# Erie County Medical Center Corporation

(A Component Unit of the County of Erie)

Financial Report
December 31, 2023

## Contents

RSM US LLP

## Independent Auditor's Report

Board of Directors
Erie County Medical Center Corporation

### Report on the Audit of the Financial Statements

***Opinions***
We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Erie County Medical Center Corporation (the Corporation), a component unit of the County of Erie, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Erie County Medical Center Corporation, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Corporation 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 opinions. The financial statements of ECMC Foundation, Inc., the Grider Initiative, Inc., and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards.*

***Emphasis of Matter***
As discussed in Note 8 to the financial statements, the Corporation restated the December 31, 2022 financial statements. The restatement was required to be made for the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 management's discussion and analysis on pages 4 to 13 as well as the required supplementary information for certain pension and other postemployment benefits (OPEB) related data on pages 55 to 57 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
March 26, 2024

## Management's Discussion and Analysis

Erie County Medical Center Corporation (the Corporation or ECMCC) is a state public benefit corporation dedicated to provide every patient the highest quality of care delivered with compassion. The Corporation fully embraces its position as a safety net provider for the eight-county region of Western New York State (encompassing over 1.5 million residents), supporting persons in need who lack the ability to pay.

To assist the reader in understanding the operations of the Corporation, this annual report has been organized into three parts that should be read together:

- Management's discussion and analysis
- Financial statements and notes to the financial statements and
- Supplemental schedules

The purpose of the discussion and analysis is to provide the reader with objective data to evaluate the financial position and the activities of the Corporation for the year ended December 31, 2023. This narrative and the financial statements and footnotes are the responsibility of the Corporation's management.

The financial statements (the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows) present financial information in a form similar to that used by other government hospitals and have been prepared in accordance with accounting principles generally accepted in the United States of America.

In 2023, the Corporation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard extends the right-of-use accounting concepts introduced in GASB Statement No. 87 to subscription-based information technology arrangements (SBITAs). Under GASB 96, governments are required to identify arrangements that qualify as SBITAs and recognize a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The accompanying financial statements and management discussion and analysis information for the year ended December 31, 2022 have been restated to reflect the new accounting standard.

The accompanying financial statements of the Corporation include financial data of the Corporation's discretely presented component units: (i) ECMC Foundation, Inc., and (ii) The Grider Initiative, Inc. however, Management's Discussion and Analysis focuses on the Corporation.

## Introduction

During 2023, the Corporation persevered through its fourth consecutive year of significant financial challenges, while continuing to provide high quality, compassionate care to the tens of thousands of Western New Yorkers who depend on ECMCC, serving as the region's community hospital, helping patients from the most influential to the most vulnerable. ECMCC's dedicated caregivers, support staff, executive leadership, as well as an involved and supportive Board of Directors, continue to advance the mission of the Corporation and its service to the greater Western New York area. The Corporation continues to be a provider of choice in our community as a result of its continual focus on high quality healthcare services, the patient experience and physician engagement.

**Operations Analysis**

The Corporation began a period of operational recovery through growth during 2023, providing a higher volume of services within inpatient and outpatient services to Western New York residents and as well as many others beyond this region. Patient volume encounters (not expressed in thousands) are as follows:

| | 2019 | 2020 | 2021 | 2022 | 2023 | % Growth 2022-2023 |
|---|---|---|---|---|---|---|
| Inpatients | 19,996 | 19,110 | 18,903 | 17,412 | 17,643 | 1.3% |
| Surgeries | 15,606 | 12,481 | 13,803 | 12,478 | 13,321 | 6.8% |
| Emergency | 69,391 | 65,261 | 68,384 | 59,064 | 63,715 | 7.9% |
| Outpatients | 306,891 | 299,297 | 280,611 | 274,402 | 297,168 | 8.3% |
| Dialysis | 27,549 | 27,973 | 26,116 | 24,961 | 25,159 | 0.8% |
| Transplants | 127 | 134 | 146 | 148 | 151 | 2.0% |

The healthcare industry nationally and within this market continued to face challenges during 2023 and the Corporation was not immune to these headwinds. However, the Corporation worked hard to begin to address them and recover. In 2023, ECMCC inpatient volumes ended the year higher than prior year by 1.3% in terms of patient discharges and by 6.3% for inpatient surgeries while length of stay improved by 12.1%. Outpatient surgeries were 7.1% ahead of prior year with emergency department visits exceeding 2022 by 7.9%, leading to a growth in total outpatient visits from the prior year of 8.3%. As the Regional Center of Excellence for Transplantation and Kidney Care, continued growth in this program has been experienced over the last two years, providing life saving procedures to the residents of Western New York and beyond. 2023 saw the most transplants (kidney and pancreas) ECMCC has performed in its history, with 151 transplant surgeries, an increase of 2.0% and 18.9% over 2022 and 2019 (pre-COVID levels), respectively.

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was declared a pandemic by the World Health Organization in March of 2020. After three unprecedented years of managing COVID-19, the Department of Health and Human Services (HHS) declared an end to the public emergency on May 11, 2023, thus ending the pandemic. With a lot of time, energy, and unyielding teamwork during the pandemic, the Corporation was able to effectively manage through the pandemic by implementing operational improvements, successfully recruiting staff, and entering into partnerships to provide funding assistance in addition to the COVID Relief funding. ECMCC management took on all additional measures during the pandemic to protect the health of the community and promote the continuity of its mission and will continue to monitor the course of COVID-19 beyond the pandemic.

**Operations Analysis (Continued)**

In response to the impact on the healthcare environment from COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP) Act (Acts) were enacted by Congress during 2020 and 2021, respectively. These Acts included, among other things, support for healthcare providers and patients in the form of grants, payments for uninsured patients, and changes to Medicare and Medicaid payments. The Corporation to date has received $72.4 million of Provider Relief Fund distributions provided under the CARES and ARP Acts. During 2020, the Corporation also received $39.1 million and $10 million in loans under the Medicare Accelerated and Advance Payment Program and the Paycheck Protection Program (PPP), respectively. During 2021, the PPP loan forgiveness application was approved by the U.S. Small Business Administration and, as such, the $10 million loan was forgiven in full. As of December 31, 2022, the Medicare Accelerated and Advance Payments had been fully recouped.

The CARES Act also includes financial relief through the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund. As of December 31, 2023, the Corporation has been awarded and received $6.6 million from FEMA to reimburse eligible incremental expenses as a result of COVID-19. The Corporation will continue to submit for grant reimbursement for remaining eligible COVID-19 expenses under this program.

During 2022 and 2023, the industry and more specifically, the Western New York health care market experienced a cost inflation crisis. This crisis was driven nationally and locally by the lingering effects of staffing challenges across all healthcare industry stakeholders including suppliers, manufacturers, post-acute settings as well as providers. As costs continued to escalate to operate the business and care for the patients within the community, in order to maintain mission critical services, ECMCC has worked closely with the New York State Department of Health's various grant and operating assistance programs to bridge cash flow funding gaps. Simultaneously, ECMCC has implemented several operational improvement actions in an effort to mitigate as much of the cost escalation as possible. Although significant improvements have been made operationally, the New York State Department of Health has provided supplemental funding to the Corporation as well as many hospitals and nursing homes across New York State. As a result, the Corporation received $51,998 for the year ended December 31, 2022. This benefit has been recorded as non-operating revenue within the statements of revenue, expenses and changes in net position. An additional $27,000 was received in December 2022 for the year ended December 31, 2023, and was recorded as unearned revenue in the statements of net position as of December 31, 2022 and recorded as non-operating revenue within the statements of revenue, expenses and changes in net position for the year ended December 31, 2023. Two additional awards totaling $76,368 were received and recognized as non-operating revenue during the year ended December 31, 2023.

### Operations Analysis (Continued)

The continued volume and visit trends reflect the trust that the Western New York community has placed in ECMCC. Notable achievements in 2023 include:

- ECMCC earned its full hospital accreditation – The Joint Commission's Gold Seal of Approval Accreditation – by demonstrating continuous compliance with performance standards.
- Successful reaccreditation by The Centers for Medicare and Medicaid Services (CMS), part of the Department of Health and Human Services (HHS) of Transplant program, housed in ECMCC's Regional Center of Excellence for Transplantation and Kidney Care.
- Commission on Accreditation of Rehabilitation Facilities (CARF) issued three-year accreditation to ECMCC's Acute Inpatient Rehabilitation Programs (through June 30, 2026) stating that this "achievement is an indication of ECMCC's dedication to improving the quality of the lives of the persons served."
- ECMCC's Laboratory Services received the two-year accreditation for ECMCC's Transfusion Services following bi-annual on-site assessment by the Association for the Advancement of Blood and Biotherapies (AABB)
- Terrace View Long-Term Care Facility was named to *Newsweek's* 2024 Best Nursing Homes List for performance on key measures on health inspections, quality measures and staffing. This prestigious award is presented by Newsweek and Statista Inc., the world-leading statistics portal and industry ranking provider. Only four percent of nursing homes nationwide received this distinction. Of the 600 skilled nursing facilities state-wide that operate, 42 received this recognition. It is a distinct honor to be ranked amongst the best nursing homes within both the state and the nation. This is the fourth consecutive year Terrace View has received this recognition.
- ECMCC has been recognized by the Lown Institute for outstanding social responsibility, receiving an "A" grade on the 2023-24 Lown Institute Hospitals Index. ECMCC achieved this honor through strong performance across metrics of health equity, patient outcomes, and value of care, out of more than 3,600 hospitals nationwide. In 2021, ECMCC was ranked among the top 100 hospitals in the United States for racial inclusivity by the Lown Institute; in 2022 ECMCC was ranked in the top 50 hospitals in the country for racial inclusivity.
- ECMCC was recognized by the Buffalo Purchasing Initiative for superseding its goal in 2023 for spending with businesses owned by people of color.
- ECMCC's hip replacement surgery service ranked in the nation's top 7% by US News & World Report. ECMCC earned the highly respected publication's High Performing ranking, placing it among 437 hospitals out of 6,000 evaluated for the service.
- ECMCC earned platinum recognition for its efforts to increase organ and tissue donor registrations across the country, through the DoNation Campaign. DoNation is a national initiative sponsored by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA), to educate our community about the crucial need for organ and tissue donation and to encourage people to sign up as organ and tissue donors. Between October 2022 and September 2023, ECMCC has actively participated in this campaign to earn this federal recognition.
- The American College of Emergency Physicians, implemented the Geriatric Emergency Department Accreditation (GEDA) program to recognize those emergency departments that provide excellent care for older adults. ECMCC's Emergency Department has achieved the bronze standard – Level 3 GEDA accreditation. ECMCC named among one of America's 100 Best Hospitals for Orthopedic Surgery. This achievement reflects ECMCC's outstanding clinical outcomes for Orthopedic Surgery and puts ECMCC in the top 5% of hospitals nationwide for overall Orthopedic services.
- ECMCC was awarded the 2023 Orthopedic Surgery Excellence Award™, a Five-Star rating in Total Knee Replacement for two years in a row (2022-2023), a Five-Star rating for Hip Fracture Treatment for 13 years in a row (2011-2023) and a 2023 Five-Star Distinction in Total Hip Replacement.

**(Dollars in Thousands)**

### Operations Analysis (Continued)

### Financial Metric Analysis

The Corporation's total net position decreased in 2023 primarily due to the significant non-cash expenses related to the actuarial liability adjustments related to the New York State Pension Plan benefits and the unfavorable results from operations which were offset by grant funding assistance provided by New York State, recorded as non-operating revenue. Additional drivers of performance are discussed in further detail below.

Comparative financial ratios for the Corporation to the 2022 (most recent publicly available audited data) averages of other comparable New York State (NYS) Public Benefit Corporation (PBC) hospitals are presented in the following table. The financial statements used for the calculation of the following ratios, where appropriate, have been reclassified to conform to the presentation used in the development of the benchmarks, consistent with generally accepted accounting principles (U.S. GAAP) for entities not subject to the Governmental Accounting Standards Board (GASB) standards.

| | ECMCC | | | PBC Average |
|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2022 |
| Operating margin | -14.2% | -10.8% | -3.6% | -16.1% |
| Operating cash flow margin | -6.0% | 4.6% | 4.0% | -10.0% |
| Debt service coverage | 2.7 | 1.5 | 1.1 | -0.5 |
| Unrestricted days cash on hand | 14.1 | 29.2 | 48.7 | 48.9 |
| Days cash on hand | 90.5 | 118.7 | 140.2 | 65.1 |
| Days in accounts receivable | 66.0 | 53.9 | 49.5 | 34.1 |
| Average age of plant | 15.4 | 13.0 | 12.5 | 20.4 |

The operational performance ratios for 2023 generally represent unfavorable changes from the Corporation's 2022 performance ratios and favorable comparisons to the NYS Healthcare Public Benefit Corporations' ratios. Driving these unfavorable shifts during 2023 in large part is the large swing in the amortization component of the pension expense, shifting from a reduction in expense in 2022 of $32.5 million to an increase in expense of $39.8 million in 2023. Although these changes have no cash flows associated with them, the changes to the liabilities associated with them are included within the operating margin. The operating margin before the impact of the amortization components of the pension benefit and postemployment benefit is 11.6% and 20.3% for 2023 and 2022, respectively. This change before those actuarial impacts reflects a favorable movement in operating margin which is representative of the operational improvements and growth experienced during 2023. Additionally, grants received from the New York State Department of Health (NYSDOH) and FEMA have been recognized as non-operating revenue and are excluded from the operating ratio calculations as required under GASB accounting standards. Unrestricted days cash on hand decreased 15.1 days (51.7%) due to overall operating losses and the delay in the receipt of annual Disproportionate Share Hospital (DSH) Revenue to the first quarter of 2024. Days in accounts receivable increased by 12.1 days (22.5%) due to a delay in collections and an increase in unbilled accounts as a result of staffing shortages during the year. Average age of plant increased by 2.4 years (16.5%) as a result of reduced capital investment in an effort to manage ongoing operations and cash flow needs to maintain the services provided to the community while incurring operating losses.

**(Dollars in Thousands)**

### Summary Financial Statements with Analysis

Management is providing the following summary financial statements and variance analysis for certain financial statement lines where it believes the readers understanding of the financial statements is enhanced.

### Statements of Net Position

Net position is categorized as follows:

**Net investment in capital assets:** Consists of capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

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

**Unrestricted:** Represents the resources derived primarily from services rendered to patients and other operating revenues and not meeting the previously listed criteria. These resources are used for transactions related to the general healthcare and academic operations of the Corporation and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Condensed Statements of Net Position are as follows:

| | | (Restated) | 2023-2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Assets** | | | | |
| Current assets, excluding assets whose use is limited | $ 189,816 | $ 210,427 | $ (20,611) | (9.8) |
| Assets whose use is limited | 170,621 | 157,516 | 13,105 | 8.3 |
| Capital assets, net | 313,039 | 359,386 | (46,347) | (12.9) |
| Net pension asset | - | 77,538 | (77,538) | 100.0 |
| Other assets | 8,906 | 7,780 | 1,126 | 14.5 |
| **Total assets** | 682,382 | 812,647 | (130,265) | (16.0) |
| **Deferred outflows of resources** | 159,464 | 178,411 | (18,947) | (10.6) |
| **Total assets and deferred outflows of resources** | $ 841,846 | $ 991,058 | $ (149,212) | (15.1) |
| **Liabilities** | | | | |
| Current liabilities | $ 302,347 | $ 303,848 | $ (1,501) | (0.5) |
| Noncurrent liabilities | 730,926 | 560,724 | 170,202 | 30.4 |
| **Total liabilities** | 1,033,273 | 864,572 | 168,701 | 19.5 |
| **Deferred inflows of resources** | 84,740 | 396,441 | (311,701) | (78.6) |
| **Net Position** | | | | |
| Net investment in capital assets | 58,654 | 85,013 | (26,359) | (31.0) |
| Restricted | 95,555 | 80,719 | 14,836 | 18.4 |
| Unrestricted | (430,376) | (435,687) | 5,311 | 1.2 |
| **Total net position** | (276,167) | (269,955) | (6,212) | (2.3) |
| **Total liabilities, deferred inflows of resources and net position** | $ 841,846 | $ 991,058 | $ (149,212) | (15.1) |

### Statements of Net Position (Continued)

Overall, total assets and deferred outflows of resources decreased $149,212 from 2022 to 2023. The following variances in total assets are noteworthy:

Total current assets, excluding the current portion of assets whose use is limited, decreased by $20,611 due to the following:

- Cash, cash equivalents and investments decreased by $20,029 due to losses from operations and the timing of the annual DSH and Upper Payment Limit (UPL) cash receipts offset by earnings on investments.
- Patient accounts receivable, net, increased by $18,820 as a result of current year decreases in collections due to an increase in unbilled accounts as a result of staffing shortages and increased patient volumes.
- Other receivables decreased by $21,822 which is due to a $21,856 decrease in Medicaid DSH and UPL program receivables, a decrease of $286 in due from third party payors and a $320 increase in other receivables.

The following variances in non-current assets are noteworthy:

- Assets whose use is limited, including current portion, increased by a net of $13,105, which is due to a required deposit of collateral of $11,015 related to a new line of credit agreement, unrealized gains on investments of $3,786 and an increase in reserve account funding for actuarial liabilities and other limited use assets of $2,311, offset by a decrease in assets designated for long-term investment of $4,007.
- Capital assets, net, decreased by $46,347 due to the shortfall in capital asset investments during 2023 as compared to the ongoing depreciation expense on all capital assets, which is a continued result of reduced cash flow availability driven by operating losses. Investments in capital assets are summarized in a following section.
- Net pension asset decreased $77,538 and was eliminated due to changes in actuarial assumptions, which increased the liability thus creating a net pension liability, which is further discussed in the section below.

Overall, total liabilities and deferred inflows decreased $143,000 and net position decreased $6,212 from 2022.

The following variances in total liabilities are noteworthy:

- Accounts payable and accrued salaries and benefits decreased by $17,339 due to timing of payments to vendors and employees at year-end.
- Accrued other liabilities increased by $1,908 largely as a result of increases in amounts due to Erie County and third-party payors.
- Unearned revenue decreased by $22,517 due to a decrease of $27,000 related to the New York State grant received in late December 2022 for the calendar year 2023, thus recognized during 2023. Other unearned revenue increased $4,483.
- The line of credit liability remained unchanged due to borrowings that remain outstanding at December 31, 2023.

**(Dollars in Thousands)**

### Statements of Net Position (Continued)

- The long-term portion of self-insured obligations increased by $3,238 due to changes in actuarial estimates for self-insured retentions for malpractice and workers' compensation claims greater than payments made on those claims. The current portion of these self-insured obligations decreased by $148.
- Net pension liability, including current portion, was established at $198,936 due to changes in actuarial assumptions used to value the plan as of December 31, 2023. As noted above, at December 31, 2022, the Corporation had recorded a net pension asset of $77,538.
- The liability for Other Post-Employment Benefits (OPEB) increased by $22,516 primarily as a result of the unfavorable impact of a change in actuarial assumptions related to unfavorable healthcare trend rates and a decrease in the discount rate used to measure the obligation.
- Net position decreased by $6,212 due to unfavorable financial performance related to inflationary pressures on operating expenses continuing to outpace increases in patient volume and payor reimbursement rates.

### Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position are as follows:

| | | (Restated) | 2023-2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Net patient service revenue | $ 603,720 | $ 566,389 | $ 37,331 | 6.6 |
| Disproportionate share (DSH) revenue | 107,105 | 68,295 | 38,810 | 56.8 |
| Other operating revenue | 46,639 | 26,095 | 20,544 | 78.7 |
| **Total operating revenues** | 757,464 | 660,779 | 96,685 | 14.6 |
| Operating expenses: | | | | |
| Payroll and employee benefits | 440,770 | 410,664 | 30,106 | 7.3 |
| Professional fees | 110,577 | 109,113 | 1,464 | 1.3 |
| Purchased services | 81,712 | 78,037 | 3,675 | 4.7 |
| Supplies | 132,197 | 117,877 | 14,320 | 12.1 |
| Other operating expenses | 30,529 | 29,185 | 1,344 | 4.6 |
| Depreciation and amortization | 49,812 | 49,872 | (60) | (0.1) |
| **Total operating expenses** | 845,597 | 794,748 | 50,849 | 6.4 |
| **Operating loss before pension and other post employment benefits amortization components** | (88,133) | (133,969) | 45,836 | 34.2 |
| Pension (expense) benefit, amortization component | (39,752) | 32,537 | (72,289) | (222.2) |
| Other post employment benefits, amortization component | 20,424 | 29,861 | (9,437) | (31.6) |
| **Operating loss** | (107,461) | (71,571) | (35,890) | (50.1) |
| Non-operating revenues (expenses): | | | | |
| Investment gain (loss) | 6,283 | (13,966) | 20,249 | (145.0) |
| Grant revenue | 107,230 | 63,151 | 44,079 | 69.8 |
| Interest expense | (12,264) | (12,028) | (236) | (2.0) |
| **Total change in net position** | (6,212) | (34,414) | 28,202 | 81.9 |
| Net position—beginning of year | (269,955) | (235,541) | (34,414) | (14.6) |
| Net position—end of year | $ (276,167) | $ (269,955) | $ (6,212) | (2.3) |

## Statements of Revenues, Expenses and Changes in Net Position (Continued)

Overall, total operating revenues increased by $96,685 or 14.6% in 2023 with changes attributable to the following:

- Net patient service revenue increased $37,331, or 6.6%, in 2023 as a result of a combination of overall increased patient volumes, an increase in contracted reimbursement rates, improvements in bad debt write-offs and improvements in ECMCC's ability to discharge patients into the community.
- DSH revenue increased by $38,810, or 56.8%, in 2023 as a result of an increase in the nursing home upper payment limit of $5,885 due to a significant increase in the pool size in the State Plan Amendment and a $32,925 increase in federal DSH due to an increase in uncompensated care net of anticipated formula changes in the Medicaid DSH cap calculation enacted through legislation but not yet implemented which will exclude costs from services provided to Medicaid-eligible beneficiaries who are dually eligible for Medicare or any other coverage.
- Other operating revenue increased $20,544, or 78.7% due to an increase in specialty pharmacy operations of $20,777.

Total operating expenses including pension expense/benefit and other post-employment benefit expenses increased $132,575 or 18.1% in 2023. Expense changes are attributable to the following:

- Payroll and employee benefit expenses have increased by $30,106 or 7.3% as a result of increases in salaries due to new collective bargaining agreements' market rate adjustments and additional pay incentives offered to fill open shifts to meet New York State minimum staffing standards for both the hospital and the skilled nursing facility. Salaries and employee benefit expense as a percent of net patient service revenue increased by 0.5%, from 72.5% in 2022 to 73.0% in 2023.
- Pension expense increased by $65,834 as a result of changes in actuarial assumptions used to value the plan including investment returns, discount rates and other demographic assumptions.
- Supplies expense increased by $14,320 or 12.1% as a result of increased surgical volume, increased volume within the specialty pharmacy operations and pharmaceutical cost increases related to drug shortages.
- OPEB benefit decreased $11,976 or 38.2% as a result of unfavorable differences between projected and actual experience of net claims cost and benefit payment made to current employees.

## Capital Assets, Net

At December 31, 2023, the Corporation had capital assets, including lease and subscription-based information technology arrangement assets (SBITAs), net of accumulated depreciation of $313,039 compared to $359,386 at December 31, 2022, representing a decrease of $46,347 or 12.9%.

During 2023, the Corporation invested $15,047 in various capital assets ($6,030), leases ($4,668) and SBITAs ($4,349). Noteworthy investments in capital assets include continued investment into the building exterior improvements of $455 and purchases of other medical and non-medical equipment, furniture and fixtures, and information systems infrastructure investments. Noteworthy additions to capital leases include printers and copiers ($2,552) and other various leased medical and non-medical equipment. Noteworthy additions to SBITAs includes MRI software ($1,755) and other medical and non-medical software. GASB Statement No. 87, *Leases*, establishes the foundational principle that leases are financing of the right-to-use an underlying asset for a period of time. The Corporation recorded lease assets, net of accumulated depreciation, in the amount of $26,371 and $30,054 in 2023 and 2022, respectively. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* extends the right-of-use accounting concepts introduced in GASB Statement No. 87, *Leases*, to SBITAs. The Corporation recorded SBITA assets in the amount of $25,761 in 2023 and $31,216 in 2022.

## Forward-Looking Factors

Management has prepared the following forward-looking factors to assist the reader in understanding the financial, economic and market factors impacting the Corporation:

### Collective Bargaining Agreements

The Corporation operates under three collective bargaining agreements that cover substantially all employees. Corporation employees of the Civil Service Employee Association (CSEA) are covered by a contract negotiated in concert with Erie County, New York, which contains a sub-bargaining unit representing only Corporation employees. The previous agreement ended in 2022, while a new agreement began January 1, 2023 and runs through December 31, 2027. Registered Nurses (RNs) are covered under an agreement with the New York State Nurses Association (NYSNA). This agreement began in 2019 and ran through December 31, 2022. The parties have mutually agreed to a new contract effective January 1, 2023 that runs through December 31, 2027. The Corporation's agreement with the American Federation of State, County and Municipal Employees (AFSCME), a contract negotiated in concert with the County of Erie, New York, and ratified with AFSCME employees in 2022 runs through December 31, 2026.

### Transactions with the County of Erie

The Corporation is a component unit of the County of Erie, New York. The County has ongoing contractual and legal obligations to the Corporation and the Corporation has ongoing contractual and legal obligations to the County.

### Medicare and Medicaid Reimbursement

The future state of both reimbursement levels and reimbursement methods related to the Medicare and Medicaid programs remains uncertain. Unimplemented formulaic changes as well as budget proposals related to both of these programs for the upcoming year and beyond may significantly alter reimbursements or methodologies, thus changing the environment in which we conduct business as the Corporation relies heavily on these programs for reimbursement for services. The impact of these state and federal rule changes and budget proposals are unknown at this time but could materially impact the Corporation.

### Contacting the Corporation's Financial Management

This financial report is designed to provide our community and creditors with a general overview of Erie County Medical Center Corporation's finances and to demonstrate the Corporation's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, Erie County Medical Center Corporation, 462 Grider Street, Buffalo, New York 14215.

# Erie County Medical Center Corporation
# (A Component Unit of the County of Erie)

## Statements of Net Position
## December 31, 2023 and 2022
## (Dollars in Thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 20,773** | $ 44,195 |
| Investments | **10,646** | 7,253 |
| Assets whose use is limited | **113,986** | 99,078 |
| Patient accounts receivable, net | **102,389** | 83,569 |
| Other receivables | **40,608** | 62,430 |
| Supplies, prepaids and other | **15,400** | 12,980 |
| **Total current assets** | **303,802** | 309,505 |
| Assets whose use is limited | **56,635** | 58,438 |
| Capital assets, net | **313,039** | 359,386 |
| Net pension asset | **-** | 77,538 |
| Other assets, net | **8,906** | 7,780 |
| | **378,580** | 503,142 |
| **Total assets** | **682,382** | 812,647 |
| Deferred outflows of resources: | | |
| Pension | **123,115** | 143,693 |
| Other post employment benefits | **25,670** | 22,684 |
| Other | **10,679** | 12,034 |
| **Total deferred outflows of resources** | **159,464** | 178,411 |
| **Total assets and deferred outflows of resources** | **$ 841,846** | $ 991,058 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | | |
| Current liabilities: | | |
| Current portion of long-term debt | **$ 12,128** | $ 11,716 |
| Line of credit | **10,000** | 10,000 |
| Current portion of lease and SBITA liability | **16,409** | 14,770 |
| Accounts payable | **59,927** | 73,650 |
| Accrued salaries, wages and employee benefits | **39,603** | 43,219 |
| Net pension liability | **34,131** | - |
| Other post employment benefits | **12,326** | 12,061 |
| Accrued other liabilities | **42,021** | 40,113 |
| Unearned revenue | **75,802** | 98,319 |
| **Total current liabilities** | **302,347** | 303,848 |
| Long-term debt, net | **190,515** | 202,641 |
| Long-term lease and SBITA liability, net | **34,682** | 44,409 |
| Net pension liability, net of current portion | **164,805** | - |
| Self-insured obligations | **52,121** | 48,883 |
| Other post employment benefits, net of current portion | **281,585** | 259,334 |
| Other | **7,218** | 5,457 |
| **Total liabilities** | **1,033,273** | 864,572 |
| Deferred inflows of resources: | | |
| Pension | **23,737** | 280,189 |
| Other post employment benefits | **59,337** | 114,812 |
| Leases | **1,666** | 1,440 |
| **Total deferred inflows of resources** | **84,740** | 396,441 |
| **Net Position:** | | |
| Net investment in capital assets | **58,654** | 85,013 |
| Restricted: | | |
| Expendable | **95,555** | 80,719 |
| Unrestricted | **(430,376)** | (435,687) |
| **Total net position** | **(276,167)** | (269,955) |
| **Total liabilities, deferred inflows of resources and net position** | **$ 841,846** | $ 991,058 |

See notes to the financial statements.

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Statements of Revenues, Expenses and Changes in Net Position**
**Years Ended December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | **2023** | (Restated) 2022 |
|---|---|---|
| Operating revenues: | | |
| Net patient service revenue, net of provision for bad debts of $4,596 and $15,474 for 2023 and 2022, respectively | **$ 603,720** | $ 566,389 |
| Disproportionate share revenue (DSH) | **107,105** | 68,295 |
| Other operating revenue | **46,639** | 26,095 |
| **Total operating revenues** | **757,464** | 660,779 |
| Operating expenses: | | |
| Payroll and employee benefits | **440,770** | 410,664 |
| Professional fees | **110,577** | 109,113 |
| Purchased services | **81,712** | 78,037 |
| Supplies | **132,197** | 117,877 |
| Other operating expenses | **30,529** | 29,185 |
| Depreciation and amortization | **49,812** | 49,872 |
| **Total operating expenses** | **845,597** | 794,748 |
| **Operating loss before pension benefit and other post employment benefits amortization components** | **(88,133)** | (133,969) |
| Pension (expense) benefit, amortization component | **(39,752)** | 32,537 |
| Other post employment benefits, amortization component | **20,424** | 29,861 |
| **Operating loss** | **(107,461)** | (71,571) |
| Nonoperating revenues (expenses): | | |
| Investment gain (loss) | **6,283** | (13,966) |
| Grant revenue | **107,230** | 63,151 |
| Interest expense | **(12,264)** | (12,028) |
| **Total nonoperating revenues (expenses)** | **101,249** | 37,157 |
| **Total change in net position** | **(6,212)** | (34,414) |
| Net position—beginning of year | **(269,955)** | (235,541) |
| Net position—end of year | **$ (276,167)** | $ (269,955) |

See notes to the financial statements.

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Statements of Cash Flows**
**Years Ended December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | **2023** | 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from patients and third-party payors | **$ 608,472** | $ 585,894 |
| Payments to Medicare Advance Payment Program | **-** | (20,879) |
| Payments to employees for salaries and benefits | **(415,584)** | (389,561) |
| Payments to vendors for supplies and other | **(369,364)** | (293,557) |
| Other receipts | **119,572** | 31,591 |
| **Net cash used in operating activities** | **(56,904)** | (86,512) |
| Cash flows from capital and related financing activities: | | |
| Purchases of capital assets | **(12,554)** | (26,855) |
| Borrowings on line of credit | **-** | 10,000 |
| Payments on long-term debt | **(11,714)** | (11,317) |
| Interest paid on long-term debt | **(12,264)** | (10,928) |
| **Net cash used in capital and related financing activities** | **(36,532)** | (39,100) |
| Cash flows from noncapital financing activities: | | |
| Grant funding | **80,229** | 90,151 |
| **Net cash provided by noncapital financing activities** | **80,229** | 90,151 |
| Cash flows from investing activities: | | |
| (Purchases) sales of assets whose use is limited, net | **(13,105)** | 11,047 |
| Investment gain (loss) | **6,283** | (13,966) |
| (Purchases) sales of investments, net | **(3,393)** | 13,111 |
| **Net cash (used in) provided by investing activities** | **(10,215)** | 10,192 |
| **Net change in cash and cash equivalents** | **(23,422)** | (25,269) |
| Cash and cash equivalents: | | |
| Beginning | **44,195** | 69,464 |
| Ending | **$ 20,773** | $ 44,195 |

Noncash capital and related financing activities:
Included in accounts payable at December 31, 2023 and 2022, was $1,357 and $2,737, respectively, of invoices related to capital asset acquisitions.

(Continued)

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Statements of Cash Flows (Continued)**
**Years Ended December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | 2023 | 2022 |
|---|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | **$ (107,461)** | $ (71,571) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | **49,812** | 49,872 |
| Provision for bad debts | **4,596** | 15,474 |
| Changes in assets, deferred outflows, liabilities and deferred inflows: | | |
| Patient accounts receivable | **(23,416)** | (22,328) |
| Medicare Advance Payment Program | **-** | (20,879) |
| Other receivables | **21,822** | 26,070 |
| Supplies, prepaids and other | **(3,546)** | 17,218 |
| Deferred outflows of resources | **18,947** | 93,164 |
| Accounts payable | **(4,634)** | 21,955 |
| Accrued liabilities | **(9,785)** | 13,176 |
| Unearned revenue | **4,484** | (62,799) |
| Estimated third-party payor settlements | **1,750** | 289 |
| Self-insured obligations | **3,238** | 1,322 |
| Net pension liability (asset) | **276,474** | (78,453) |
| OPEB | **22,516** | (107,711) |
| Deferred inflows of resources | **(311,701)** | 38,689 |
| **Net cash used in operating activities** | **$ (56,904)** | $ (86,512) |

See notes to the financial statements.

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Statements of Net Position—Discretely Presented Component Units**
**December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **ECMC Foundation, Inc.** | **The Grider Initiative, Inc.** | **Research for Health in Erie County, Inc.** | **Aggregate Total** | ECMC Foundation, Inc. | The Grider Initiative, Inc. | Research for Health in Erie County, Inc. | Aggregate Total |
| **Assets** | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | **$ 2,365** | **$ 270** | **$ -** | **$ 2,635** | $ 2,337 | $ 271 | $ 2 | $ 2,610 |
| Investments | **-** | **-** | **-** | **-** | - | - | 1,092 | 1,092 |
| Other receivables | **938** | **-** | **-** | **938** | 1,634 | - | - | 1,634 |
| Supplies, prepaids and other | **259** | **-** | **-** | **259** | 408 | - | - | 408 |
| **Total current assets** | **3,562** | **270** | **-** | **3,832** | 4,379 | 271 | 1,094 | 5,744 |
| Other receivables | **887** | **-** | **-** | **887** | 1,030 | - | - | 1,030 |
| Endowment and other investments | **3,129** | **9,962** | **-** | **13,091** | 2,298 | 9,576 | - | 11,874 |
| Equipment and vehicles, net | **-** | **-** | **-** | **-** | 1 | - | - | 1 |
| | **4,016** | **9,962** | **-** | **13,978** | 3,329 | 9,576 | - | 12,905 |
| **Total assets** | **$ 7,578** | **$ 10,232** | **$ -** | **$ 17,810** | $ 7,708 | $ 9,847 | $ 1,094 | $ 18,649 |
| **Liabilities and Net Position** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | **$ 11** | **$ -** | **$ -** | **$ 11** | $ 22 | $ - | $ - | $ 22 |
| Funds held in custody for others | **596** | **-** | **-** | **596** | 596 | - | - | 596 |
| **Total current liabilities** | **607** | **-** | **-** | **607** | 618 | - | - | 618 |
| Long-term liabilities: | | | | | | | | |
| Related party | **969** | **-** | **-** | **969** | 2,522 | - | - | 2,522 |
| Unearned revenue | **335** | **-** | **-** | **335** | 509 | - | - | 509 |
| **Total liabilities** | **1,911** | **-** | **-** | **1,911** | 3,649 | - | - | 3,649 |
| **Net Position** | | | | | | | | |
| Restricted: | | | | | | | | |
| Nonexpendable | **50** | **10,000** | **-** | **10,050** | 50 | 10,000 | - | 10,050 |
| Expendable | **2,634** | **232** | **-** | **2,866** | 1,510 | (153) | - | 1,357 |
| Unrestricted | **2,983** | **-** | **-** | **2,983** | 2,499 | - | 1,094 | 3,593 |
| **Total net position** | **5,667** | **10,232** | **-** | **15,899** | 4,059 | 9,847 | 1,094 | 15,000 |
| **Total liabilities and net position** | **$ 7,578** | **$ 10,232** | **$ -** | **$ 17,810** | $ 7,708 | $ 9,847 | $ 1,094 | $ 18,649 |

See notes to the financial statements.

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Statements of Revenues, Expenses and Changes in Net Position—Discretely Presented Component Units**
**Years Ended December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **ECMC Foundation, Inc.** | **The Grider Initiative, Inc.** | **Research for Health in Erie County, Inc.** | **Aggregate Total** | ECMC Foundation, Inc. | The Grider Initiative, Inc. | Research for Health in Erie County, Inc. | Aggregate Total |
| Operating revenues: | | | | | | | | |
| Grants, contributions and special events | **$ 4,732** | **$ -** | **$ -** | **$ 4,732** | $ 3,425 | $ - | $ - | $ 3,425 |
| **Total operating revenues** | **4,732** | **-** | **-** | **4,732** | 3,425 | - | - | 3,425 |
| Operating expenses: | | | | | | | | |
| Program services and grants | **970** | **-** | **1,107** | **2,077** | 875 | - | 5 | 880 |
| Fundraising | **1,640** | **-** | **-** | **1,640** | 1,562 | - | - | 1,562 |
| Other operating expenses | **641** | **-** | **-** | **641** | 357 | - | 1 | 358 |
| **Total operating expenses** | **3,251** | **-** | **1,107** | **4,358** | 2,794 | - | 6 | 2,800 |
| **Operating income (loss)** | **1,481** | **-** | **(1,107)** | **374** | 631 | - | (6) | 625 |
| Nonoperating revenue: | | | | | | | | |
| Investment income (loss) | **127** | **385** | **13** | **525** | (145) | (347) | (31) | (523) |
| **Change in net position** | **1,608** | **385** | **(1,094)** | **899** | 486 | (347) | (37) | 102 |
| Net position—beginning of year | **4,059** | **9,847** | **1,094** | **15,000** | 3,573 | 10,194 | 1,131 | 14,898 |
| Net position—end of year | **$ 5,667** | **$ 10,232** | **$ -** | **$ 15,899** | $ 4,059 | $ 9,847 | $ 1,094 | $ 15,000 |

See notes to the financial statements.

## Note 1. Organization

**The Corporation:** Erie County Medical Center Corporation (referred to as the Corporation or ECMCC) is a public benefit corporation created by the Erie County Medical Center Corporation Act, Chapter 143 of the Laws of New York State, 2003 (Title 6 of Article 10-C of the Public Authorities Law) (the Act) as amended in 2016. The Corporation was created under the Act to secure a form of governance which permits the Corporation to have the legal, financial, and managerial flexibility to operate its health care facilities for the benefit of the residents of New York State (the State), the County of Erie (the County), and Western New York, including persons in need who lack the ability to pay.

The Corporation's "Health Care Facilities" consist of the Medical Center, a 573-bed acute tertiary care facility providing inpatient, emergency, outpatient, primary care and specialty clinic services (Medical Center), a 390-bed residential health care facility (Terrace View) both located on Grider Street in the City of Buffalo and three chemical dependency and alcohol rehabilitation clinics located throughout the County. The Medical Center serves as the region's only Level 1 Adult Trauma Center, burn center, comprehensive traumatic brain injury and spinal cord injury rehabilitative center, Comprehensive Psychiatric Emergency Program provider for acute psychiatric emergencies, Regional Center of Excellence for Transplantation and Kidney Care.

The Corporation has the power under the Act to acquire, operate, and manage its facilities and to issue bonds and notes to finance the costs of providing such facilities. The Act specifically provides that the Corporation's existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's primary purpose is the operation of the Medical Center and Terrace View, and its powers, duties and functions are as set forth in the Act, as amended, and other applicable laws.

The Corporation qualifies as a governmental entity and, accordingly, is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code of 1986.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, the Corporation's financial statements are included, as a discretely presented component unit, in the County's Annual Comprehensive Financial Report (ACFR). A copy of the ACFR can be obtained from the Erie County Comptroller's Office, 95 Franklin Street, Room 1100, Buffalo, New York 14202. The Corporation is subject to New York civil service law.

**Governance:** The Corporation is governed by its Board of Directors (the Board) consisting of fifteen (15) voting directors, eight (8) of whom are appointed by the Governor of the State of New York and seven (7) of whom are appointed by the Erie County Executive with the advice and consent of the Erie County Legislature. There are four non-voting representatives, as well. The directors and non-voting members serve staggered terms and continue to hold office until their successors are appointed. Directors have experience in the fields of health care services, quality and patient safety, human resources, strategic growth, law, and financial management and reflect a broad representation of the community served by the Corporation. Regular meetings of the Board are scheduled eleven (11) times per year. Board leaders are appointed by the Board.

## Note 1. Organization (Continued)

**Great Lakes Heath System:** The Corporation is a member of Great Lakes Health System of Western New York (Great Lakes). Great Lakes is a not-for-profit, community-based corporation comprised of unified partners whose objective is to provide the highest quality of healthcare to the residents of Western New York. Great Lakes is comprised of the Corporation, Kaleida Health (KH), The Center for Hospice and Palliative Care and the State University of New York at Buffalo (the University).

**Great Lakes Health Integrated Network:** The Corporation, together with KH has formed Great Lakes Health Integrated Network (GLIN) with each maintaining a 50% ownership interest. As of December 31, 2023 and 2022, capital contributions due to GLIN totaled $326 and $767, respectively. Contributions are used to pay for care coordination services, information systems infrastructure and routine operating expenses to support community population health management.

**Medical School Collaboration:** The Corporation serves as a primary teaching hospital for the Jacobs School of Medicine and Biomedical Sciences of the State University of New York at Buffalo (the Medical School). An agreement governs the relationship between the Corporation and the Medical School. The Corporation serves as an integral part of the education and research mission of the Medical School by providing the clinical settings for the Medical School's public mission to educate and train physicians, nurses and other healthcare professionals, conduct clinical research programs and deliver healthcare services to patients. There are currently 187 full-time equivalent medical residents assigned to the Corporation in various Academic College of Graduate Medical Education accredited residency programs.

**Component Units:** Accounting principles generally accepted in the United States of America (U.S. GAAP) require the inclusion within the Corporation's financial statements of certain organizations as component units. The component units discussed below are included because the nature and significance of their relationship to the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete under criteria set forth by the GASB.

The component unit information in the accompanying basic financial statements includes the financial data of the Corporation's three discretely presented component units. The three discretely presented component units are discussed in more detail below:

***ECMC Foundation, Inc.:*** The ECMC Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation was formed for the purpose of supporting Corporation programs. The financial statements of the Foundation have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Executive Director, ECMC Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

***The Grider Initiative, Inc.:*** The Grider Initiative, Inc. (the Physician Endowment) is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the IRC. The Physician Endowment was funded in 2010, for the purpose of recruiting physicians who shall practice on the Grider Street campus of the Corporation. The entity was funded with an initial transfer of $10,000 from the Corporation. Earnings from the investment of the initial transfer may be used only for physician recruitment and retention and necessary expenses of the entity. The financial statements of The Grider Initiative, Inc. have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Chair, The Grider Initiative, Inc. 462 Grider Street, Buffalo, NY 14215.

## Note 1. Organization (Continued)

***Research for Health in Erie County, Inc.:*** Research for Health in Erie County, Inc. (RHEC) was a not-for-profit organization dedicated to supporting research activities relating to the causes, nature, and treatment of diseases, disorders, and defects of particular importance to the public health in areas served by the Corporation. During 2023, RHEC was dissolved and the remaining net assets were contributed to the ECMC Foundation in order for ECMC Foundation to carry out the original RHEC mission.

In addition, the financial statements of the Corporation include the operations of the following component units, which are blended with the accounts of the Corporation:

***PPC Strategic Services LLC (PPC):*** The Corporation is the sole owner of this enterprise, which was established to enable the Corporation to enter into various other business relationships.

***Grider Support Services, LLC:*** The Corporation is the sole owner of this enterprise, which was formed to act as an MSO for physician practice services, which includes providing employees, management and administrative services.

***Grider Community Gardens, LLC:*** This entity is wholly owned and controlled by the Corporation and was formed for the purpose of purchasing and holding properties in proximity to the Corporation’s Grider Street Campus.

***1827 Fillmore, LLC:*** This entity is controlled by the Corporation and was formed for the purchase and development of property immediately adjacent to the Corporation’s Grider Street campus.

## Note 2. Summary of Significant Accounting Policies

**Basis of accounting:** The Corporation uses the accrual basis of accounting. Revenue is recognized in the period it is earned and expenses are recognized in the period incurred. Under this basis of accounting, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Corporation are included in the statements of net position.

For financial accounting and reporting purposes, the Corporation follows all pronouncements of the GASB. All references to relevant authoritative literature issued by the GASB with which the Corporation must comply are hereinafter referred to generally as U.S. GAAP. The discretely presented component units, as previously described, report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

**Use of estimates:** The preparation of the 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 in the financial statements and accompanying notes. The reserve for uncollectible accounts, contractual allowances, estimated third-party payor settlements, workers compensation reserves, malpractice reserves, net pension assets/obligations, other post-employment benefit obligations, self-insured obligations, as well as, Disproportionate Share (DSH) revenue and certain other accounts, require the use of estimates. Actual results could differ from those estimates.

## Note 2. Summary of Significant Accounting Policies (Continued)

Included in net patient service revenue are adjustments to prior year estimated third-party payor settlements, and their related estimated receivables and payables that were originally recorded in the period the related services were rendered, as well as adjustments to the net realization rate for collections on patient accounts receivable. These adjustments are made in the normal course of operations and amounts reported are consistent with the approach in prior years. The adjustments to prior year estimates and other third-party reimbursement or recoveries that relate to prior years also impact DSH revenues as discussed in Note 5. The combined effect of changes related to prior years' estimates resulted in an increase of $5,472 and $196 in total operating revenues for the years ended December 31, 2023 and 2022, respectively.

**Cash and cash equivalents:** The Corporation's cash and cash equivalents include cash on hand and cash in checking and money market accounts as well as investments with a maturity of three months or less when purchased. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows. Monies deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks are collateralized with specifically designated securities held by a pledging financial institution, as required by State regulations.

**Patient accounts receivable:** Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual adjustments represent the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third-party payor programs. Current operations are charged with an estimated provision for bad debts estimated based on the age of the account, prior experience and any other circumstances which affect collectability. The Corporation's policy does not require collateral or other security for patient accounts receivable and the Corporation routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies. The allowance for estimated doubtful accounts at December 31, 2023 and 2022 was approximately $64,577 and $63,414, respectively.

**Investments and assets whose use is limited:** The Corporation generally records its investments at fair value. Such assets are comprised of cash and cash equivalents, including money market funds, fixed income securities, commercial paper and equity funds. Assets classified as investments are unrestricted. Assets classified as limited as to use are restricted under Board designation or terms of agreements with third parties and include debt service funds, funds for self-insured workers' compensation costs and medical malpractice costs, collateral for insured workers' compensation programs, patient and resident monies, funding for future retiree health costs, and funds limited as to use for the acquisition of property, plant and equipment.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net position of ECMCC.

**(Dollars in Thousands)**

## Note 2. Summary of Significant Accounting Policies (Continued)

**Other receivables:** The composition of other receivables, as of December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| DSH and Upper Payment Limit (UPL) (Note 5) | $ 28,473 | $ 50,330 |
| Due from affiliated organizations and joint ventures | 1,233 | 1,928 |
| Due from third-party payors | 6,980 | 7,524 |
| Other | 3,922 | 2,648 |
| | $ 40,608 | $ 62,430 |

**Capital assets:** Capital assets are stated at cost. Depreciation is computed under the straight-line method over the estimated useful life of the asset. Estimated useful lives of assets have been established as follows:

| | |
|---|---|
| Land and land improvements | 5-25 years |
| Buildings and improvements | 10-40 years |
| Fixed equipment | 10-20 years |
| Major movable equipment | 3-20 years |

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected for the period. Maintenance and repairs are charged to expense as incurred with significant renewals and betterments being capitalized.

Capital assets that are donated (without restriction) are recorded at their fair value as a direct increase to the component of net investment in capital assets.

**Deferred outflows of resources:** Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist primarily of unrecognized items not yet charged to pension expense and retiree health expense related to the net pension (asset)/liability and post-employment benefit obligations, and items related to the 2017 financing transaction as described below, amongst other deferred resources.

The 2017 financing transaction included the payment of points, in the amount of $17,040 to Erie County associated with the differential in interest rate on the 2017 financing using the credit rating of Erie County and the rate that the Corporation was projected to pay independent of a relationship with Erie County. The points are being amortized on the interest method over the term of the 2017 financing. The unamortized amount of points at December 31, 2023 and 2022, is $8,712 and $9,836, respectively. The 2017 financing transaction also included the advance refunding of the 2011 financing, the proceeds of which were used to finance the construction of the Terrace View Nursing Home on the Corporation’s campus. The deposit required to the advance refunding escrow was greater than the balance outstanding on the 2011 financing in the amount of $2,038 and is being amortized on the interest method over the life of the advance refunding component of the transaction. The unamortized portion of this advance refunding at December 31, 2023 and 2022 is $652 and $834, respectively.

**Other assets:** Amounts due from the County, as noted in Note 14, as well as ownership interests in various business enterprises are included in other assets.

## Note 2. Summary of Significant Accounting Policies (Continued)

Collaborative Care Ventures, LLC (Collaborative Care) was formed in 2014 by ECMCC and KH. Collaborative Care was created as a vehicle for ECMCC and KH to participate in various investments in the future consistent with their missions. At December 31, 2023 and 2022, the Corporation's share of the net assets of Collaborative Care amounted to $1,022 and $1,060, respectively.

Great Lakes Health Integrated Network (GLIN) was formed in 2018 by ECMCC and KH. GLIN was formed to support, manage and negotiate value-based contracts and/or risk-based contracts with third-party payors for the purpose of managing population health and anticipated payment reform. The Corporation's share of contributed capital supports organizational development and ongoing operations. The Corporation's share of GLIN's profit or loss is recognized as non-operating revenue. At December 31, 2023 and 2022, the Corporation's share of the net assets of GLIN amounted to $4,324 and $2,179, respectively.

**Leases:** The Corporation is a lessee for noncancellable leases of real estate and equipment. The Corporation recognizes a lease liability and an intangible right-to-use lease asset in the financial statements for leases. At the commencement of a lease, the Corporation measures the lease liability at the interest rate charged on the lease, if available, or otherwise discounted using the Corporation's incremental borrowing rate. The lease assets are amortized over the shorter of the lease term or the underlying asset useful life.

The Corporation is also a lessor for noncancellable leases of real estate. The Corporation recognizes a lease receivable and deferred inflow of resources in the financial statements for these leases. At the commencement of the lease, the Corporation measures the lease receivable at the interest rate charged on the lease, if available, or otherwise discounted using the Corporation's incremental borrowing rate.

**Subscription Based Information Technology Arrangements (SBITAs):** The Corporation recognizes an intangible subscription asset and corresponding subscription liability for its SBITAs. The subscription asset is measured as the subscription liability plus direct costs incurred in implementing the subscription asset. The subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset. At the subscription commencement, the subscription liability is measured at the present value of payments expected to be made during the subscription term and utilizes the interest rate charged in the SBITA, if available, or otherwise discounted using the Corporation's incremental borrowing rate to calculate the present value of the payments.

**Unearned revenue:** Unearned revenue represents funds received by the Corporation for the Delivery System Reform Incentive Payment (DSRIP) Program and health care transformation funds received that have not yet been earned.

**Compensated absences:** The Corporation has accrued liabilities for certain compensated absences earned by its employees, to include vacation, sick, and compensatory time. The Corporation's employees are permitted to accumulate unused vacation and sick leave time up to certain maximum limits. The Corporation accrues the estimated obligation related to vacation pay based on pay rates currently in effect. Sick leave credits, if accumulated above certain prescribed levels, may be the basis of a supplemental payment to employees upon retirement. The Corporation accrues an estimated liability for these estimated terminal payments. These amounts have been included in the statements of net position at December 31, 2023 and 2022, within the caption accrued salaries, wages and employee benefits in the amounts of $17,496 and $15,295, respectively.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Deferred inflows of resources:** Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist primarily of the unamortized portion of certain items related to the Corporation's pension, other post-employment benefits and the value of leases receivable plus any payments received at or before the commencement of the lease term that relates to future periods.

**Net position:** Net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the Corporation's obligations. The Corporation's net position is described as follows:

> ***Net investment in capital assets:*** This represents the Corporation's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
>
> ***Restricted:*** The restricted expendable component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The restricted nonexpendable component of net position is permanently unavailable for use. The earnings on the nonexpendable net position are classified as restricted expendable.
>
> ***Unrestricted:*** This component of net position consists of net position that does not meet the definition of other components of net position described above. These resources are used for transactions relating to the general health care operations of the Corporation and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

**Net patient service revenue:** Net patient service revenue is reported as services are rendered at estimated net realizable amounts, including estimated retroactive revenue adjustments under reimbursement agreements with third-party payors. Estimated settlements under third-party reimbursement agreements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. An estimated provision for bad debts is included in net patient service revenue.

**Charity care:** The Corporation provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statements of revenues, expenses and changes in net position. The estimated costs of caring for charity care patients were $4,459 and $4,602 for the years ended December 31, 2023 and 2022, respectively. Additionally, the Corporation provided approximately $2,397 and $2,517 in discounts to self-pay patients for the years ended December 31, 2023 and 2022, respectively.

## Note 2. Summary of Significant Accounting Policies (Continued)

**Contributions:** The Foundation reports gifts of cash or promises to give as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as with donor restrictions. When a donor restriction expires, restricted-expendable net positions are released to unrestricted net position. The Foundation conducted a capital campaign to raise funds to support the construction of a new Level 1 Adult Trauma Center, Emergency Department and other capital needs in support of the mission of the Corporation. Receivables for pledges associated with this campaign are recorded net of a reserve for uncollectible pledges and are discounted to present value using a 4.79% discount rate, over the expected collection period of the pledges.

**Classification of revenues:** The Corporation has classified its revenues as either operating or non-operating revenues according to the following criteria:

> ***Operating revenues:*** Operating revenues include activities that have the characteristics of exchange transactions, such as payments for providing services and payments for goods and services received, for health care services provided to patients, net of contractual adjustments and provisions for bad debts.
>
> ***Nonoperating revenues:*** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, CARES Act funding, NYSDOH grant funding, Federal Emergency Management Agency (FEMA) funding, income from investments and contributions.

**Income taxes:** The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Contributed services:** RHEC receives contributions from the Corporation consisting primarily of donated space, equipment, and personnel support. During 2023 and 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Certain immaterial amounts related to contributed rents have been reflected in the Foundation’s financial statements as contribution revenue. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in meeting its goals and objectives. Such services are not recognized in the Foundation financial statements.

No amounts have been reflected in the Physician Endowment financial statements for contributed services, as the value of contributed services meeting the requirements for recognition in the financial statements was not material.

## Note 2. Summary of Significant Accounting Policies (Continued)

**Recent and pending accounting pronouncements:** Effective January 1, 2022, the Corporation adopted GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. 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*. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. See Note 8, for further details regarding the implementation of this Standard.

Effective January 1, 2023, the Corporation adopted GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective at various dates as outlined in the Statement. There was no significant impact on the Corporation's financial statements as a result of the adoption of this standard.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB No. 62.* This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting-understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Corporation does not anticipate the adoption of this standard will have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Corporation does not anticipate adopting this standard will have a material impact on the financial statements.

## Note 2. Summary of Significant Accounting Policies (Continued)

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. The Corporation has not yet determined the impact this statement will have on the financial statements

**Reclassifications:** Certain prior-year amounts have been reclassified to conform to the current-year presentation. Such reclassifications had no effect on previously reported operating loss/income or changes in net position.

**Subsequent events:** The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 26, 2024, the date the financial statements were issued.

## Note 3. Coronavirus Pandemic (COVID-19)

Under certain provisions in the CARES and American Rescue Plan (ARP) Acts, the Corporation recognized benefits totaling $8,395, in its statements of revenues, expenses and changes in net position, for the year ended December 31, 2022 ($0 in 2023). The benefit is entirely comprised of distributions from the Provider Relief Fund established under these Acts and is recognized as non-operating revenue. During 2020, the Corporation also deferred payment of $10,926 for the employer portion of the Social Security payroll taxes as allowed by the CARES Act. In accordance with the CARES Act, 50% of the deferred payroll tax was paid on January 3, 2022, with the remainder paid on January 3, 2023.

Under the CARES Act, the Centers for Medicare & Medicaid Services (CMS) expanded the Medicare Accelerated and Advance Payment Program to provide necessary funds to Medicare providers to assist with the disruption in claims submission and claims processing. During 2020, the Corporation received advance payments under this program totaling $39,101. As of December 31, 2022, Medicare had recouped the advance in its entirety with $20,879 recouped during 2022 and $18,222 recouped in prior years.

The CARES Act also includes financial relief through FEMA's Disaster Relief Fund. The Corporation has received $3,829 and $2,757 from FEMA to reimburse eligible incremental expenses as a result of COVID-19 during the years ended December 31, 2023 and 2022, respectively. The Corporation will continue to submit for grant reimbursement for any remaining eligible COVID-19 expenses under this program. Costs claimed under FEMA may not be reimbursed by any other funding source or payor, and may not be claimed though Provider Relief Funds (PRF) or other grants.

**(Dollars in Thousands)**

## Note 4. Net Patient Service Revenue and Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different from its established rates. A summary of the payment arrangements for hospital services with major third-party payors is as follows:

**Medicare:** Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge and per patient day depending on the service. Acute care rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient and outpatient services, as well as defined organ acquisition, capital and medical education costs related to Medicare beneficiaries are paid based on regulatory proscribed formulae. The Corporation is reimbursed for such items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. Most outpatient reimbursements are based on an Ambulatory Payment Classification weighting by acuity system, although some outpatient cost reimbursement still exists.

**Medicaid:** Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates in accordance with Part 86 of the New York Codes, Rules and Regulations and New York State Law which are promulgated by the New York State Department of Health (DOH). Outpatient services are similarly paid at either prospective rates or fee schedule amounts.

Under the New York Health Care Reform Act, the Corporation also enters into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates, discounts from charges, and prospectively determined per diem rates. Medicaid, Workers' Compensation and No-fault continue to have reimbursement rates determined based on New York's Prospective Reimbursement Methodology.

Terrace View provides services to residents under agreements with third-party payors (Medicaid, Medicare and HMO's) under provisions of their respective cost reimbursement formulas or contractually negotiated rates. If amounts received are less than established billing rates, the difference is accounted for as a reduction of revenue. Final determination of the reimbursement rates are subject to review by appropriate third-party payors. Provisions are made in the financial statements for anticipated adjustments that may result from such reviews. The difference between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

Net patient service revenue, as reported on the statements of revenues, expenses and changes in net position, is comprised of the following for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Gross charges | $ 1,673,523 | $ 1,514,854 |
| Less: | | |
| Discounts and allowances | 1,065,207 | 932,991 |
| Provision for bad debts | 4,596 | 15,474 |
| | $ 603,720 | $ 566,389 |

**(Dollars in Thousands)**

## Note 4. Net Patient Service Revenue and Patient Accounts Receivable (Continued)

Net patient service revenue by payor for the years ended December 31 is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Medicare* | $ 247,282 | 41.0% | $ 229,412 | 40.5% |
| Medicaid* | 164,815 | 27.3% | 156,183 | 27.6% |
| Commercial and other third-party payors | 164,704 | 27.3% | 153,322 | 27.1% |
| No-fault | 20,452 | 3.4% | 23,968 | 4.2% |
| Self-pay | 6,467 | 1.0% | 3,504 | 0.6% |
| | $ 603,720 | 100.0% | $ 566,389 | 100.0% |

*Medicare and Medicaid include Managed Care plans.

Laws and regulations governing Medicare, Medicaid, and other third-party payor programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in future periods. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Patient accounts receivable consist of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Gross accounts receivable | $ 295,805 | $ 271,115 |
| Less: | | |
| Discounts and allowances | 128,839 | 124,132 |
| Allowance for bad debts | 64,577 | 63,414 |
| | $ 102,389 | $ 83,569 |

Concentration of credit risk: The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor arrangements. The mix of net receivables from patients and third-party payors at December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicare* | 33.2% | 35.6% |
| Commercial and other third party payors | 32.7% | 27.7% |
| Medicaid* | 27.8% | 32.1% |
| No-fault | 5.5% | 3.7% |
| Self-pay | 0.8% | 0.9% |
| Total | 100.0% | 100.0% |

*Medicare and Medicaid include Managed Care plans.

## Note 5. Disproportionate Share (DSH) Revenue

The Medicaid DSH program is designed to provide funds to certain hospitals to help offset the cost of uncompensated care provided to the uninsured. Each state has a specified Federal DSH allotment. In addition, New York State law authorizes the New York State Department of Health (DOH) to make supplemental DSH medical assistance payments to public hospitals located in Erie County, Nassau County, and Westchester County. For long term care facilities, DSH revenue is recognized in accordance with Upper Payment Limit (UPL) regulations promulgated by the Centers for Medicare and Medicaid Services (CMS).

In 2023 and 2022, DSH funding recorded by the Corporation totaled $107,105 and $68,295, respectively. The DSH funding process is complex and includes both tentative and final settlements for various state fiscal years which are subject to the availability of state and federal funding among other factors. As a result, DSH revenue is estimated and final settlements may vary significantly from the initial estimates.

For hospital services, DSH revenue of $91,220 and $58,295 was recognized in 2023 and 2022, respectively. In addition, during 2023 and 2022, the Corporation recognized $15,885 and $10,000, respectively, of UPL revenue for Terrace View. UPL revenue has been recognized based off New York State fiscal year 2023-2024, as determined by the DOH, using cost report year 2021 data.

CMS has indicated that cost reports dating back to the 2021 reporting year and the methodology employed to calculate DSH revenue are subject to audit for those years. Additionally, on February 24, 2024 CMS published the final rule addressing recent legislative changes to the Social Security Act, which changed hospital specific Medicaid DSH payment formulas. At this time, the impact of the CMS audit activity, and any DSH payment formula changes including implementation timing are not certain. Management has taken what it believes to be reasonable and appropriate steps to assure compliance with the CMS methodology.

## Note 6. Cash and Cash Equivalents, Investments and Assets Whose Use is Limited

**Cash and cash equivalents and investments:** The Corporation’s investments are made in accordance with State regulations and its own investment policy. The investment policy is regularly reviewed by an investment committee of the Board which evaluates the performance of investment managers and monitors compliance with the investment policy.

**(Dollars in Thousands)**

## Note 6. Cash and Cash Equivalents, Investments and Assets Whose Use is Limited (Continued)

The Corporation's investments are generally reported at fair value, as discussed in Note 2. The carrying amounts of cash and cash equivalents, investments and assets whose use is limited are included in the Corporation's statements of net position as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 20,773 | $ 44,195 |
| Investments | 10,646 | 7,253 |
| Assets whose use is limited—current | 113,986 | 99,078 |
| Assets whose use is limited—noncurrent | 56,635 | 58,438 |
| | $ 202,040 | $ 208,964 |
| Current portion of assets whose use is limited: | | |
| Patient and residents trust cash | $ 726 | $ 362 |
| Restricted for debt service [a] | 13,570 | 2,360 |
| Designated for self-insurance obligations [b] | 8,998 | 9,356 |
| Designated for retiree health obligations [b] | 12,326 | 12,061 |
| Designated for DSRIP program [b] | 71,684 | 68,534 |
| NYS voluntary defined contribution plan escrow | 49 | 129 |
| Medical and dental staff funds | 1,121 | 1,004 |
| Restricted—self-insured workers' compensation collateral [d] | 5,512 | 5,272 |
| Total current portion of assets whose use is limited | $ 113,986 | $ 99,078 |
| Noncurrent portion of assets whose use is limited: | | |
| Restricted for debt service [a] | $ 10,302 | $ 9,825 |
| Designated for long-term investment [b] | 5,091 | 9,099 |
| Designated for retiree health obligations [b] | 12,505 | 12,770 |
| Designated for self-insurance obligations [b] | 24,075 | 21,808 |
| Restricted—insured workers' compensation collateral [c] | 4,662 | 4,936 |
| Total noncurrent portion of assets whose use is limited | $ 56,635 | $ 58,438 |

[a] Funds restricted by operation of indenture agreement
[b] Funds internally designated by operation of Board authority
[c] Funds restricted—insured workers' compensation collateral agreement
[d] Funds restricted—self-insured workers' compensation collateral agreements

## Note 6. Cash and Cash Equivalents, Investments and Assets Whose Use is Limited (Continued)

The Corporation's cash and cash equivalents, as well as investments, are exposed to various risks, including credit, custodial credit, interest rate and market risks, as discussed in more detail below:

### Deposits

All monies are deposited with banks or trust companies designated by the Corporation's investment committee of the Board of Directors. Funds not needed for immediate expenditure may be deposited in interest or non-interest-bearing accounts or invested in various marketable securities and bonds.

**Custodial credit risk:** Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits might not be recovered. FDIC insurance through December 31, 2023 for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. New York law requires that deposits in excess of FDIC insured amounts are collateralized. The Corporation's bank deposits at December 31, 2023 and 2022, totaled $27,068 and $50,760, of which $1,030 and $1,043, respectively, were insured. Amounts over FDIC insured limits were fully collateralized with securities held by the pledging financial institution.

### Investments

The Corporation's investment policy authorizes the Corporation to invest in accordance with New York State Finance Law Section 8(14), Section 201 and Public Authorities Law Article 9 Section 2800 to 2985, as well as the relevant provisions of the ECMCC Act. Compliance with the policy is monitored by the Corporation's investment committee and reported on regularly throughout the year by the Corporation's investment advisor.

**Credit risk:** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Corporation to experience a loss of principal. The Corporation's investment policy limits investments in equity and fixed income securities with ratings only in the highest category. ECMCC's investments in government bonds carry the explicit guarantee of the U.S. government. The corporate bonds, short-term fixed income and government bonds are all rated AA+ or better by the Standards & Poor's rating agency.

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's cash equivalent securities are limited to maturities of no greater than eighteen months; short-term fixed income securities are limited to maturities of no greater than five years; and long-term fixed income securities are limited to maturities to no more than ten years. Substantially all of the Corporation's investments and assets whose use is limited have stated maturities of less than one year.

**Custodial credit risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investment policy does not address custodial credit risk.

**(Dollars in Thousands)**

## Note 6. Cash and Cash Equivalents, Investments and Assets Whose Use is Limited (Continued)

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. The Corporation's investment policy indicates the combined holdings of securities from one issuer shall not constitute more than 5.0% of the fund except for issues guaranteed directly or indirectly by the U.S. Government. The Corporation had no holdings in Federal National Mortgage Association (Fannie Mae) or Federal Home Loan Mortgage Corporation (Freddie Mac) issues at December 31, 2023 and 2022.

**Fair value of financial instruments:** Fair value is defined in the accounting standards as the amount 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. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Assets carried at fair value are required to be classified and disclosed in one of the following three categories:

**Level 1:** Valuations based on quoted prices in active markets for identical assets that the Corporation has the ability to access.

**Level 2:** Valuations based on quoted prices in active markets for similar assets, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The Corporation has no Level 2 assets.

**Level 3:** Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market-based inputs. The Corporation has no Level 3 assets.

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 20,773 | $ - | $ - | $ 20,773 |
| Investments and assets whose use is limited: | | | | |
| Cash and cash equivalents | 115,448 | - | - | 115,448 |
| Marketable equity securities: | | | | |
| Small/Mid cap equities | 4,423 | - | - | 4,423 |
| Growth equities | 1,447 | - | - | 1,447 |
| Core equities | 9,921 | - | - | 9,921 |
| International equities | 10,190 | - | - | 10,190 |
| U.S. fixed income | 39,838 | - | - | 39,838 |
| Total investments and assets whose use is limited | 181,267 | - | - | 181,267 |
| Total | $ 202,040 | $ - | $ - | $ 202,040 |

**(Dollars in Thousands)**

**Note 6. Cash and Cash Equivalents, Investments and Assets Whose Use is Limited (Continued)**

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 44,195 | $ - | $ - | $ 44,195 |
| Investments and assets whose use is limited: | | | | |
| Cash and cash equivalents | 96,213 | - | - | 96,213 |
| Marketable equity securities: | | | | |
| Small/Mid cap equities | 4,117 | - | - | 4,117 |
| Growth equities | 1,459 | - | - | 1,459 |
| Core equities | 9,070 | - | - | 9,070 |
| International equities | 10,330 | - | - | 10,330 |
| U.S. fixed income | 43,580 | - | - | 43,580 |
| Total investments and assets whose use is limited | 164,769 | - | - | 164,769 |
| Total | $ 208,964 | $ - | $ - | $ 208,964 |

**Note 7. Capital Assets, Net**

Capital asset activity for the years ended December 31 is as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals/ Transfers | Ending Balance |
| Capital assets—being depreciated: | | | | |
| Land and land improvements | $ 41,166 | $ 31 | $ - | $ 41,197 |
| Buildings and improvements | 545,092 | 2,882 | - | 547,974 |
| Fixed/major moveable equipment | 151,523 | 5,096 | (165) | 156,454 |
| Total capital assets—being depreciated | 737,781 | 8,009 | (165) | 745,625 |
| Less accumulated depreciation | (461,308) | (32,001) | 165 | (493,144) |
| Total capital assets—being depreciated, net | 276,473 | (23,992) | - | 252,481 |
| Capital assets—not being depreciated: | | | | |
| Construction in progress | 21,643 | 3,165 | (16,382) | 8,426 |
| Capital assets, net, excluding lease and SBITA assets | $ 298,116 | $ (20,827) | $ (16,382) | $ 260,907 |
| Lease and SBITA assets, net (Note 8) | | | | $ 52,132 |
| Total capital assets, net, as reported in statements of net position | | | | $ 313,039 |

**(Dollars in Thousands)**

## Note 7. Capital Assets, Net (Continued)

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals/ Transfers | Ending Balance |
| Capital assets—being depreciated: | | | | |
| Land and land improvements | $ 41,624 | $ 525 | $ (983) | $ 41,166 |
| Buildings and improvements | 547,713 | 4,763 | (7,384) | 545,092 |
| Fixed/major moveable equipment | 160,780 | 5,632 | (14,889) | 151,523 |
| Total capital assets—being depreciated | 750,117 | 10,920 | (23,256) | 737,781 |
| Less accumulated depreciation | (448,779) | (34,911) | 22,382 | (461,308) |
| Total capital assets—being depreciated, net | 301,338 | (23,991) | (874) | 276,473 |
| Capital assets—not being depreciated: | | | | |
| Construction in progress | 19,699 | 8,216 | (6,272) | 21,643 |
| Capital assets, net, excluding lease and SBITA assets | $ 321,037 | $ (15,775) | $ (7,146) | $ 298,116 |
| Lease and SBITA assets, net (Note 8) | | | | $ 61,270 |
| Total capital assets, net, as reported in statements of net position | | | | $ 359,386 |

Construction in progress at December 31, 2023 and 2022, includes costs associated with various mechanical, electrical and information-technology security projects. The costs associated with an ambulatory electronic medical records system project of $11,239 were written off during the year ended December 31, 2023 and recorded within purchased services expenses within the statements of revenues, expenses and changes in net position.

Depreciation expense amounted to $32,001 and $34,911 for the years ended December 31, 2023 and 2022, respectively.

## Note 8. Leases and Subscription-Based Information Technology Arrangements

The Corporation is a lessee for various noncancellable leases of real estate and equipment. The expected lease payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the Corporation's incremental borrowing rate. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life. Lease assets are reported within capital assets and lease and SBITA liabilities are reported separately in the statements of net position.

Effective January 1, 2022, the Corporation adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement provides guidance on the accounting and financial reporting for SBITAs for government end users. The implementation of this Statement required the restatement of certain expenses and the change in net position in the December 31, 2022 financial statements.

**(Dollars in Thousands)**

## Note 8. Leases and Subscription-Based Information Technology Arrangements (Continued)

The Corporation recognizes an intangible subscription asset and corresponding subscription liability for its subscription-based information technology agreements with others. These arrangements have terms requiring monthly, quarterly or annual payments. The expected payments are discounted using the interest rate charged on the arrangement, if available, or are otherwise discounted using the Corporation's incremental borrowing rate.

Right-to-use assets by major class and the related accumulated amortization for the years ended December 31 is summarized as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Remeasurements | Retirements | Ending Balance |
| Lease assets being amortized: | | | | | |
| Real estate | $ 13,969 | $ 718 | $ - | $ 2,760 | $ 11,927 |
| Equipment | 34,696 | 3,950 | 1,413 | - | 40,059 |
| Total lease assets being amortized | 48,665 | 4,668 | 1,413 | 2,760 | 51,986 |
| Less accumulated amortization: | | | | | |
| Real estate | 2,603 | 1,156 | - | 1,069 | 2,690 |
| Equipment | 16,008 | 6,917 | - | - | 22,925 |
| Total accumulated amortization | 18,611 | 8,073 | - | 1,069 | 25,615 |
| Lease assets, net | 30,054 | (3,405) | 1,413 | 1,691 | 26,371 |
| Subscription-based information technology assets | 39,473 | 4,349 | - | - | 43,822 |
| Accumulated amortization | 8,257 | 9,804 | - | - | 18,061 |
| Subscription-based information technology assets, net | 31,216 | (5,455) | - | - | 25,761 |
| Lease and SBITA assets, net of accumulated amortization | $ 61,270 | $ (8,860) | $ 1,413 | $ 1,691 | $ 52,132 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Remeasurements | Retirements | Ending Balance |
| Lease assets being amortized: | | | | | |
| Real estate | $ 13,541 | $ 428 | $ - | $ - | $ 13,969 |
| Equipment | 26,194 | 8,502 | - | - | 34,696 |
| Total lease assets being amortized | 39,735 | 8,930 | - | - | 48,665 |
| Less accumulated amortization: | | | | | |
| Real estate | 1,410 | 1,193 | - | - | 2,603 |
| Equipment | 10,546 | 5,462 | - | - | 16,008 |
| Total accumulated amortization | 11,956 | 6,655 | - | - | 18,611 |
| Lease assets, net | 27,779 | 2,275 | - | - | 30,054 |
| Subscription-based information technology assets | 34,370 | 5,103 | - | - | 39,473 |
| Accumulated amortization | - | 8,257 | - | - | 8,257 |
| Subscription-based information technology assets, net | 34,370 | (3,154) | - | - | 31,216 |
| Lease and SBITA assets, net of accumulated amortization | $ 62,149 | $ (879) | $ - | $ - | $ 61,270 |

**(Dollars in Thousands)**

**Note 8. Leases and Subscription-Based Information Technology Arrangements (Continued)**

As of December 31, 2023, the principal and interest requirements to maturity for the lease liability are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 7,685 | $ 923 | $ 8,608 |
| 2025 | 5,794 | 655 | 6,449 |
| 2026 | 3,916 | 447 | 4,363 |
| 2027 | 2,549 | 303 | 2,852 |
| 2028 | 1,543 | 205 | 1,748 |
| 2029-2033 | 3,669 | 538 | 4,207 |
| 2034-2038 | 1,484 | 59 | 1,543 |
| | $ 26,640 | $ 3,130 | $ 29,770 |

As of December 31, 2023, the principal and interest requirements to maturity for the SBITA liability are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 8,724 | $ 800 | $ 9,524 |
| 2025 | 7,129 | 475 | 7,604 |
| 2026 | 5,568 | 218 | 5,786 |
| 2027 | 2,846 | 49 | 2,895 |
| 2028 | 135 | 3 | 138 |
| 2029-2033 | 49 | 1 | 50 |
| | $ 24,451 | $ 1,546 | $ 25,997 |

**Lessor:** The Corporation leases real estate to external parties. In accordance with GASB Statement No. 87, *Leases*, the Corporation records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The Corporation recognized lease receivables (reported within other assets in the statements of net position) of $753 and $501 at December 31, 2023 and 2022, respectively, deferred inflows of resources of $1,666 and $1,440 at December 31, 2023 and 2022, respectively, and lease revenue of $632 and $931 during the years ended December 31, 2023 and 2022, respectively.

**(Dollars in Thousands)**

## Note 9. Accrued Other Liabilities

The composition of accrued other liabilities as of December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Due to Erie County | $ 12,767 | $ 11,880 |
| Due to joint venture | 326 | 767 |
| Medical malpractice claims | 1,792 | 1,800 |
| Estimated third-party payor settlements | 4,486 | 2,736 |
| Asset retirement obligations | 2,167 | 2,118 |
| Workers compensation claims | 7,416 | 7,556 |
| Other | 13,067 | 13,256 |
| Total | $ 42,021 | $ 40,113 |

GASB Statement No. 83, *Certain Asset Retirement Obligations,* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. In accordance with this Statement, the Corporation completes an analysis of assets meeting the criteria of an ARO for specific types of medical equipment such as medical imaging equipment (e.g., MRIs, CT scanners, and PET scanners), X-Rays, and ultrasounds as well as computers containing information protected by HIPAA laws, and certain types of laboratory equipment. In addition, the Corporation evaluates the requirements for disposal of underground fuel and lab acid tanks. The Corporation determined, based on industry standards for disposition of similar assets, the total asset retirement obligation totaled $2,167 and $2,118 at December 31, 2023 and 2022, respectively. The assets have a remaining useful life ranging from 0 to 30 years. This obligation is discounted using a rate of 4.0% and an inflation factor of 3.0% at December 31, 2023 and 2022.

## Note 10. Indebtedness

Long-term debt consisted of the following at December 31:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments/ Forgiveness | Ending Balance | Due Within One Year |
| Erie County—Guaranteed Senior Revenue Bonds, Series 2004 | $ 61,135 | $ - | $ (4,165) | $ 56,970 | $ 4,390 |
| Erie County—2017 loan payable | 90,154 | - | (2,780) | 87,374 | 2,849 |
| Erie County—2017 loan payable | 53,235 | - | (4,159) | 49,076 | 4,271 |
| Erie County—2017 capitalized interest assumption obligation | 7,505 | - | (231) | 7,274 | 237 |
| Finance obligations | 2,328 | - | (379) | 1,949 | 381 |
| Total debt | $ 214,357 | $ - | $ (11,714) | $ 202,643 | $ 12,128 |

**(Dollars in Thousands)**

**Note 10. Indebtedness (Continued)**

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments/ Forgiveness | Ending Balance | Due Within One Year |
| Erie County—Guaranteed Senior Revenue Bonds, Series 2004 | $ 65,080 | $ - | $ (3,945) | $ 61,135 | $ 4,165 |
| Erie County—2017 loan payable | 92,867 | - | (2,713) | 90,154 | 2,780 |
| Erie County—2017 loan payable | 57,286 | - | (4,051) | 53,235 | 4,159 |
| Erie County—2017 capitalized interest assumption obligation | 7,731 | - | (226) | 7,505 | 231 |
| Finance obligations | 2,710 | - | (382) | 2,328 | 381 |
| Total debt | $ 225,674 | $ - | $ (11,317) | $ 214,357 | $ 11,716 |

Future annual principal payments applicable to long-term debt for the years subsequent to December 31, 2023 are as follows:

| | |
|---|---|
| 2024 | $ 12,128 |
| 2025 | 12,565 |
| 2026 | 13,025 |
| 2027 | 13,507 |
| 2028 | 14,008 |
| 2029-2033 | 76,818 |
| 2034-2038 | 54,603 |
| 2039-2042 | 5,989 |
| Total | $ 202,643 |

The Series 2004 Bonds are secured by a pledge of the gross receipts of the Corporation and amounts on deposit in certain debt service reserve funds. Interest rates on the bonds range from 5.5% to 5.7%, with principal payments ranging from $4,165 to $7,220 due annually on November 1 with interest payments due semi-annually on May 1 and November 1.

Pursuant to a Guaranty Agreement, the County has unconditionally guaranteed to the Corporation, the punctual payment of the principal, interest, and redemption premium, if any, on the Series 2004 Bonds, as the same shall become due and payable, and has pledged the faith and credit of the County for the performance of such guaranty. A municipal bond insurance policy has been purchased by the Corporation to guarantee all debt service payments in case of default by the Corporation and the County.

## Note 10. Indebtedness (Continued)

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie, with the assistance of the Erie County Fiscal Stability Authority. The proceeds of the loan were used to finance the construction of a new Level 1 Adult Trauma Center and Emergency Department, fund various other capital projects on the Corporation's campus as well as refinance a 2011 loan. The loan has an interest rate of 3.377% with monthly principal and interest payments ranging from $474 to $930 during the term of the loan. In addition to the loan, the Corporation assumed the liability related to funds borrowed to pay capitalized interest during construction on the various projects noted above. The capitalized interest liability assumption has an interest rate of 3.377% with monthly principal and interest payments ranging from $40 to $77 during the term of the loan. The new money portion of the loan and the capitalized interest assumption agreement is fully amortized and matures in 2039. The refinancing component of the loan has an interest rate of 2.649% with monthly principal and interest payments ranging from $300 to $460 during the term of the loan and is fully amortized and maturing in 2034.

During 2018, the Corporation entered into a finance obligation agreement in the amount of $2,044, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 5.5%) of $29 and matures September 2025.

During 2018, the Corporation entered into a second finance obligation agreement in the amount of $409, the proceeds of which were used to purchase various suite improvements. The agreement required principal and interest payments (cost of capital is estimated at 3.8%) of $4 and was paid in full during 2023.

During 2019, the Corporation entered into a finance obligation agreement in the amount of $1,805, the proceeds of which were used to finance various cafeteria improvements. The agreement requires principal and interest payments (cost of capital ranges from 0% to 9.0%) of $17 and matures March 2029.

During 2020, the Corporation entered into a finance obligation agreement in the amount of $2,555, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 5.5%) of $39 and matures July 2026.

During 2021, the Corporation entered into a finance obligation agreement in the amount of $1,552, the proceeds of which were used to finance a new food service line. The agreement requires principal and interest payments (cost of capital is 4.0%) of $19 and matures in December 2028.

During 2021, the Corporation signed an agreement for an unsecured revolving line of credit with an original maturity date of November 2022 and was amended and extended to May 2024. The Corporation has available $10,000 with interest payable at a variable rate of daily Secured Overnight Financing Rate (SOFR) plus 183 basis points. There was $10,000 of outstanding borrowings against the line at December 31, 2023 and 2022, respectively. Management is currently negotiating an extension for the maturity date of this agreement.

## Note 11. Pension Plan

**Retirement plan:** The Corporation participates in the New York State and Local Retirement System (NYSLRS or the System), which is a cost-sharing, multiple-employer public employees' retirement system. There are more than 515,000 pensioners and beneficiaries in the System with over 1.2 million participants.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/benefit, information about the fiduciary net position of the NYSLRS and additions to/deductions from NYSLRS' fiduciary net position have been determined on the same basis as they are reported by NYSLRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The net pension liability (asset) is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The net pension liability (asset) should be measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (RSSL). As set forth in the RSSL, the Comptroller of the State of New York (the Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NYSLRS provides three main types of retirement benefits: service retirements, ordinary disability retirements (non-job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different Tiers. The members' Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of five years of service depending on their Tier. Employees may be required to contribute a percentage of their salary to the pension plan based on their Tier, determined by their date of membership in the plan. Annual pension benefits can be calculated as a percentage of final average salary times number of years of service and changes with the number of years of membership within the plan.

At December 31, 2023 and 2022, the Corporation reported a liability of $198,936 and an asset of $77,538, respectively, for its proportionate share of the NYSLRS net pension liability (asset). The total pension liability (asset) used to calculate the net pension liability (asset) is determined by an actuarial valuation as of April 1$^{st}$ each year and rolled forward to March 31$^{st}$. The Corporation's proportion for the net pension liability (asset) for each fiscal year was based on the Corporation's indexed present value of future compensation to NYSLRS of all participating employers for 2023 and 2022, which was 0.9277% and 0.9485%, respectively.

**(Dollars in Thousands)**

**Note 11. Pension Plan (Continued)**

(a) Actuarial Assumptions

The total pension liability for the March 31, 2023 measurement date was determined using an actuarial valuation as of April 1, 2022, with update procedures used to roll-forward the total pension liability to March 31, 2023. The actuarial valuations used the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.9% |
| Salary increases | 4.4%, including inflation |
| Investment rate of return | 5.9%, net of pension plan investment expense |
| Cost of living adjustments | 1.5% |
| Mortality improvement | Society of Actuaries Scale MP-2021 |

The total pension asset for the March 31, 2022, measurement date was determined using an actuarial valuation as of April 1, 2021, with update procedures used to roll-forward the total pension liability to March 31, 2022. The actuarial valuations used the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.7% |
| Salary increases | 4.4%, including inflation |
| Investment rate of return | 5.9%, net of pension plan investment expense |
| Cost of living adjustments | 1.4% |
| Mortality improvement | Society of Actuaries Scale MP-2020 |

**(Dollars in Thousands)**

## Note 11. Pension Plan (Continued)

(b) Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables at December 31:

| | 2023 | |
|---|---|---|
| Asset class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
| Domestic equity | 32.0% | 4.3% |
| International equity | 15.0% | 6.9% |
| Private equity | 10.0% | 7.5% |
| Real estate | 9.0% | 4.6% |
| Fixed income | 23.0% | 1.5% |
| Credit | 4.0% | 5.4% |
| Real assets | 3.0% | 5.8% |
| Opportunistic/absolute return strategy | 3.0% | 5.4% |
| Cash | 1.0% | 0.0% |
| | 100.0% | |

| | 2022 | |
|---|---|---|
| Asset class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
| Domestic equity | 32.0% | 3.3% |
| International equity | 15.0% | 5.9% |
| Private equity | 10.0% | 6.5% |
| Real estate | 9.0% | 5.0% |
| Fixed income | 23.0% | 0.0% |
| Credit | 4.0% | 3.8% |
| Real assets | 3.0% | 5.6% |
| Opportunistic/absolute return strategy | 3.0% | 4.1% |
| Cash | 1.0% | -1.0% |
| | 100.0% | |

**(Dollars in Thousands)**

## Note 11. Pension Plan (Continued)

(c) Discount Rate

The discount rate used to measure the total pension liability (asset) as of December 31, 2023 and 2022 was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSLRS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on NYSLRS investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the Net Pension Liability (Asset) to the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9% at December 31, 2023 and 2022, as well as what the Corporation's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 2023 | | |
|---|---|---|---|
| | 1% Decrease (4.9%) | Discount Rate (5.9%) | 1% Increase (6.9%) |
| Corporation's proportionate share of the net pension liability (asset) | $ 480,743 | $ 198,936 | $ (36,546) |

| | 2022 | | |
|---|---|---|---|
| | 1% Decrease (4.9%) | Discount Rate (5.9%) | 1% Increase (6.9%) |
| Corporation's proportionate share of the net pension (asset) liability | $ 199,582 | $ (77,538) | $ (309,335) |

**(Dollars in Thousands)**

## Note 11. Pension Plan (Continued)

(d) Deferred Outflows and Inflows of Resources

At December 31, 2023 and 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2023 | 2022 |
|---|---|---|
| Deferred outflows of resources: | | |
| Differences between expected and actual actuarial experience | $ 21,188 | $ 5,872 |
| Changes in assumptions | 96,616 | 129,402 |
| Other | 5,311 | 8,419 |
| Total | $ 123,115 | $ 143,693 |
| Deferred inflows of resources: | | |
| Difference between expected and actual experience | $ 5,587 | $ 7,616 |
| Change in assumptions | 1,068 | 2,184 |
| Difference between projected and actual investment earnings on pension plan investments | 1,168 | 253,904 |
| Changes in proportion and differences between Corporation contributions and proportionate share of contributions | 15,914 | 16,485 |
| Total | $ 23,737 | $ 280,189 |

The change in employer proportionate share is the difference between the employer proportionate share of net pension liability (asset) in the prior year compared to the current year. Changes in these amounts are amortized over a five-year closed period, reflecting the average remaining service life of plan members.

The net deferred outflows and inflows of resources of resources related to pensions will be recognized in pension expense as follows:

| | Amount |
|---|---|
| Years ending December 31: | |
| 2024 | $ 22,475 |
| 2025 | (13,480) |
| 2026 | 37,621 |
| 2027 | 52,762 |
| | $ 99,378 |

Annual Pension Expense (Benefit)

The Corporation’s annual pension expense (benefit) for calendar years ended 2023 and 2022, which includes contributions toward the actuarially determined asset or liability and the amortization of deferred outflows and inflows of resources, was approximately $65,509 and $(47), respectively.

**(Dollars in Thousands)**

## Note 12. Other Post-Employment Benefits (OPEB)

**Plan description:** The Corporation provides OPEB that include basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnified plan of the Corporation. To qualify, a retiree must meet various eligibility requirements as agreed to in collective bargaining agreements. The Corporation pays varying amounts based on specific union agreements.

**Funding the plan:** Currently, there is no New York State statute that expressly authorizes local governments to create a trust for OPEB purposes. Additionally, New York State's General Municipal Law does not allow for a reserve fund to accumulate funds for OPEB obligations. The Corporation's Board of Directors and management believe it is prudent to reserve funds for the Plan and have therefore internally designated $24,831 in 2023 and 2022, for purposes of funding future post-employment benefits. These internally designated funds are included within assets whose use is limited in the statements of net position. In addition to the funding for future post-employment benefits, the Corporation continues to finance current benefits on a pay-as-you-go basis.

**Annual OPEB cost and net OPEB obligation:** The Corporation's total OPEB liability measured at December 31, 2023 and 2022, of $293,911 and $271,395, was determined by an actuarial valuation as of January 1, 2023 and 2022, respectively. The measurement date of the obligation is December 31, 2023 and 2022.

(a) Actuarial Assumptions

The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases | 3.3% per annum |
| Pre-Medicare Plans | 7.8% for 2023, 4.0% ultimate trend rate in 2075 |
| Medicare Plans | 4.6% for 2023, 4.0% ultimate trend rate in 2075 |
| Pre-Medicare Prescription Plan | 7.8% for 2023, 4.0% ultimate trend rate in 2075 |
| Medicare Prescription Plan | 7.0% for 2023, 4.0% ultimate trend rate in 2075 |
| Mortality | Society of Actuaries Scale MP-2021 |

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases | 3.7% per annum |
| Pre-Medicare Plans | 7.8% for 2022, 4.0% ultimate trend rate in 2075 |
| Medicare Plans | 4.5% for 2022, 4.0% ultimate trend rate in 2075 |
| Pre-Medicare Prescription Plan | 7.8% for 2022, 4.0% ultimate trend rate in 2075 |
| Medicare Prescription Plan | 6.5% for 2022, 4.0% ultimate trend rate in 2075 |
| Mortality | Society of Actuaries Scale MP-2021 |

**(Dollars in Thousands)**

## Note 12. Other Post-Employment Benefits (OPEB) (Continued)

(b) Changes in the OPEB Liability

| | 2023 | 2022 |
|---|---|---|
| Changes in the OPEB obligation: | | |
| Projected OPEB obligation at the beginning of year | $ 271,395 | $ 379,106 |
| Service cost | 2,620 | 4,528 |
| Interest cost | 9,722 | 6,959 |
| Difference between expected and actual experience | 232 | (34,085) |
| Change in assumptions | 26,546 | (69,430) |
| Actual benefit payments | (16,604) | (15,683) |
| Projected OPEB obligation at the end of year | $ 293,911 | $ 271,395 |

(c) Discount Rate

The discount rate used to measure the total OPEB liability was 3.3% and 3.7%, based on the Bond Buyer 20-year Bond GO index rate as of December 31, 2023 and 2022, respectively.

Sensitivity of the OPEB Liability to the Discount Rate

The following presents the Corporation's total OPEB liability calculated using the discount rate of 3.3%, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.3%) or one percentage point higher (4.3%) than the current rate.

| | 2023 | | |
|---|---|---|---|
| | 1% Decrease (2.3%) | Discount Rate (3.3%) | 1% Increase (4.3%) |
| The Corporation's total OPEB liability | $ 337,382 | $ 293,911 | $ 258,462 |

The discount rate used to measure the total OPEB liability as of December 31, 2022, was 3.7%, based on the Bond Buyer 20-year Bond GO index rate.

The following presents the Corporation's total OPEB liability calculated using the discount rate of 3.7%, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.7%) or one percentage point higher (4.7%) than the current rate.

| | 2022 | | |
|---|---|---|---|
| | 1% Decrease (2.7%) | Discount Rate (3.7%) | 1% Increase (4.7%) |
| The Corporation's total OPEB liability | $ 310,620 | $ 271,395 | $ 239,334 |

**(Dollars in Thousands)**

## Note 12. Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the OPEB Liability to the Healthcare Cost Trend Rates

The following presents the Corporation's total OPEB liability calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

| | 2023 | | |
|---|---|---|---|
| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
| The Corporation's total OPEB liability | $ 255,222 | $ 293,911 | $ 341,658 |

| | 2022 | | |
|---|---|---|---|
| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
| The Corporation's total OPEB liability | $ 236,278 | $ 271,395 | $ 314,630 |

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at December 31, 2023 and 2022:

| | 2023 | |
|---|---|---|
| | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual actuarial experience | $ 544 | $ (27,754) |
| Changes in assumptions | 25,126 | (31,583) |
| Total | $ 25,670 | $ (59,337) |

| | 2022 | |
|---|---|---|
| | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual actuarial experience | $ 96 | $ (58,636) |
| Changes in assumptions | 22,588 | (56,176) |
| Total | $ 22,684 | $ (114,812) |

**(Dollars in Thousands)**

### Note 12. Other Post-Employment Benefits (OPEB) (Continued)

The net deferred outflows and inflows of resources at December 31, 2023, will be recognized as follows:

| | Amount |
|---|---|
| 2024 | $ (24,297) |
| 2025 | (12,810) |
| 2026 | 3,440 |
| | $ (33,667) |

(e) Annual OPEB Benefit

The Corporation's annual OPEB benefit for the years ended December 31, 2023 and 2022, was $19,343 and $31,319, respectively.

### Note 13. New York State Department of Health (NYSDOH) Grant Programs

The NYSDOH offers the Vital Access Provider Assurance Program (VAPAP) program. Funding under this program is made to public or safety net hospitals and health systems that meet certain criteria or that have been designated as critical access or sole community hospitals and is awarded to enable these facilities to maintain operations and provision of vital services while they implement longer-term solutions to achieve sustainable health care service delivery. During the years ended December 31, 2023 and 2022, the Corporation received grant payments under this program in the amount of $76,838 and $78,998, respectively. Specifically related to these grants, during the years ended December 31, 2023 and 2022, $103,838 and $51,998, respectively, was recognized in the statement of revenues, expenses and changes in net position as non-operating revenue.

### Note 14. Transactions With the County of Erie

On December 30, 2009, the Corporation and the County entered into a Settlement Agreement. The Settlement Agreement resulted in the Corporation and the County entering into a number of transactions to resolve litigation and prepare for implementing the Corporation's master facility plan.

In October 2012, the Corporation and the County signed an amendment to the 2009 Settlement Agreement (the Amendment). The terms of the Amendment provide for the County to be reimbursed from the Corporation for certain workers' compensation claims incurred by Corporation employees that were paid by the County. The Amendment also provides for the County to reimburse the Corporation, over time, for post-retirement health expenses that the Corporation incurred for Corporation employees with service time at the County.

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie. A component of the loan agreement included the payment of points by the Corporation to the County of Erie in the amount of $17,040 as further described in Note 2 and 10.

## Note 14. Transactions With the County of Erie (Continued)

**Other transactions:** Amounts that are included in operating revenues and expenses in the statements of revenues, expenses and changes in net position, which represent related-party transactions that occurred between the Corporation and the County during the years ended December 31, 2023 and 2022, are as follows:

The Corporation earned revenue totaling $3,902 and $3,856 for the years ended December 31, 2023 and 2022, respectively, from the County. Revenue earned relates to services provided to School 84, mental health services and various other charges related to County departments located within the Corporation's physical plant.

The net amount due to the County of approximately $12,661 and $11,393 at December 31, 2023 and 2022, respectively, is non-interest bearing and reflect the Corporation's net amount owed to the County as a result of various transactions and services between parties. This balance is reported as a component of accounts payable and accrued other liabilities in the statements of net position at December 31, 2023 and 2022, respectively.

## Note 15. Self-Insured Obligations

The Corporation is self-insured for all medical malpractice claims for occurrences on or after January 1, 2004. Additionally, the Corporation began purchasing excess stop-loss insurance on a claims made basis for medical malpractice effective November 2008. The current policy provides $35,000 of coverage in excess of a self-insured retention (SIR) of $4,000 of individual claims or $12,000 in aggregate claims effective November 19, 2018. Immediately previously, the policy provided $35,000 of coverage in excess of a SIR $3,000 of individual claims or $10,000 in aggregate claims.

Effective April 1, 2016, the Corporation became self-insured for workers' compensation claims through a combination of self-insurance and a high-deductible plan for certain periods as follows: The Corporation maintains a stop-loss insurance policy for the claims in excess of $750. As required by the NYS Workers' Compensation Board, ECMCC maintains a security deposit on its self-insured workers' compensation obligations. The value of the security deposit was $30,689 and $26,128 as of December 31, 2023 and 2022, respectively. The deposit is maintained through a surety bond. The surety requires a collateral deposit to maintain the bond. The value of the collateral held by the surety was $5,512 and $5,272 as of December 31, 2023 and 2022, respectively. Effective January 1, 2012, the Corporation insured a portion of its workers' compensation exposure through an occurrence basis high-deductible plan. The Corporation remains responsible for the first $750 of an individual claim payment after December 31, 2011. The Corporation is required to pledge certain assets under this arrangement. As of December 31, 2023 and 2022, $4,662 and $4,936, respectively, has been designated to service workers' compensation claims and included as part of assets whose use is limited. The Corporation remains self-insured for workers' compensation claims prior to January 1, 2012. The County has assumed a portion of liabilities for all occurrences originating prior to 2004.

Losses from asserted and unasserted medical malpractice and workers' compensation claims are accrued based on actuarial estimates that incorporate the Corporation's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims.

**(Dollars in Thousands)**

## Note 15. Self-Insured Obligations (Continued)

The Corporation has accrued $33,407 and $30,975 at December 31, 2023 and 2022, respectively, for medical malpractice related exposures. Such amounts have been discounted at 2.0% for 2023 and 2022 and the accrued liabilities are included within the accrued other liabilities and self-insured obligations caption of the accompanying statements of net position. Charges to expense for medical malpractice costs are included within the other operating expenses caption of the accompanying statements of revenues, expenses and changes in net position.

The Corporation has accrued $27,922 and $27,264 at December 31, 2023 and 2022, respectively, for workers' compensation related exposures. Such amounts have been discounted at 1.75% for 2023 and 2022, and the liabilities are included within the accrued other liabilities and self-insured obligations captions of the accompanying statements of net position. Charges to expense for workers' compensation costs approximated $7,376 and $7,884 in 2023 and 2022, respectively, and are included within the payroll, employee benefits and contract labor caption of the accompanying statements of revenues, expenses and changes in net position.

Eligible retirees are provided basic medical and hospitalization coverage by the Corporation as more fully described in Note 12.

The composition of self-insured obligations as of December 31, is as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Actuarial Estimate of Claims Incurred | Claims Paid | Ending Balance | Due Within One Year |
| Medical malpractice | $ 30,975 | $ 4,750 | $ (2,318) | $ 33,407 | $ 1,792 |
| Workers' compensation | 27,264 | 6,145 | (5,487) | 27,922 | 7,416 |
| | $ 58,239 | $ 10,895 | $ (7,805) | $ 61,329 | $ 9,208 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Actuarial Estimate of Claims Incurred | Claims Paid | Ending Balance | Due Within One Year |
| Medical malpractice | $ 28,159 | $ 3,797 | $ (981) | $ 30,975 | $ 1,800 |
| Workers' compensation | 28,348 | 6,378 | (7,462) | 27,264 | 7,556 |
| | $ 56,507 | $ 10,175 | $ (8,443) | $ 58,239 | $ 9,356 |

Medical malpractice and workers' compensation amounts due within one year are management's estimates based on historical claims.

## Note 16. Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Government activity, in recent years, has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. While no regulatory allegations have been made against the Corporation, compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management and its counsel are not aware of any such actions that will have a material adverse effect on the Corporation’s financial statements.

Loss contingency liabilities are recorded in accordance with U.S. GAAP, which requires recognition of a loss when it is deemed probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. As of December 31, 2023 and 2022, the Corporation has recorded no loss contingencies except as disclosed in Note 15.

The Corporation formed 1827 Fillmore, LLC (1827) for the purpose of acquiring and developing land immediately adjacent to its Grider Street campus. A condition of the acquisition was that 1827 demolish a building on the site with known asbestos abatement requirements. This condition was met in 2018. The Corporation has undertaken a community planning process to determine the future use(s) of the site. The site requires the environmental remediation expenditures; however, the amount of such expenditures is dependent on the ultimate use of the site and requirements from regulators. Through December 31, 2023, approximately $4,600 has been spent on remediating and improving the land.

# Required Supplementary Information

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Required Supplementary Information**
**Schedule of Corporation's Contributions**
**NYSLRS Pension Plan**
**December 31, 2023**
**(Dollars in Thousands)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 25,153 | $ 31,946 | $ 30,167 | $ 27,343 | $ 26,447 | $ 25,803 | $ 25,235 | $ 26,722 | $ 29,771 | $ 29,835 |
| Contributions in relation to the contractually required contribution | 25,153 | 31,946 | 30,167 | 27,343 | 26,447 | 25,803 | 25,235 | 26,722 | 29,771 | 29,835 |
| **Contribution deficiency** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| ECMCC covered-employee payroll | $ 245,606 | $ 244,519 | $ 235,767 | $ 216,871 | $ 204,007 | $ 193,386 | $ 183,540 | $ 166,691 | $ 175,409 | $ 163,395 |
| Contributions as a percentage of covered-employee payroll | 10.2% | 13.1% | 12.8% | 12.6% | 13.0% | 13.3% | 13.7% | 16.0% | 17.0% | 18.3% |

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Required Supplementary Information**
**Schedule of Corporation's Proportionate Share of Net Pension Liability (Asset)**
**NYSLRS Pension Plan**
**December 31, 2023**
**(Dollars in Thousands)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| ECMCC proportion of the net pension (asset) liability | 0.9277% | 0.9485% | 0.9187% | 0.8504% | 0.8079% | 0.7646% | 0.7614% | 0.7228% | 0.7137% |
| ECMCC proportionate share of the net pension (asset) liability | $ 198,936 | $ (77,538) | $ 915 | $ 225,197 | $ 57,240 | $ 24,677 | $ 71,544 | $ 116,006 | $ 24,112 |
| ECMCC covered-employee payroll | 245,606 | 273,555 | 249,490 | 246,772 | 235,284 | 216,044 | 183,540 | 166,691 | 175,409 |
| ECMCC proportionate share of the net pension liability as a percentage of its covered-employee payroll | 81.0% | -28.3% | 0.4% | 91.3% | 24.3% | 11.4% | 39.0% | 69.6% | 13.7% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.8% | 103.7% | 100.0% | 86.4% | 96.3% | 98.2% | 94.7% | 90.7% | 97.9% |

Note: GASB requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Corporation will present information for those year for which information is available.

<u>Change in Benefit Terms</u>
The New York State Legislature lowered the vesting requirement for Tier 5 and Tier 6 from ten years to five years (Chapter 56 0f the Laws of 2022), prior to the April 1, 2022 actuarial valuation.

<u>Changes of Assumptions</u>
2023: The mortality improvement assumption was updated to the Society of Actuaries' Scale MP-2021, inflation was updated to 2.9%, cost-of-living updated to 1.5%, for the April 1, 2022 actuarial valuation.

2022: The mortality improvement assumption was updated to the Society of Actuaries' Scale MP-2020, inflation was updated to 2.7%, cost-of-living updated to 1.4%, and the interest rate assumption was reduced to 5.9% for the April 1, 2021 actuarial valuation.

**Erie County Medical Center Corporation**
**(A Component Unit of the County of Erie)**

**Required Supplementary Information**
**Schedule of Corporation's Changes in Total OPEB Liability and Related Ratios**
**December 31, 2023 and 2022**
**(Dollars in Thousands)**

| | 2023 | 2022 |
|---|---|---|
| Total OPEB liability: | | |
| Service cost | $ 2,620 | $ 4,528 |
| Interest cost | 9,722 | 6,959 |
| Differences between expected and actual experience | 232 | (34,085) |
| Changes of assumptions | 26,546 | (69,430) |
| Benefit payments | (16,604) | (15,683) |
| **Net change in total OPEB liability** | 22,516 | (107,711) |
| Total OPEB liability—beginning | 271,395 | 379,106 |
| Total OPEB liability—ending | $ 293,911 | $ 271,395 |
| Covered employee payroll | $ 87,249 | $ 87,719 |
| Total OPEB liability as a percentage of covered employee payroll | 336.86% | 309.39% |
| Discount rate | 3.3% | 3.7% |

Change in Benefit Terms
There were no significant changes in benefits during 2023 and 2022.

Changes of Assumptions
2023: The discount rate was decreased from 3.7% to 3.3%, while salary increases were adjusted from 3.7% to 3.3% as well as an update to the medical and prescription trend rates.

2022: The annual rate of increase in healthcare costs were revised to better reflect future expectations.

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

**Independent Auditor's Report**

Board of Directors
Erie County Medical Center Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of Erie Medical Center Corporation (the Corporation), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 26, 2024.

The financial statements of ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc.

**Report on Internal Control Over Financial Reporting**

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

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

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

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

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

RSM US LLP

Cleveland, Ohio
March 26, 2024