



**Health and Hospital Corporation  
of Marion County, Indiana**

(A Component Unit of  
the Consolidated City of Indianapolis - Marion County)

Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

# **The Health and Hospital Corporation of Marion County, Indiana**

(A Component Unit of  
the Consolidated City of Indianapolis - Marion County)

## **Comprehensive Annual Financial Report For the Year Ended December 31, 2018**

Matthew R. Gutwein  
President and Chief Executive Officer

Daniel E. Sellers  
Treasurer and Chief Financial Officer

Prepared by: The Treasurer's Office

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**For the Year Ended December 31, 2018**

**Contents**

	<b>Page</b>
<b>Introductory Section (Unaudited)</b>	
Letter of Transmittal.....	1
Certificate of Achievement.....	12
Elected Officials, Appointed Officials - Board of Trustees .....	13
Officers of the Corporation and Independent Auditors .....	14
Organizational Chart .....	15
 <b>Financial Section</b>	
Independent Auditor’s Report .....	16
Management’s Discussion and Analysis (Unaudited).....	18
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	28
Statement of Activities .....	29
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	30
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities.....	32
Statement of Net Position - Proprietary Funds.....	33
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	34
Statement of Cash Flows - Proprietary Funds.....	35
Notes to Basic Financial Statements .....	36

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**For the Year Ended December 31, 2018**

**Contents (Continued)**

	<b>Page</b>
Required Supplementary Information (Unaudited)	
Schedule of Corporation's Proportionate Share of the Net Pension Liability .....	96
Schedule of Corporation's Pension Contributions .....	97
Schedule of Changes in the Corporation's Total OPEB Liability and Related Ratios .....	98
General Fund Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund .....	99
Notes to the Required Supplementary Information - Budgetary Comparison.....	100
Other Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund.....	101
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund .....	102

**Statistical Information (Unaudited)**

	<b>Table</b>	<b>Page</b>
Net Position by Component.....	I	103
Schedule of Changes in Net Position .....	II	104
Fund Balances, Governmental Funds.....	III	107
Changes in Fund Balances - Governmental Funds.....	IV	108
Assessed Value and Estimated Actual Value of Taxable Property .....	V	110
Property Tax Rates - Direct and Overlapping Governments.....	VI	111
Principal Property Tax Payers .....	VII	112
Property Tax Levies and Collections.....	VIII	113
Ratios of Outstanding Debt by Type .....	IX	114
Ratio of Net General Obligation Debt Outstanding .....	X	115
Schedule of Direct and Overlapping Debt and Bonded Debt Limit.....	XI	116
Legal Debt Margin Calculation .....	XII	118
Demographic and Economic Statistics .....	XIII	119
Principal Employers .....	XIV	120
Full-Time Equivalent City Government Employees by Function/Program .....	XV	121
Operating Indicators by Function .....	XVI	122
Capital Assets Statistics by Function/Program.....	XVII	124

## **Introductory Section (Unaudited)**



3838 North Rural Street  
Indianapolis, IN 46205  
tele 317-221-2000  
fax 317-221-2020  
[www.hhcorp.org](http://www.hhcorp.org)

June 21, 2019

TO: The Board of Trustees  
of The Health and Hospital Corporation of  
Marion County, Indiana  
The Mayor, City of Indianapolis  
The City-County Council  
The County Commissioners

The Comprehensive Annual Financial Report of the Health and Hospital Corporation of Marion County, Indiana (Corporation) (a component unit of the Consolidated City of Indianapolis - Marion County), for the fiscal year ended December 31, 2018, is submitted herewith. This report is presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

This report consists of management's representations concerning the finances of the Corporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Corporation has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Corporation's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Corporation's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Corporation's financial statements have been audited by BKD LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Corporation for the fiscal year ended December 31, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the Corporation was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Corporation’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Corporation’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Corporation’s MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CORPORATION**

The Corporation is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. Its duties include the administration of the Division of Public Health and the Division of Public Hospitals.

The Corporation provides a full range of preventive and curative health services for the residents of Marion County, including indigent care. The Corporation administers two statutory service divisions: the Division of Public Health doing business as the Marion County Public Health Department (MCPHD) and the Division of Public Hospitals doing business as Eskenazi Health. Additionally, the Corporation administers two other service divisions: the Marion County 911 ambulance service Indianapolis EMS (IEMS) functioning as a distinct unit in Eskenazi Health and the Long-Term Care division.

MCPHD operates two service bureaus: Population Health and Environmental Health. It operates from various clinics and district health offices located throughout Marion County. Population Health provides preventive and diagnostic health programs, health education, immunization and epidemiological programs. The Bureau of Environmental Health provides environmental health regulation, code enforcement, environmental monitoring and vector control. MCPHD employs 830 people. The health and environmental services of this division directly impacts every resident of Marion County every day.

Eskenazi Health is comprised of the Sidney and Lois Eskenazi Hospital, a 336 bed general acute care hospital; the Sandra Eskenazi Outpatient Care Center, an outpatient specialty care facility co-located with the Hospital; the Eskenazi Health Center, a Federally Qualified Health Center (FQHC) that operates ten primary care centers throughout Marion County; Midtown Community Mental Health, a Community Mental Health Center (CMHC) that provides behavioral health services throughout Marion County; and IEMS, the county-wide emergency ambulance service. Eskenazi Health is the only public hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association. Eskenazi Health employs 4,284 people. The healthcare services of this division provided care to 147,500 individuals at 875,000 visits in 2018.

The Corporation also has a long-term care (Long-Term Care) enterprise fund, which operates 78 nursing homes throughout Indiana. Long-Term Care supports the Corporation’s mission and goal to provide quality care and services to elderly and disabled Hoosiers. The Long-Term Care division employs approximately 10,000 people throughout Indiana. The senior care services of this division provided care to over 8,000 residents in 2018.

A seven member Board of Trustees governs the Corporation. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, and the City-County Council two. Generally, Trustees serve staggered terms of four years each. The Board is bipartisan by statute. The Corporation levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The City-County Council approves the final budget of the Corporation after approval by the Corporation Board of Trustees. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

## **LOCAL ECONOMY**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Corporation operates.

Indianapolis is the nation's 16th largest city. According to the U.S. Census Bureau's Statistics for 2018, the estimated population of Marion County is 950,000 and 2,000,000 in the Indianapolis Metropolitan Area. Indianapolis is well-known for the multitude of cultural, educational, sporting, shopping and dining opportunities offered to its residents and visitors. Indianapolis is the home of "Hoosier Hospitality" the perfect blend of Midwest, small town welcome and big city attractions and opportunities. Employers and employees discover that a dollar goes further here. Residents and business owners alike enjoy an extremely competitive cost of living, along with a high quality of life.

The hallmarks of the Indianapolis economy have long been its diversity and steady growth, which is part of the foundation of Indy's strong performance during the past several years. Indianapolis can boast of diverse strengths in the manufacturing, distribution, retail and service sectors. Economic diversity keeps Indianapolis on a steady growth track. Additionally, Indiana's real estate availability affords a wide selection of available land, existing office space and industrial parks. Finally, many of the city's major venues, such as Victory Field, Bankers Life Fieldhouse and the Lucas Oil Stadium were all the result of successful partnerships between the private and public sectors.

The stable economy and many attractions of Indianapolis, along with its central location within the nation, make it a prominent convention and tourist center. The Indianapolis 500 Mile Race, the NFL's Indianapolis Colts, the NBA's Indiana Pacers, the WNBA's Indiana Fever and the AAA Indianapolis Indians baseball team are among the city's prominent sporting attractions, not to mention countless amateur sporting events. The NCAA Headquarters and Hall of Champions, the Indianapolis Zoo, the Indianapolis Motor Speedway Museum, the Indiana State Museum, the Indianapolis Children's Museum, the Indianapolis Museum of Art, the Eiteljorg Museum of American Indian and Western Art, the American Cabaret Theatre, the Indiana Repertory Theatre, the Indianapolis Symphony Orchestra and the White River State Park have also become popular attractions, along with many outstanding downtown restaurants and sports bars.

## **LONG-TERM FINANCIAL PLANNING**

The Corporation remains a partner with the City of Indianapolis and Marion County. The community is strong yet the needs for public health and public hospital services remain vital. Public health risks like HIV and Hepatitis C, emergency preparedness, growth of opioid addiction, chronic disease and behavioral health problems can most successfully be addressed by local organizations like the Marion County Public Health Department (MCPHD) and Eskenazi Health. The primary goal of the divisions is providing high quality health service but these services can only continue as long as the Corporation remains a good steward of its financial resources.

The Corporation receives county and state tax revenues that account for less than 7% of the Corporation's overall operating budget. The stability and strength of the Marion County and Indiana economy has made tax revenues a consistent and reliable source of funds but it not nearly enough to perform the services of the Corporation's divisions. The largest proportion of funding for the Corporation's divisions is direct reimbursement for services we provide through our healthcare settings. To that end, the Corporation and its divisions are continually working on process improvement and cost containment programs. At the same time each division faces additional pressure to be able to provide more services to more clinically complex patients and residents every year.

MCPHD has a strong track record of managing its budget and providing great services with the funds that are available. MCPHD's budget is limited to growth in the Marion County tax base each year and has few directly reimbursable services lines. Regardless, MCPHD continues to search for funding other than property tax revenue and continues to fund approximately 40% of its operations through grants and operational revenues. The division continues to focus on improving its ability to meet clients' needs by reinvesting in technology, employee training and direct partnerships with the community. The focus of MCPHD is to make sure its services are exceptional and targeted at the right health issues while managing the cost to the community.



Eskenazi Health is in the process of implementing a multi-year strategic plan that is focused on improving patient care, patient service, employee satisfaction and the overall financial performance. Patient quality is the primary goal for Eskenazi Health because the health system knows that without quality care, no other improvements will enable success in the long run. Eskenazi Health believes that patients deserve the best experience possible and knows patients will seek great service from others if the system cannot provide it. Some of the best advocates for the system are its employees. The system has focused on providing a great environment for the employees, students and medical staff, including a new facility, significantly improved technology and wellness options for them. Eskenazi Health knows it can improve financial performance by making sure it provides the care its patients want and need in the time and place that is best for them. At the same time, Eskenazi Health will make sure that all its revenues are fully recognized and its costs are well-managed.

IEMS has saved Marion County millions of dollars every year since its inception. When IEMS began providing services in 2010, Marion County taxpayers were funding over \$9 million of losses for ambulance services each year. IEMS was created to improve quality and to reduce financial losses. The leaders of IEMS partnering with the frontline Paramedics and EMTs have worked together to improve patient quality, patient and resident safety and coordination with the Police and Fire services. IEMS, operating as a healthcare division of the Corporation, is becoming a model for pre-hospital care nationally. IEMS operates at a breakeven based on operating revenue alone, there is no tax support provided to this division.

The Long-Term Care Division continues to provide high quality nursing home services in the State. Long-Term Care is financially able to support its own mission and helps fund other divisions of the Corporation. Long-Term Care has been a vital aspect of the Corporation's success over the past two decades. The Corporation has focused significant attention on this unit in the past several years because of a federal investigation into the actions of former executives of the management company contracted to lead the Long-Term Care Division. The investigation is not focused on the Corporation or any of its employees. The long-term effect of the investigation is not known. The operational quality and financial forecast for the division continues to be strong. The financial statement notes provide additional information for the reader.

In 2015, the Corporation's Long-Term Care Division purchased 17 nursing homes that were under a federally imposed Corporate Integrity Agreement (CIA) prior to being purchased. The CIA required the Corporation to comply with the previous owner's Compliance Plan until October 2019. The Corporation has redesigned and enhanced its compliance department to match the CIA and to make sure it uses best compliance practices into the future. A new Chief Compliance Officer (CCO) was hired in 2016. The CCO reports directly to the Board of Trustees and to the CEO. The CCO has hired several additional compliance leaders throughout the Corporation. Compliance monitoring, comprehension and attention have been significantly enhanced and the organization has been well served by the increased scale of the compliance department.

The Affordable Care Act (ACA) has been extremely beneficial to medically underserved citizens of Marion County. The ACA made it possible for Indiana to expand the HIP 2.0 program, which has reduced the uninsured rates in Marion County from 20% down to 15% according to a report by the Robert Wood Johnson Foundation. At Eskenazi Health, the uninsured rates have fallen from nearly 38% to the mid-teens in the past few years. These improvements in health coverage have improved the operational bottom-line at Eskenazi Health by more than \$60 million per year.

The Corporation will continue to focus on providing extremely high quality care in all of its divisions. The Corporation has continuous improvement plans operating throughout the system to help focus attention on quality care, quality outcomes, quality service and financially appropriate operations.

## **MAJOR INITIATIVES FOR THE YEAR**

### ***Marion County Public Health Department:***

As the community chief public health strategist for Indianapolis, MCPHD continues to address emerging health demands and take advantage of promising opportunities. MCPHD works to improve community partnership development, to prepare for achievement of national standards through appropriate professional accreditation bodies such as the Public Health Accreditation Board (PHAB), to remove barriers to healthcare, and to promote health equity with limited resources.

Against a backdrop of these and other influencing factors such as changing demographics, access to care, and changes to an internet-based, consumer-driven communications environment, MCPHD will play a vital role in the redirection of the health care system toward prevention and wellness.

MCPHD is committed to:

- Access to care for vulnerable populations, homeless and refugees.
- Interventions and resources improving mental health status for prevention, treatment and recovery of opioid abuse and dependence.
- The reduction of infant mortality.
- The promotion of immunizations and dental health in infants, children and adults.
- The assurance of policy, systems, and environmental change strategies to reduce tobacco use, secondhand smoke and opioid dependence.
- The reduction of obesity and sedentary lifestyle through increasing understanding of good nutrition and physical activity.
- Control of HIV and Hepatitis A and C viruses and sexually transmitted diseases.
- Environmental health with food inspections, water quality, lead screening, and environmental hazards and the concept of Health in All Policies.
- Safe, livable housing and sustainable neighborhoods.
- All Hazards Preparedness, Response, and Recovery.
- The development of strategies to lower the incidence of diabetes, asthma and cardiovascular disease.
- The reduction of violence.
- Focus on equity and social justice in all planning processes.
- An increase in health literacy across the populations served.

Through our Community Health Assessment (CHA) process, MCPHD better understands the needs and assets of Marion County and ensures health care resources are used toward collaborating to make measurable improvements in Marion County residents' health and well-being. The most recent MCPHD CHA, which was prepared in collaboration with over 125 public health partners and released in December 2014, revealed five priorities for our county: unhealthy weight, poor mental health, poverty, chronic disease prevention and management and violence. In 2016, a Community Health Improvement Planning process was initiated which will address these five priorities. MCPHD leadership approved a Strategic Plan, Workforce Development Plan, Quality Improvement/Performance Management System Plan, and Cultural and Linguistic Competency Plan.

Through a comprehensive collaborative approach, MCPHD understands many of our public health challenges are interrelated and involve personal responsibility and a long-term commitment to achieve positive health outcomes. This is evidenced by MCPHD's active participation in the Top 10 Coalition, the Indy Food Council, and Local Initiatives Support Corporation's (LISC) Quality of Life Plans for several neighborhoods, Health By Design, Greater Indianapolis Progress Committee's Plan 2020, City of Indianapolis Office of Sustainability's Thrive Indy plan, and regular attendance at dozens of neighborhood association meetings to address environmental and social health issues.

There continues to be equally compelling challenges on the public health landscape beyond those identified by the CHA. Since 2016, we have seen an unprecedented increase in opioid overdoses, Hepatitis C and HIV infections. MCPHD's challenges include establishing a safe syringe exchange and the need to establish a city-wide task force to address the opioid crisis. Aggressive efforts continue in reducing the transmission of HIV/AIDS, Hepatitis C and other sexually transmitted diseases, expanding outreach services to substance abusers and reducing the prevalence of prostate, breast, colon and lung cancer. Other issues include addressing the overwhelming and critical problem of dental disease in disadvantaged children, creating optimal coordination of community-based primary care services, housing inspections, lead safe and healthy home testing, case management, providing clinical and environmental public health laboratory services to protect against diseases and other health hazards and providing mental health and social services. Through our public health preparedness and public safety efforts, MCPHD continues to mitigate public health threats and emergencies by strategic and effective planning and collaboration.

### ***Eskenazi Health:***

As the public hospital division of the Corporation, Eskenazi Health partners with the Indiana University School of Medicine whose physicians provide a comprehensive range of primary and specialty care services.

Eskenazi Health received many awards during 2018, a sample of which includes:

- Dr. Theresa Rohr-Kirchgraber, FACP, Barbara F. Kampen Scholar in Women’s Health, received the 2018 Bertha Van Hoosen Award from the American Medical Women’s Association (AMWA). The award honors one or more women physicians who have demonstrated exceptional leadership and service to women physicians and students through AMWA.
- Dr. Krista Brucker, medical director of Eskenazi Health Project POINT, was honored as a Health Care Hero by the Indianapolis Business Journal (IBJ).
- Crooked Creek Food Pantry at Eskenazi Health Center Pecar was named a finalist in the community achievement in health care category of the IBJ’s Health Care Hero awards breakfast.
- Dr. Elisabeth von der Lohe, a cardiologist at Eskenazi Health, was named a finalist in the physician category for the IBJ’s Health Care Hero awards breakfast.
- Eskenazi Health’s CORE program was selected as a 2018 Gage Award Promising Program by America’s Essential Hospitals.
- The Eskenazi Health Transgender Health & Wellness Program was selected as a remarkable project and will be included in America’s Essential Hospitals VITAL 2018 abstracts guide for the Gage Awards.
- Dr. Janine Fogel and dietitian Amy Carter were named the recipients of the 2018 Achievement in Medicine (AIM) Award. The AIM award is presented by St. Margaret’s Hospital Guild and the Indiana Blood Center.
- Dean Babcock, associate vice president of Eskenazi Health Midtown Community Mental Health, was named the 2018 Lifetime Achievement Awarded by Drug Free Marion County.
- Eskenazi Health was selected for Goodwill’s 2018 Connections Award which recognizes a partner organization that has demonstrated an outstanding commitment to our mission.
- Eskenazi Health was selected as the winner of the Indiana Cancer Consortium’s (ICC) Outstanding Contributions to Cancer Control Organization by the ICC Board of Directors.
- Eskenazi Health Public Affairs & Communications received a Pinnacle Award from the Indiana Chapter of the Public Relations Society of America for internal communications with its efforts with the launch of Epic.
- Eskenazi Health’s CMO Dr. David Crabb was named to Becker’s “100 Hospital & Health System CMOs to Know 2018.”
- Several Eskenazi Health physicians were recognized with a Trustee Teaching Award for their sustained level of teaching excellence at the IU School of Medicine. Dr. Jill Helpinstine, Dr. April P’Pool, Dr. Deanna Reinoso, Dr. Cynthia Robbins, Dr. Maria P. Robles, Dr. Lyle Fettig and Dr. Krista Brucker were recognized.
- The Indiana Immunization Coalition honored Eskenazi Health Center Primary Care- Center of Women’s Excellence in Women’s Health for its increase in vaccination rates for adult patients by awarding them with the “High Flyer” award category. The new process increased vaccination rates by 39 percent.
- Tom Thaman received the Exemplary Leadership Award from the Association for Healthcare Foodservice (AHF). The award is for the operator member who best reflects the commitment to operational excellence. The award recognizes member contributions in their operations as well as to regional, local chapters or networking meetings.
- The Eskenazi Health EMBRACE program has been selected as the winner for the Outstanding Contributions in Cancer Prevention and Control Organization Award presented by the Indiana Cancer Consortium. The program was nominated for its contributions to cancer control in the areas of quality of life, cancer screenings, diagnostic testing and treatment for underserved and underinsured women.
- Eskenazi Health was included on the Forbes Magazine list of 2018 Best Employers for Women. Eskenazi Health was also ranked as the 11th best for women’s hospital employer.
- Jasmine Gonzalvo, a clinical pharmacist who works within Midtown primary care service was recognized by the American Association of Diabetes Educators with the 2018 Strategic Initiative Award. Gonzalvo pioneered a cardiovascular risk reduction and diabetes management clinic that she operates within the Dr. James J. Wright Center.

- Eskenazi Health placed in the Top 3 in the 1500 – 4999 employee size category in the 2018 Healthiest Employers of Indiana contest.
- Congratulations to Darryle Robinson who was selected by Association of Nutrition & Foodservice Professionals (ANFP) as the September CDM of the Month. For the September Issue of Edge Magazine.
- Karin Thornburg, a retired community liaison coordinator for Eskenazi Health Midtown Community Mental Health, received the D. William Moreau Jr. Homeless Advocate Award.
- Jasmine Gonzalvo received the 2018 Strategic Initiative Award from the American Association of Diabetes Educators (AADE). The award "recognizes a member whose work reinforces AADE's Strategic Goals in Diversity or New Models of Care to achieve the outcomes inspired by AADE's mission and vision." Specifically, she was honored for the innovative cardiovascular risk reduction and diabetes management clinic (CVRRC) she operates in Eskenazi Health Midtown Medical.
- The Eskenazi Health Transgender Care program was awarded the Hulman Award in the “Innovative Public Health Program” category, provided by the Indiana Public Health Association. This award recognizes an Indiana corporation and/or business leader who focuses on health promotion activities or programs related to improving health outcomes in the community. Dr. Janine Fogel, medical director of the Eskenazi Health Transgender Health & Wellness Program, accepted the award at the Indiana Public Health Association’s Public Health Celebration on October 25.
- Eskenazi Health CEO, Dr. Lisa Harris, was named to the Becker Hospital Review list of “112 Physician Leaders of Hospitals and Health Systems of 2018.
- Kim Curry for being recognized as Youth and Adult Volunteers of the Year by the YMCA.
- Eskenazi Health has been named to Becker’s Hospital Review 2018 list of the 68 greenest hospitals in America.
- Sidney & Lois Eskenazi Hospital has been named one of the Top 20 Most Beautiful Hospitals in the U.S. by Soliant Health.
- Eskenazi Health received the Indianapolis Coalition for Patient Safety Award 2018 for the antibiotic stewardship program. Led by Dr. Amy Beth Kressel and Megan Cheatham (PharmD), the two helped provide education to staff and residents across Eskenazi Health and the IU School of Medicine.
- Eskenazi Health won the 2018 Excellence in Employment Engagement Award from Huron/Studer.
- The Eskenazi Health Pharmacy Department received at 2018 Cheers Award for creating an objective method to identify and evaluate high-alert medications, both retrospectively and prospectively. Published literature related to identification of high-alert medications is limited.
- Dr. Lisa Harris, CEO of Eskenazi Health, has been named to Becker’s Hospital Review 2018 list of 103 women leaders of Hospital and Health Systems and the “100 Great Leaders in Healthcare 2018.”
- The Fresh For You Market at Eskenazi Health was named Food Management Magazine’s Best Concept Award for Convenience Retail Concept.
- The Eskenazi Health I am More Campaign was recognized by the Indiana Chapter of the Public Relations Society of America in several categories, including the Pinnacle Award - Marketing Communications Program, Best of Show in the Program category and External Communications Program.
- Eskenazi Health was named one of America’s Best Mid-Size Employers in 2018 by Forbes Magazine. America’s Best Employers are chosen based on an independent survey from a vast sample of more than 30,000 U.S. employees working for companies employing at least 1,000 people in their U.S. operations.
- Christopher Scott, vice president of clinical services at Eskenazi Health, was recognized as a distinguished alumnus from the Purdue College of Pharmacy. This prestigious award, initiated in 1984, is awarded annually in recognition of its alumni’s outstanding achievements in professional and scientific endeavors.
- Dr. Curtis Wright, chief executive officer of Eskenazi Medical Group, was recognized with the 2018 Accomplished Achievement Award by the Center For Leadership Development for all the work he has done to positively affect the lives of minority youth in Central Indiana.
- Dr. Saura Fortin, chief physician executive of the Eskenazi Health Center Primary Care - Center of Excellence in Women's Health, was named a 2018 recipient of the Exceptional Mentor Award from the American Medical Women's Association. The award celebrates those who have made an impact on the lives of students in medicine.
- Eskenazi Health has been named as one of Becker’s Hospital Review’s “150 Top Places to Work in Healthcare.” This marks the third consecutive year that Eskenazi Health has earned this highly valued and meaningful distinction.
- The Indianapolis Board of the Minority Health Coalition honored Midtown with the Community Supporter Award for its work to promote minority health.

For 160 years, Eskenazi Health has provided high-quality, cost-effective, patient-centered health care to the residents of Marion County and Central Indiana. Accredited by The Joint Commission, nationally recognized programs include a Level I trauma center, regional burn center, comprehensive senior care program, women's and children's services, teen and adolescent care programs, Eskenazi Health Midtown Community Mental Health, and a network of primary care sites located throughout the neighborhoods of Indianapolis known as Eskenazi Health Center. Eskenazi Health also serves as the sponsoring hospital for Indianapolis Emergency Medical Services.

***Long-Term Care:***

The Corporation leases and operates 78 skilled nursing facilities (SNFs) and five free-standing licensed residential/assisted living facilities (ALs), serving more than 8,000 residents. Multiple locations provide a continuum of care with independent apartments and garden homes in a campus-type setting. The Corporation contracts with American Senior Communities (ASC) to manage its long-term care facilities.

During 2018, Elkhart Nursing and Rehabilitation, a traditional SNF was converted to a specialized Memory Care facility. The facility name was changed to Elkhart Meadows. This change further expands the Corporation's Auguste's Cottage service line and approximately 1,800 individuals with memory deficits related to Alzheimer's disease and Dementia reside and are cared for in these specialized units.

The number of free-standing AL facilities has recently increased from four to five with the residential portion of Heritage Park in Fort Wayne being separately licensed from the SNF. This change did not result in any change in the number of licensed residential beds for the Corporation.

The slight census decline that has been experienced over the past few years continues and is in concert with a trend seen throughout the state and country with shorter lengths of stay for Medicare short stay admissions and increased use of home health services. There has been a significant shift in the census by payor source for the skilled nursing facilities in recent years in that there are fewer Medicare resident days and more Medicaid days. The average Medicaid daily census for December 2016 was 5,405 and had steadily increased to 5,697 December 2018. The Medicare average daily census has declined 36% since December 2016 when it was 1,028 residents compared to 657 Medicare residents in December 2018. The total average daily resident census for December 2018 was 8,006 including independent garden homes, assisted and independent living apartments. December 2010 averaged 8,110 residents; December 2015 averaged 8,155 residents and December 2016 averaged 8,052. Long-Term Care facilities averaged 84% occupancy in 2018, nearly 10% better than the statewide average.

The 17 facility operations acquired in 2015 and leased from Formation Capital were operated for the first 18 months as a distinct group. This management initiative was successful in addressing the needs of the facilities to transition to new business systems, corporate policies and procedures and care initiatives. In 2017, the facilities were integrated into operational pods according to location and now have support and peer groups that enhance the regional facility marketability and provide enhanced geographic efficiencies. The transition has resulted in sound operations at these newer locations. The 17 facilities remain under the requirements of Extensicare's Corporate Integrity Agreement (CIA) and Compliance Plan which are in effect until October 2019. The Corporation and ASC continue to work closely with the Office of Inspector General (OIG) and the appointed independent monitor, Long-Term Care Institute, Inc. (LTCI). One of the processes used by LTCI to monitor the operations of facilities under a Compliance Plan is to make site visits. In 2018, LTCI suspended site visits for this group of facilities based on the very positive observations from the three previous years. Both the OIG Federal monitors and LTCI staff continue to express a high level of satisfaction with the policies, procedures, and systems introduced by ASC and the Corporation for this new group and the Corporation's Board of Trustees has attested compliance with the provisions of the plan for 2018.

Quality care and service are priorities for the Long-Term Care Division and quality improvement endeavors are continually performed at all locations. In October 2018, 10 Long-Term Care facilities were among 26 Indiana nursing homes presented with the American Health Care Association/National Center for Assisted Living (AHCA/NCAL) National Quality Bronze Award for Commitment to Quality. The 10 facilities include: Autumn Ridge, Avalon Village, Beech Grove Meadows, Betz Nursing Home, Franklin Meadows, Riverwalk Village, Rosegate Village, Springs Valley Meadows, Stonebrooke Rehabilitation Center and University Nursing Center. The Silver award is the second level of distinction for those facilities recognized for achievement in quality. Of the four Indiana facilities honored with the Silver Award in 2018, the Corporation owned and operated three: Countryside Meadows, Lowell Healthcare, and Springhill Village. The awards are based on the health care criteria of the nationally recognized Baldrige Performance Excellence program and participation in this program is encouraged for all locations. We are proud to have a total of 37 Bronze Award recipients and seven Silver Award recipients since the Corporation first began applying for this distinction in 2014.

According to the CMS Nursing Home Compare Rating System, in December 2018, Long-Term Care's skilled nursing facilities averaged 3.24 Stars Overall on the Five Star program. The statewide Overall star average was 3.21 Stars for all skilled facilities, including the Corporation's facilities. The National Overall average was 3.35 stars. A significant change in the way that the Staffing Star component for this rating is calculated and the absence of new data for the Inspections Star resulted in the Corporation's Overall Star ratings dropping from 3.58 to 3.21. 20 of the 78 facilities (26%) were rated at Five Stars. This rating system includes three components: Inspections Rating, Staffing Rating and Quality Measures Rating. 71 or 91% of the Corporation's skilled nursing facilities rated above average (4 or 5 stars) for the Quality Measures Star which rates the facility on 24 specific quality care measures.

Regulatory compliance is an on-going objective for the Long-Term Care facilities and the majority are very successful in achieving or maintaining outstanding compliance with federal and state compliance measures. Nine facilities earned deficiency free annual licensure and recertification surveys from the Indiana State Department of Health (ISDH) in 2018 including four licensed residential facilities. Approximately 10% of the facilities in the state in any given year achieve a deficiency free annual survey. The ISDH consumer report for Long-Term Care nursing facilities has been an important tool in measuring regulatory compliance for Indiana facilities for many years. Long-Term Care facilities have had average report card scores that have consistently been better than the statewide average for more than six years. ISDH temporarily halted the posting of report cards scores in November 2017 and to date has not released the date when the report card scores will again be posted for public review.

A very important measurement of care and services is resident and family satisfaction. In 2017, a new client satisfaction consulting firm was hired to provide the independent satisfaction surveys of residents and families. Pinnacle Quality Insight (Pinnacle) specializes in customer satisfaction measurement for post-acute and assisted living provides and has the ability to benchmark customer and employee satisfaction against over 3,500 providers nationwide. Instead of annual client survey, Pinnacle conducts monthly surveys ensuring customer satisfaction is ongoing and an ever-present priority. Pinnacle awarded more than a third of our facilities with a total of 92 Customer Experience Awards based on responses from residents and families in comparison to all the facilities using this service. Qualifications for this distinction require a category to score "best in class" nationally as defined as the upper 15%. Categories include such important aspects of care and services as: Cleanliness, Communication, Dignity and Respect, Dining Service, Laundry, Nursing Care, Activities, Therapy, and Safety and Security.

The Corporation's long-term care facilities provide employment for more than 10,000 people, making this nursing home group the seventh largest employer in the state. The Corporation is dedicated to the professional growth of the state's workforce and particularly in addressing the growing shortage of licensed nurses. The Opportunities to Nursing Excellence (O2NE) program is a joint Corporation/ASC endeavor now in its fifth year. At the close of 2018, a total of 155 employees have graduated and become licensed nurses through this program. 20 graduates of the O2NE program are currently working in clinical management positions including eight Directors of Nursing Services, two Assistant Directors of Nursing, two Clinical Education Coordinators, six MDS Coordinators and two Regional Clinical Directors. Nearly 100 graduates are now working in direct care positions providing excellent resident care.

The Corporation's internal Long-Term Care Quality Review Team (QRT) consists of highly qualified and long-term care experienced Registered Nurses, Health Facility Administrators and Social Workers. These professionals continue to visit all of the Corporations' long-term care facilities at least annually, and select facilities receive additional site visits and reviews. In 2018, the QRT performed 98 quality review site visits. Reviews include many aspects of the facility operation and clinical services such as clinical records, personnel files and quality assurance minutes, etc. Over 300 interviews were conducted with residents and family members.

At the request of ASC, the Corporation's Long-Term Care department accepted the responsibility to assure that the long-term care facilities received training and assistance in the implementation of new federal regulations for emergency preparedness which were effective November 2017. Emergency preparedness continues to be a primary goal for the Long-Term Care Division and a stakeholder's agreement is in full force with MESH, a nationally recognized Emergency Coalition located in Indianapolis. This coalition serves all the Indianapolis area hospitals and the Marion County Public Health Department. The Long-Term Care Division is the first and only long-term care provider to join as a stakeholder.

As of November 2018, the Long-Term Care and Assisted Living facilities completed their first year under the new CMS rules for emergency preparedness, 55 of the facilities (71%) were found to be in compliance (i.e. no "E" tags) with the emergency preparedness requirements, while 15 others (20%) had one or two minor, commonly assigned E-tags during their Life Safety Code survey. This success can be attributed in large part to the initial emergency preparedness trainings (2017), as well as the July 2018 "Create and Conduct Tabletop Exercise" trainings, created and delivered by MESH. The July tabletop exercise trainings were attended by more than 180 facility leaders, and as a result of the work performed by the attendees at the trainings, MESH compiled a catalog of LTC-specific emergency/disaster scenarios, and assembled them into the Tabletop Exercise (TTX) Facilitator Guide. This guide is being used by the facility leaders to conduct tabletop exercises specific to their facility, and to compile a post-exercise analysis of the response (a part of the CMS requirement).

The management team of each facility location is registered to receive periodic MESH communications. These email communication/alerts include situational awareness briefings, news briefs, and notifications of MESH Grand Rounds. The Corporation partnered with MESH to extend their June 2018 MESH Grand Round session, What Happened in Vegas? Lessons from the 2017 Las Vegas Shooting, to two additional Indiana locations: Columbus and Kokomo. The presenter focused on his health district's experiences and challenges during and after the October 1, 2017 tragedy by highlighting communication response and challenges, unique events that did not receive media coverage, vulnerable populations and the special challenges they presented, organizational incident response, and post-event patterns observed with staff responding to the event. In addition to turnout by Corporation/ASC leaders, the sessions included attendees from healthcare, emergency management, emergency medical services, law enforcement, fire protection, district healthcare coalitions, and the Indiana National Guard.

A unique recreational project for elderly individuals was launched at Zionsville Meadows, one of Long-Term Care's full service retirement communities, during 2018. Residents can ride in a trishaw, a full-size tricycle with a seat in front piloted by twelve volunteers of the Zionsville Cycling Without Age affiliate. Nearly 100 rides were conducted during the autumn. Cycling Without Age (CWA) is an international movement based on generosity and kindness was recently introduced to the United States, and is intended to build relationships with riders and elderly. CWA connects the passenger, pilot, and community in a way very few other programs can. Since 2012, CWA has grown to 1,100+ chapters in 41 countries. Long-Term Care is looking to expand the trishaw program to other facilities. Zionsville Meadow's new trishaw was made possible through a generous gift made by the Eskenazi Health Foundation.

In September 2015, the Corporation became aware of a federal investigation of the former ASC CEO and COO and others involved in a complicated vendor-fraud and anti-kickback scheme. In May and June 2018, these individuals pled guilty and were ordered to pay restitution to the Corporation and ASC. The Corporation and its employees were not the target or subject of any investigation and these allegations of wrongdoing were not related to the care or safety of any resident/patient at any of the Corporation's nursing homes. See Note 18 for additional information.

Highly recruited, experienced C-suite leadership has been in place at ASC since 2016. The new CEO, COO, and CFO meet routinely with Corporation executives and attend the Corporation's Board of Trustees Long-Term Care Committee meetings. The Corporation's Senior VP of Long-Term Care and the CFO attend many meetings each week/month and work closely with the ASC home office staff. A few ASC management positions changed or were added in 2018 including the following: Director of Purchasing, Director of Human Resources and the Corporate Chef. The Senior Vice President of Clinical Services retired and the Vice President of Clinical Services has assumed the leadership role for the clinical care teams. During 2018, many corporate training programs were provided for the Executive Directors and Directors of Nursing Services at all locations and additional programs for various specialty positions.

## AWARDS AND ACKNOWLEDGEMENTS

The Corporation had an annual audit of its financial statements performed for 2018 by BKD LLP, Certified Public Accountants. The independent auditor's report on the Corporation's financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Health and Hospital Corporation of Marion County, Indiana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last 34 consecutive years. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The President and Chief Executive Officer and the Treasurer and Chief Financial Officer alone cannot prepare the report presented herein. This CAFR was made possible by the dedicated service of the combined staffs of Hospital Finance and Corporate Accounting. Each member of these departments has our sincere appreciation for the contributions made to this report.

Respectfully submitted,



Matthew R. Gutwein  
President and  
Chief Executive Officer



Daniel E. Sellers  
Treasurer and  
Chief Financial Officer





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Health and Hospital Corporation  
of Marion County, Indiana**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# Health and Hospital Corporation

## Elected Officials

None of the Board of Trustees or Officers of the Corporation are Elected Officials. All are appointed to office.

## Appointed Officials - Board of Trustees



Joyce Q. Rogers  
Chairperson  
Vice President  
Indiana University



Gregory S. Fehribach  
Vice Chairperson  
Attorney  
Stark, Doninger & Smith



David F. Canal, M.D.  
Physician & Professor of Surgery  
IU School of Medicine



Carl L. Drummer  
Director of Public Affairs  
Ice Miller



Charles S. Eberhardt, II  
President & CEO  
Akinet Spirits Group



James D. Miner, M.D.  
Physician  
Community Health Network



Ellen Quigley  
Vice President of Programs  
Richard M. Fairbanks Foundation

# Health and Hospital Corporation

## Officers

<b>Name</b>	<b>Title</b>
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	Chief Executive Officer, Eskenazi Health
Virginia A. Caine, M.D.	Director, Marion County Public Health Department

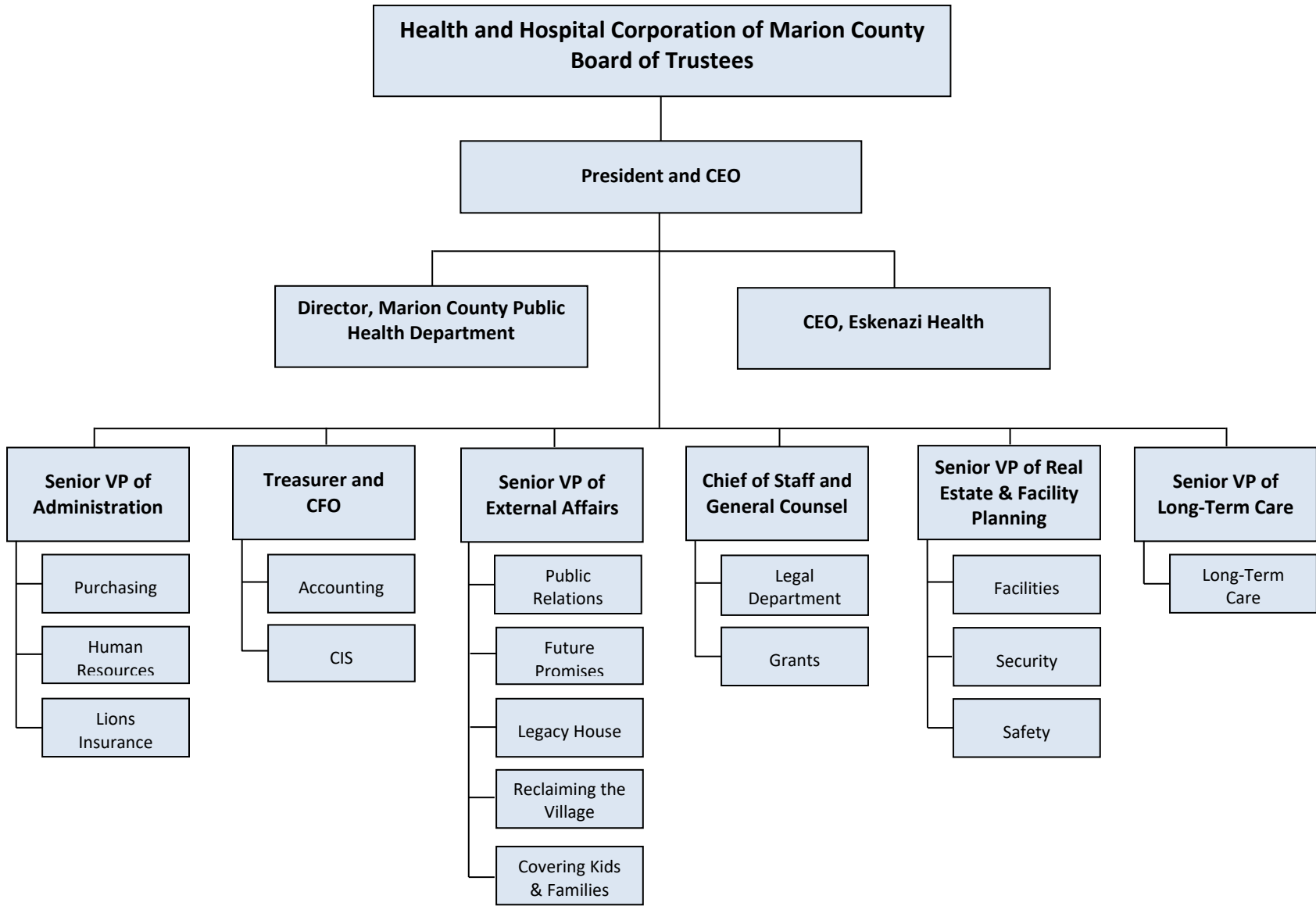
## Independent Auditors

**BKD, LLP**

Indianapolis, Indiana



Officers of the Health and Hospital Corporation during 2018 were (left to right): Matthew R. Gutwein, President and Chief Executive Officer; Lisa E. Harris, M.D., Chief Executive Officer, Eskenazi Health; Virginia A. Caine, M.D., Director, Marion County Public Health Department; and Daniel E. Sellers, Treasurer and Chief Financial Officer.



## **Financial Section**

## Independent Auditor's Report

Board of Trustees  
Health and Hospital Corporation of Marion County, Indiana  
Indianapolis, Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis-Marion County) (Corporation), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Health and Hospital Corporation of Marion County, Indiana as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, for 2018, the Corporation adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory and statistical sections, and other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Indianapolis, Indiana  
June 21, 2019

## Management's Discussion and Analysis (Unaudited)

As management of the Health and Hospital Corporation of Marion County, Indiana, (Corporation), we offer readers of this Corporation's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

### Financial Highlights

- The assets and deferred outflows of resources of the Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$850.2 million (net position). Unrestricted net position at the end of 2018 is \$127.2 million.
- The Corporation's total net position increased by \$39.6 million, from current year activities.
- As of the close of 2018, the Corporation's governmental funds reported combined ending fund balances of \$484.8 million, an increase of \$27.1 million in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$385.9 million or 174.2% of total General Fund expenditures.
- The Corporation's total debt, excluding capital leases, decreased by \$5.3 million or 2.9% during the current fiscal year. This reflects scheduled principal payments on outstanding bonds. The capital lease obligations decreased by \$70.8 million or 8.5% in 2018.
- Effective January 1, 2018, the Corporation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Prior year comparative information contained herein has not been restated for the adoption of GASB 75.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Health and Hospital Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these financial statement elements being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Health and Hospital Corporation include those focused on public health: health improvement, communicable disease prevention, water quality and hazardous materials management, vector disease control, housing and neighborhood health, consumer and employee risk reduction, and administration and finance activities, including debt management. The business-type activities reflect the operations of Eskenazi Health, including a general acute care hospital, an outpatient care center, ten community health centers and the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS); and the Corporation's Long-Term Care operations (Long-Term Care), consisting of a system of long-term care facilities throughout the State of Indiana.

The government-wide financial statements include the Health and Hospital Corporation of Marion County, Indiana (known as the primary government) and two blended component units, Lions Insurance Company and Eskenazi Medical Group. Since the Corporation's Board is appointed, not elected, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

The Corporation adopts an annual appropriated budget for its General, Debt Service, and a portion of its Capital Projects Fund. Budgetary comparison statements have been provided for these three funds to demonstrate compliance with this budget.

**Proprietary Funds** - The Corporation's proprietary funds consists of two enterprise funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The Corporation uses the enterprise fund to account for its Eskenazi Health Division (including Indianapolis EMS) and its Long-Term Care Division. The proprietary funds include the blended component units of Lions Insurance Company and Eskenazi Medical Group.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including a schedule of proportionate share of the net pension liability, schedule of contributions in connection with the Corporation's participation in a cost-sharing, multiple-employer defined-benefit retirement plan, schedule of Corporation contributions in a postemployment medical benefit plan and a budgetary comparison schedule for the General Fund. Also, budgetary schedules are provided for the Debt Service Fund and the Capital Projects Fund as other supplementary information.

## Financial Analysis of the Corporation as a Whole

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows exceeded liabilities and deferred inflows by \$850.2 million at December 31, 2018. The Corporation's net position increased by \$39.6 million, compared to \$121.1 million in 2017.

The Corporation's net position includes its investment in capital assets (e.g., land, buildings, machinery, and equipment,) plus restricted funds, less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position is \$127.2 million.

	<i>(dollars in thousands)</i>					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 582,740	\$ 550,386	\$ 583,447	\$ 555,083	\$ 1,166,187	\$ 1,105,469
Capital assets, net of accumulated depreciation	27,773	27,007	1,026,978	1,119,788	1,054,751	1,146,795
Total assets	<u>610,513</u>	<u>577,393</u>	<u>1,610,425</u>	<u>1,674,871</u>	<u>2,220,938</u>	<u>2,252,264</u>
<b>Deferred Outflows of Resources</b>	<u>4,629</u>	<u>8,925</u>	<u>13,719</u>	<u>30,165</u>	<u>18,348</u>	<u>39,090</u>
<b>Liabilities</b>						
Other liabilities	44,467	35,939	149,976	147,216	194,443	183,155
Long-term liabilities	655,634	676,634	508,157	591,460	1,163,791	1,268,094
Total liabilities	<u>700,101</u>	<u>712,573</u>	<u>658,133</u>	<u>738,676</u>	<u>1,358,234</u>	<u>1,451,249</u>
<b>Deferred Inflows of Resources</b>	<u>5,009</u>	<u>356</u>	<u>25,846</u>	<u>13,212</u>	<u>30,855</u>	<u>13,568</u>
<b>Net Position</b>						
Net investment in capital assets	22,839	22,108	699,533	732,588	722,372	754,696
Restricted	645	243	-	-	645	243
Unrestricted	<u>(113,452)</u>	<u>(148,962)</u>	<u>240,632</u>	<u>220,560</u>	<u>127,180</u>	<u>71,598</u>
Total net position	<u>\$ (89,968)</u>	<u>\$ (126,611)</u>	<u>\$ 940,165</u>	<u>\$ 953,148</u>	<u>\$ 850,197</u>	<u>\$ 826,537</u>

## Changes in Net Position

The Corporation's total revenue was \$1.76 billion during the current fiscal year. Taxes represent 7.4% of the Corporation's revenue. Medicaid special revenue represents 1.5% of revenue, while 87.2% of revenue came from fees charged for services. The remaining 3.9% came from grants and contributions, investment earnings, Build America Bond subsidies, and a gain from divesting in certain joint ventures.

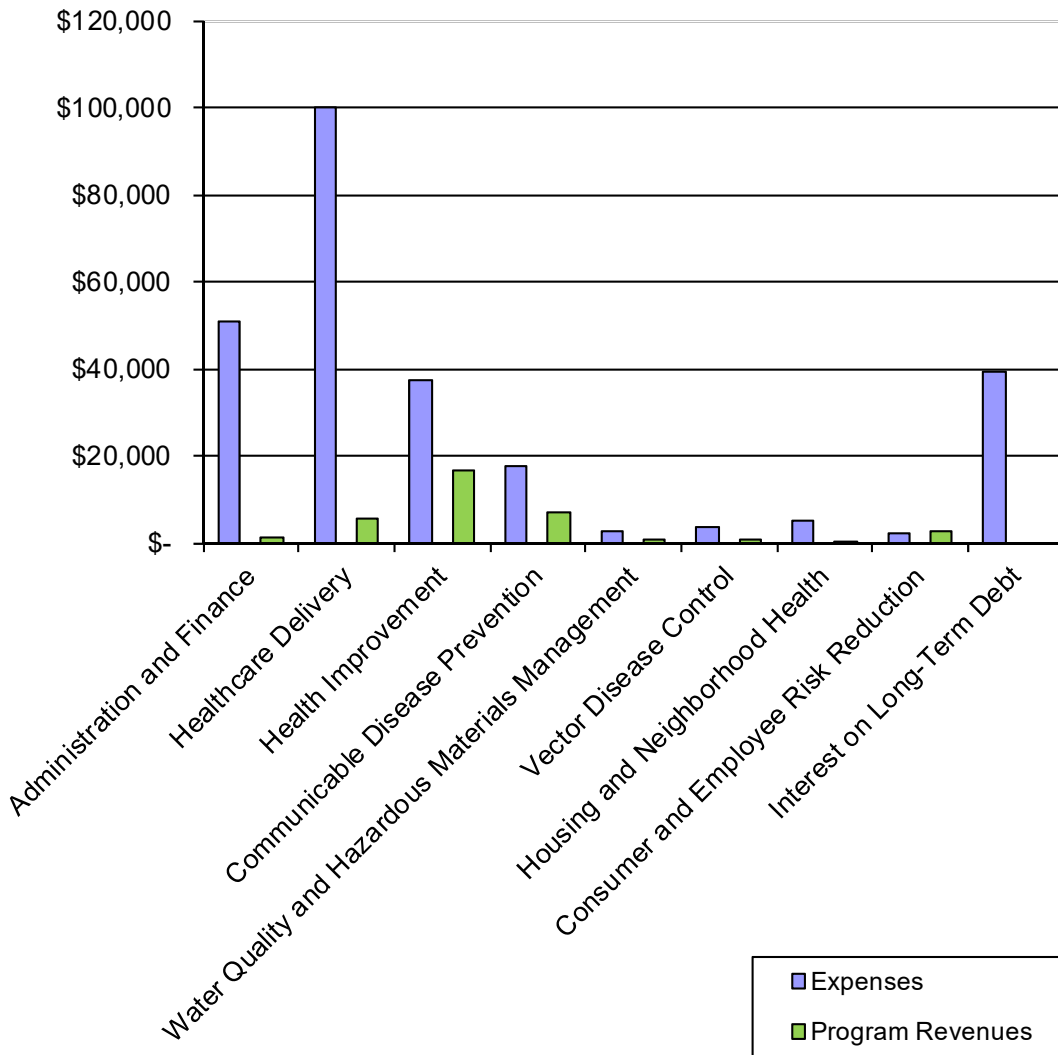
The total cost of all programs and services was \$1.72 billion. This resulted in an increase in net position for the year of \$39.6 million.

**Governmental activities** - Governmental activities increased the Corporation's net position by \$40.3 million compared to the total \$39.6 million increase in net position of the Corporation. Medicaid special revenue increased \$3.1 million from prior year due to an expansion of the Medicaid Outreach program and DSH settlements. Government activities received \$25.1 million in operating grants and contributions in 2018. Net transfers were \$90.6 million, compared to \$91.7 million from prior year. 2018 transfers reflect slight decreases in Long-Term Care Fund transfers to the General Fund and General Fund transfers to the Eskenazi Health Fund. Similar to 2017, the decrease of General Fund transfers in is attributed to Long-Term Care retaining \$35.0 million of the Medicaid special revenue to strengthen its cash position. The decrease in Eskenazi Health Fund support is in line with the plan to decrease Eskenazi Health Fund support in future fiscal years.

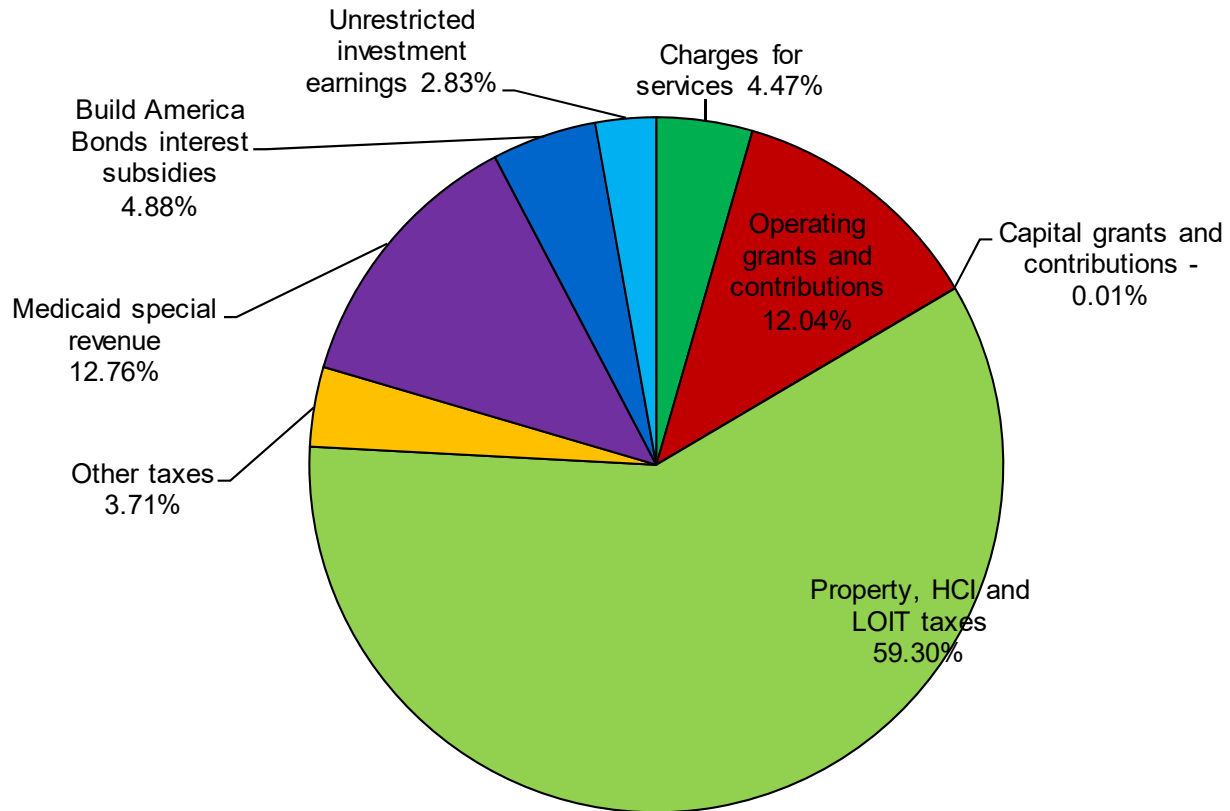
	<i>(dollars in thousands)</i>					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 9,318	\$ 25,346	\$ 1,527,786	\$ 1,494,546	\$ 1,537,104	\$ 1,519,892
Operating grants and contributions	25,069	27,295	26,691	29,071	51,760	56,366
Capital grants and contributions	25	2,025	-	-	25	2,025
General revenues:						
Property, HCI and local option income taxes	123,512	119,300	-	-	123,512	119,300
Other taxes	7,717	7,674	-	-	7,717	7,674
Medicaid special revenue	26,565	23,429	-	-	26,565	23,429
Build America Bonds interest subsidies	10,153	10,115	-	-	10,153	10,115
Unrestricted investment earnings (losses)	5,885	2,174	1,441	2,344	7,326	4,518
Total revenues	<u>208,244</u>	<u>217,358</u>	<u>1,555,918</u>	<u>1,525,961</u>	<u>1,764,162</u>	<u>1,743,319</u>
<b>Expenses</b>						
Administration and finance	50,974	41,372	-	-	50,974	41,372
Healthcare delivery	100,117	103,450	-	-	100,117	103,450
Health improvement	37,377	36,061	-	-	37,377	36,061
Communicable disease prevention	17,501	17,613	-	-	17,501	17,613
Water quality and hazardous material management	2,517	2,506	-	-	2,517	2,506
Vector disease control	3,494	3,443	-	-	3,494	3,443
Housing and neighborhood health	5,132	4,953	-	-	5,132	4,953
Consumer and employee risk reduction	2,001	2,034	-	-	2,001	2,034
Interest on long-term debt	39,439	40,425	-	-	39,439	40,425
Eskenazi Health	-	-	731,439	717,858	731,439	717,858
Long-term care	-	-	734,548	719,059	734,548	719,059
Total expenses	<u>258,552</u>	<u>251,857</u>	<u>1,465,987</u>	<u>1,436,917</u>	<u>1,724,539</u>	<u>1,688,774</u>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers and Special Items	(50,308)	(34,499)	89,931	89,044	39,623	54,545
Special item- gain on sale	-	-	-	66,575	-	66,575
Transfers	90,642	91,716	(90,642)	(91,716)	-	-
Increase (Decrease) in Net Position	40,334	57,217	(711)	63,903	39,623	121,120
Net Position, Beginning of Year, as previously reported	(126,611)	(183,828)	953,148	889,245	826,537	705,417
Change in accounting principle	(3,691)	-	(12,272)	-	(15,963)	-
Net Position, Beginning of Year, as restated	<u>(130,302)</u>	<u>(183,828)</u>	<u>940,876</u>	<u>889,245</u>	<u>810,574</u>	<u>705,417</u>
Net Position, End of Year	<u>\$ (89,968)</u>	<u>\$ (126,611)</u>	<u>\$ 940,165</u>	<u>\$ 953,148</u>	<u>\$ 850,197</u>	<u>\$ 826,537</u>

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, as well as revenues by source. As shown, healthcare delivery is the largest function in expense. General revenues such as property tax are not shown by program; but are included in the revenues by source chart to show their significance. Taxes are used to support program activities for the entire Corporation.

### 2018 Expenses and Program Revenues - Governmental Activities (in thousands)



## 2018 Revenues by Source - Governmental Activities



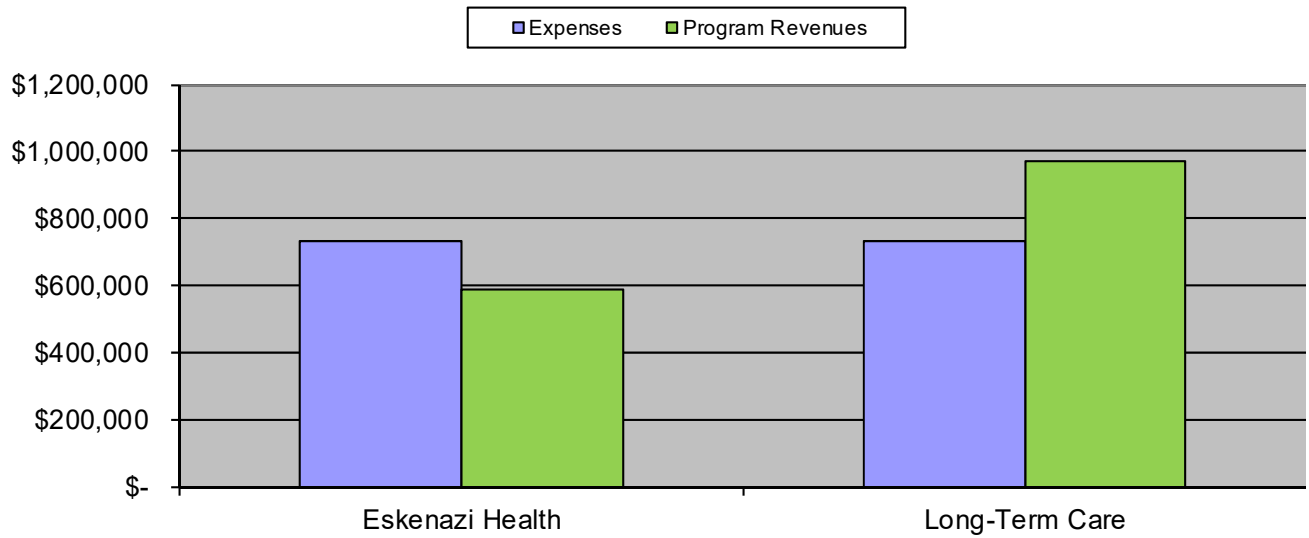
**Business-type activities** - Business-type activities decreased the Corporation's net position by \$0.7 million compared to an increase of \$63.9 million in 2017.

Eskenazi Health's net position decreased by \$0.8 million in the current year. Net investment in capital assets decreased by \$37.9 million; increases in capital assets totaled \$21.6 million, which was offset by depreciation of \$59.5 million. Operating revenues increased by \$21.8 million due to an increase in net patient service revenue of \$21.9 million and a decrease of other revenue of \$0.1 million. Eskenazi Health support received from the General Fund decreased by \$4.4 million in 2018. Operating expenses increased \$12.2 million due to increased staff and benefits costs and inflation costs on supplies and pharmaceuticals. Eskenazi Health incurred an operating loss of \$171.8 million, which was offset by \$144.2 million in transfers from the General Fund and \$26.7 million in grants from various agencies.

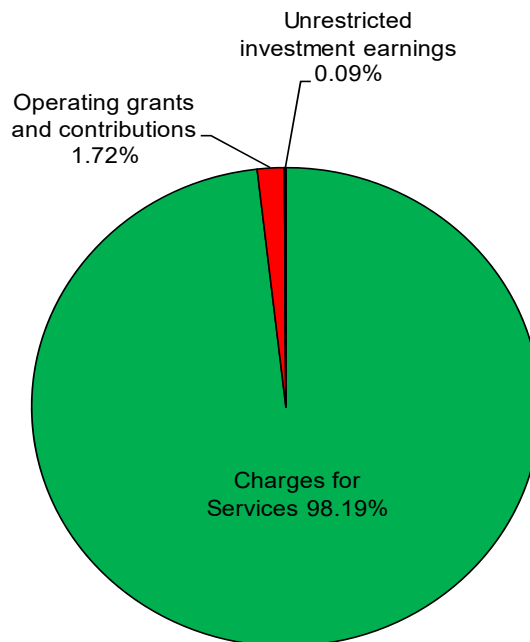
Long-Term Care net position was \$167.5 million, unchanged from 2017. Operating revenues increased \$11.4 million due to increased Medicaid special revenue. Operating expenses increased \$20.0 million over 2017. This was primarily due to increased staffing costs associated with the tight labor market. Income before capital contributions and transfers decreased \$3.3 million primarily due to the increased staffing costs. Long-Term Care has a \$19.4 million net investment in capital assets, an increase of \$4.8 million over 2017. All 78 facilities are recorded as capital assets under noncurrent assets.

The following charts provide a comparison of revenues and expenses, and revenues by source for the Corporation's business activities.

### 2018 Expenses and Program Revenues - Business-Type Activities (in thousands)



### 2018 Revenues by Source - Business-Type Activities



## **Financial Analysis of the Corporation's Funds**

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year end, the Corporation's governmental funds reported combined ending fund balances of \$484.8 million, an increase of \$27.1 million in comparison with the prior year. Approximately 20.3% of this total amount, or \$98.3 million, constitutes restricted and assigned fund balance, which is related to capital outlays for the new hospital, money set aside for debt service, and year-end encumbrances. Approximately 79.6% of the total amount, or \$385.9 million, is unassigned fund balance. The remaining 0.1% of fund balance is nonspendable.

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$385.9 million, while the total fund balance increased \$12.5 million to a balance of \$394.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 174.2% of total General Fund expenditures, while total fund balance represents 178.3% of that same amount.

The Corporation's General Fund total fund balance increased by \$12.5 million during the current fiscal year compared to a \$19.0 million increase in 2017. Tax revenue collections increased by \$4.3 million from 2017 to 2018. The General Fund tax levy and assessed values increased in 2018, and collections of taxes surpassed 2018 projections. Investment income increased \$4.0 million as interest rates continued to improve throughout 2018. Total expenditures increased by \$11.9 million in 2018 due to increased administrative and capital outlay expenditures. The administrative and capital outlays expenditures increase relates to an enterprise resource planning implementation project as well as additional administrative professional service expenditures. Decreased 2018 transfers out of \$4.5 million relate to less Eskenazi Health support in 2018. Transfers in decreased by \$3.6 million. The transfers in decrease are attributed to Long-Term Care retaining more Medicare special revenue than projected to strengthen its cash position in 2018. The 2018 fund balance increase for the General Fund, of \$12.5 million, related to 2018 taxes, investment income, and legal settlement revenue exceeding projections. Also, expenditures were under budget due to year-end initiatives not occurring during 2018.

**Debt Service Fund** - The Debt Service Fund has a fund balance of \$14.0 million compared to a fund balance of \$17.4 million in 2017. The net decrease in fund balance during the current year was \$3.4 million. In 2018, \$3.7 million of debt service reserve monies were released and transferred out to the Capital Projects Fund, decreasing the fund balance.

**Capital Projects Fund** - The Capital Projects Fund has a total fund balance of \$76.0 million. The net increase in fund balance during the current year was \$18.0 million. The fund balance increase is related to transfers from the General Fund occurred at the budgeted level, while some capital projects planned for 2018 did not occur. Also, the \$3.7 million transfer of released debt service reserve monies from the Debt Service Fund increased the fund balance.

**Proprietary Funds** - The Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of Eskenazi Health at the end of the year was \$92.5 million. In 2018, the total net position for Eskenazi Health decreased by \$0.8 million. Other factors concerning the finances of Eskenazi Health were addressed in the discussion of the Corporation's business-type activities. Unrestricted net position of Long-Term Care at the end of the year was \$148.1 million. Total net position for Long-Term Care was unchanged in 2018. Additional information on Long-Term Care operations can be found in the discussion of the Corporation's business-type activities.

### General Fund Budgetary Highlights

The original budget of \$373.8 million remained unchanged during 2018, both in total and by major object of expenditure. The \$373.8 million budget included \$175.5 million in expenditures and \$198.3 million in transfers out. Actual expenditures and transfers out totaled \$325.5 million. Of the total \$48.3 million underspending, \$4.6 million related to supplies, \$43.5 million to other charges and services (including transfers out) and \$0.2 million to capital outlays. Underspending for all reflects potential year-end initiatives that did not occur. General revenues and other resources were estimated at \$374.8 million, and actual was \$319.5 million. Medicaid special revenue was \$61.9 million under budget as expected hospital DSH settlements did not occur in 2018. 2018 transfers in were \$3.3 million under budget due to Long-Term Care withholding a portion of the budgeted amount to strengthen its cash position.

### Capital Asset and Debt Administration

**Capital Assets** - The Corporation's capital assets for its governmental and business-type activities as of December 31, 2018, amount to \$1.1 billion (net of accumulated depreciation), unchanged from \$1.1 billion at the end of 2017. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles and construction in progress.

Additional information on the Corporation's capital assets can be found below and in Note 9 to the financial statements.

	<i>(dollars in thousands)</i>					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,095	\$ 4,095	\$ 11,623	\$ 9,723	\$ 15,718	\$ 13,818
Land improvements	-	-	56,144	61,469	56,144	61,469
Buildings and improvements	11,187	12,329	805,479	884,492	816,666	896,821
Equipment	4,893	4,651	131,943	147,572	136,836	152,223
Vehicles	1,094	1,120	1,720	3,341	2,814	4,461
Construction in progress	6,504	4,812	20,069	13,191	26,573	18,003
Total assets	<u>\$ 27,773</u>	<u>\$ 27,007</u>	<u>\$ 1,026,978</u>	<u>\$ 1,119,788</u>	<u>\$ 1,054,751</u>	<u>\$ 1,146,795</u>

**Long-Term Debt** - At the end of 2018, the Corporation had total general obligation debt outstanding of \$181.0 million. Moody's Investors Service rates the Corporation's general obligation debt "Aa2".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is \$265.0 million. Outstanding general obligation debt (excluding premiums) at December 31, 2018 represents 67.1% of this limit.



Additional information on the Corporation's long-term debt can be found in Note 11 of this report.

	Governmental Activities		<i>(dollars in thousands)</i> Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
1988 renovation bonds	\$ 2,195	\$ 4,240	\$ -	\$ -	\$ 2,195	\$ 4,240
2005 general obligation bonds	12,195	13,895	-	-	12,195	13,895
2010 general obligation bonds	163,560	164,945	-	-	163,560	164,945
Unamortized bond premiums	3,072	3,256	-	-	3,072	3,256
Capital leases	432,867	443,946	327,445	387,200	760,312	831,146
Total long-term debt	<u>\$ 613,889</u>	<u>\$ 630,282</u>	<u>\$ 327,445</u>	<u>\$ 387,200</u>	<u>\$ 941,334</u>	<u>\$ 1,017,482</u>

### **Economic Factors and Next Year's Budgets and Rates**

The 2019 original budget for all annually budgeted funds is \$420.3 million. No revisions have been made through June 2019. The 2019 General Fund budget is \$349.6 million. The 6.5% decrease from the 2018 final General Fund budget of \$373.8 million reflects a \$33.0 million decrease in other charges and services, which includes reduced operating transfers to the Eskenazi Health Fund. The 2019 General Fund budget also reflects increases in personal services and capital outlays totaling \$9.0 million. The budget for the Corporation will continue to be challenged by increasing expenditures and declining revenue in the form of property tax caps.

### **Requests for Information**

This financial report is designed to provide a general overview of the Health and Hospital Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 3838 N. Rural, Indianapolis, Indiana, 46205.

## **Basic Financial Statements**

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Statement of Net Position

December 31, 2018

(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 202,727	\$ 488,352	\$ 691,079
Investments	27,375	5,381	32,756
Receivables, net:			
Patient services	-	122,590	122,590
Medicaid special revenue	24,757	73,105	97,862
Grants	6,270	8,291	14,561
Taxes	9,696	-	9,696
Other	11,771	23,031	34,802
Internal balances	241,975	(241,975)	-
Inventories	-	5,325	5,325
Joint venture escrow	-	35,473	35,473
Estimated Medicare/Medicaid settlements	-	22,621	22,621
Prepaid costs and other assets	619	11,235	11,854
Restricted cash and cash equivalents	12,663	-	12,663
Restricted investments	-	6,320	6,320
Lease acquisition costs (net of accumulated amortization)	-	11,967	11,967
Joint venture investments	37,387	8,226	45,613
Other long-term assets	7,500	3,505	11,005
Capital assets (net of accumulated depreciation):			
Land	4,095	11,623	15,718
Land improvements	-	56,144	56,144
Buildings and improvements	11,187	805,479	816,666
Equipment	4,893	131,943	136,836
Vehicles	1,094	1,720	2,814
Construction in progress	6,504	20,069	26,573
Total assets	<u>610,513</u>	<u>1,610,425</u>	<u>2,220,938</u>
<b>Deferred Outflows of Resources</b>	<u>4,629</u>	<u>13,719</u>	<u>18,348</u>
<b>Liabilities</b>			
Accounts payable	40,327	93,009	133,336
Restricted accounts payable	503	-	503
Accrued liabilities	2,805	29,136	31,941
Unearned revenue	832	1,271	2,103
Estimated Medicare/Medicaid settlements	-	12,480	12,480
Medical claims incurred but not reported	-	14,080	14,080
Long-term liabilities:			
Due within one year	24,122	96,503	120,625
Due in more than one year	631,512	411,654	1,043,166
Total liabilities	<u>700,101</u>	<u>658,133</u>	<u>1,358,234</u>
<b>Deferred Inflows of Resources</b>	<u>5,009</u>	<u>25,846</u>	<u>30,855</u>
<b>Net Position</b>			
Net investment in capital assets	22,839	699,533	722,372
Restricted for:			
Health services	645	-	645
Unrestricted	(113,452)	240,632	127,180
Total net position	<u>\$ (89,968)</u>	<u>\$ 940,165</u>	<u>\$ 850,197</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Statement of Activities**  
**For the Year Ended December 31, 2018**  
*(Dollars in thousands)*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Administration and finance	\$ 50,974	\$ 1,323	\$ 16	\$ -	\$ (49,635)	\$ -	\$ (49,635)
Healthcare delivery	100,117	-	5,500	-	(94,617)	-	(94,617)
Health improvement	37,377	3,822	12,939	-	(20,616)	-	(20,616)
Communicable disease prevention	17,501	503	6,307	25	(10,666)	-	(10,666)
Water quality and hazardous materials management	2,517	474	64	-	(1,979)	-	(1,979)
Vector disease control	3,494	598	-	-	(2,896)	-	(2,896)
Housing and neighborhood health	5,132	98	173	-	(4,861)	-	(4,861)
Consumer and employee risk reduction	2,001	2,500	70	-	569	-	569
Interest on long-term debt	39,439	-	-	-	(39,439)	-	(39,439)
Total governmental activities	<u>258,552</u>	<u>9,318</u>	<u>25,069</u>	<u>25</u>	<u>(224,140)</u>	<u>-</u>	<u>(224,140)</u>
<b>Business-Type Activities</b>							
Eskenazi Health	731,439	558,194	26,691	-	-	(146,554)	(146,554)
LT Care	734,548	969,592	-	-	-	235,044	235,044
Total business-type activities	<u>1,465,987</u>	<u>1,527,786</u>	<u>26,691</u>	<u>-</u>	<u>-</u>	<u>88,490</u>	<u>88,490</u>
Total	<u>\$ 1,724,539</u>	<u>\$ 1,537,104</u>	<u>\$ 51,760</u>	<u>\$ 25</u>	<u>(224,140)</u>	<u>88,490</u>	<u>(135,650)</u>
General revenues:							
Property and local income taxes					85,512	-	85,512
Health Care for the Indigent taxes					38,000	-	38,000
Excise taxes					6,525	-	6,525
Financial institution taxes					1,192	-	1,192
Medicaid special revenue (unrestricted)					26,565	-	26,565
Build America Bonds interest subsidies					10,153	-	10,153
Unrestricted investment earnings					5,885	1,441	7,326
Transfers					90,642	(90,642)	-
Total general revenues and transfers					<u>264,474</u>	<u>(89,201)</u>	<u>175,273</u>
Change in net position					40,334	(711)	39,623
Net position - beginning of year, as previously reported					(126,611)	953,148	826,537
Change in accounting principle					(3,691)	(12,272)	(15,963)
Net position - beginning of year, as restated					<u>(130,302)</u>	<u>940,876</u>	<u>810,574</u>
Net position - end of year					<u>\$ (89,968)</u>	<u>\$ 940,165</u>	<u>\$ 850,197</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Balance Sheet - Governmental Funds**  
**December 31, 2018**  
*(Dollars in thousands)*

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 124,912	\$ 1,250	\$ 76,565	\$ 202,727
Restricted cash and cash equivalents	-	12,663	-	12,663
Investments	27,375	-	-	27,375
Receivables (net of allowance for uncollectibles):				
Grants	6,270	-	-	6,270
Medicaid special revenue	24,757	-	-	24,757
Taxes	9,696	-	-	9,696
Other	6,681	5,088	2	11,771
Due from other funds	247,062	-	-	247,062
Prepaid costs and other assets	619	-	-	619
Other long-term receivables	7,500	-	-	7,500
<b>Total assets</b>	<b>\$ 454,872</b>	<b>\$ 19,001</b>	<b>\$ 76,567</b>	<b>\$ 550,440</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 40,327	\$ -	\$ 503	\$ 40,830
Salaries and related benefits	2,805	-	-	2,805
Unearned revenue	813	-	-	813
Due to other funds	-	5,007	80	5,087
Accrued self-insurance claims	733	-	-	733
<b>Total liabilities</b>	<b>44,678</b>	<b>5,007</b>	<b>583</b>	<b>50,268</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	15,356	-	2	15,358
<b>Fund Balances</b>				
Nonspendable	619	-	-	619
Restricted for debt service	-	12,744	-	12,744
Assigned	8,335	1,250	75,982	85,567
Unassigned	385,884	-	-	385,884
<b>Total fund balances</b>	<b>394,838</b>	<b>13,994</b>	<b>75,982</b>	<b>484,814</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 454,872</b>	<b>\$ 19,001</b>	<b>\$ 76,567</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Net capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund statements	27,773
Joint venture investments are not financial resources and therefore are not reported in the fund statements	37,387
Net pension liability is not due and payable in the current period and therefore is not recorded in the funds statement	(29,267)
Other postemployment benefit obligation is not due and payable in the current period and therefore is not recorded in the funds statement	(3,820)
Deferred inflows of resources not meeting availability criteria in fund statements are not in the statement of net position	15,356
Deferred inflows of resources are not available to pay for current period expenditures and therefore are not reported in the fund statements and include:	
Pension	(4,787)
Other postemployment benefit obligations	(222)
Deferred outflows of resources are not financial resources and therefore are not reported in the fund statements and include:	
Loss on refunding	368
Pension	4,261
Unearned revenue in the statement of net position not in the fund statements	(17)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements (excludes matured bond principal and interest)	(621,814)
<b>Net position of governmental activities</b>	<b>\$ (89,968)</b>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**  
*(Dollars in thousands)*

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 126,202	\$ 4,798	\$ 232	\$ 131,232
Licenses and permits	4,684	-	-	4,684
Intergovernmental	19,814	-	-	19,814
Charges for services	1,575	-	-	1,575
Medicaid special revenue	26,426	-	-	26,426
Investment income	7,338	150	1,535	9,023
Build America Bonds interest subsidies	-	10,153	-	10,153
Contributions	5,500	-	-	5,500
Miscellaneous	5,786	-	-	5,786
Total revenues	<u>197,325</u>	<u>15,101</u>	<u>1,767</u>	<u>214,193</u>
<b>Expenditures</b>				
Current				
Administrative	53,018	-	-	53,018
Population health	27,781	-	-	27,781
Environmental health	12,514	-	-	12,514
Health center program	1,003	-	-	1,003
Data processing	5,139	-	-	5,139
Grant programs	19,010	-	-	19,010
Capital outlays	2,891	-	2,430	5,321
Debt service				
Principal	-	16,209	-	16,209
Interest and fiscal charges	-	39,523	-	39,523
Intergovernmental	100,117	-	-	100,117
Total expenditures	<u>221,473</u>	<u>55,732</u>	<u>2,430</u>	<u>279,635</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>(24,148)</u>	<u>(40,631)</u>	<u>(663)</u>	<u>(65,442)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	236,700	40,889	18,682	296,271
Transfers out	(200,091)	(3,682)	-	(203,773)
Total other financing sources and uses	<u>36,609</u>	<u>37,207</u>	<u>18,682</u>	<u>92,498</u>
Net change in fund balances	12,461	(3,424)	18,019	27,056
Fund balances - beginning of year	<u>382,377</u>	<u>17,418</u>	<u>57,963</u>	<u>457,758</u>
Fund balances - end of year	<u>\$ 394,838</u>	<u>\$ 13,994</u>	<u>\$ 75,982</u>	<u>\$ 484,814</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities - Governmental Activities  
For the Year Ended December 31, 2018**

*(Dollars in thousands)*

Amounts reported for governmental activities in the statement of activities  
are different because:

Net changes in fund balances - total governmental funds	\$	27,056
Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities		(2,699)
Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position		5,321
Changes in joint venture investment are reported in the statement of net position but are not reported in the fund statements		(534)
Transfers of capital assets from governmental activities to the business type activities are not shown in the fund statements		(1,855)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements		(2,726)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items		16,209
Compensated absences that do not require the use of current financial resources are not reported as expenditures in the fund statements		(300)
Portion of pension expense in the statement of activities that does not require the use of current financial resources and therefore is not reported as an expenditure in the fund statements		105
Portion of other postemployment benefit expense in the statement of activities that does not require the use of current financial resources and therefore is not reported as an expenditure in the fund statements		(351)
Asserted and unasserted self-insurance claims that do not require the use of current financial resources are not reported as expenditures in the fund statements		108
		<hr/>
Change in net position of governmental activities	\$	<u><u>40,334</u></u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2018**  
*(Dollars in thousands)*

	<b>Eskenazi</b>		<b>LT Care</b>		<b>Total</b>
	<b>Health</b>				
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 189,187		\$ 299,165		\$ 488,352
Investments	5,381		-		5,381
Receivables (net of allowance for uncollectibles):					
Patient services	60,488		62,102		122,590
Medicaid special revenue	-		73,105		73,105
Grants	8,291		-		8,291
Other	22,863		168		23,031
Estimated Medicare/Medicaid settlements	22,621		-		22,621
Inventories	5,325		-		5,325
Joint venture escrow	35,473		-		35,473
Prepaid costs and other assets	7,625		3,610		11,235
Total current assets	<u>357,254</u>		<u>438,150</u>		<u>795,404</u>
Noncurrent assets:					
Lease acquisition cost (net of accumulated amortization)	-		11,967		11,967
Joint venture investments	8,226		-		8,226
Investments restricted for deferred compensation	6,320		-		6,320
Other long-term assets	-		3,505		3,505
Nondepreciable capital assets	30,486		1,206		31,692
Depreciable capital assets (net of accumulated depreciation)	649,651		345,635		995,286
Total noncurrent assets	<u>694,683</u>		<u>362,313</u>		<u>1,056,996</u>
Total assets	<u>1,051,937</u>		<u>800,463</u>		<u>1,852,400</u>
<b>Deferred Outflows of Resources</b>					
	13,719		-		13,719
Total assets and deferred outflows of resources	<u>1,065,656</u>		<u>800,463</u>		<u>1,866,119</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	62,804		30,205		93,009
Accrued liabilities	19,250		9,886		29,136
Due to other funds	5,275		236,700		241,975
Capital lease obligation - current	-		65,731		65,731
Estimated Medicare/Medicaid settlements	2,335		10,145		12,480
Unearned revenue	1,271		-		1,271
Medical claims incurred but not reported	14,080		-		14,080
Accrued compensated absences - current	17,853		-		17,853
Asserted and unasserted self-insurance claims - current	7,152		5,767		12,919
Total current liabilities	<u>130,020</u>		<u>358,434</u>		<u>488,454</u>
Noncurrent liabilities:					
Asserted and unasserted self-insurance claims	3,219		12,803		16,022
Accrued compensated absences	5,425		-		5,425
Net pension liability	109,685		-		109,685
Net OPEB liability	12,488		-		12,488
Deferred compensation	6,320		-		6,320
Capital lease payable	-		261,714		261,714
Total noncurrent liabilities	<u>137,137</u>		<u>274,517</u>		<u>411,654</u>
Total liabilities	<u>267,157</u>		<u>632,951</u>		<u>900,108</u>
<b>Deferred Inflows of Resources</b>					
	25,846		-		25,846
Total liabilities and deferred inflows of resources	<u>293,003</u>		<u>632,951</u>		<u>925,954</u>
<b>Net Position</b>					
Net investment in capital assets	680,137		19,396		699,533
Unrestricted	92,516		148,116		240,632
Total net position	<u>\$ 772,653</u>		<u>\$ 167,512</u>		<u>\$ 940,165</u>



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**  
*(Dollars in thousands)*

	Eskenazi		Total
	Health	LT Care	
Operating revenues:			
Net patient service revenue	\$ 532,310	\$ 674,624	\$ 1,206,934
Medicaid special revenue	-	292,579	292,579
Other revenue	25,884	2,389	28,273
Total operating revenues	558,194	969,592	1,527,786
Operating expenses:			
Salaries	303,809	-	303,809
Employee benefits	82,420	-	82,420
Contract labor	1,917	407,012	408,929
Medical and professional fees	70,946	9,186	80,132
Purchased services	30,594	44,520	75,114
Supplies	62,491	48,315	110,806
Pharmaceuticals	50,704	13,326	64,030
Repairs and maintenance	10,306	5,706	16,012
Utilities	14,113	16,569	30,682
Equipment rental	5,681	11,370	17,051
Depreciation and amortization	62,612	83,403	146,015
Provider assessment fee	11,114	30,686	41,800
Other	23,302	35,937	59,239
Total operating expenses	730,009	706,030	1,436,039
Operating income (loss)	(171,815)	263,562	91,747
Nonoperating revenue (expenses):			
Noncapital gifts and grants	26,691	-	26,691
Investment income	(269)	1,710	1,441
Loss on disposal of capital assets	(1,430)	-	(1,430)
Interest expense	-	(28,518)	(28,518)
Total nonoperating revenue (expense)	24,992	(26,808)	(1,816)
Increase (decrease) in net position before transfers	(146,823)	236,754	89,931
Transfers - Capital assets transferred from governmental activities	1,855	-	1,855
Transfers - General Fund	144,203	(236,700)	(92,497)
Changes in net position	(765)	54	(711)
Total net position - beginning of year	785,690	167,458	953,148
Change in accounting principle (see Note 1)	(12,272)	-	(12,272)
Total net position - beginning of year, as restated	773,418	167,458	940,876
Total net position - end of the year	\$ 772,653	\$ 167,512	\$ 940,165

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Statement of Cash Flows - Proprietary Funds For the Year Ended December 31, 2018

(Dollars in thousands)

	Eskenazi		Total
	Health	LT Care	
<b>Cash Flows From Operating Activities</b>			
Receipts from patient services	\$ 523,322	\$ 635,470	\$ 1,158,792
Receipts from other operations	8,756	2,390	11,146
Medicaid special revenue	-	290,337	290,337
Payments to suppliers	(261,650)	(130,390)	(392,040)
Payments to employees, contract labor, professional fees and purchased services	(395,222)	(458,064)	(853,286)
Net cash provided by (used in) operating activities	<u>(124,794)</u>	<u>339,743</u>	<u>214,949</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash receipts from noncapital gifts and grants	27,912	-	27,912
Transfers from (to) the General Fund	142,284	(240,346)	(98,062)
Net cash provided by (used in) noncapital financing activities	<u>170,196</u>	<u>(240,346)</u>	<u>(70,150)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	(22,627)	(25,094)	(47,721)
Proceeds from sale of capital assets	228	-	228
Deposits paid	-	(4,253)	(4,253)
Deposits returned	-	4,315	4,315
Payment of capital lease obligations	-	(59,755)	(59,755)
Interest expense payments	-	(28,518)	(28,518)
Net cash used in capital and related financing activities	<u>(22,399)</u>	<u>(113,305)</u>	<u>(135,704)</u>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale and maturities of investments	2,530	-	2,530
Purchases of investments	(2,886)	-	(2,886)
Interest and dividends received	503	1,710	2,213
Contributions to joint venture	(365)	-	(365)
Net cash provided by (used in) investing activities	<u>(218)</u>	<u>1,710</u>	<u>1,492</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	22,785	(12,198)	10,587
<b>Cash and Cash Equivalents, January 1</b>	166,402	311,363	477,765
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 189,187</u>	<u>\$ 299,165</u>	<u>\$ 488,352</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Operating income (loss)	\$ (171,815)	\$ 263,562	\$ 91,747
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	62,612	83,403	146,015
Increase in carrying value of joint venture	(944)	-	(944)
Changes in operating assets and liabilities:			
Patient service receivables	(605)	(11,493)	(12,098)
Other receivables	(16,184)	(2,241)	(18,425)
Inventories	458	-	458
Prepaid costs and other assets	(645)	779	134
Deferred inflows and outflows of resources	29,079	-	29,079
Net pension liability	(36,418)	-	(36,418)
Net OPEB liability	216	-	216
Accounts payable	18,444	2,985	21,429
Accrued liabilities and compensated absences	(17,742)	(1,250)	(18,992)
Estimated Medicare/Medicaid settlements	7,488	3,428	10,916
Asserted and unasserted self-insurance claims	1,069	570	1,639
Medical claims incurred but not reported	193	-	193
Total adjustments	<u>47,021</u>	<u>76,181</u>	<u>123,202</u>
Net cash provided by (used in) operating activities	<u>\$ (124,794)</u>	<u>\$ 339,743</u>	<u>\$ 214,949</u>
Noncash investing, capital and financing activities:			
Deferred compensation payouts from investments	\$ 549	\$ -	\$ 549
Transfers of capital assets and non-cash items from governmental activities	3,774	-	3,774
Loss on disposal of capital assets	(1,430)	-	(1,430)
Unrealized loss on investments, net	(1,175)	-	(1,175)

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

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

##### ***Financial Reporting Entity***

The Health and Hospital Corporation of Marion County, Indiana (Corporation) was created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. The Corporation is a municipal corporation and a political subdivision of the State of Indiana under Indiana Code §16-22-8-6, §6-1.1-1-12 and §36-1-2-23. The Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov).

The Corporation's duties include the administration of the Divisions of Public Health and Public Hospitals. The Division of Public Health does business as the Marion County Public Health Department (MCPHD), and the Division of Public Hospitals does business as Eskenazi Health. Overall, the Corporation operates three service divisions: MCPHD, Eskenazi Health and a Long-Term Care (Long-Term Care) operation.

The MCPHD operates two service bureaus, which provide preventive and diagnostic health programs, health education, immunization and epidemiological programs, environmental health regulation, and code enforcement. The MCPHD division is accounted for using governmental funds.

Eskenazi Health is comprised of the Sidney and Lois Eskenazi Hospital, a 336 bed general acute care hospital; the Eskenazi Health Outpatient Care Center, an outpatient specialty care facility co-located with the Hospital; the Eskenazi Health Center, a Federally Qualified Health Center (FQHC) that operates ten primary care centers throughout Marion County; Midtown Community Mental Health, a Community Mental Health Center (CMHC) that provides behavioral health services throughout Marion County; and Indianapolis EMS (IEMS), the county-wide emergency ambulance service. Eskenazi Health is the only public hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association.

In accordance with an interlocal agreement with the City of Indianapolis, Department of Public Safety, the Corporation agreed to own, manage and operate the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS). The activities of Indianapolis EMS are therefore included in the Eskenazi Health division. For purposes of financial reporting, the Eskenazi Health division is accounted for as a separate enterprise fund.

The Corporation operates 78 long-term care facilities through capital leases. The facilities are operated as part of the Long-Term Care operations. Long-Term Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. For purposes of financial reporting, the Long-Term Care division is accounted for as a separate enterprise fund.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

The Corporation is governed by a seven-member Board of Trustees, appointed by the Mayor of Indianapolis (3), Commissioners of Marion County (2) and City-County Council (2). Of those members appointed by the City-County Council, one serves a two-year term, and one serves a four-year term. All other appointments serve a term of four years. The Board of Trustees is bi-partisan by statute. The Corporation is responsible for all of its fiscal matters including budget (subject to the final authority of the City-County Council and the State of Indiana Department of Local Government Finance (DLGF)), operating deficits and debt. The Corporation's executive and legislative powers include the power to levy taxes and incur debt. The Corporation's ordinances have the effect of local law governing health matters.

#### **Component Units**

The Corporation has established a nonprofit entity, Lions Insurance Company (Lions), which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the Long-Term Care Enterprise Fund because its primary purpose is to provide services solely to the Long-Term Care Enterprise Fund.

Eskenazi Medical Group, Inc. (EMG) is a nonprofit entity, which is legally separate from the Corporation and whose purpose is to provide a patient-based, clinical setting needed for the education of medical students. EMG employs and contracts with physicians who are then contracted for service at Eskenazi Health facilities. The organizational documents of EMG give the Corporation significant influence and abilities within the governance structure of EMG and the Corporation also has members of management who serve as board members for EMG. This and a combination of other facts and circumstances resulted in the conclusion that EMG is a component unit of the Corporation. Because EMG's primary purpose is to provide services solely to Eskenazi Health, EMG must be blended into the Corporation's financial statements as if it were a part of the Eskenazi Health Enterprise Fund.

Complete financial statements for Lions and EMG may be obtained from Health and Hospital Corporation at 3838 N. Rural Street, Indianapolis, Indiana 46205.

#### ***Financial Statement Presentation, Measurement Focus and Basis of Accounting***

##### **Government-Wide and Fund Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) incorporate data from all of the primary government's governmental and proprietary funds, as well as from all of its blended component units. All significant interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Following the government-wide financial statements are separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Corporation considers all of its governmental funds to be major funds. The total fund balances for all governmental funds are reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balances for all governmental funds is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The Corporation's two enterprise funds (business-type activities), Eskenazi Health and Long-Term Care, are also considered to be major funds for reporting purposes.

The fund financial statements of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net position, revenues, and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by fund type in the basic financial statements. The following fund types are used by the Corporation:

#### **Governmental Fund Types**

Governmental funds are those through which most governmental functions are financed. The Corporation reports the following governmental funds:

**The General Fund** is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, including grants, except those required to be accounted for in another fund.

**The Debt Service Fund** is used to account for and report the accumulation of financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on outstanding general obligation bond and other long-term debt of the Corporation's governmental activities. Debt service requirements are generally funded from other operating revenues and ad valorem taxes.

**The Capital Projects Fund** is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Such resources are derived principally from general obligation bonds, capital lease obligations and ad valorem taxes.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

### **Proprietary Fund Type**

Proprietary funds are used to account for activities that are similar to those found in the private sector.

As mentioned previously, the Corporation has two enterprise funds: (1) the Eskenazi Health Enterprise Fund, which accounts for the activities of Eskenazi Health (including Indianapolis EMS) and (2) the Long-Term Care Enterprise Fund, which accounts for the activities of the 78 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Eskenazi Health and Long-Term Care are accounted for by the General Fund. Because the debt that has been incurred on behalf of Eskenazi Health is to be repaid from General Fund revenues, long-term debt interest expense relating to Eskenazi Health is accounted for by the Debt Service Fund and is not allocated to the Eskenazi Health Enterprise Fund. Only debt intended to be repaid by operations of Eskenazi Health are included in the Eskenazi Health Enterprise Fund. At December 31, 2018, no such debt existed. At December 31, 2018, the Long-Term Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the Long-Term Care Enterprise Fund.

### **Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year the levy and tax rates are certified. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the Corporation considers revenue to be available if collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, (GASB 33), groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions.

In the governmental fund statements, the Corporation recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the resources are available. Resources received in advance are reported as unearned revenues until the period of the exchange in both the government-wide and fund financial statements.

The Corporation recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Corporation recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period in which the tax levy and rates are certified. Imposed nonexchange revenues also include permits.

Voluntary nonexchange transactions, such as grants and assistance received from other governmental units and Build America Bonds interest subsidies, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

Government-mandated nonexchange transactions are accounted for in the same manner as voluntary nonexchange transactions.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting for proprietary fund types, revenues are recognized in the period earned and expenses are recognized in the period incurred. Patient services accounts receivable and revenue are recorded at standard billing rates, net of contractual adjustments and allowance for uncollectible accounts, when patient services are performed. Eskenazi Health and Long-Term Care provide services under the Medicare and Medicaid programs for which they may be reimbursed at amounts different from the standard billing rates. Amounts reimbursed or estimated to be reimbursed by these programs are generally determined in accordance with a prospective price-per-case payment system or under the provisions of cost-reimbursement formulas. In addition, Eskenazi Health and Long-Term Care provide services in accordance with various contractual agreements entered into with state and local governmental agencies and other third-party health insurance companies.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

The differences between standard billing rates and the amount reimbursed or estimated to be reimbursed by Medicare, Medicaid and other contractual payers are included in the financial statements as contractual adjustments. Additional allowances are made for patients that will be unable or unwilling to pay their bills. Patient accounts receivable for services provided under contractual arrangements are also adjusted to reflect these differences.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services for Eskenazi Health and Long-Term Care are considered to be operating activities and are reported as operating revenue and operating expenses. Investment income, interest expense, and peripheral or incidental transactions are reported as nonoperating revenue and expenses. Other changes in net position that are excluded from operating income (loss) principally consist of contributions of capital assets funded by governmental activities, grantors and donors.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***Newly Issued Accounting Pronouncements***

**GASB Statement No. 75** - During fiscal year 2018, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement requires governments to recognize their unfunded accrued OPEB liability on the face of their financial statements along with incorporating more extensive note disclosures and required supplementary information about their OPEB liabilities. The adoption of GASB Statement No. 75 resulted in a \$15,963 decrease in beginning net position as of January 1, 2018. Refer to Note 15 for more information regarding the Corporation's OPEB.

**GASB Statement No. 89** - During fiscal year 2018, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense/expenditure in the period it occurs rather than reporting as part of the historical cost of a capital asset. Adoption of this standard did not result in a restatement. The Corporation ceased capitalizing interest in 2018, but will continue depreciating all remaining capital assets that previously had capitalized interest included in their historical cost.



# **Health and Hospital Corporation of Marion County, Indiana**

## **(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

### **Notes to Basic Financial Statements**

**December 31, 2018**

*(Dollars in thousands)*

#### ***Cash, Cash Equivalents and Investments***

The Corporation's cash and cash equivalents (including those that are restricted) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of purchase.

Investments for the Corporation are reported at fair value.

#### ***Receivables and Payables***

In the fund financial statements, all outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All receivables are shown, net of an allowance, if any, for uncollectible balances.

#### ***Inventories***

Purchases of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such governmental funds are immaterial. For the enterprise fund type, pharmaceutical, central supply and sterile supply inventories of the Eskenazi Health Enterprise Fund are determined by physical count of items on hand and are priced at weighted-average cost. Inventory in the Long-Term Care Fund is immaterial.

#### ***Prepaid Costs and Other Assets***

Prepaid costs and other assets include prepaid insurance, prepaid service contracts and other miscellaneous assets.

#### ***Capital Assets***

Capital assets, which include buildings, improvements, equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements and within the proprietary fund financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of two years.

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value as of the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the estimated useful life of the asset are not capitalized.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements December 31, 2018

(Dollars in thousands)

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Assets held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Estimated useful lives used to compute depreciation are as follows:

	<u>Years</u>
Building and improvements	10 - 50
Equipment	5 - 20
Vehicles	4

### **Other Long-Term Assets**

Other long-term assets consist of a settlement agreement receivable as more fully described in Note 19 as well as deposits made related to the leasing of nursing homes required under vendor contracts as well as funds required under escrow agreements for certain leased facilities.

### **Unearned Revenue**

Unearned revenue is reported in the government-wide financial and enterprise fund statements. The availability period does not apply; however, amounts may not be considered earned due to eligibility requirements or other reasons.

### **Accrued Compensated Absences**

Corporation employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and other absences are accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. A liability for the cost of accumulated earned but unused vacation and other absences is recognized in the government-wide statements and in the statement of net position of the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts are recorded as an addition to or reduction from, respectively, the associated debt obligation and are amortized over the term of the respective bonds using the effective interest method.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt are reported as other financing uses, while issuance costs, whether or not withheld from the actual debt proceeds received, and repayments of principal and interest are reported as debt service expenditures.

### ***Lease Acquisition Costs***

The Corporation allocates the purchase price of properties acquired under capital leases to net tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (primarily equipment) is based upon management's determination of the value of the property. The remaining purchase price is allocated to lease acquisition costs. These costs are amortized over the life of the related lease.

### ***Cost-Sharing Defined-Benefit Pension Plan***

The Corporation participates in a cost-sharing, multiple-employer defined-benefit pension plan (Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Postemployment Benefits Other Than Pensions (OPEB)***

The Corporation has a single-employer defined benefit other postemployment benefit (OPEB) plan, Postemployment Medical Benefits Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

### ***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position by the Corporation that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

### ***Interfund Transactions***

In the fund financial statements, the Corporation has the following types of transactions among funds:

#### **Transfers**

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

#### **Contribution of Capital Assets**

The General and Capital Project Funds make contributions of capital assets to the Eskenazi Health Enterprise Fund from time to time. The enterprise fund reports these transactions as capital contributions; however, the General or Capital Project Funds do not report the event because there has been no flow of current financial resources for the governmental fund statements other than the expenditures incurred during the year of capital outlay. In the government-wide statement of activities, both sides of the capital asset transfer are reported as transfers.

#### **Interfund Services Provided/Used**

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the Corporation.

Within the statement of activities, direct expenses are not eliminated from the various functional categories. However, indirect expenses are eliminated.

Certain internal payments are treated as a reduction of expense, such as reimbursements. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

### ***Net Position/Fund Balances***

The government-wide and proprietary fund financial statements utilize a net position presentation. The components of net position are categorized as follows:

- *Net investment in capital assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Governmental activities debt related to business-type activities is not recorded in this category; rather, this debt is included in unrestricted net position.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

- *Restricted* - This category represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This category represents resources of the Corporation not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance classifications reflect a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Corporation's fund balances include the following:

- **Nonspendable fund balances** include amounts that cannot be spent because they are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balances** are reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balances** represent resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Trustees, whereby such constraints can only be modified through formal action (by ordinance) of the Board of Trustees.
- **Assigned fund balances** include resources for which it is the intent of the Corporation, through action of the President or Treasurer/CFO, that they be used for specific purposes. The Board of Trustees has by ordinance authorized such individuals to assign fund balances. Such constraints can be modified or rescinded without formal action of the Board of Trustees as long as they do not result in an additional budgetary appropriation. The general fund assigned fund balances are entirely made up of encumbrances and totaled \$8,335 at December 31, 2018.
- **Unassigned fund balances** represent the residual portion of the General Fund that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance, if other governmental funds incurred expenditures for specific purposes that exceed the amounts that are restricted, committed or assigned for those purposes, those funds may have a negative unassigned fund balance.

The Corporation's policy is to apply expenditures to restricted resources first, then committed, then assigned, and finally to unassigned, as applicable.

# **Health and Hospital Corporation of Marion County, Indiana**

## **(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

### **Notes to Basic Financial Statements**

**December 31, 2018**

*(Dollars in thousands)*

#### ***Indigent Care Services***

Under Indiana Code (§16-22-8-39), the services provided by Eskenazi Health are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits. Certain services to patients are classified as indigent care based on established policies of Eskenazi Health. Because Eskenazi Health does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

Eskenazi Health maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges forgone for services and supplies furnished under its indigent care policy. The costs of charity care provided under the corporation's indigent care policy was approximately \$103,000 during 2018. The cost of indigent care is estimated by applying a ratio of cost to gross charges to the gross uncompensated charges.

#### ***Net Patient Service Revenue***

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as amounts are no longer subject to such audits and reviews.

#### ***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

### Future Accounting Standards

In 2019, the Corporation will implement GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement standardizes requirements on the recognition and measurement for asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability.

In 2019, the Corporation will implement GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments.

In 2020, the Corporation will implement GASB Statement No. 87, *Leases*. The statement provides a new framework for accounting for leases under the principal that leases are financings and lessees should recognize an intangible asset and a corresponding liability while the lessor will recognize a lease receivable and related deferred inflows of resources.

The Corporation has not yet determined the impact of these standards on their financial statements, however, they could have a material future impact.

### Note 2: Deposits and Investments

As of December 31, 2018, the Corporation, including its blended component units, had the following cash deposits and investments:

Cash deposits	\$	443,451
Negotiable certificates of deposit		1,570
Repurchase agreements		18,239
State external investment pool		164,622
U.S. Government obligations		27,625
U.S. Government-sponsored enterprises		5
Equity mutual funds		6,318
Equity securities		2,904
Corporate bonds		328
Money market mutual funds		77,756
		<hr/>
Total deposits and investments	\$	<u>742,818</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

Deposits and investment securities included in the statement of net position are classified as follows:

	<b>2018</b>
Carrying value	
Deposits	\$ 443,451
Investments	299,367
	\$ 742,818
Cash and cash equivalents	
Unrestricted	\$ 691,079
Restricted	12,663
	703,742
Investments	
Unrestricted	32,756
Restricted	6,320
	\$ 742,818

### ***Deposits***

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

The Corporation's cash deposits are insured up to \$250 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$250 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

### ***Types of Investments Authorized***

Indiana statutes generally authorize the Corporation to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, municipal securities of Indiana issuers that have not defaulted during the previous 20 years, certificates of deposit and open-end money market mutual funds. Indiana statutes do not apply to the blended component units of the Corporation, which may invest in securities other than the aforementioned types of investments.



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Corporation's investment policy for interest rate risk requires amounts to be invested in a prudent manner to achieve maximum yield return available from approved government obligations with due regard to the specific purpose for which the funds are intended and needed. In regard to mitigating interest rate risk, the Corporation is permitted to invest in securities with a stated maturity of more than two years but not more than five years, provided such investments in this group comprise no more than 25% of the total portfolio available for investment. In accordance with Indiana statutes, this policy will expire four years from its effective date of May 20, 2015.

Below is a table of segmented time distribution for the Corporation's debt investments at December 31, 2018:

	Fair Value	Investment Activities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	\$ 18,239	\$ 18,239	\$ -	\$ -	\$ -
State external investment pool	164,622	164,622	-	-	-
U.S. Government obligations	27,625	27,625	-	-	-
U.S. Government-sponsored enterprises	5	5	-	-	-
Corporate bonds	328	328	-	-	-
Money market mutual funds	77,756	77,756	-	-	-
	<u>\$ 288,575</u>	<u>\$ 288,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policy for credit risk requires compliance with the provisions of Indiana statutes which, among other things, stipulates that the Corporation only invest in money market mutual funds that are rated AAAM by Standard and Poor's or Aaa by Moody's Investor's Service.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

At December 31, 2018, the Corporation's investments were rated by Standard & Poor's or Moody's as follows:

	<b>Fair Value</b>	<b>AAA/Aaa</b>	<b>Not Rated</b>
Repurchase agreements	\$ 18,239	\$ 18,239	\$ -
State external investment pool	164,622	-	164,622
U.S. Government obligations	27,625	27,625	-
U.S. Government-sponsored enterprises	5	5	-
Corporate bonds	328	-	328
Money market mutual funds	77,756	77,756	-
	\$ 288,575	\$ 123,625	\$ 164,950

#### ***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2018, all of the Corporation's investments in U.S. Government-sponsored enterprises, repurchase agreements and corporate bonds were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent but not in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2018, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

#### ***Concentration of Credit Risk***

The Corporation places no limit on the amount that may be invested in any one issuer. Except for cash equivalents and United States Treasury and agency securities, the Corporation's total portfolio should consist of no more than 40% of any single type of security.

#### ***Foreign Currency Risk***

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Corporation's investment policy prohibits investment in foreign securities.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to Basic Financial Statements**  
**December 31, 2018**  
*(Dollars in thousands)*

***Investment Income***

Investment income for the year ended December 31, 2018 consisted of:

	<b>Governmental Fund-Types</b>	<b>Proprietary Fund-Types</b>
Interest income	\$ 5,824	\$ 2,614
Unrealized gain/(loss) on investments, net	61	(1,173)
Total investment income	\$ 5,885	\$ 1,441

**Note 3: Disclosures About Fair Value of Assets**

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

#### Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018:

	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV(A)
Negotiable certificates of deposit	\$ 1,570	\$ -	\$ 1,570	\$ -	\$ -
Repurchase agreements	18,239	-	18,239	-	-
State external investment pools	164,622	-	-	-	164,622
U.S. Government obligations	27,625	-	27,625	-	-
U.S. Government-sponsored enterprise securities	5	-	5	-	-
Equity mutual funds	6,318	6,318	-	-	-
Equity securities	2,904	2,904	-	-	-
Corporate bonds	328	-	328	-	-
Money market mutual funds	77,756	-	-	-	77,756

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

#### Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

### **Investments at NAV**

The State External Investment Pool (TrustINDiana) seeks to allow local units of government, as well as the State of Indiana, to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment. The Indiana Treasurer of State has been designated by statute as the administrator of the pool and the Deputy Treasurer of State maintains general oversight over the daily operation of the pool. The unit of account is each share held and the value of the Corporation's position is equal to the fair value of the pool's share price multiplied by the number of shares held. There are no unfunded commitments or restrictions on redemptions.

Money market mutual funds invest in short-term debt securities and seeks to provide greater returns than cash deposits. There are no unfunded commitments or restrictions on redemptions.

### **Note 4: Property Taxes**

Property taxes levied for all governmental entities located within Marion County are collected by the Marion County Treasurer. On or before August 1 each year, the Marion County Auditor must submit to each underlying taxing unit a statement of (i) the estimated assessed value of the taxing unit as of March 1 of that year, and (ii) an estimate of the taxes to be distributed to the taxing unit during the last six months of the current budget year. The estimated value is based on property tax lists delivered to the Marion County Auditor by the Marion County Assessor on or before July 1.

The estimated value is used when the Corporation's Board meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. The budget, tax rates and levy must be adopted no later than November 1. The budget, tax levy and tax rate are subject to review and revision by the Indiana Department of Local Government Finance (DLGF) which, under certain circumstances, may revise, reduce or increase the budget, tax rate, or levy of the Corporation. The DLGF may increase the tax rate and levy if the tax rate and levy proposed by the Corporation is not sufficient to make its debt service or lease rental payments. The DLGF must complete its actions on or before February 15 of the year following the property tax assessment.

Taxes are distributed by the Marion County Auditor to the Corporation by June 30 and December 31 of each year. The Corporation can request advances of its share of collected taxes from the Marion County Treasurer once the levy and tax rates are certified by the DLGF.

As noted above, the assessment (or lien) date for Indiana property taxes is March 1 of each year; however, the Corporation does not recognize a receivable on the assessment date since the amount of property taxes to be collected cannot be measured until the levy and tax rates are certified in the subsequent year.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

Typically, property tax bills are mailed in April and October of each year and are due and payable by the property owners in May (spring) and November (fall), respectively. Property tax billings are considered delinquent if they are not paid by the respective due date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Appeals may be filed within 45 days following the date the bills are mailed.

Changes in assessed values of real property occur periodically as a result of general reassessments required by the State legislature, as well as when changes occur in the property value due to new construction, demolition or improvements.

The Corporation allocates property tax revenues, as considered necessary, to fund public health programs and provide care for the indigent.

#### **Note 5: Tax Abatements**

The City of Indianapolis (City) promotes a series of real and personal property tax abatement programs available under Indiana law, including:

##### Real Property Tax Abatement (I.C. 6-1.1-12.1)

Real property tax abatements are achieved through the phase-in of real property tax obligations from the improvements being made. The phase-in can span a period of one to ten years and is based on a declining percentage of the increase in assessed value of such improvements.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. The City's Metropolitan Development Commission (MDC) is responsible for approving the abatement and determining the time period for the abatement. In some cases, City-County Council approval is also required for the abatement. Required approval(s) must occur before construction permits are obtained.

##### Personal Property Tax Abatement (I.C. 6-1.1-12.1)

Similarly, personal property tax abatements for manufacturing, research and development, information technology and logistics/distribution equipment are accomplished through the phase-in of personal property tax obligations over a one to ten year period, based on a declining percentage of the assessed value of the newly installed equipment.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. MDC and, in certain circumstances, the City County Council approval is required and must occur prior to the equipment being operational and the MDC determines the time period for the abatement.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

### Tax Exemption for Enterprise Information Technology Equipment (I.C. 6-1.1-10.44)

The City may grant up to a ten-year, 100% personal property tax exemption to a business engaged in computing, networking or data storage for new investments in qualified enterprise information technology equipment.

The tax exemption requires a minimum investment of \$10 million in qualifying investment by an eligible business located in a High Technology District Area, as designated by the City-County Council. The average wage of employees must be least one hundred twenty-five percent (125%) of the county average wage. Examples of non-eligible activities are call centers, back office operations, customer service operations, and credit/claims processing operations. City-County Council approval is required to grant the exemption.

### Vacant Building Abatement (I.C. 6-1.1-12.1)

Up to a two-year real property tax abatement is available to a company, according to local qualifications, based on occupying a building that has been vacant for more than a year.

The building must be used for commercial or industrial purposes and be located in a designated Economic Revitalization Area, as designated by the MDC. Prior approval of the MDC must occur before occupying the facility and the MDC determines the time period for the abatement.

All of these programs are designed to spur job creation and retention, grow the income and property tax base, support the redevelopment of areas experiencing a cessation of growth, attract and retain businesses in targeted industries, and assist distressed businesses, among other objectives. Minimum eligibility criteria for such abatements vary by program, as noted above, but generally require that an investment in real or personal property be projected to increase assessed value, create or retain jobs and/or promote economic revitalization.

In return for such abatements, the City generally commits to permit, zoning and job training assistance. An abatement can be terminated if the MDC determines that the commitments made by the company receiving the abatement were not met and, per statute, such non-compliance was not due to factors beyond the company's control. Included in each abatement agreement are provisions specifying certain damages, among which may include a clawback of some or all of the taxes previously abated. If a company ceases operations or announces the cessation of operations at the facility for which the abatement was granted, termination of the abatement agreement is warranted and 100% clawback is required. Other clawbacks are calculated based on the highest level of non-compliance among the measured categories for that project.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

#### Impact of Abatements on Revenues

Indiana property tax laws complicate the calculation of the exact impact of property tax abatements on the tax revenues of a given unit of local government. Constraints on the growth of the annual tax levy and constitutional limitations on taxes (also known as property tax caps) are the chief complicating factors. The increase in the annual tax levy is limited to the growth in the 6-year moving average of nonfarm personal income growth, which is known as the Assessed Value Growth Quotient (AVGQ). Statutory property tax caps for homesteads, agricultural and other residential, and commercial are equal to 1%, 2% and 3%, respectively, of associated assessed valuations.

The tax rate, which is established for each taxing unit by the Department of Local Government Finance, is based on the tax levy requested by the taxing unit (as limited by the AVGQ) divided by the net assessed value of the property in a physical taxing district. The theory behind the AVGQ is that the costs of government should not be increasing at a greater rate than taxpayer incomes.

Tax abatements are granted on the assessed value of the property abated. The taxpayer's taxes are then calculated based on this reduced assessment, thus resulting in a lower tax liability. But because a given district's tax rate is calculated based on the total net assessed value in the district (net of abatements and other adjustments), the certified levy of each unit in the district is the same as if the abatements had not been granted.

Additionally, to the extent that parcels have reached the constitutional limit of tax liability as a percentage of gross assessed value, the property tax rate caps (circuit breaker credits) reduce the property tax collections of the affected taxing units. The degree to which property tax abatements exacerbate circuit breaker losses differs by parcel and is dependent on the proportion of abated assessed value to total gross assessed value, as well as prevailing property tax rates.

The estimated gross amount, on an accrual basis, by which the Corporation's property tax revenues were reduced as a result of the aforementioned City abatement programs totaled approximately \$1,172. However, the actual extent of lost revenues is something less than this amount and cannot be easily determined due to the application of circuit breaker credits.



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

**Note 6: Patient Services Receivables**

Net patient services receivables consist of the following as of December 31, 2018:

	<b>Eskenazi Health</b>	<b>LT Care</b>	<b>Total</b>
Gross patient services receivables	\$ 305,719	\$ 70,410	\$ 376,129
Allowance for estimated contractual adjustment	(76,426)	-	(76,426)
Allowance for uncollectible accounts	<u>(168,805)</u>	<u>(8,308)</u>	<u>(177,113)</u>
Net patient services receivables	<u>\$ 60,488</u>	<u>\$ 62,102</u>	<u>\$ 122,590</u>

**Note 7: Interfund Balances and Transfers**

Individual due to/from other funds as of December 31, 2018 are as follows:

<b>Interfund Receivables</b>	<b>Interfund Payables</b>	<b>Amount</b>
General Fund	Debt Service Fund	\$ 5,007
General Fund	Capital Projects Fund	80
General Fund	Eskenazi Health Fund	5,275
General Fund	LT Care Fund	236,700

These interfund balances are due to the time lag between the dates that reimbursable expenditures occur and payments between funds are made, as well as pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2018.

Interfund transfers for the year ended December 31, 2018 on the fund statements consisted of the following:

	<b>Transfer In:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Cap Projects Fund</b>	<b>Enterprise Fund - Eskenazi Health</b>	
<b>Transfer out:</b>					
General Fund	\$ -	\$ 40,889	\$ 15,000	\$ 144,203	\$ 200,092
Debt Service Fund	-	-	3,682	-	3,682
LT Care Fund	236,700	-	-	-	236,700
Governmental Activities	-	-	-	1,855	1,855
Total	<u>\$ 236,700</u>	<u>\$ 40,889</u>	<u>\$ 18,682</u>	<u>\$ 146,058</u>	<u>\$ 442,329</u>

Interfund transfers were generally used for the following: 1) to move revenues from the funds that are required by ordinance or budget to collect them to the funds that will ultimately expend them or 2) to cover deficits of other funds.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to Basic Financial Statements**  
**December 31, 2018**  
*(Dollars in thousands)*

**Note 8: Deferred Outflows and Inflows of Resources and Unearned Revenue**

***Deferred Outflows of Resources***

As of December 31, 2018, deferred outflows of resources consisted of the following components:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Deferred loss on refundings	\$ 368	\$ -	\$ 368
Pension related deferred outflows:			
Contributions subsequent to measurement date	2,499	8,775	11,274
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	442	-	442
Actuarial differences	383	1,434	1,817
Net difference between projected and actual earnings on pension plan investments	867	3,249	4,116
Changes of assumptions	70	261	331
Total deferred outflows of resources	<u>\$ 4,629</u>	<u>\$ 13,719</u>	<u>\$ 18,348</u>

***Deferred Inflows of Resources***

As of December 31, 2018, deferred inflows of resources consisted of the following components:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Pension related deferred inflows:			
Changes in proportion	\$ 85	\$ 7,409	\$ 7,494
Actuarial differences	3	7	10
Changes of assumptions	4,699	17,602	22,301
OPEB related deferred inflows:			
Changes of assumptions	222	828	1,050
Total deferred inflows of resources	<u>\$ 5,009</u>	<u>\$ 25,846</u>	<u>\$ 30,855</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

#### ***Deferred Inflows of Resources and Unearned Revenue***

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period or for which time requirements have not been met. Governmental funds also record unearned revenue in connection with resources that have been received but not yet earned. At December 31, 2018, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<b>Deferred Inflows</b>	<b>Unearned</b>
Grant advances prior to meeting all eligibility requirements	\$ -	\$ 645
Rental revenue received in advance	-	168
Grant reimbursements not received within 90 days	375	-
Other revenues not received within 90 days	14,981	-
Total Governmental Funds	\$ 15,356	\$ 813

In addition, the Eskenazi Health Enterprise Fund had \$1,271 of unearned revenue recorded at December 31, 2018 of which \$1,171 related to the Healthy Indiana Plan and \$100 related to both fee for service grants and advances received on federal grants that had not met eligibility requirements.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements December 31, 2018

(Dollars in thousands)

#### Note 9: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2018:

	January 1, 2018	Transfers/ Additions	Transfers/ Disposals	December 31, 2018
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,095	\$ -	\$ -	\$ 4,095
Construction in progress	4,812	3,830	(2,138)	6,504
Total capital assets not being depreciated	<u>8,907</u>	<u>3,830</u>	<u>(2,138)</u>	<u>10,599</u>
Capital assets being depreciated:				
Buildings and improvements	30,965	61	-	31,026
Equipment	25,465	1,369	-	26,834
Vehicles	6,623	343	(489)	6,477
Total capital assets being depreciated	<u>63,053</u>	<u>1,773</u>	<u>(489)</u>	<u>64,337</u>
Less accumulated depreciation for:				
Buildings and improvements	18,636	1,202	-	19,838
Equipment	20,814	1,126	-	21,940
Vehicles	5,503	371	(489)	5,385
Total accumulated depreciation	<u>44,953</u>	<u>2,699</u>	<u>(489)</u>	<u>47,163</u>
Total capital assets being depreciated, net	<u>18,100</u>	<u>(926)</u>	<u>-</u>	<u>17,174</u>
Governmental activities capital assets, net	<u>\$ 27,007</u>	<u>\$ 2,904</u>	<u>\$ (2,138)</u>	<u>\$ 27,773</u>

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2018:

	January 1, 2018	Transfers/ Additions	Transfers/ Disposals	December 31, 2018
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,723	\$ 1,900	\$ -	\$ 11,623
Construction in progress	13,191	32,809	(25,931)	20,069
Total capital assets not being depreciated	<u>22,914</u>	<u>34,709</u>	<u>(25,931)</u>	<u>31,692</u>
Capital assets being depreciated:				
Land improvements	87,551	876	(3)	88,424
Buildings and improvements	1,501,550	18,776	(28)	1,520,298
Equipment	375,533	22,197	(56,383)	341,347
Vehicles	14,621	775	(3,531)	11,865
Total capital assets being depreciated	<u>1,979,255</u>	<u>42,624</u>	<u>(59,945)</u>	<u>1,961,934</u>
Less accumulated depreciation for:				
Land improvements	26,082	6,198	-	32,280
Buildings and improvements	617,059	97,768	(8)	714,819
Equipment	227,960	36,937	(55,493)	209,404
Vehicles	11,280	1,520	(2,655)	10,145
Total accumulated depreciation	<u>882,381</u>	<u>142,423</u>	<u>(58,156)</u>	<u>966,648</u>
Total capital assets being depreciated, net	<u>1,096,874</u>	<u>(99,799)</u>	<u>(1,789)</u>	<u>995,286</u>
Business-type activities capital assets, net	<u>\$ 1,119,788</u>	<u>\$ (65,090)</u>	<u>\$ (27,720)</u>	<u>\$ 1,026,978</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements December 31, 2018

*(Dollars in thousands)*

The following is a summary of changes in capital assets - Eskenazi Health Enterprise Fund for the year ended December 31, 2018:

	January 1, 2018	Transfers/ Additions	Transfers/ Disposals	December 31, 2018
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,723	\$ 1,900	\$ -	\$ 11,623
Construction in progress	12,219	18,352	(11,708)	18,863
Total capital assets not being depreciated	<u>21,942</u>	<u>20,252</u>	<u>(11,708)</u>	<u>30,486</u>
Capital assets being depreciated:				
Land improvements	77,372	51	(3)	77,420
Buildings and improvements	674,978	3,474	(28)	678,424
Equipment	248,410	13,465	(1,247)	260,628
Vehicles	14,431	775	(3,394)	11,812
Total capital assets being depreciated	<u>1,015,191</u>	<u>17,765</u>	<u>(4,672)</u>	<u>1,028,284</u>
Less accumulated depreciation for:				
Land improvements	21,787	5,238	-	27,025
Buildings and improvements	153,448	31,278	(8)	184,718
Equipment	132,784	24,582	(581)	156,785
Vehicles	11,108	1,514	(2,517)	10,105
Total accumulated depreciation	<u>319,127</u>	<u>62,612</u>	<u>(3,106)</u>	<u>378,633</u>
Total capital assets being depreciated, net	<u>696,064</u>	<u>(44,847)</u>	<u>(1,566)</u>	<u>649,651</u>
Business-type activities capital assets, net	<u>\$ 718,006</u>	<u>\$ (24,595)</u>	<u>\$ (13,274)</u>	<u>\$ 680,137</u>

The following is a summary of changes in capital assets - Long-Term Care Enterprise Fund for the year ended December 31, 2018:

	January 1, 2018	Transfers/ Additions	Transfers/ Disposals	December 31, 2018
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 972	\$ 14,457	\$ (14,223)	\$ 1,206
Total capital assets not being depreciated	<u>972</u>	<u>14,457</u>	<u>(14,223)</u>	<u>1,206</u>
Capital assets being depreciated:				
Land improvements	10,179	825	-	11,004
Buildings and improvements	826,572	15,302	-	841,874
Equipment	127,123	8,732	(55,136)	80,719
Vehicles	190	-	(137)	53
Total capital assets being depreciated	<u>964,064</u>	<u>24,859</u>	<u>(55,273)</u>	<u>933,650</u>
Less accumulated depreciation for:				
Land improvements	4,295	960	-	5,255
Buildings and improvements	463,611	66,490	-	530,101
Equipment	95,176	12,355	(54,912)	52,619
Vehicles	172	6	(138)	40
Total accumulated depreciation	<u>563,254</u>	<u>79,811</u>	<u>(55,050)</u>	<u>588,015</u>
Total capital assets being depreciated, net	<u>400,810</u>	<u>(54,952)</u>	<u>(223)</u>	<u>345,635</u>
Business-type activities capital assets, net	<u>\$ 401,782</u>	<u>\$ (40,495)</u>	<u>\$ (14,446)</u>	<u>\$ 346,841</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

Within the statement of activities, depreciation expense is charged to functions of the Corporation as follows:

**Governmental Activities:**

Administration and finance	\$ 1,877
Health improvements	468
Communicable disease prevention	130
Water quality and hazardous material management	39
Vector disease control	154
Housing and neighborhood health	<u>31</u>

Total depreciation expense, governmental activities	<u><u>\$ 2,699</u></u>
---	------------------------

**Business-Type Activities:**

Eskenazi Health	\$ 62,612
LT Care	<u>79,811</u>

Total depreciation expense, business-type activities	<u><u>\$ 142,423</u></u>
--	--------------------------

Also included in the Long-Term Care Fund in the proprietary fund statements is \$3,592 of amortization expense related to lease acquisition costs.

**Note 10: Estimated Medicare and Medicaid Settlements and Net Patient Service Revenue**

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Eskenazi Health after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2018, the Medicare and Medicaid cost reports for Eskenazi Health have been audited by the fiscal intermediaries through December 31, 2015.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

Eskenazi Health and Long-Term Care have agreements with third-party payers that provide payments to these divisions at amounts different from their established rates. Estimated contractual adjustments under third-party reimbursement programs represent the differences between billings at established rates and amounts reimbursed by third-party payers. Estimated contractual adjustments also include any differences between estimated third-party reimbursement settlements for prior year services under third-party payer agreements and subsequent final settlements. A summary of the payment arrangements with major third-party payers follows.

### **Medicare**

Under the Medicare program, Eskenazi Health receives reimbursement under a prospective payment system (PPS) for both inpatient and outpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group. When the estimated cost of treatment for certain patients is higher than the average plus a loss threshold, providers may receive additional "outlier" payments. Outpatient services provided to Medicare patients are reimbursed to Eskenazi Health based on service groups called ambulatory payment classifications.

Under the Medicare program, Long-Term Care primarily receives reimbursement for services provided at its skilled nursing facilities (SNF) under PPS on a per diem basis based on each resident's health at admission (RUG Rate). Medicare reimburses Long-Term Care for 100 days of SNF care subject to certain eligibility requirements.

In connection with the July 1, 2015 acquisition of the 17 nursing facilities described more fully in Note 20, the Corporation assumed responsibility for a Corporate Integrity Agreement (CIA) with the Office of the Inspector General. The CIA, which is scheduled to expire in October 2019, requires monitoring and reporting of certain conditions of payment from the Medicare program. In the event of noncompliance with the CIA, the Corporation could have to repay certain Medicare reimbursement to the Medicare program. Management believes it is in compliance with the terms of the CIA and therefore has not recorded any potential liability to the program in the accompanying financial statements. Amounts due under the CIA, if any, will be recorded in the period known.

### **Medicaid**

Eskenazi Health is paid for inpatient acute care services rendered to Medicaid beneficiaries under the lower of charges or prospectively determined rates-per-discharge and on a per diem basis for psychiatric and burn unit services, classified based on clinical, diagnostic and other factors. Reimbursement for Medicaid outpatient services is based on prospective rates per visit. Eskenazi Health also participates in a Medicaid risk-based managed-care program in which Eskenazi Health receives interim reimbursement rates with a settlement adjustment at year-end.

Long-Term Care is reimbursed for services rendered to Medicaid beneficiaries on a per diem basis.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

#### **Medicaid Special Revenue**

The Corporation qualifies for certain special Medicaid payments through various sections of the State of Indiana Medicaid Plan and the Indiana Code. Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (DSH - established to reimburse hospitals that serve a disproportionate share of indigent patients), the Upper Payment Limit program (UPL - established to pay qualifying health care providers the difference between what Medicare would have paid and what Medicaid actually paid) and other contractual revenues. The money received from the Medicaid special revenues can be utilized by the Corporation without restriction.

During 2012, the State of Indiana established a Hospital Assessment Fee (HAF), which increased reimbursement for the state Medicaid fee for service program and the Medicaid managed care programs; such revenue is reported as net patient service revenue in the Eskenazi Health Enterprise Fund. Eskenazi Health is assessed an annual fee under the HAF program, which is reported as an operating expense in the Eskenazi Health Enterprise Fund. Fees assessed by the State of Indiana fund the UPL and DSH programs for Indiana hospitals (these programs were historically funded through an intergovernmental transfer program). There is no assurance the HAF program will continue in future periods.

Medicaid special revenue associated with indigent services provided at Eskenazi Health is comprised of DSH payments, which are all recorded in the Corporation's General Fund. Such payments are limited to a Hospital Specific Limit, which is defined by the State of Indiana Office of Medicaid Planning and Policy and are codified in the Indiana State Medicaid Plan and IC 12-15-15. Methodologies supporting such payments are complex and the timing and levels of payment may vary materially from year to year, often times resulting in material recoupment of the net receipts previously made to the Corporation. The Corporation often times does not have access to reasonable information to estimate levels of DSH payments and therefore cannot reasonably estimate levels of revenue by state fiscal (or their own fiscal) year. Management records the DSH portion of the Medicaid special revenue on a cash basis, unless actual amounts are known subsequent to year end, prior to issuance of the financial statements.

Medicaid special revenue pertaining to Long-Term Care and the physician access to care program is distributed through an intergovernmental transfer (IGT) arrangement. The basis for payment is derived from services rendered to patients through activities of the Long-Term Care Funds and Eskenazi Health (for the physician access to care program). The Indiana Office of Medicaid Policy and Planning determines the level of UPL funds available for distribution and initiates a transaction with the Corporation to facilitate the IGT. The Corporation is responsible for funding the IGT for the services rendered on behalf of the Long-Term Care and Eskenazi Health Funds and such transactions are reported in the General Fund statement of revenues, expenditures and changes in fund balances while Long-Term Care and Eskenazi Health report revenues associated with their respective UPL at gross in the statement of revenue, expenses and changes in fund net position.

Medicaid special revenue associated with Long-Term Care is based upon UPL payments, which is more predictable than the payments related to Eskenazi Health. Accordingly, management recognizes such payments on an accrual basis at the Long-Term Care Fund level.



# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements December 31, 2018

*(Dollars in thousands)*

The Corporation also participates in the Indiana Medicaid Governmental Ambulance Transportation Payment program that reimburses eligible ambulance transportation providers a state and federal reimbursement percentage of allowable costs. Revenue earned under this program is reported in the General Fund statement of revenues, expenditures and changes in fund balances.

The General Fund recognized \$26,426 in Medicaid special revenue and a receivable of \$24,757 at December 31, 2018. The intergovernmental transfers made by the Corporation in 2018 under these programs totaled \$100,117, with \$25,835 accrued within accounts payable in the general fund as of December 31, 2018. The Long-Term Care Fund recognized revenue of \$292,579 and a receivable of \$73,105 at December 31, 2018.

#### **Other Payers**

Eskenazi Health and Long-Term Care have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Eskenazi Health and Long-Term Care under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2018:

	Eskenazi Health	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	\$ 903,444	\$ -	\$ 903,444	32%
Outpatient	1,224,910	-	1,224,910	43%
Long-term care	-	693,046	693,046	25%
Gross patient service less:	2,128,354	693,046	2,821,400	100%
Contractual adjustments	1,223,267	-	1,223,267	43%
Charity and indigent care	203,152	-	203,152	7%
Provision for uncollectible accounts	169,625	18,422	188,047	7%
Net patient service revenue	<u>\$ 532,310</u>	<u>\$ 674,624</u>	<u>\$ 1,206,934</u>	<u>43%</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 28% and 55%, respectively, of net patient service revenue for fiscal year 2018. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2018 net patient service revenue decreased approximately \$9,100 due to changes in estimates related to final settlement of Medicare cost reports and accounts receivable valuation. Eskenazi Health Corporate Compliance and Leadership review billing, site, licensure and other issues to ensure compliance with Federal, State and other regulations.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

### Note 11: Long-Term Liabilities

#### ***Renovation Bonds of 1988***

During 1988, the Corporation issued \$28,000 of Renovation Bonds, the proceeds of which were used to renovate the clinical, patient care and administrative areas of the Corporation's former hospital complex (the predecessor facilities to Eskenazi Health) and acquire, construct, renovate and equip the Corporation's public health and administrative facilities. The Renovation Bonds of 1988 are general obligation bonds payable from an unlimited ad valorem property tax levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana, which is coterminous with Marion County, Indiana. The Renovation Bonds of 1988 that remain outstanding at December 31, 2018 bear interest at 7.40%, with principal and interest payments due June 30 and December 30 through 2019.

#### ***General Obligation Bonds of 2005***

During 2005, the Corporation issued \$28,960 of General Obligation Refunding Bonds, Series 2005 (the 2005 GO Bonds), the proceeds of which were used to refund the outstanding principal of the Corporation's General Obligation Bonds, Series 2000A. The 2005 GO Bonds are payable from an unlimited ad valorem property tax levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana, which is coterminous with Marion County, Indiana. The 2005 GO Bonds that remain outstanding at December 31, 2018 bear interest at 4.50% to 5.25%, with principal and interest payments due January 1 and July 1 through January 1, 2025. The remaining 2005 GO Bonds are subject to redemption from mandatory sinking fund payments during 2019 to 2024 and are subject to optional redemption prior to maturity at par plus accrued interest to the redemption date.

#### ***General Obligation Bonds of 2010***

During 2010, the Corporation issued \$195,000 of General Obligation Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 GO Bonds, or collectively, the 2010A GO Bonds), the proceeds of which were used to finance a portion of the Eskenazi Health hospital complex, including the hospital and outpatient clinic facilities. The 2010A GO Bonds are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the annual debt service. The 2010A GO Bonds that remain outstanding at December 31, 2018 bear interest at 5.00% to 6.004%, with principal and interest payments due January 15 and July 15 through January 15, 2040. The 2010A GO Bonds are subject to redemption from mandatory sinking fund payments during 2023 to 2040 and the 2010A GO Bonds maturing on or after January 15, 2021 are subject to optional redemption prior to maturity beginning January 15, 2020 at par plus accrued interest to the redemption date.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

The 2010A GO Bonds were acquired in their entirety with proceeds from the issuance of The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 Bond Bank Bonds). The 2010A-2 Bond Bank Bonds were issued as Build America Bonds (BABs) and, as such, are eligible to receive a credit (BAB Subsidy) equal to 35% of the interest payable on such bonds. The benefit of such credit will be passed on to the Corporation at each interest payment date, thus effectively reducing the Corporation's cost of financing. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011 (the BAB Sequester), BAB Subsidies for the October 2017 through September 2018 were reduced by 6.6% and BAB Subsidies for the October 2018 through September 2019 are to be reduced by 6.2%. It is too soon to predict if BAB Subsidies will continue to be cut thereafter, or if the United States Congress will rescind or otherwise alter such cuts.

#### **Capital Lease Obligations of Governmental Activities**

Financing for a portion of Eskenazi Health hospital complex is also being provided through a lease financing arrangement with the Indianapolis-Marion County Building Authority (Authority). The Authority was created pursuant to Indiana Code 36-9-13, as amended for the purpose of financing, acquiring, improving, constructing, reconstructing, renovating, equipping, operating, maintaining and managing governmental buildings for public or governmental purposes for the benefit of eligible governmental entities within the boundaries of the County of Marion, Indiana.

Pursuant to a Loan Agreement, dated March 1, 2010, the Authority received a loan of bond proceeds in connection with the issuance of \$465,580 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010B-1 and Series 2010B-2 (the 2010B-1 and 2010B-2 Bond Bank Bonds), for the purposes of financing a portion of the costs of the Eskenazi Health complex. The 2010B-2 Bonds were issued as BABs for which the Corporation also receives a BAB Subsidy.

Pursuant to a Loan Agreement dated April 1, 2013, the Authority received an additional loan of bond proceeds in connection with the issuance of \$42,460 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2013A (the 2013A Bond Bank Bonds), for the purposes of financing additional costs of the Eskenazi Health complex.

Pursuant to its Master Lease Agreement and related Addendums with the Authority, the Corporation is leasing certain real estate underlying the Eskenazi Health complex and portions of the improvements related thereto. Under the Master Lease Agreement, the Corporation has the option to purchase the leased facilities at a price equal to the amount required to enable the Authority to pay or redeem all related outstanding debt obligations and costs of transferring the premises. Also, the Corporation is obligated to pay certain expenses and all costs to operate, insure and maintain the leased facilities. The rentals under this lease are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the rentals and, accordingly, the principal and interest on the 2010B-1, 2010B-2 and 2013A Bond Bank Bonds.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to Basic Financial Statements**  
**December 31, 2018**  
*(Dollars in thousands)*

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	January 1, 2018 (As Restated)	Additions	Reductions	December 31, 2018	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds payable:					
Renovation Bonds of 1988 (\$28,000,000 original amount), 6.00% to 7.40%, due January 1, 2020	\$ 4,240	\$ -	\$ (2,045)	\$ 2,195	\$ 2,195
Refunding Bonds of 2005 (\$28,960,000 original amount), 3.50% to 5.25%, due January 1, 2025	13,895	-	(1,700)	12,195	1,785
General Obligation Bonds of 2010 - Series A-1, A-2 (\$195,000,000 original amount), 3.00% to 6.004%, due January 15, 2040	164,945	-	(1,385)	163,560	1,460
Plus: bond premium	3,256	-	(184)	3,072	184
Total bonds payable	186,336	-	(5,314)	181,022	5,624
Capital lease obligations	443,946	-	(11,079)	432,867	11,816
Asserted and unasserted self-insurance claims	1,112	9,240	(9,235)	1,117	733
Accrued compensated absences	7,241	5,078	(4,778)	7,541	5,949
Net pension liability	37,999	-	(8,732)	29,267	-
Other postemployment benefit liability	3,691	388	(259)	3,820	-
Governmental activities long-term liabilities	<u>\$ 680,325</u>	<u>\$ 14,706</u>	<u>\$ (39,397)</u>	<u>\$ 655,634</u>	<u>\$ 24,122</u>
<b>Business-Type Activities:</b>					
Eskenazi Health:					
Asserted and unasserted self-insurance claims	\$ 9,303	\$ 43,398	\$ (42,330)	\$ 10,371	\$ 7,152
Accrued compensated absences	24,398	25,434	(26,554)	23,278	17,853
Net pension liability	146,104	-	(36,419)	109,685	-
Other postemployment benefit liability	12,272	1,044	(828)	12,488	-
Deferred compensation	6,455	1,055	(1,190)	6,320	-
LT Care:					
Capital lease obligations	387,200	-	(59,755)	327,445	65,731
Asserted and unasserted self-insurance claims	18,000	3,577	(3,007)	18,570	5,767
Business-type activities long-term liabilities	<u>\$ 603,732</u>	<u>\$ 74,508</u>	<u>\$ (170,083)</u>	<u>\$ 508,157</u>	<u>\$ 96,503</u>

The above bond and capital lease obligations relating to governmental activities are to be repaid from ad valorem taxes levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana. The General Fund has been used in prior years to liquidate long-term liabilities other than debt related to governmental activities, including the net pension liability. The business-type capital leases will be repaid through Long-Term Care nursing home operating revenue.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The governmental activities debt service requirements, including interest, on bonds and related future BAB subsidies as of December 31, 2018 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>BAB Subsidies</b>
<b>Bonds:</b>			
2019	\$ 5,440	\$ 10,357	\$ 3,001
2020	5,730	10,067	3,001
2021	6,020	9,775	3,001
2022	6,330	9,467	3,001
2023	6,600	9,112	3,001
2024 - 2028	37,015	39,809	13,585
2029 - 2033	44,645	28,097	10,021
2034 - 2038	54,060	13,621	5,474
2039	12,110	727	704
	<u>\$ 177,950</u>	<u>\$ 131,032</u>	<u>\$ 44,789</u>

The above future BAB Subsidies reflect an assumed reduction for the BAB Sequester adjustment in effect at December 31, 2018.

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2018, is as follows:

Net assessed value - 2018	\$ 39,556,997
	<u>0.67%</u>
Debt limit	265,032
Debt applicable to debt limit:	
Bonded debt (excluding unamortized premiums)	<u>177,950</u>
Legal debt margin	<u>\$ 87,082</u>

As mentioned previously, in 2005, the Corporation refunded its 2000A GO Bonds with the issuance of the 2005 GO Bonds. The 2000A GO Bonds are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2018, \$11,650 of these defeased bonds remain outstanding.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

**Note 12: Leases**

***Operating***

The Corporation leases certain facilities and equipment under operating leases. Most of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2018 for the governmental activities:

2019	\$ 8,078
2020	8,098
2021	7,962
2022	7,890
2023	7,366
2024 - 2028	36,449
2029 - 2033	37,182
2034 - 2038	40,064
2039 - 2043	<u>41,622</u>
Total future minimum payments	<u><u>\$ 194,711</u></u>

Lease expenditures of \$5,807 were reported in the governmental activities for the year ended December 31, 2018.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2018 for the business-type activities:

2019	\$ 4,565
2020	3,255
2021	3,104
2022	2,646
2023	2,087
2024 - 2028	8,770
2029 - 2033	8,708
2034 - 2038	9,144
2039 - 2043	<u>9,098</u>
Total future minimum payments	<u><u>\$ 51,377</u></u>

The Corporation reported \$7,431 of lease expense in the business-type activities for the year ended December 31, 2018.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

#### **Capital**

The Corporation's governmental activities include capital leases for a data center reported in the governmental activities and the Eskenazi Health hospital complex reported in the Eskenazi Health Enterprise Fund. At December 31, 2018, the gross amount of building improvements, equipment and related accumulated amortization recorded under these capital leases was as follows:

Building and land improvements	\$	278,891
Equipment		204,831
Less: accumulated amortization		<u>(143,455)</u>
	\$	<u><u>340,267</u></u>

Future minimum capital lease payments for the Corporation's governmental activities as of December 31, 2018 are:

2019	\$	39,939
2020		39,939
2021		39,935
2022		39,942
2023		39,938
2024 - 2028		194,654
2029 - 2033		184,900
2034 - 2038		172,868
2039 - 2040		<u>32,914</u>
Total minimum lease payments		785,029
Less amount representing interest (6.45%)		<u>352,162</u>
Present value of net minimum capital lease payment		432,867
Less current installments of obligations under capital leases		<u>11,816</u>
Obligations under capital lease, excluding current installments	\$	<u><u>421,051</u></u>

For business-type activities, including the Long-Term Care Enterprise Fund, the Corporation is obligated under capital leases covering 78 nursing homes. At December 31, 2018, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	\$	674,498
Less: accumulated amortization		<u>(450,139)</u>
	\$	<u><u>224,359</u></u>

Amortization expense of assets held under capital leases is included in depreciation expense for the Corporation's governmental activities and business-type activities.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

Future minimum capital lease payments for the Corporation's business-type activities as of December 31, 2018 are:

2019	\$	90,016
2020		91,797
2021		93,479
2022		61,240
2023		20,808
2023 - 2026		32,130
Total minimum lease payments		389,470
Less amount representing interest (at rates ranging from 4.58% to 11.74%)		62,025
Present value of net minimum capital lease payment		327,445
Less current installments of obligations under capital leases		65,731
Obligations under capital lease, excluding current installments	\$	261,714

## **Note 13: Risk Management**

### ***Insurance Coverage***

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability, automobile and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana Tort Claims Act, under IC 34-13-3-4, which limits the tort liability for all Indiana governmental entities, in aggregate, to \$700 per person and \$5,000 per occurrence. The Corporation also purchases commercial insurance policies for certain other risks of loss with deductibles that range from \$25 to \$500. Settled claims have not exceeded coverage for the past three years.

Eskenazi Health is governed by the Indiana Medical Malpractice Act, which, effective July 1, 2017, limits the maximum recovery for medical malpractice claims to \$1,650 per occurrence, \$400 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund.

As mentioned previously in these notes, the Corporation established a nonprofit entity, Lions Insurance Company, which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. As with Eskenazi Health, Lions is protected by the Indiana Tort Claims Act, governed by in the Indiana Medical Malpractice Act and has professional liability coverage from the Indiana Patient Compensation Fund. In addition, Lions has protection for general liability coverage of \$1,000 per occurrence and \$3,000 in the aggregate.



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The Corporation has accrued for reported claims and claims incurred but not reported (IBNR) for workers' compensation, general liability and medical malpractice. Loss estimates have included the nature of each claim or incident and relevant trend factors as determined by legal counsel and an independent consulting actuary.

The following is a summary of the changes in asserted and unasserted workers' compensation, general liability, and medical malpractice claims for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2017	\$ 19,308
Change in incurred claims (including IBNRs), net	8,530
Claim payments	<u>(4,758)</u>
Balance at January 1, 2018	23,080
Change in incurred claims (including IBNRs), net	3,837
Claim payments	<u>(3,691)</u>
 Balance at December 31, 2018	 <u><u>\$ 23,226</u></u>

***Medical Claims Incurred But Not Reported***

Eskenazi Health has entered into an agreement with MDwise, Inc. (MDwise), a related party, to provide risk-based health care services, including, but not limited to inpatient, outpatient and physician services, to qualified Medicaid participants.

Effective January 1, 2008, this program was expanded to include the provisions of the Healthy Indiana Plan (HIP) and during 2015, this program was expanded again to include HIP 2.0. Eskenazi Health receives payments for the care of these Medicaid beneficiaries under a capitated payment methodology from MDwise and disburses payments through a third-party administrator based upon processed claims.

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Eskenazi Health for amounts that are unpaid at December 31, 2018. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Eskenazi Health and gives effect to estimates of trends in claim severity and frequency. Although management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Eskenazi Health Enterprise Fund. Historically, the majority of these claims are paid within one year following year-end, so the entire balance is being reflected in current liabilities in the statement of net position.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The following is a summary of changes in the medical claims incurred but not reported for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2017	\$ 22,919
Change in incurred claims (including IBNRs), net	116,338
Claim payments	<u>(125,370)</u>
Balance at January 1, 2018	13,887
Change in incurred claims (including IBNRs), net	126,970
Claim payments	<u>(126,777)</u>
 Balance at December 31, 2018	 <u><u>\$ 14,080</u></u>

**Health Insurance Coverage**

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage. Asserted and unasserted self-insurance claims in the governmental and business-type activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2018. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation’s management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims.

The following is a summary of the changes in the Corporation’s health insurance liability for the past two years, as recorded in the governmental activities of the statement of net position:

Balance at January 1, 2017	\$ 959
Change in incurred claims (including IBNRs), net	9,291
Claim payments	<u>(9,138)</u>
Balance at January 1, 2018	1,112
Change in incurred claims (including IBNRs), net	9,240
Claim payments	<u>(9,235)</u>
 Balance at December 31, 2018	 <u><u>\$ 1,117</u></u>

The amount recorded as a liability in the General Fund at December 31, 2018 is \$733 and represents the claims, which are matured and due as of year-end.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The following is a summary of the changes in the Corporation’s health insurance liability for the past two years, as recorded in the business-type activities of the statement of net position:

Balance at January 1, 2017	\$ 3,879
Change in incurred claims (including IBNRs), net	39,725
Claim payments	<u>(39,381)</u>
Balance at January 1, 2018	4,223
Change in incurred claims (including IBNRs), net	43,138
Claim payments	<u>(41,646)</u>
 Balance at December 31, 2018	 <u><u>\$ 5,715</u></u>

**Note 14: Retirement Plans**

***Plan Description***

The Corporation contributes to the Indiana Public Employees’ Retirement Fund (PERF), a cost-sharing, multiple-employer defined-benefit retirement plan established in accordance with IC 5-10.3 to act as a common investment and administrative agent for units of state and local governments in Indiana. PERF is administered by the Indiana Public Retirement System (INPRS) and is governed by the INPRS Board of Trustees (INPRS Board). PERF provides retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan and certain INPRS employees. Substantially all of the Corporation’s full-time employees hired before July 1, 2014 are eligible to participate in this plan. Eskenazi Health employees hired after June 30, 2014 are not PERF eligible.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for PERF and can be found at <http://www.inprs.in.gov>. This report may be obtained by writing to Indiana Public Retirement System, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

There are two tiers to the PERF plan. The first is the Public Employee’s Defined Benefit Plan (“PERF Hybrid Plan”) and the second is the My Choice: Retirement Savings Plan for Public Employees (“My Choice”). During both 2018 and 2017, the Corporation did not participate in the My Choice Plan.

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC5-10.3, and IC 5-10.5. There are two aspects to the PERF Hybrid Plan defined-benefit structure. The first portion is PERF DB, the monthly defined-benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Public Employees’ Hybrid Members Defined Contribution Account (“DC Account”), formerly known as the Annuity Savings Account (“ASA”), which supplements the defined-benefit at retirement.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

### ***Funding Policy***

The funding policies of INPRS provide for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

The employer defined-benefit contribution rate is based on an actuarial valuation and is adopted, and may be amended, by the INPRS Board. For 2018, the Corporation contributed 11.2% of employee compensation to the plan. The DC Account consists of the employee contribution, which is set by statute at 3% of compensation, as defined by Indiana statutes, plus the interest/earnings or losses credited to the employee's account. The employer may choose to make the contributions on behalf of its participating employees, which the Corporation has elected to do. In addition, under certain circumstances, employees may elect to make additional voluntary contributions of up to 10% of their compensation into their DC Account. An employee's contribution and interest credits belong to the employee and do not belong to the state or the Corporation.

### ***Retirement Benefits***

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the employee's DC account. Retirement benefits vest after ten years of creditable service. The vesting period is eight years for certain elected officials. Employees are immediately vested in their respective DC Account. At retirement, an employee may choose to receive a lump-sum payment of the amount credited to the employee's DC Account, receive the amount as an annuity, or leave the contributions invested with INPRS.

Vested employees leaving a covered position, who wait 30 days after termination, may withdraw their DC Account and will not forfeit creditable service or a full retirement benefit. However, if an employee is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the DC Account. A nonvested employee who terminates employment prior to retirement may withdraw his/her DC Account after 30 days, but by doing so, forfeits his/her creditable service. An employee who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

An employee who has reached: (1) age 65 and has at least 10 years of creditable service; (2) age 60 and has at least 15 years of creditable service; or (3) at least age 55 and whose age plus number of years of creditable service is at least 85 is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.10% times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the 20 calendar quarters of creditable service in which the employee's annual compensation was the highest. All 20 calendar quarters do not have to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. Employee contributions paid by the employer on behalf of the employee and severance pay up to \$2 are included as part of the employee's salary.

An employee who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. An employee retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the employee's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89%. This amount is reduced five percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

The monthly pension benefits for employees in pay status may be increased periodically as cost of living adjustments (COLAs). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

#### **Disability and Survivor Benefits**

The PERF Hybrid Plan also provides disability and survivor benefits. An employee who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the employee has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$0.2 per month, or the actuarial equivalent.

Upon the death in service of an employee with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the employee had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the employee had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of an employee who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

### **Contributions**

Employer contribution rates are adopted annually by the INPRS Board for PERF. The contributions are actuarially determined based on the funding policy, actuarial assumptions and actuarial methods established by the INPRS Board. Contributions determined by the actuarial valuation become effective either 12 or 18 months after the valuation date, depending on the applicable employer. In the case of the Corporation, contribution rates and amounts determined by the June 30, 2017 actuarial valuation and adopted by the INPRS Board therefore become effective on January 1, 2018. The Corporation's contractually required contribution rate for 2018 was 11.2% of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Corporation's contribution to the plan for the year ended December 31, 2018, exclusive of employer-paid member contributions, was \$22,450, equal to the approved employer contribution and 11.2% of covered payroll for the year.

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

At December 31, 2018, the Corporation reported a liability of \$138,952 for its proportionate share of PERF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Member census data as of June 30, 2017, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date. Wages reported by the Corporation relative to the collective wages of the plan served as the basis to determine the Corporation's proportionate share. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2018, the Corporation's proportion was 4.09%, which was a decrease of 0.04% from its proportion measured as of June 30, 2017.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

For the year ended December 31, 2018, the Corporation recognized pension expense of \$14,140, which is comprised of \$4,857 related to governmental activities and \$9,283 related to business-type activities. At December 31, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actuarial differences	\$ 1,817	\$ 10
Net difference between projected and actual earnings on pension plan investments	4,116	-
Changes of assumptions	331	22,301
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	442	7,494
Corporation's contributions subsequent to the measurement date	11,274	-
	<u>\$ 17,980</u>	<u>\$ 29,805</u>

At December 31, 2018, the Corporation reported \$2,499 in the governmental activities and \$8,775 in the business-type activities as deferred outflows of resources related to Corporation contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as net deferred outflows of resources at December 31, 2018, related to pensions will be recognized in pension expense as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
2019	\$ 708	\$ (3,611)	\$ (2,903)
2020	(1,120)	(5,716)	(6,836)
2021	(2,096)	(8,815)	(10,911)
2022	(517)	(1,932)	(2,449)
	<u>\$ (3,025)</u>	<u>\$ (20,074)</u>	<u>\$ (23,099)</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements December 31, 2018

*(Dollars in thousands)*

#### **Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.5% - 4.25% average, including inflation
Ad hoc cost of living adjustments	Varies per year as follows: 2019 through 2020 - 13th check 2020 through 2032 - 0.40% 2033 through 2037 - 0.50% 2038 and on - 0.60%
Long-term expected rate of return	6.75%, net of pension plan investment expense

Mortality rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study performed for the period June 30, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted-average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public equity	22%	4.4%
Private markets	14%	5.4%
Fixed income - ex inflation linked	20%	2.2%
Fixed income - inflation linked	7%	0.8%
Commodities	8%	2.3%
Real estate	7%	6.5%
Absolute return	10%	2.7%
Risk parity	12%	5.2%
	100%	



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75% for the year ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the PERF's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The Corporation's proportionate share of the net pension liability has been calculated using a discount rate of 6.75%. The following presents the Corporation's proportionate share of the net pension liability calculated using a discount rate of 1% higher and 1% lower than the current rate.

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Corporation's proportionate share of PERF's net pension liability:			
Governmental activities	\$ 46,071	\$ 29,267	\$ 15,254
Business-type activities	<u>172,663</u>	<u>109,685</u>	<u>57,169</u>
Total	<u>\$ 218,734</u>	<u>\$ 138,952</u>	<u>\$ 72,423</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERF financial report.

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Notes to Basic Financial Statements

December 31, 2018

(Dollars in thousands)

### **Defined-Contribution Retirement Plan**

The Corporation also contributes to the Health and Hospital Corporation of Marion County Retirement Plan, a defined-contribution retirement plan covering Eskenazi Health employees hired after June 30, 2014. The plan is administered by the Plan Committee of the Retirement Plan (Plan Committee), as appointed by the President and Chief Executive Officer of the Corporation. Retirement plan expense is recorded for the amount of the Corporation's required contributions, determined in accordance with the terms of the plan. Benefit and contribution provisions are contained in the plan document and were established and can be amended by action of the Plan Committee or the Corporation's governing body. The Corporation contributes 3% of eligible employee's compensation. Additionally, the Corporation contributes to the plan an amount equal to each eligible employee's contributions into their deferred compensation plan up to 4% of the employee's compensation. During 2018, the Corporation contributed \$5,495 into the defined-contribution retirement plan.

### **Note 15: Other Postemployment Benefit Plan**

#### **Plan Description**

The Corporation provides benefits through the Corporation's Postemployment Medical Benefits Plan (the OPEB Plan), which is a single-employer defined benefit other postemployment benefit (OPEB) plan administered by the Corporation. The plan provides reimbursement for medical benefits to eligible retirees and their spouses and dependents. For Eskenazi Health, retirees must be at least age 55 years old with at least 20 years of service. For MCPHD, retirees must meet the same requirements as Eskenazi Health, but also must have 10 of the 20 years of service immediately preceding retirement and 15 years of participation in the PERF plan. All benefits cease when the employee reaches the age of 65. Benefits are provided upon the retiree's date of retirement if they chose to participate. The retiree is responsible for all premium costs associated with the medical coverage. Payments of claims on behalf of retirees are made as incurred. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue separate financial statements.

#### **Benefits Provided**

The OPEB Plan provides medical benefits to all eligible retirees and their spouses and dependents hired by Eskenazi Health and MCPHD. Benefits are provided through a third-party insurer, and the cost of the benefits are paid fully by the retiree. The cost per month to the retiree varies based on the type of coverage they are needing until the age of 65 when the retiree becomes eligible for Medicare and the benefits are terminated. The Corporation covers the service and interest costs of administering the plan and bears the risk of premiums not being sufficient to cover actual claims paid.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to Basic Financial Statements**  
**December 31, 2018**  
*(Dollars in thousands)*

The employees covered by the benefit terms at the measurement date of December 31, 2018 are:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Actives	784	4,566
Retirees	3	25
Spouses of Retirees	-	5
	787	4,596

**Total OPEB Liability**

The Corporation's total OPEB liability of \$16,308 was measured as of December 31, 2018 for the year ended December 31, 2018, and was determined by actuarial valuations as of that date. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25%
Discount rate	4.10% (3.44% in prior year)
Salary increases	Ranges from 2.50% to 4.25% based on age
Health care cost trend rates	Ranges from 5.90% in 2018 through 3.90% in and after 2074
Retiree's share of benefit-related costs	100% of the active employee premium for medical coverage

The discount rate was based on the Bond Buyer's General Obligation 20 index.

Mortality rates were based on the Sex Distinct RP-2000 Mortality projected forward with scale BB.

Coverage assumption – 75% of active and eligible employees are assumed to elect coverage at retirement. 20% of future retirees are assumed to elect spousal coverage at retirement.

Per capita medical benefit costs to the Corporation are determined based on gender and age and vary from \$8 per year to \$19 per year.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

***Changes in the Total OPEB Liability***

Changes in the total OPEB liability are:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Balance, beginning of year	\$ 3,691	\$ 12,272
Changes for the year:		
Service cost	232	941
Interest	135	451
Effect of assumption changes	(259)	(966)
Benefit payments (receipts)	21	(210)
Net change	<u>129</u>	<u>216</u>
Balance, end of year	<u><u>\$ 3,820</u></u>	<u><u>\$ 12,488</u></u>

Changes of assumptions reflect a change in the discount rate from 3.44% at December 31, 2017 to 4.10% at December 31, 2018.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates***

The total OPEB liability of the Corporation has been calculated using a discount rate of 4.10%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	<b>1% Decrease (3.10%)</b>	<b>Current Discount Rate (4.10%)</b>	<b>1% Increase (5.10%)</b>
Total OPEB liability:			
Governmental activities	\$ 4,219	\$ 3,820	\$ 3,460
Business-type activities	<u>13,980</u>	<u>12,488</u>	<u>11,156</u>
Total	<u><u>\$ 18,199</u></u>	<u><u>\$ 16,308</u></u>	<u><u>\$ 14,616</u></u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The total OPEB liability of the Corporation has been calculated using health care cost trend rates of 5.90% - 3.90%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability:			
Governmental activities	\$ 3,321	\$ 3,820	\$ 4,421
Business-type activities	10,671	12,488	14,702
	<hr/>	<hr/>	<hr/>
Total	\$ 13,992	\$ 16,308	\$ 19,123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2018, the Corporation recognized OPEB expense of \$1,584 which is comprised of \$330 related to governmental activities and \$1,254 related to business-type activities. At December 31, 2018, the Corporation reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Changes of assumptions	\$ -	\$ -	\$ 222	\$ 828
	<hr/>	<hr/>	<hr/>	<hr/>

Amounts reported as deferred inflows of resources at December 31, 2018, related to OPEB will be recognized in OPEB expense as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2019	\$ (37)	\$ (138)	\$ (175)
2020	(37)	(138)	(175)
2021	(37)	(138)	(175)
2022	(37)	(138)	(175)
2023	(37)	(138)	(175)
Thereafter	(37)	(138)	(175)
	<hr/>	<hr/>	<hr/>
	\$ (222)	\$ (828)	\$ (1,050)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

#### **Note 16: Deferred Compensation Plans**

Employees of the Corporation are eligible to participate in a deferred compensation plan (Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to substantially all employees of the Corporation. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

Additionally, EMG has a 457(b) deferred compensation agreement with certain members of management and highly compensated employees. Under the plan, employees may elect to defer a portion of their current compensation to provide for retirement and other benefits of the employee. EMG may credit to the plan each year an amount as defined by EMG's board of directors. The Corporation records a restricted asset on the statement of net position, which is offset by a matching liability. Employer contributions for 2018 were approximately \$370.

#### **Note 17: Hospital Management Agreement**

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2018, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Eskenazi Health, but the operations of Eskenazi Health remains the direct responsibility of the Corporation. Eskenazi Health incurred fees for professional, management and resident physician services of approximately \$60,000 during the year (recorded in medical and professional fees on the statement of revenues, expenses and changes in fund net position - proprietary funds).

#### **Note 18: Long-Term Care Management Agreement**

The Corporation has entered into three management agreements with American Senior Communities, LLC (ASC) to manage the 78 nursing homes, which are accounted for in the Long-Term Care Fund. The term of two management agreements extends until August 2022 for 61 of the Corporation's nursing homes. The Corporation has the right to extend the term for an additional period of 10 years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2015, these agreements were to terminate automatically by their terms as a result of the termination by ASC of its then-current Chief Executive Officer, which is more fully described in Note 19. The Corporation and ASC are currently abiding by the terms of these agreements and agreed to negotiate in good faith the replacement management agreements.

# **Health and Hospital Corporation of Marion County, Indiana**

## **(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

### **Notes to Basic Financial Statements**

**December 31, 2018**

*(Dollars in thousands)*

The term of the third series of management agreement extends coverage to the operation of 17 facilities acquired on July 1, 2015, which is more fully described in Note 19. The original agreements to the acquisition were automatically terminated in September 2015 as a result of the termination by ASC of its then-current Chief Executive Officer. During 2016, the Corporation and ASC entered into new management agreements that extend until June 2025 for these 17 facilities. The Corporation has the right to extend the term for an additional period conterminous with the term of the underlying lease agreements if written notice is given to ASC at least 60 days prior to the expiration of the initial term.

During 2018, the Corporation incurred approximately \$34,761 in management fees to ASC under all agreements for Long-Term Care operations. In the event the ASC management agreements are terminated or not renewed, it could have a material impact on the Corporation's financial statements.

ASC utilizes the services of EagleCare, LLC (EagleCare) to provide the personnel required to operate each of the respective facilities. EagleCare and ASC are related parties in that the persons who own 100% of EagleCare also own 95% of ASC. ASC also provides management services to EagleCare in connection with its operations. These payments to EagleCare are included within contract labor expenses within the Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.

The Corporation currently leases 7 of the nursing homes from entities related to ASC through common ownership. During 2018, the Corporation paid approximately \$21,042 to this organization in associated lease costs from Long-Term Care operating revenue.

At December 31, 2018, the Long-Term Care Fund had a payable to EagleCare of approximately \$13,474 primarily for accrued labor and related benefits. The Long-Term Care Fund also had a payable to ASC at December 31, 2018 of approximately \$9,353 for outstanding management services rendered to be paid from operations.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

#### Note 19: Federal Investigation

In September 2015, authorities, including federal prosecutors, publicly acknowledged an investigation involving the activities of certain former ASC employees and others as to possible violations of relevant law. The relationship of ASC and the Corporation is more fully described in Note 18. Both the Corporation and ASC fully cooperated with these authorities and their investigation. Concurrent with the federal investigation, the Corporation and ASC conducted their own internal investigations of the individuals' activities and shared this information with the federal authorities. In October 2016, federal authorities filed criminal charges against ASC's former Chief Executive Officer, Chief Operating Officer and others alleging fraudulent conduct in connection with the operation of the nursing facilities, including alleged mail and wire fraud, healthcare fraud, anti-kickback violations and money laundering. The alleged charges focused on the defendants' dealings with various vendors supplying goods and services to the Corporation. Ultimately, by July 2018, all the criminal defendants pled guilty and received prison sentences ranging from four months to nearly 10 years. The three primary victims of the criminal fraud were the Corporation, ASC and Indiana Medicaid. During the sentencing hearings, the federal authorities established that these victims suffered the following losses: the Corporation - \$9,889; ASC - \$1,568; and Indiana Medicaid - \$593. In addition to prison sentences, the defendants were ordered to pay restitution to the victims.

During 2017, the Corporation and ASC entered into a Settlement Agreement and Mutual Release (Settlement Agreement). The Settlement Agreement forever releases and discharges both the Corporation and ASC from any and all claims that could be alleged in connection with claims associated with the investigation and terminates a previously executed indemnification agreement associated with the investigation between ASC and the Corporation. In exchange, ASC agreed to pay the Corporation \$15,500 for damages incurred by the Corporation as a result of the fraudulent actions of former employees of ASC and others conspiring with them. As of December 31, 2018, the Corporation general fund recognized an outstanding receivable of \$10,500 for the portion not yet received, and revenues of \$3,000 with \$9,750 as unavailable revenue in deferred inflows of resources. The Settlement Agreement provides for structured payments to satisfy the outstanding balance, as defined in the agreement and is partially secured by a letter of credit benefitting the Corporation.

The Settlement Agreement also requires ASC to pay the Corporation the aggregate amount imposed by any Governmental Authority for penalties, fines and interest, as well as certain administrative expenses, in connection to amending any cost reports that may be required. It is possible that the criminal fraud caused the Corporation's cost reports previously submitted to a Governmental Authority to be overstated, which, in turn, caused a Governmental Authority to issue overpayments to the Corporation. Such overpayments by a Governmental Authority to the Corporation as a result of the fraudulent actions, if any, could result in an obligation to the Governmental Authority, which may be the responsibility of the Corporation.



# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

Because of the inherent uncertainties related to the investigation, the resultant use of estimates, assumptions and judgments, and external factors beyond our control, accruals, possible asset impairment or expense classification are based upon the best information available at the date of these financial statements. While management understands the investigation is nearing completion, available information remains limited. As additional information becomes available, management will reassess the financial statements with respect to the investigation related to any pending inspections, internal investigations, inquiries and claims and may revise estimated exposure or the related disclosures, as appropriate, and these reassessments could have a material impact on the financial statements and related disclosures.

#### **Note 20: Nursing Home Leases**

The Corporation has entered into various transactions with entities related to ASC and unrelated third parties involving the leasing of buildings and purchasing of equipment for the operation of nursing homes throughout the state of Indiana with terms through March 2026. These transactions require the Corporation to make monthly lease payments, ranging from \$20 to \$207 per home. Certain transactions require the lease payments to increase by the greater of the Consumer Price Index (CPI) or a set percentage as defined in each agreement, which is typically 2% to 3%. Additionally, many of the leases have optional extensions available to the Corporation in five-year increments.

The Corporation is required to make various capital improvements for many of these facilities, ranging from \$30 to \$297 annually per home. In the same way as the lease payments above, these amounts increase annually. The Corporation expects to fund the capital improvements from cash flows generated from the operations of each nursing home.

The Corporation is required to provide security deposits for 45 of the nursing homes. As a result, irrevocable standby letters of credit in the aggregate amount of \$11,374 exist to provide the required security.

Various unrelated third parties serve as the landlords for 71 of the Corporation's nursing facilities. Lease payments to these third parties in 2018 approximated \$68,232.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

December 31, 2018

*(Dollars in thousands)*

#### Note 21: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2018, the Corporation received \$121,533 in tax cash receipts and \$525 in special assessment fees cash receipts from the County for the “Clean and Lien” program to clean up vacant lots. The Corporation paid the County \$435 in 2018 for autopsy and death reports, vital records, coroner fees and other matters. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2018.

#### Note 22: Joint Ventures

The Corporation was a 50% member in MDwise, as well as MDwise Medicaid Network, Inc. (Excel) through December 29, 2017, when the Corporation transferred its membership interests in MDwise and Excel to an unrelated third party which resulted in the recognition of a gain of \$66,575 within the 2017 statement of activities and statement of revenues, expenses and changes in net position. Included within the membership transfer agreement was a requirement for a portion of the total purchase price to be placed in escrow and distributed to the Corporation (and the other 50% member) over a period of approximately three years from the transfer date. As a result, the Corporation holds an asset as of December 31, 2018 within the Eskenazi fund for \$35,473, of which management expects a significant portion to be distributed to the Corporation during 2019, once periodic true-up of balances occur.

During 2015, the Corporation entered into a joint venture to create MDwise Marketplace, Inc. (Marketplace), which is a not-for-profit corporation that operates as a health maintenance organization and contracts with health care providers. The investment is recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method. The carrying value of this joint venture at December 31, 2018 was \$5,039.

The Corporation also entered into a joint venture to create MDwise Network, Inc. (Connect), which was created to supplement the operations of Marketplace. The investments in Marketplace and Connect are recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method and the Corporation is a 49% member of each. The carrying value of the Connect joint venture at December 31, 2018 was \$2,868.

As a result of the transfer of the membership interests in MDwise and Excel, both Marketplace and Connect ceased ongoing operations as of December 31, 2017. Remaining activities in 2018 included payments of certain administrative expenses and amounts to health providers for services prior to January 1, 2018. Both entities were officially dissolved in November 2018 and remaining assets, if any, are to be distributed proportionally to the members after the complete wind up and liquidation of the entities affairs.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Notes to Basic Financial Statements

**December 31, 2018**

*(Dollars in thousands)*

Complete financial statements for Marketplace and Connect can be obtained from administrative offices at 1200 Madison Avenue, Suite 400, Indianapolis, Indiana 46225.

The Corporation is a 50% partner in the HHC-HTA, LLC (formerly HHC/Duke Realty Development LLC) (LLC). LLC is a limited liability corporation established by the Corporation and Duke Realty to jointly develop and construct an office building located on the Eskenazi Health Campus. The office building is owned by the LLC. The Corporation owns the land under the building and has leased the land to the LLC for 50 years. The Corporation is expected to be the sole primary lessee of the building for the next 30 years but does have the authority to sublet as it wishes. The lease entered into by the Corporation was effective November 1, 2013 and has an escalation rate of 7.75% every five years. Future minimum lease payments required to be paid under the lease are included within the governmental activities as reported earlier in these notes. The Corporation, as a partner in the LLC, also receives a return on its equity investment equal to 8.25% over the life of the lease. The LLC will continue to own the building at the end of the 30 year lease. However, the Corporation may purchase the building at market value or continue to lease the building from the LLC at the end of the original lease period. The investment in the LLC is recorded in the governmental activities of the statement of net position and is accounted for under the equity method. The carrying value of this joint venture at December 31, 2018 was \$37,387. Complete financials for the LLC can be obtained from the Healthcare Trust of America administrative offices at 1300 Hospital Drive, Suite 170, Mount Pleasant, SC 29464.

The financial position and results of operations of the investee for the Corporation's governmental activities are summarized below:

	<b>HHC-HTA, LLC</b>
Current assets	\$ 14,688
Property and other long-term assets, net	64,663
Total assets	79,351
Total liabilities	4,578
Members' equity	\$ 74,773
Revenues	\$ 9,382
Excess of revenues over expenses	\$ 5,211

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

The financial position and results of operations of the investee for the Corporations business-type activities are summarized below:

	<u>Marketplace</u>	<u>Connect</u>
Current assets	\$ 11,133	\$ 8,962
Property and other long-term assets, net	<u>500</u>	<u>-</u>
Total assets	<u>11,633</u>	<u>8,962</u>
Current liabilities	1,333	3,109
Long-term liabilities	<u>16</u>	<u>-</u>
Total liabilities	<u>1,349</u>	<u>3,109</u>
Members' equity	<u>\$ 10,284</u>	<u>\$ 5,853</u>
Revenues	<u>\$ 999</u>	<u>\$ 618</u>
Excess (deficit) of revenues over expenses	<u>\$ 440</u>	<u>\$ -</u>

**Note 23: Explanation of Certain Differences Between Governmental Fund Financial Statements and the Government-Wide Financial Statements**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements (excludes matured bond principal and interest).” The details of this amount are as follows:

Bonds payable (including premium)	\$ 181,022
Capital lease obligations	432,867
Asserted and unasserted self-insurance claims	384
Accrued compensated absences	<u>7,541</u>
	<u>\$ 621,814</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Notes to Basic Financial Statements**  
**December 31, 2018**

*(Dollars in thousands)*

Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items.” The details of this amount are as follows:

Principal repayments on debt:	
General obligation bonds	\$ 5,130
Capital leases	<u>11,079</u>
	<u>\$ 16,209</u>

**Note 24: Concentrations of Credit Risk**

Eskenazi Health and Long-Term Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of net patient service receivables from patients and third-party payers at December 31, 2018 is as follows:

Commercial insurance	13%
Medicare	33%
Medicaid	34%
Self-pay	16%
Other	<u>4%</u>
	<u>100%</u>

**Note 25: Contingencies**

***Litigation***

In addition to pending medical malpractice claims, the Corporation has other litigation pending against it. It is the opinion of management that losses, if any, from pending litigation will not have a material adverse effect on its financial position, results of operations or liquidity.

As of December 31, 2018, the Corporation is a defendant in a lawsuit in which plaintiffs allege inappropriate billing and collection practices related to hospital liens resulting in unjust enrichment to the Corporation, fraud, and breach of contract. The plaintiffs are seeking class certification on behalf of a class of similarly situated persons. The Corporation intends to vigorously defend this matter and believes it is too early to determine a likely outcome or a likely amount of damages.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to Basic Financial Statements**  
**December 31, 2018**  
*(Dollars in thousands)*

***Patient Billing Audit***

During 2018, Eskenazi Health was subject to several Compliance Surveillance and Utilization Reviews from the Indiana Family & Social Services Administration. As a result of these reviews, Eskenazi Health received demand letters alleging extrapolated overpayments relating to various programs. Eskenazi Health conducted an in-depth review to determine the validity of each item noted within the reviews and is vigorously defending the results of this review. Based on management's review and advice of legal counsel, management has recognized an estimate of the amount of ultimate expected loss as of December 31, 2018. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Government Grants***

The Corporation participates in a number of federal financial assistance programs. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Corporation expects such amounts, if any, to be immaterial.

**Required Supplementary Information  
(Other Than MD&A) (Unaudited)**

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Required Supplementary Information**  
**Schedule of Corporation's Proportionate Share of the Net Pension Liability**  
**Indiana Public Employees' Retirement Fund (PERF)**  
**Last 10 Fiscal Years\***  
*(Dollars in thousands)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Corporation's proportion of the net pension liability	4.0904%	4.1264%	4.4914%	4.6000%	4.8248%
Corporation's proportionate share of the net pension liability	\$ 138,952	\$ 184,103	\$ 203,839	\$ 187,353	\$ 126,794
Corporation's covered payroll	\$ 208,716	\$ 204,720	\$ 215,254	\$ 220,331	\$ 235,563
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	67%	90%	95%	85%	54%
Plan fiduciary net position as a percentage of the total pension liability (a)	79%	73%	71%	73%	81%

(a) 2014 – 2017 were adjusted to reflect defined benefit activity only due to split of the defined benefit/contribution plans effective January 1, 2018.

\* The amounts presented for each fiscal year were determined as of June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

**Notes to Schedule:**

*Benefit changes:* no changes

*Changes of assumptions:* no changes



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Required Supplementary Information**  
**Schedule of Corporation's Pension Contributions**  
**Indiana Public Employees' Retirement Fund (PERF)**  
**Last 10 Fiscal Years\***

*(Dollars in thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 20,552	\$ 22,244	\$ 23,175	\$ 24,534	\$ 26,107
Contributions in relation to the contractually required contribution	20,552	22,244	23,175	24,534	26,107
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -
Corporation's covered payroll	\$ 183,817	\$ 197,353	\$ 206,962	\$ 219,944	\$ 195,739
Contributions as a percentage of covered payroll	11.18%	11.27%	11.20%	11.15%	13.34%

\* The amounts presented for each fiscal year were determined as of December 31.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

**Notes to Schedule:**

**Benefit changes:** no changes

**Changes of assumptions during 2018:**

- In 2018, the COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS now assumes that the COLA will be replaced with a thirteenth check for 2020 and 2021. The COLA assumption thereafter would be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

**Changes in actuarial methods:** no significant changes

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Required Supplementary Information**  
**Schedule of Changes in the Corporation's Total OPEB Liability and**  
**Related Ratios**  
**Postemployment Medical Benefit Plan (OPEB)**  
**Last 10 Fiscal Years\***  
*(Dollars in thousands)*

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,173
Interest	586
Effect of assumption changes	(1,225)
Benefit payments	(189)
<b>Net change in total OPEB liability</b>	345
<b>Total OPEB liability - beginning</b>	15,963
<b>Total OPEB liability - ending</b>	\$ 16,308
<b>Corporation's covered-employee payroll</b>	\$ 278,163
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	5.86%

\* The amounts presented for each fiscal year were determined as of December 31.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

**Notes to Schedule:**

**Benefit changes:** no significant changes

**Changes of assumptions during 2018:** Discount rate changed from 3.44% at December 31, 2017 to 4.10% at December 31, 2018

**Trust:** No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Required Supplementary Information - Budgetary Comparison**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2018**

*(Dollars in thousands)*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 120,886	\$ 120,886	\$ 126,202	\$ 5,316
Licenses and permits	4,573	4,573	4,684	111
Intergovernmental	563	563	541	(22)
Charges for services	1,531	1,531	1,575	44
Medicaid special revenue (net of intergovernmental transfers)	(31,001)	(31,001)	(92,947)	(61,946)
Interest	250	250	4,130	3,880
Grants	24,147	24,147	24,750	603
Miscellaneous	13,833	13,833	13,908	75
Total revenues	<u>134,782</u>	<u>134,782</u>	<u>82,843</u>	<u>(51,939)</u>
<b>Expenditures</b>				
Personal services	65,697	65,697	65,668	29
Supplies	8,637	8,637	4,072	4,565
Other charges and services	97,689	97,689	52,374	45,315
Capital outlays	3,498	3,498	3,296	202
Total expenditures	<u>175,521</u>	<u>175,521</u>	<u>125,410</u>	<u>50,111</u>
<b>Other Financing Uses</b>				
Transfers in	240,000	240,000	236,700	(3,300)
Transfers out	(198,271)	(198,271)	(200,091)	(1,820)
Total other financing uses	<u>41,729</u>	<u>41,729</u>	<u>36,609</u>	<u>(5,120)</u>
Net change in fund balances	990	990	(5,958)	(6,948)
Fund balances - beginning of year	<u>39,393</u>	<u>39,393</u>	<u>383,923</u>	<u>344,530</u>
Fund balances - end of year	<u>\$ 40,383</u>	<u>\$ 40,383</u>	<u>\$ 377,965</u>	<u>\$ 337,582</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Notes to the Required Supplementary Information - Budgetary Comparison**  
**December 31, 2018**  
*(Dollars in thousands)*

***Budgets and Budgetary Accounting***

The Corporation is required by state statute to prepare a budget each calendar year. The budget is prepared for the General, Debt Service and Capital Projects, but is not required for certain activities of the Capital Projects Funds since they are controlled by bond indentures. The Corporation's annual budget is subjected to review by the Corporation's Board of Trustees and the City-County Council, and approved by the State of Indiana Department of Local Government Finance (DLGF). Any additional appropriations that increase the total expenditures require approval by the Corporation's Board of Trustees and the DLGF. Any decreases to total appropriated expenditures require the approval by the Corporation's Board of Trustees but not the DLGF. Budgetary control is exercised at the object of expenditure level. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, and by object of expenditure, remains unchanged.

The General, Capital Projects, and Debt Service Funds budgets are adopted on a basis not consistent with GAAP for revenue as it is a mix of accrual and cash basis. Encumbrances are treated as expenditures for the year in which the commitment to purchase is incurred for budgetary purposes.

***Encumbrance Accounting***

For accounting purposes, purchase orders, contracts and other anticipated obligations to expend monies are recorded as encumbrances in governmental fund types in order to reserve that portion of the applicable appropriation. Encumbrances and their underlying appropriations do not lapse with the expiration of the budget period.

***Reconciliation of Budgetary Basis Actual to GAAP Basis Actual***

The schedule of revenues, expenditures and changes in fund balances - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because the budgetary and GAAP presentations of actual data differ for the General Fund expenditures, a reconciliation of the two presentations is presented below for the General Fund.

Net change in fund balance - GAAP basis	\$	12,461
Add (Deduct):		
Encumbrances as of year-end		(8,335)
Change in prepaid expenditures		(271)
Change in accounts receivable		(19,837)
Change in accounts payable		6,991
Change in self-insurance claims		992
Change in accrued expense		2,041
		2,041
Net change in fund balance - Budgetary Basis	\$	(5,958)

## **Other Supplementary Information**

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Debt Service Fund**  
**For the Year Ended December 31, 2018**  
*(Dollars in thousands)*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,648	\$ 4,648	\$ 4,796	\$ 148
Interest	5	5	150	145
Miscellaneous	10,055	10,055	10,153	98
Total revenues	14,708	14,708	15,099	391
<b>Expenditures</b>				
Principal retirement	5,130	5,130	16,209	(11,079)
Interest and fiscal charges	50,645	50,645	39,523	11,122
Total expenditures	55,775	55,775	55,732	43
Excess of revenues over expenditures	(41,067)	(41,067)	(40,633)	434
<b>Other Financing Sources</b>				
Transfers in	40,987	40,987	40,889	(98)
Total other financing sources	40,987	40,987	40,889	(98)
Net change in fund balances	(80)	(80)	256	336
Fund balances - beginning of year	(86,673)	(86,673)	3,844	90,517
Fund balances - end of year	\$ (86,753)	\$ (86,753)	\$ 4,100	\$ 90,853

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual - Capital Projects Fund**

**For the Year Ended December 31, 2018**

*(Dollars in thousands)*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 221	\$ 221	\$ 231	\$ 10
Interest	100	100	1,535	1,435
Total revenues	<u>321</u>	<u>321</u>	<u>1,766</u>	<u>1,445</u>
<b>Expenditures</b>				
Capital outlays	<u>15,000</u>	<u>15,000</u>	<u>12,927</u>	<u>2,073</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>12,927</u>	<u>2,073</u>
Excess of revenues over expenditures	<u>(14,679)</u>	<u>(14,679)</u>	<u>(11,161)</u>	<u>3,518</u>
<b>Other Financing Sources</b>				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>18,682</u>	<u>3,682</u>
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>18,682</u>	<u>3,682</u>
Net change in fund balances	321	321	7,521	7,200
Fund Balances - beginning of year	<u>(55,727)</u>	<u>(55,727)</u>	<u>69,837</u>	<u>125,564</u>
Fund balances - end of year	<u>\$ (55,406)</u>	<u>\$ (55,406)</u>	<u>\$ 77,358</u>	<u>\$ 132,764</u>

## **Statistical Section (Unaudited)**



# **Health and Hospital Corporation of Marion County, Indiana**

## **(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

### **Statistical Section (Unaudited)**

#### **Table of Contents**

The statistical section of this report presents detailed information in order to understand what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

#### **Financial Trends**

**Tables I-IV** contain trend information to help the reader understand how the Corporation's financial performance and well-being have changed over time.

#### **Revenue Capacity**

**Tables V-VIII** contain information to help the reader assess one of the Corporation's most significant sources of revenue, property taxes.

#### **Debt Capacity**

**Tables IX-XII** present information to help the reader assess the affordability of the Corporation's current levels of outstanding debt and the Corporation's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

**Tables XIII and Table XIV** offer demographic and economic indicators to help the reader understand the environment within which the Corporation's financial activities take place.

#### **Operating Information**

**Tables XV-XVII** contain service and infrastructure data to help the reader understand how the information in the Corporation's financial report relates to the services the Corporation provides and the activities it performs.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

**Table I**  
**Net Position by Component - Accrual Basis of Accounting**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Primary Government</b>										
Governmental activities										
Net investment in capital assets	\$ 22,839	\$ 22,108	\$ 16,462	\$ 29,633	\$ 9,860	\$ 12,506	\$ 10,475	\$ 19,442	\$ (824)	\$ (25,570)
Restricted	645	243	412	165	568	640	-	-	6,981	-
Unrestricted	<u>(113,452)</u>	<u>(148,962)</u>	<u>(200,702)</u>	<u>(300,861)</u>	<u>(346,636)</u>	<u>(400,647)</u>	<u>272,217</u>	<u>153,755</u>	<u>184,368</u>	<u>239,171</u>
Total governmental activities net position	<u>\$ (89,968)</u>	<u>\$ (126,611)</u>	<u>\$ (183,828)</u>	<u>\$ (271,063)</u>	<u>\$ (336,208)</u>	<u>\$ (387,501)</u>	<u>\$ 282,692</u>	<u>\$ 173,197</u>	<u>\$ 190,525</u>	<u>\$ 213,601</u>
Business-type activities										
Net investment in capital assets	\$ 699,533	\$ 732,588	\$ 765,328	\$ 766,711	\$ 799,874	\$ 825,154	\$ 121,147	\$ 98,754	\$ 120,296	\$ 154,872
Restricted	-	-	-	-	-	1,235	-	-	171	700
Unrestricted	<u>240,632</u>	<u>220,560</u>	<u>123,917</u>	<u>186,470</u>	<u>308,634</u>	<u>178,070</u>	<u>181,699</u>	<u>134,746</u>	<u>114,974</u>	<u>88,436</u>
Total business-type activities net position	<u>\$ 940,165</u>	<u>\$ 953,148</u>	<u>\$ 889,245</u>	<u>\$ 953,181</u>	<u>\$ 1,108,508</u>	<u>\$ 1,004,459</u>	<u>\$ 302,846</u>	<u>\$ 233,500</u>	<u>\$ 235,441</u>	<u>\$ 244,008</u>
Primary Government										
Net investment in capital assets	\$ 722,372	\$ 754,696	\$ 781,790	\$ 796,344	\$ 809,734	\$ 837,660	\$ 131,622	\$ 118,196	\$ 119,472	\$ 129,302
Restricted	645	243	412	165	568	1,875	-	-	7,152	700
Unrestricted	<u>127,180</u>	<u>71,598</u>	<u>(76,785)</u>	<u>(114,391)</u>	<u>(38,002)</u>	<u>(222,577)</u>	<u>453,916</u>	<u>288,501</u>	<u>299,342</u>	<u>327,607</u>
Total primary government net position	<u>\$ 850,197</u>	<u>\$ 826,537</u>	<u>\$ 705,417</u>	<u>\$ 682,118</u>	<u>\$ 772,300</u>	<u>\$ 616,958</u>	<u>\$ 585,538</u>	<u>\$ 406,697</u>	<u>\$ 425,966</u>	<u>\$ 457,609</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

**Table II**  
**Schedule of Changes in Net Position - Accrual Basis of Accounting**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	Years Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities										
Administration and finance	\$ 50,974	\$ 41,372	\$ 35,579	\$ 32,283	\$ 33,152	\$ 27,171	\$ 27,704	\$ 23,045	\$ 28,401	\$ 24,180
Healthcare delivery	100,117	103,450	120,086	85,678	108,604	100,675	93,738	-	-	-
Health improvement	37,377	36,061	35,062	32,540	30,227	28,528	29,487	28,918	28,146	27,633
Communicable disease prevention	17,501	17,613	17,374	16,531	15,538	15,220	13,910	14,389	14,697	14,707
Water quality and hazardous materials management	2,517	2,506	2,439	2,365	2,213	2,076	1,984	2,006	1,919	1,910
Vector disease control	3,494	3,443	3,593	3,347	3,545	3,515	3,411	3,955	3,906	3,872
Housing and neighborhood health	5,132	4,953	5,055	4,930	5,180	5,224	6,365	6,987	6,992	6,967
Consumer and employee risk reduction	2,001	2,034	1,944	1,841	1,808	1,693	1,712	1,796	1,916	1,694
Interest on long-term debt	39,439	40,425	41,250	39,406	40,572	41,925	39,583	49,637	2,360	2,519
Total governmental activities expenses	<u>258,552</u>	<u>251,857</u>	<u>262,382</u>	<u>218,921</u>	<u>240,839</u>	<u>226,027</u>	<u>217,894</u>	<u>130,733</u>	<u>88,337</u>	<u>83,482</u>
Business-type activities										
Eskenazi Health	731,439	717,858	664,886	617,220	588,246	538,715	520,311	519,775	487,807	459,733
LT Care	734,548	719,059	717,573	672,134	600,063	571,764	549,408	426,847	366,853	310,478
Total business-type activities expenses	<u>1,465,987</u>	<u>1,436,917</u>	<u>1,382,459</u>	<u>1,289,354</u>	<u>1,188,309</u>	<u>1,110,479</u>	<u>1,069,719</u>	<u>946,622</u>	<u>854,660</u>	<u>770,211</u>
Total primary government expenses	<u>\$ 1,724,539</u>	<u>\$ 1,688,774</u>	<u>\$ 1,644,841</u>	<u>\$ 1,508,275</u>	<u>\$ 1,429,148</u>	<u>\$ 1,336,506</u>	<u>\$ 1,287,613</u>	<u>\$ 1,077,355</u>	<u>\$ 942,997</u>	<u>\$ 853,693</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Administration and finance (1)	\$ 1,323	\$ 17,514	\$ 4,944	\$ 4,853	\$ 5,019	\$ 3,602	\$ 982	\$ 3,376	\$ 583	\$ 11,553
Healthcare delivery	-	-	-	3,843	-	-	-	-	-	-
Health improvement	3,822	3,594	3,662	472	3,198	2,389	3,055	2,259	2,421	2,344
Communicable disease prevention	503	562	516	366	472	663	557	559	631	572
Water quality and hazardous materials management	474	366	373	567	360	357	356	353	353	357
Vector disease control	598	722	614	87	449	500	552	563	753	687
Housing and neighborhood health	98	92	116	2,370	361	417	413	469	318	417
Consumer and employee risk reduction	2,500	2,496	2,405	33,446	2,281	2,183	2,149	2,178	2,109	2,023
Operating grants and contributions (1)	25,069	27,295	33,768	336	72,403	54,429	57,702	47,974	44,127	18,304
Capital grants and contributions	25	2,025	13	-	-	6,000	16,148	1,533	3,105	3,124
Total governmental activities program revenues	<u>34,412</u>	<u>54,666</u>	<u>46,411</u>	<u>46,340</u>	<u>84,543</u>	<u>70,540</u>	<u>81,914</u>	<u>59,264</u>	<u>54,400</u>	<u>39,381</u>

(1) Certain intergovernmental revenues have been reclassified in 2010-2015; amounts in prior years have not been revised.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table II - Continued**  
**Schedule of Changes in Net Position - Accrual Basis of Accounting**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	Years Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type activities										
Charges for services										
Eskenazi Health	\$ 558,194	\$ 536,369	\$ 385,019	\$ 393,516	\$ 441,151	\$ 326,832	\$ 380,864	\$ 261,819	\$ 252,468	\$ 250,657
LT Care	969,592	958,177	990,101	892,469	807,418	763,693	690,329	574,233	429,785	381,662
Operating grants and contributions	26,691	29,071	26,566	27,621	24,942	20,534	20,058	20,460	18,703	21,669
Capital grants and contributions	-	-	-	-	-	2,224	-	-	769	-
Total business-type activities program revenue	<u>1,554,477</u>	<u>1,523,617</u>	<u>1,401,686</u>	<u>1,313,606</u>	<u>1,273,511</u>	<u>1,113,283</u>	<u>1,091,251</u>	<u>856,512</u>	<u>701,725</u>	<u>653,988</u>
Total primary government program revenues	<u>\$ 1,588,889</u>	<u>\$ 1,578,283</u>	<u>\$ 1,448,097</u>	<u>\$ 1,359,946</u>	<u>\$ 1,358,054</u>	<u>\$ 1,183,823</u>	<u>\$ 1,173,165</u>	<u>\$ 915,776</u>	<u>\$ 756,125</u>	<u>\$ 693,369</u>
Net program (expense)/revenue										
Governmental activities	\$ (224,140)	\$ (197,191)	\$ (215,971)	\$ (172,581)	\$ (156,296)	\$ (155,487)	\$ (135,981)	\$ (71,467)	\$ (33,937)	\$ (44,103)
Business-type activities	88,490	86,700	19,227	24,251	85,202	2,805	21,532	(90,109)	(152,934)	(116,223)
Total primary government net expense	<u>\$ (135,650)</u>	<u>\$ (110,491)</u>	<u>\$ (196,744)</u>	<u>\$ (148,330)</u>	<u>\$ (71,094)</u>	<u>\$ (152,682)</u>	<u>\$ (114,449)</u>	<u>\$ (161,576)</u>	<u>\$ (186,871)</u>	<u>\$ (160,326)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property and HCI taxes	\$ 123,512	\$ 119,300	\$ 113,931	\$ 110,577	\$ 111,475	\$ 106,708	\$ 105,628	\$ 104,742	\$ 105,793	\$ 99,657
Excise taxes	6,525	6,413	5,949	5,604	5,762	5,518	5,552	5,269	5,252	5,278
Financial institution taxes	1,192	1,261	1,402	1,300	1,226	1,287	1,286	1,319	1,275	1,478
Medicaid special revenue	26,565	23,429	87,487	65,467	79,228	63,708	168,170	14,374	39,048	61,820
Build America Bonds interest subsidies	10,153	10,115	10,105	10,083	10,061	9,985	10,848	13,775	-	-
Unrestricted investment earnings	5,885	2,174	316	158	88	580	356	1,316	2,482	795
Transfers	90,642	91,716	84,016	67,697	(251)	(700,662)	(46,363)	(86,656)	(142,990)	(131,428)
Total governmental activities	<u>264,474</u>	<u>254,408</u>	<u>303,206</u>	<u>260,886</u>	<u>207,589</u>	<u>(512,876)</u>	<u>245,477</u>	<u>54,139</u>	<u>10,860</u>	<u>37,600</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table II - Continued**  
**Schedule of Changes in Net Position - Accrual Basis of Accounting**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	Years Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type activities										
Unrestricted investment earnings	\$ 1,441	\$ 2,344	\$ 854	\$ (13)	\$ 154	\$ (1,853)	\$ 1,451	\$ 1,511	\$ 1,377	\$ 3,404
Special items	-	66,575	-	-	-	-	-	-	-	-
Transfers	(90,642)	(91,716)	(84,016)	(67,697)	251	700,662	46,363	86,656	142,990	131,428
Total general revenues, special items and transfers	<u>(89,201)</u>	<u>(22,797)</u>	<u>(83,162)</u>	<u>(67,710)</u>	<u>405</u>	<u>698,809</u>	<u>47,814</u>	<u>88,167</u>	<u>144,367</u>	<u>134,832</u>
Total primary government	<u>\$ 175,273</u>	<u>\$ 231,611</u>	<u>\$ 220,044</u>	<u>\$ 193,176</u>	<u>\$ 207,994</u>	<u>\$ 185,933</u>	<u>\$ 293,291</u>	<u>\$ 142,306</u>	<u>\$ 155,227</u>	<u>\$ 172,432</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 40,334	\$ 57,217	\$ 87,235	\$ 88,305	\$ 51,293	\$ (668,362)	\$ 109,495	\$ (17,327)	\$ (23,076)	\$ (6,503)
Business-type activities	(711)	63,903	(63,935)	(43,459)	85,606	701,613	69,346	(1,941)	(8,567)	18,599
Total primary government	<u>\$ 39,623</u>	<u>\$ 121,120</u>	<u>\$ 23,300</u>	<u>\$ 44,846</u>	<u>\$ 136,899</u>	<u>\$ 33,251</u>	<u>\$ 178,841</u>	<u>\$ (19,268)</u>	<u>\$ (31,643)</u>	<u>\$ 12,096</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table III**  
**Fund Balances, Governmental Funds - Modified Accrual Basis of Accounting**  
**Last Ten Fiscal Years <sup>(1)</sup>**  
*(Dollars in thousands)*

	December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,120	\$ 2,985
Unreserved	-	-	-	-	-	-	-	-	149,038	158,561
Nonspendable	619	348	328	369	342	401	478	418	-	-
Assigned	8,335	5,397	2,326	1,640	1,073	950	2,252	3,175	-	-
Unassigned	385,884	376,632	360,767	297,574	245,037	178,952	227,496	131,937	-	-
Total general fund	<u>\$ 394,838</u>	<u>\$ 382,377</u>	<u>\$ 363,421</u>	<u>\$ 299,583</u>	<u>\$ 246,452</u>	<u>\$ 180,303</u>	<u>\$ 230,226</u>	<u>\$ 135,530</u>	<u>\$ 153,158</u>	<u>\$ 161,546</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,575	\$ -
Unreserved, reported in										
Debt service fund	-	-	-	-	-	-	-	-	(1,260)	(1,882)
Capital projects fund	-	-	-	-	-	-	-	-	23,895	65,127
Restricted, reported in										
Debt service fund	12,744	16,211	16,162	16,160	16,148	16,119	16,035	17,494	-	-
Capital projects fund	-	-	-	-	-	845	62,634	123,726	-	-
Assigned, reported in										
Debt service fund	1,250	1,207	1,073	971	1,291	709	12	-	-	-
Capital projects fund	75,982	57,963	43,637	30,247	17,600	16,550	13,560	-	-	-
Unassigned, reported in										
Debt service fund	-	-	-	-	-	-	-	(634)	-	-
Total all other governmental funds	<u>\$ 89,976</u>	<u>\$ 75,381</u>	<u>\$ 60,872</u>	<u>\$ 47,378</u>	<u>\$ 35,039</u>	<u>\$ 34,223</u>	<u>\$ 92,241</u>	<u>\$ 140,586</u>	<u>\$ 212,210</u>	<u>\$ 63,245</u>

(1) In 2011, the Corporation adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. While the 2011 - 2015 amounts reflect the new fund balance classifications, prior year amounts have not been reclassified and are therefore not comparable.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

**Table IV**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	Years Ending December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Taxes	\$ 131,232	\$ 126,974	\$ 121,282	\$ 117,481	\$ 118,464	\$ 113,513	\$ 112,466	\$ 111,331	\$ 128,506	\$ 126,281
Licenses and permits	4,684	4,576	4,487	4,464	4,342	4,112	3,902	3,933	3,857	3,775
Intergovernmental	19,814	19,343	18,502	18,126	16,329	53,467	58,177	36,825	48,872	19,936
Charges for services	1,575	1,456	1,855	1,105	1,182	1,314	1,148	1,171	1,342	16,135
Medicaid special revenue	26,426	26,581	89,452	58,910	104,327	37,142	167,936	14,374	39,800	62,927
Build America Bonds interest subsidies	10,153	10,115	10,105	10,083	10,061	9,985	10,848	13,775	-	-
Contributions	5,500	8,048	15,000	15,500	57,710	6,000	16,000	12,900	-	-
Investment income	9,023	3,899	3,366	2,208	3,413	170	356	1,316	2,482	795
Miscellaneous	5,786	9,468	5,770	4,511	3,779	2,399	2,747	4,410	3,344	242
Total revenues	<u>214,193</u>	<u>210,460</u>	<u>269,819</u>	<u>232,388</u>	<u>319,607</u>	<u>228,102</u>	<u>373,580</u>	<u>200,035</u>	<u>228,203</u>	<u>230,091</u>
<b>Expenditures</b>										
Administrative	53,018	42,008	35,846	31,883	29,593	25,135	24,869	23,875	25,458	21,572
Population health	27,781	26,620	26,680	25,722	25,116	24,776	22,599	23,718	22,643	21,001
Environmental health	12,514	11,781	12,213	11,958	12,503	12,333	12,791	12,402	11,885	11,567
Health center program	1,003	896	1,103	1,026	1,071	965	1,155	1,615	1,492	2,012
Data processing	5,139	4,940	4,144	3,747	3,500	3,556	3,234	3,035	2,933	2,865
Grants program	19,010	18,412	17,825	17,107	15,597	14,697	15,090	16,547	18,325	20,059
Capital outlays	5,321	4,868	2,871	3,755	15,635	275,368	286,375	158,620	107,499	4,236
Debt service										
Principal	16,209	15,239	14,426	16,280	15,119	13,810	13,300	2,455	1,955	1,840
Interest and fiscal charges	39,523	40,497	41,307	39,456	40,617	41,925	39,583	49,637	2,360	2,519
Bond issuance costs	-	-	-	-	-	-	-	-	1,834	-
Intergovernmental	100,117	103,450	120,086	85,678	108,604	100,675	93,738	-	-	-
Total expenditures	<u>279,635</u>	<u>268,711</u>	<u>276,501</u>	<u>236,612</u>	<u>267,355</u>	<u>513,240</u>	<u>512,734</u>	<u>291,904</u>	<u>196,384</u>	<u>87,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,442)</u>	<u>(58,251)</u>	<u>(6,682)</u>	<u>(4,224)</u>	<u>52,252</u>	<u>(285,138)</u>	<u>(139,154)</u>	<u>(91,869)</u>	<u>31,819</u>	<u>142,420</u>

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table IV - Continued**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(Dollars in thousands)*

	Years Ending December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Other Financing Sources (Uses)</b>										
Proceeds of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,000	\$ -
Premium on bonds issued	-	-	-	-	-	-	-	-	3,908	-
Other debt issued	-	-	-	-	94	151,304	190,305	89,273	52,839	-
Transfers in	296,271	296,262	357,047	300,974	205,984	277,856	175,086	138,174	37,000	55,000
Transfers out	(203,773)	(204,546)	(273,031)	(231,282)	(191,364)	(251,963)	(179,886)	(224,831)	(179,990)	(186,428)
Total other financing sources (uses), net	<u>92,498</u>	<u>91,716</u>	<u>84,016</u>	<u>69,692</u>	<u>14,714</u>	<u>177,197</u>	<u>185,505</u>	<u>2,616</u>	<u>108,757</u>	<u>(131,428)</u>
Net change in fund balances	\$ <u>27,056</u>	\$ <u>33,465</u>	\$ <u>77,334</u>	\$ <u>65,468</u>	\$ <u>66,966</u>	\$ <u>(107,941)</u>	\$ <u>46,351</u>	\$ <u>(89,253)</u>	\$ <u>140,576</u>	\$ <u>10,992</u>
Debt service as a percentage of noncapital expenditures	20.3%	21.1%	20.4%	23.9%	22.1%	22.0%	23.4%	37.9%	6.9%	5.2%
Debt service expenditures	\$ 55,732	\$ 55,736	\$ 55,733	\$ 55,736	\$ 55,736	\$ 55,735	\$ 52,883	\$ 52,092	\$ 6,149	\$ 4,359
Noncapital expenditures	274,314	263,843	273,630	232,857	251,999	253,072	226,358	137,490	88,884	83,436



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table V**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**December 31, 2018**  
*(Dollars in thousands)*

Year	Real Property		Personal Property		Total		Total Direct Tax Rate
	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	
2018	\$ 39,556,997	\$ 39,556,997	\$ 6,700,531	\$ 6,700,531	\$ 46,257,528	\$ 46,257,528	0.2083
2017	37,570,129	37,570,129	6,659,770	6,659,770	44,229,899	44,229,899	0.2076
2016	36,739,079	36,739,079	6,325,056	6,325,056	43,064,135	43,064,135	0.2016
2015	36,808,352	36,808,352	6,160,989	6,160,989	42,969,341	42,969,341	0.1932
2014	33,971,641	33,971,641	5,972,597	5,972,597	39,944,238	39,944,238	0.2029
2013	34,038,407	34,038,407	5,841,671	5,841,671	39,880,078	39,880,078	0.1982
2012	33,922,279	33,922,279	5,467,373	5,467,373	39,389,652	39,389,652	0.1874
2011	34,203,195	34,203,195	5,449,472	5,449,472	39,652,667	39,652,667	0.1805
2010	30,071,882	30,071,882	5,745,524	5,745,524	35,817,406	35,817,406	0.1595
2009	31,039,406	31,039,406	5,657,964	5,657,964	36,697,370	36,697,370	0.1543

(1) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

Source: Marion County Auditor

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table VI**

**Property Tax Rates - Direct and Overlapping Governments <sup>(2)</sup>**  
**December 31, 2018**

Year	Operations	Debt	Cumulative Building	Total	City	County Direct Rates		Other Direct Rates			Total Direct and Overlapping Rates (1)
						County	Municipal Corporations	School	State	Other	
2018	0.1967	0.0110	0.0006	0.2083	0.7243	0.3893	0.2405	1.1336	-	0.0587	2.7547
2017	0.1954	0.0116	0.0006	0.2076	0.7313	0.3943	0.2441	0.9735	-	0.0619	2.6127
2016	0.1891	0.0119	0.0006	0.2016	0.7136	0.3883	0.2438	1.4170	-	0.0630	3.0273
2015	0.1816	0.0110	0.0006	0.1932	0.7069	0.3825	0.2273	1.3504	-	0.0607	2.9210
2014	0.1889	0.0134	0.0006	0.2029	0.7667	0.4034	0.2311	1.2889	-	0.0620	2.9550
2013	0.1811	0.0165	0.0006	0.1982	0.9802	0.3932	0.2332	1.4829	-	0.0607	3.3484
2012	0.1740	0.0128	0.0006	0.1874	1.0034	0.4007	0.2084	1.2711	-	0.0670	3.1380
2011	0.1640	0.0159	0.0006	0.1805	0.9525	0.3665	0.1880	1.4065	-	0.0615	3.1555
2010	0.1494	0.0095	0.0006	0.1595	0.8673	0.3534	0.1687	1.3692	-	0.0615	2.9796
2009	0.1440	0.0097	0.0006	0.1543	0.8634	0.3513	0.1711	1.1569	-	0.0578	2.7548

(1) Rate of District 101 (Indianapolis - Center Township), which is the only rate that includes all major services.

(2) Data presented is per the tax rate schedule certified by the Department of Local Government Finance (DLGF).

Source: Marion County Auditor's Office.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table VII**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
**December 31, 2018**  
*(Dollars in thousands)*

Taxpayers	2018			Taxpayers	2009		
	Net Taxable Assessed Valuation (1) (2) (in thousands)	Rank	Percentage of Total City Taxable Assessed Valuation		Net Taxable Assessed Valuation (2) (3) (in thousands)	Rank	Percentage of Total City Taxable Assessed Valuation
1 Eli Lilly and Company	\$ 1,218,912	1	2.635%	Eli Lilly & Company	\$ 1,312,077	1	3.575%
2 Citizens Energy Group	469,516	2	1.015%	Indianapolis Power and Light Company	381,597	2	1.040%
3 Indianapolis Power and Light Company	400,796	3	0.866%	Indiana Bell	283,297	3	0.772%
4 Federal Express Corporation	245,092	4	0.530%	Federal Express	191,132	4	0.521%
5 Convention Headquarters Hotels, LLC	189,133	5	0.409%	Citizens Gas & Coke Utility	183,985	5	0.501%
6 Hertz Indianapolis 111 Monument, LLC	154,583	6	0.334%	Macquarie Office Monument	181,809	6	0.495%
7 American United Life Insurance Company	114,781	7	0.248%	Allison Engine Co.	148,011	7	0.403%
8 SVC Manufacturing	92,792	8	0.201%	Simon Property Group, Inc.	144,640	8	0.394%
9 Castleton Square, LLC	81,858	9	0.177%	American United Life	140,114	9	0.382%
10 IMD2 LLC	76,250	10	0.165%	Community Hospitals Foundation, Inc.	130,201	10	0.355%
11 Southwest Airlines Co.	75,184	11	0.163%	n/a	-	11	0.000%
12 Keystone Investors, LLC	72,661	12	0.157%	n/a	-	12	0.000%
13 Westin Indianapolis, LLC	68,924	13	0.149%	n/a	-	13	0.000%
14 DOW Agrosciences, LLC	68,016	14	0.147%	n/a	-	14	0.000%
15 Rolls-Royce Corporation	67,566	15	0.146%	n/a	-	15	0.000%
16 Ms Operations Center Partners LLC	64,852	16	0.140%	n/a	-	16	0.000%
17 Axis FC LLC	62,192	17	0.134%	n/a	-	17	0.000%
18 NG 211 N. Pennsylvania St., LLC	61,995	18	0.134%	n/a	-	18	0.000%
19 Cellco Partnership	60,450	19	0.131%	n/a	-	19	0.000%
20 Circle Centre Development Co.	58,753	20	0.127%	n/a	-	20	0.000%
	<u>\$ 3,704,306</u>		8.008%		<u>\$ 3,096,863</u>		8.439%

(1) Represents the March 1, 2017 valuations for taxes due and payable in 2018 as represented by the taxpayer.

(2) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office.

(3) Data from the 2009 Health and Hospital Corporation's Comprehensive Annual Financial Report.

n/a = Not available.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table VIII**  
**Property Tax Levies and Collections**  
**December 31, 2018**  
*(Dollars in thousands)*

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 71,625	\$ 70,909	99.00%	\$ -	\$ 70,909	99.00%
2017	67,831	67,695	99.80%	1,805	69,500	102.46%
2016	63,929	63,418	99.20%	2,254	65,672	102.73%
2015	62,083	59,724	96.20%	1,743	61,467	99.01%
2014	57,993	60,487	104.30%	2,132	62,619	107.98%
2013	58,591	56,482	96.40%	2,218	58,700	100.19%
2012	57,233	54,257	94.80%	2,302	56,559	98.82%
2011	54,745	52,008	95.00%	2,247	54,255	99.10%

(1) Beginning in 2011, delinquent collections were broken down by original levy year in information provided by Marion County Treasurer. Data regarding the prior year collections is not available and therefore is not included in this schedule.

Source: Marion County Auditor's Office

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table IX**  
**Ratios of Outstanding Debt by Type**  
**December 31, 2018**  
*(Dollars in thousands)*

Fiscal Year	Governmental Activities						Business-Type Activities		Total Primary Government	Percentage of Personal Income (1) (2)	Debt Per Capita (1)
	General Obligation Bonds of 2005	General Obligation Bonds of 2010	Due to Local Government	Capital Lease	Renovation Bonds of 1988	Notes Payable	Long-Term Care Capital Leases				
2018	\$ 15,267	\$ 163,560	\$ -	\$ 432,867	\$ 2,195	\$ -	\$ 327,445	\$ 941,334	N/A	\$ 990.79	
2017	17,151	164,945	-	443,946	4,240	-	387,200	1,017,482	2.10%	1,156.99	
2016	18,959	166,270	-	454,335	6,140	-	440,737	1,086,441	2.39%	1,226.82	
2015	20,693	167,550	-	464,166	7,905	-	485,830	1,146,144	2.57%	1,226.82	
2014	23,067	168,785	-	476,096	9,545	-	397,032	1,074,525	2.87%	1,157.54	
2013	23,945	177,835	-	479,131	11,075	-	422,712	1,114,698	3.00%	1,212.98	
2012	21,295	186,565	322,660	7,488	12,495	-	448,820	999,323	2.71%	1,096.59	
2011	22,570	195,000	135,660	6,453	13,815	-	353,794	727,292	2.08%	803.29	
2010	23,795	195,000	52,839	-	15,045	-	284,102	570,781	1.69%	631.82	
2009	24,610	-	-	-	16,185	-	275,252	316,047	0.94%	354.76	

(1) See Table XIII for personal income and population data.

(2) Personal income not available for 2018.

Source: Notes to basic financial statements.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table X**  
**Ratio of Net General Obligation Debt Outstanding**  
**December 31, 2018**  
*(Dollars in thousands)*

Fiscal Year	Net General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts in Debt Service Funds	Total Net Bonded Debt		
2018	\$ 181,022	\$ 12,663	\$ 168,359	0.36%	\$ 177.20
2017	186,336	16,211	170,125	0.38%	180.75
2016	191,369	16,162	175,207	0.41%	186.58
2015	196,148	16,160	179,988	0.42%	209.95
2014	201,397	16,148	185,249	0.46%	216.96
2013	212,855	16,119	196,736	0.49%	231.62
2012	220,355	16,035	204,320	0.52%	241.80
2011	231,385	17,494	213,891	0.54%	255.56
2010	233,840	23,398	210,442	0.59%	258.85
2009	40,795	-	40,795	0.11%	45.79

Source: Notes to basic financial statements and Marion County Auditor's Office.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Table XI

### Schedule of Direct and Overlapping Debt and Bonded Debt Limit

**December 31, 2018**

*(Dollars in thousands)*

	Assessed Value (5)	Bonding Limit		Debt Outstanding (6)
		%	Dollar Amount	
<b>Direct Debt:</b>				
Health and Hospital Corporation of Marion County	\$ 39,556,997	0.67%	<u>\$ 265,032</u>	\$ 181,022
<b>Other Direct Debt:</b>				
Capital lease obligations - governmental activities				<u>432,867</u>
Total Health and Hospital Corporation debt				<u>\$ 613,889</u>
<b>Overlapping:</b>				
Marion County	\$ 40,737,646	0.67%	<u>\$ 272,942</u>	<u>\$ -</u>
City of Indianapolis				
Civil City	\$ 38,185,727	0.67%	\$ 255,844	\$ 52,140
Park District	40,737,646	0.67%	272,942	4,925
Redevelopment District	38,185,727	(3)	-	-
Stormwater Control District	40,737,646	0.67%	272,942	-
Metropolitan Thoroughfare District	40,737,646	1.33%	541,811	24,585
Solid Waste Disposal District	38,235,668	2.00%	764,713	-
Pub Safety Comm and Comp Facilities District	40,737,646	0.67%	272,942	36,310
Premiums on general obligation debt			<u>-</u>	<u>6,480</u>
Total city general obligation debt			<u>\$ 2,381,196</u>	124,440
Other Direct Debt:				
Tax increment revenue bonds				598,565
Net revenue bonds				360,653
Note payable and certificate of participations				166,076
Capital lease obligations - governmental activities				<u>12,182</u>
Total city direct debt				<u>\$ 1,261,916</u>
Other Municipal Corporations				
Indianapolis Airport Authority	\$ 40,737,646	0.67%	\$ 272,942	\$ -
Capital Improvement Board	40,737,646	0.67%	272,942	-
Indianapolis-Marion County Building Authority	40,737,646	(1)	-	-
Indianapolis-Marion County Library	40,124,284	0.67%	268,833	71,150
Indianapolis Public Transportation Corp.	38,617,780	0.67%	<u>258,739</u>	-
Total municipal corporations			<u>\$ 1,073,457</u>	<u>\$ 71,150</u>
School Districts				
Beech Grove	\$ 435,690	(4)	\$ 2,919	\$ 3,147
Decatur	1,699,074	(4)	11,384	2,715
Franklin	2,310,919	(4)	15,483	-
Indianapolis Public Schools	11,032,088	(4)	73,915	43,705
Lawrence	5,024,205	(4)	33,763	18,495
Perry	3,501,987	(4)	23,463	14,670
Pike	4,717,204	(4)	31,605	28,240
Speedway	764,586	(4)	5,123	-
Warren	2,578,639	(4)	17,277	-
Washington	6,131,928	(4)	41,084	31,630
Wayne	<u>2,977,094</u>	(4)	<u>19,947</u>	<u>4,000</u>
Total school districts	<u>\$ 41,173,414</u>		<u>\$ 275,963</u>	<u>\$ 146,602</u>

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

**Table XI - Continued**  
**Schedule of Direct and Overlapping Debt and Bonded Debt Limit**  
**December 31, 2018**  
*(Dollars in thousands)*

	Assessed Value (5)	Bonding Limit		Bonds Outstanding (6)
		%	Dollar Amount	
<b>Other Cities and Towns</b>				
Beech Grove	\$ 432,053	0.67%	\$ 2,895	\$ 1,000
Lawrence	1,456,563	0.67%	9,759	3,628
Southport	49,940	0.67%	335	281
Speedway	613,362	0.67%	4,110	3,949
<b>Total Other Cities and Towns</b>	<b>\$ 2,551,918</b>		<b>\$ 17,097</b>	<b>\$ 8,858</b>
<b>Townships</b>				
Center	\$ 6,246,544	0.67%	\$ 41,852	\$ -
Decatur	1,592,266	0.67%	10,668	-
Franklin	2,440,979	0.67%	16,355	-
Lawrence	5,394,086	0.67%	36,140	1,280
Perry	3,818,962	0.67%	25,587	-
Pike	4,565,838	0.67%	30,591	-
Warren	3,511,009	0.67%	23,524	-
Washington	8,675,959	0.67%	58,129	-
Wayne	4,256,801	0.67%	28,521	1,596
<b>Total Townships</b>	<b>\$ 40,502,444</b>		<b>\$ 271,366</b>	<b>\$ 2,876</b>
<b>Excluded Library Districts</b>				
Speedway	\$ 613,362	0.67%	\$ 4,110	\$ 135
<b>Total Excluded Library Districts</b>	<b>\$ 613,362</b>		<b>\$ 4,109</b>	<b>\$ 135</b>
Ben Davis Conservancy District	\$ 354,164	(2)		-
<b>Total Overlapping Debt</b>				<b>\$ 1,491,537</b>
<b>Total Direct and Overlapping Debt</b>				<b>\$ 2,105,426</b>

Source: City of Indianapolis, Office of Finance and Management

- (1) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Building Authority's enabling legislation.
- (2) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
- (3) There is no statutory constitutional debt limitation to the Redevelopment Districts.
- (4) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.
- (5) Represents the March 1, 2017 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2018.

Note: Information regarding the percentage of overlap between the Corporation and the overlapping governments presented in the above table is not readily available.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Corporation. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Corporation. This process recognizes that, when considering the Corporation's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.



**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table XII**  
**Legal Debt Margin Calculation**  
**December 31, 2018**  
*(Dollars in thousands)*

<b>Legal Debt Margin Calculation for Fiscal Year Ended</b>	
<b>December 31, 2018</b>	
Net assessed value - 2018	\$ 39,556,997
Debt limit (.67% of assessed values)	265,032
Debt applicable to limit	
Bonded Debt	177,950
Notes payable from tax levy	-
Total net debt applicable to limit	<u>177,950</u>
Legal Debt Margin	<u><u>\$ 87,082</u></u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt limit	\$ 265,032	\$ 251,720	\$ 246,152	\$ 246,616	\$ 227,610	\$ 228,057	\$ 227,279	\$ 243,021	\$ 239,977	\$ 245,872
Total net debt applicable to limit	<u>177,950</u>	<u>183,080</u>	<u>187,930</u>	<u>192,525</u>	<u>197,590</u>	<u>208,865</u>	<u>220,355</u>	<u>231,385</u>	<u>233,840</u>	<u>40,795</u>
Legal debt margin	<u><u>\$ 87,082</u></u>	<u><u>\$ 68,640</u></u>	<u><u>\$ 58,222</u></u>	<u><u>\$ 54,091</u></u>	<u><u>\$ 30,020</u></u>	<u><u>\$ 19,192</u></u>	<u><u>\$ 6,924</u></u>	<u><u>\$ 11,636</u></u>	<u><u>\$ 6,137</u></u>	<u><u>\$ 205,077</u></u>
Total net debt applicable to the limit as a percentage of debt limit	67.14%	72.73%	76.35%	78.07%	86.81%	91.58%	96.95%	95.21%	97.44%	16.59%

Source: Marion County Auditor's Office and Basic Financial Statements.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table XIII**  
**Demographic and Economic Statistics**  
**December 31, 2018**  
*(Dollars in thousands)*

<b>Year</b>	<b>(1) (2) Population</b>	<b>(2) Personal Income</b>	<b>(2) Per Capita Personal Income</b>	<b>Public School Enrollment</b>	<b>(3) Unemployment Rate</b>
2018	950,082	\$ -	\$ 51	132,838	3.4%
2017	941,229	48,413,129	48	132,596	3.0%
2016	939,020	45,416,786	43	131,754	4.0%
2015	934,243	44,610,603	40	130,371	4.6%
2014	928,281	37,438,602	40	130,007	5.9%
2013	918,977	37,096,641	40	149,697	6.8%
2012	911,296	36,880,741	38	146,175	8.3%
2011	905,393	34,910,486	41	143,053	8.9%
2010	903,393	33,687,344	39	159,865	8.4%
2009	890,879	33,774,144	39	159,089	8.5%

(1) Source: Census Bureau-Population Estimates base reflects changes to the Census 2000 population.

(2) Source: U.S. Bureau of Economics Census Bureau mid-year population estimates. Estimates for 2009-2014 reflect county population estimates available as of March 2019. Per capita personal income was computed using Census Bureau mid-year population estimates. Estimates for 2009-2017 reflect county population estimates available as of March 2019. Data was not yet available for 2018 personal income.

(3) Source: Data provided by the U.S. Bureau of Labor Statistics.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table XIV**  
**Principal Employers**  
**Current Year and Nine Years Ago <sup>(2)</sup>**  
**December 31, 2018**

Taxpayer	2018			2009		
	(1) Employees	(1) Rank	(1) Percentage of Total Metropolitan Statistical Area Employment	(2) Employees	(2) Rank	(2) Percentage of Total Metropolitan Statistical Area Employment
I.U. Health	23,187	1	2.44%			
St. Vincent Hospitals & Health Service	17,398	2	1.83%	10,640	3	1.19%
Community Health Network	11,328	3	1.19%	5,341	6	0.60%
Eli Lilly and Company	10,005	4	1.05%	11,550	2	1.30%
Wal-Mart	8,926	5	0.94%			
Kroger	7,675	6	0.81%			
Federal Express Corp. (FedEx)	5,000	7	0.53%	6,311	5	0.71%
Anthem	4,866	8	0.51%			
Meijer	4,594	9	0.48%			
Roche Diagnostics	4,500	10	0.47%			
Clarian Health Partners				12,763	1	1.43%
IUPUI				7,066	4	0.79%
Rolls Royce				4,300	7	0.48%
WellPoint Inc.				3,950	8	0.44%
Allison Transmission/Div of GMC				3,800	9	0.43%
AT&T				3,000	10	0.34%

- (1) Source: The Indianapolis Economic Development in conjunction with The Indy Partnership. Data was taken from the information warehouse containing a listing of the largest employers in the City of Indianapolis/Marion County located at [www.indypartnership.com](http://www.indypartnership.com).
- (2) Data from Health and Hospital Corporation's 2009 Comprehensive Annual Financial Report.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table XV**

**Full-Time Equivalent City Government Employees by Function/Program**  
**December 31, 2018**

<b>Function/Program</b>	<b>Full-Time Equivalent Employees at December 31</b>									
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Primary Government Employees:</b>										
Administration	149	143	135	128	131	139	136	132	127	117
Health improvement	376	373	366	354	349	351	340	327	337	343
Communicable disease prevention	130	129	127	125	123	128	133	125	125	120
Water quality and hazardous materials	28	27	27	28	26	26	25	26	27	25
Housing and neighborhood health	72	71	71	72	80	84	96	98	100	90
Consumer and employee risk reduction	27	27	27	27	26	26	28	27	27	28
Vector disease control	48	49	52	50	53	53	51	58	61	64
<b>Business-type Employees:</b>										
Eskenazi Health	4,284	4,310	4,177	3,853	3,828	3,726	3,667	3,820	3,622	3,724
Long-Term Care (1)	-	-	-	-	-	-	-	-	-	-
<b>Total Employees</b>	<b>5,114</b>	<b>5,129</b>	<b>4,982</b>	<b>4,637</b>	<b>4,616</b>	<b>4,533</b>	<b>4,476</b>	<b>4,613</b>	<b>4,426</b>	<b>4,511</b>

(1) The Long-Term Care personnel are not employees of the Corporation.

Source: SAP Payroll System and ADP Payroll System used by Health & Hospital Corporation.

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

**Table XVI**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Health Improvement										
Community Based Clinics Services										
Vaccine doses administered	53,557	57,262	61,000	58,034	62,100	75,075	68,151	168,493	147,469	186,096
Vital Statistics - certified birth copies issued	52,247	47,074	46,392	48,552	47,062	47,162	60,011	49,029	59,067	59,258
Vital Statistics - certified death copies issued	50,048	50,922	48,226	51,621	54,205	51,768	58,210	53,335	57,763	56,434
WIC Services - transactions ( <i>per month</i> ) (i)	260,583	56,083	24,023	30,959	32,223	31,495	29,426	28,918	29,124	27,593
WIC Services - nutrition education	13,086	11,041	7,059	9,378	29,150	21,214	24,916	13,624	11,210	12,267
Dental Health/Education Services	63,650	62,220	35,765	45,847	50,625	72,533	55,524	70,120	68,370	54,011
Communicable Disease Prevention										
Chronic Disease										
Hepatitis A,B,C shots	1,431	1,382	1,383	1,216	1,114	1,055	1,182	1,090	1,068	1,121
AIDS cases	36	38	36	29	35	44	35	52	63	51
HIV infection - total cases	209	196	166	148	192	158	202	164	188	225
Tuberculosis cases reported	33	39	43	54	52	36	38	31	33	49
Sexually transmitted diseases total cases	14,123	15,213	14,228	12,272	12,952	13,406	13,317	9,856	6,959	11,086
Influenza-Like Illness	10,055	6,534	5,836	4,510	4,807	6,332	5,165	4,987	4,987	11,931
Water Quality and Hazardous Materials										
Water Quality										
Laboratory services performed	61,274	68,733	58,807	56,235	47,175	49,517	46,972	62,336	60,238	59,261
Swimming pool samples	4,155	5,155	4,055	4,250	4,360	4,438	2,598	2,151	2,483	2,744
Surface water samples taken	2,614	2,598	2,590	2,598	2,531	4,778	5,492	2,598	6,225	5,844
Hazardous Materials Management										
Responses to emergency situations	763	707	281	266	659	776	947	878	1,031	938
Drinking water wells surveyed for toxins	572	489	396	300	541	564	439	748	940	1,442
Septic systems permits	87	128	100	79	79	81	71	91	144	115
Well construction permits	105	97	105	87	97	114	112	88	70	102
Well pump permits	266	266	212	167	163	200	236	101	112	164
Housing and Neighborhood Health										
Initial housing orders	2,288	2,247	3,126	4,660	4,863	2,699	2,263	2,649	4,621	5,565
Housing compliances	5,432	5,571	4,783	4,613	4,977	4,577	4,553	5,252	4,190	4,948
Initial sanitation orders	13,294	13,513	14,934	15,429	13,571	11,147	12,354	14,265	20,801	21,463
Sanitation compliances	10,491	16,422	14,135	10,738	12,323	12,247	14,272	14,046	19,501	20,845
Court cases filed	3,312	3,379	3,906	3,921	3,841	3,540	3,546	2,826	2,333	2,925
Court cases resolved	2,900	3,545	2,566	2,004	2,500	1,565	1,671	1,504	957	1,573
Citations issued - illegal dumping	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unsafe buildings-structures demolished	**	**	**	**	223	4,934	578	589	537	658
Unsafe buildings-structures boarded	**	**	**	**	5,037	3,913	7,820	9,430	7,111	7,586
Unsafe buildings-structures repaired	**	**	**	**	777	1,156	1,090	789	672	844
Lead - children screened	12,087	11,499	9,618	4,721	7,779	13,038	12,354	14,265	5,346	4,648

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

### Table XVI - Continued

#### Operating Indicators by Function

#### Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Consumer and Employee Risk Reduction										
Foodborne disease prevention										
Foodborne inspections	16,382	18,043	16,822	19,734	17,735	19,557	19,174	20,486	19,326	19,148
Foodborne investigations	238	196	207	207	241	166	199	144	156	199
Foodborne complaints	1,062	975	972	920	917	801	711	861	726	918
Foodborne licenses issued	7,112	7,147	7,090	6,981	6,635	6,501	6,424	5,138	5,885	5,604
Occupational health										
Occupational health consultations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asbestos investigations	*	*	*	*	*	*	*	301	360	114
Radon investigations	113	115	215	95	46	74	7	4	7	30
Related indoor air inspections	2,115	2,044	2,480	3,017	2,999	2,984	3,894	2,981	2,722	3,014
Vector Disease Control										
Environmental/Rodent Control										
Total premises baited for rodents	2,420	2,914	3,103	2,232	2,034	2,255	1,121	2,102	2,751	2,838
Abandoned property cleanups	2,327	2,490	3,944	2,911	4,021	3,693	3,149	2,897	3,541	3,557
Assisted cleanups of neighborhoods	11	4	9	7	10	8	13	15	10	4
Total weight (lbs.) of trash removed	10,258,440	11,210,480	14,798,225	14,272,760	15,263,180	15,991,960	16,418,780	19,568,321	17,382,448	21,941,740
Mosquito Control										
Inspections of mosquito breeding sites	14,266	17,429	17,987	18,744	21,716	20,672	11,744	19,439	18,430	20,400
Mosquito breeding sites treated	5,470	7,491	8,410	9,835	9,829	8,942	4,510	9,311	8,881	11,746
Adulticiding, lineal miles sprayed	3,954	4,512	4,775	4,514	3,673	3,043	2,563	3,999	5,164	5,169
Complaint services, adulticiding	7,989	9,230	8,521	5,374	4,123	4,271	3,750	5,545	5,584	5,566
Combination complaints	8,790	10,286	9,935	6,772	5,011	5,301	4,760	711	689	803
Long-Term Care										
Total Beds	9,524	9,524	9,524	9,524	7,944	7,969	8,062	7,176	5,857	5,457
Eskenazi Health										
Admissions (Acute, Behavioral, Lockefield)	16,596	15,896	15,492	14,977	14,788	15,090	14,112	18,568	18,525	18,585
Patient Days (Acute, Behavioral, Lockefield)	75,541	77,496	72,741	67,403	68,253	67,061	69,979	89,997	89,418	107,018
OP Encounters (net of ED)	859,145	815,999	804,189	747,007	736,130	876,161	841,180	885,045	1,077,726	1,120,658
ED Visits	103,046	91,675	94,733	87,624	95,258	101,240	109,412	105,120	105,854	110,451
Advantage Members	12,714	9,139	12,531	15,811	32,916	39,594	54,204	55,993	58,133	54,165
Uncompensated Care (000's Omitted)	376,046	293,617	410,579	535,005	381,110	410,383	237,639	344,552	305,243	267,058
Surgeries	9,078	8,967	8,400	7,715	7,242	7,406	7,447	8,069	8,092	8,162
Births	2,677	2,306	2,316	2,233	2,046	1,849	2,045	1,800	2,107	2,414

n/a = Not available.

\* Starting in 2012, Asbestos investigations are now included with "Related indoor air inspections".

\*\* Beginning October 2014, Indianapolis City obtained Unsafe Building Program jurisdiction

(i) Beginning January 2017, WIC vouchers were replaced with EBT cards. Data from 2017 and forward is EBT transactions per month.

Sources: Marion County Public Health Dept. "Report to the Community", American Senior Communities Census Summary and Eskenazi Health Financial Statements.

**Health and Hospital Corporation of Marion County, Indiana**  
**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**Table XVII**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Health Improvement										
Dental chairs	25	25	25	25	25	25	25	25	25	25
Dental x-ray units	23	23	23	23	23	23	23	23	23	23
Fiberoptic Dentalite	10	10	10	10	10	10	10	10	10	10
Dental Portable Scaler	7	7	7	7	7	7	7	7	7	7
Kiosk Touchscreen system	5	5	5	5	5	5	5	5	5	4
Vital Statistics scanners/readers	1	1	1	1	1	1	1	1	1	1
Generators/power source	5	5	5	5	5	5	4	4	4	4
Planmeca digital panoramic machine	4	2	2	2	2	2	2	2	2	-
Community Health vehicles	3	2	-	-	-	-	-	-	-	-
Communicable Disease Prevention										
Water purification systems for lab	3	3	3	3	3	3	3	3	3	3
Agglutination Processor	1									
Refrigerators/freezer for lab	24	24	23	23	23	22	16	13	12	12
Incubator for lab	7	7	7	7	7	7	7	7	7	6
Trailer with hitch	11	11	11	8	8	8	8	8	8	-
Generator power-diesel	3	3	3	3	3	3	3	3	3	-
Storage area network w/cabinet	2	2	2	2	2	2	2	2	1	-
Kodak color scanners	6	6	6	6	6	5	5	5	5	-
Truck-Super 4X4	3	3	3	3	3	3	3	3	1	-
Water Quality and Hazardous Materials										
Water quality trucks for site cleanups	14	17	17	17	17	17	17	17	16	16
Analyzers for hazardous materials	5	5	5	5	5	5	5	5	5	5
Housing and Neighborhood Health										
Analyzers for lead testing	10	10	9	9	8	8	8	8	8	5
Vans/cars for housing visits	10	10	8	8	7	7	6	6	6	6
Vector Disease Control										
Environmental trucks/vans for cleanup	28	27	27	27	24	23	23	23	17	16
Dump Trucks	17	20	18	18	17	17	17	17	17	16
Tractors/Trailers	27	28	28	28	28	28	28	28	28	28
Rodent/Mosquito control trucks for spraying	67	69	65	64	64	62	57	57	57	57
Rodent/Mosquito control - sprayers	12	12	12	12	12	12	10	10	10	9
Rodent/Mosquito Control - generators	6	6	6	6	6	6	6	6	6	6
Long-Term Care										
# of buildings	78	78	78	78	61	59	59	52	42	38
Eskenazi Health										
# of beds	336	336	336	346	315	315	281	316	312	313

Sources: SAP system - Asset Management Listing, American Senior Communities Fixed Asset System and Eskenazi Health Financial Statements.