas (City Bank). UMCP also leases commercial office space from City Bank. The Board Chairman of City Bank is a member of the Board of Managers of the District. An employee of Prosperity Bank, which is an institution where UMC and Foundation hold investments, is a member of the Board of Managers of the District.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments by fair value level				
Money market mutual funds	$ 358	$ 358	$ -	$ -
U.S. agencies obligations	83,702	-	83,702	-
Corporate bonds	3,024	-	3,024	-
Municipal bonds	4,466	-	4,466	-
Equity securities	8,832	8,832	-	-
Mutual funds	726	726	-	-
Total investments by fair value level	101,108	$ 9,916	$ 91,192	$ -
Investment Pool Carried at Amortized Cost	245,114			
Total investments	$ 346,222			
December 31, 2021				
Investments by fair value level				
Money market mutual funds	$ 996	$ 996	$ -	$ -
U.S. agencies obligations	87,160	-	87,160	-
Corporate bonds	3,010	-	3,010	-
Municipal bonds	4,870	-	4,870	-
Equity securities	10,157	10,157	-	-
Mutual funds	887	887	-	-
Total investments by fair value level	107,080	$ 12,040	$ 95,040	$ -
Investment Pool Carried at Amortized Cost	270,604			
Total investments	$ 377,684			

Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* are carried at amortized cost per share, thus, they are excluded from fair value reporting above.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities classified in Level 2 of the valuation hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The District held no Level 3 investments as of December 31, 2022 or 2021.

Note 15: Contingencies

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 16: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incident of COVID-19 (COVID-19) as a global pandemic.

Provider Relief Fund

From inception of the pandemic through December 31, 2022, the District received $19,900 of distributions from the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* Provider Relief Fund (the Provider Relief Fund), of which approximately $384 and $6,493 were received during the years ended December 31, 2022 and 2021, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The District is accounting for such payments as conditional contributions. Payments are recognized as other non-operating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through December 31, 2022 and 2021, the District recognized $346 and $6,485, related to the Provider Relief Fund, and these payments are recorded as a component of grant revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $3,301 and $3,283 as of December 31, 2022 and 2021, respectively, are recorded as part of Provider Relief Funds received in advance in the accompanying balance sheets.

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

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the District requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts have been recaptured by CMS according to the payback provisions that began one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period was at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, amounts not paid back through the withhold amounts were paid back in lump sum.

The payback provisions begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment, followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4 percent.

The District's outstanding balance related to the accelerated Medicare payments was approximately $0 and $43,543 at December 31, 2022 and 2021, respectively.

Required Supplementary Information

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Schedule of Changes in District's Net Pension Liability (Asset) and Related Ratios
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	$ 351	$ 340	$ 329	$ 319	$ 241	$ 249	$ 249	$ 406
Interest	219	210	205	199	181	178	167	158
Differences between expected and actual experience		33	(1)	(1)	-	(87)	12	-
Change in benefit terms		-	-	-	356	-	-	(58)
Benefit payments	(298)	(400)	(400)	(400)	(400)	(137)	(137)	(137)
Net Change in Total Pension Liability	272	183	133	117	378	203	291	369
Total Pension Liability—Beginning	5,295	5,112	4,979	4,862	4,484	4,281	3,990	3,621
Total Pension Liability—Ending (a)	$ 5,567	$ 5,295	$ 5,112	$ 4,979	$ 4,862	$ 4,484	$ 4,281	$ 3,990
Fiduciary Net Position								
Contributions – employer	$ 450	$ 400	$ 400	$ 400	$ -	$ -	$ -	$ 395
Net investment income	(278)	(52)	181	229	73	92	-	89
Benefit payments	(298)	(400)	(400)	(400)	(400)	(137)	(137)	(137)
Administrative expense	(12)	(12)	(12)	(12)	(11)	(12)	(13)	(12)
Net Change in Fiduciary Net Position	(138)	(64)	169	217	(338)	(57)	(150)	335
Fiduciary Net Position—Beginning	4,812	4,876	4,707	4,490	4,828	4,885	5,035	4,700
Fiduciary Net Position—Ending (b)	$ 4,674	$ 4,812	$ 4,876	$ 4,707	$ 4,490	$ 4,828	$ 4,885	$ 5,035
Net Pension Liability (Asset)—Ending (a) - (b)	$ 893	$ 483	$ 236	$ 272	$ 372	$ (344)	$ (604)	$ (1,045)
Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	84%	91%	95%	95%	92%	108%	114%	126%
Covered Payroll	$ 1,418	$ 1,184	$ 1,149	$ 1,125	$ 1,194	$ 1,533	$ 1,564	$ 1,459
Net Pension Asset as a Percentage of Covered Payroll	63%	41%	21%	24%	31%	-22%	-39%	-72%

Notes to Schedule:

This schedule is presented as of December 31, which is the measurement date.

Benefit changes in 2018 reflect an increased annual benefit amount for one participant.

Changes of assumptions in 2015 reflect a change in the investment return assumption to 4.00% net of investment expenses.

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

Lubbock County Hospital District
d/b/a UMC Health System
A Component Unit of Lubbock County
Schedule of District Pension Contributions
(In Thousands)

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a Percentage of Covered-Payroll
2022	$ 448	$ 450	$ (2)	$ 1,418	32%
2021	395	400	(5)	1,184	34%
2020	394	400	(6)	1,149	35%
2019	400	400	-	1,125	36%
2018	339	-	339	1,194	0%
2017	190	-	190	1,533	0%
2016	147	-	147	1,564	0%
2015	315	395	(80)	1,459	27%

Notes to Schedule:
Valuation date: January 1, 2022

Actuarially determined contribution rates are calculated as of January 1, 2022, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level Dollar, closed
Remaining amortization period	6 years
Asset valuation method	Fair Value
Inflation	3.25%
Salary increases	Not applicable
Investment rate of return	4.00%, net of pension plan investment expense, including inflation
Retirement age	62 on average
Mortality	None

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