THE OHIO STATE UNIVERSITY
WEXNER MEDICAL CENTER HEALTH SYSTEM
(A SERIES OF DEPARTMENTS OF THE OHIO STATE UNIVERSITY)

Financial Statements as of and for the Years Ended June 30, 2020 and 2019, Report of Independent Auditors, and Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
The Ohio State University Wexner Medical Center Health System
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of The Ohio State University Wexner Medical Center Health System, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio State University Wexner Medical Center Health System is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2020

This page intentionally left blank.

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM

TABLE OF CONTENTS

This page intentionally left blank.

Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of The Ohio State University Wexner Medical Center Health System (the "Health System"), a series of departments of The Ohio State University, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 our 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, we consider internal control relevant to the Health System'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 Health System'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University Wexner Medical Center Health System as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Health System are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of the Health System. They do not purport to, and do not, present fairly the financial position of The Ohio State University as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 18 and the Required Supplementary Information on GASB 68 Pension Liabilities on page 51 and Required Supplementary Information on GASB 75 Net OPEB Liabilities on page 51 are required by accounting principles generally accepted in the United States of America 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of the Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2020. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health System's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Columbus, Ohio
October 15, 2020

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and the activities of The Ohio State University Wexner Medical Center Health System (the "Health System") as of and for the years ended June 30, 2020, 2019, and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows this section.

About The Ohio State University Wexner Medical Center Health System

The Ohio State University Wexner Medical Center ("the Medical Center") is one of the largest and most diverse academic medical centers in the country and the only academic medical center in central Ohio. As a part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and is comprised of seven hospitals and a network of ambulatory care locations. The Health System provides a full spectrum of services from primary to quaternary specialized care. Key clinical care locations and facilities of the Health System include:

- ***University Hospital*:** the Wexner Medical Center's flagship hospital is a leader in multiple specialties including organ and tissue transplantation, women and infants, digestive diseases, bariatric surgery and minimally invasive surgery. In addition to having a Level I Trauma Center as designated by the American College of Surgeons, University Hospital is also home to a Level III Neonatal Intensive Care Unit, central Ohio's only adult burn center and the only adult solid organ transplant program in central Ohio.
- ***Arthur G. James Cancer Hospital and Solove Research Institute ("The James"):*** the only free-standing cancer hospital in central Ohio and the first in the Midwest, the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute is an international leader in cancer prevention, detection and treatment.
- ***Richard M. Ross Heart Hospital ("The Ross"):*** where expert physicians, the most advanced treatments and world-class facilities combine to deliver exceptional heart care. From routine cardiology care to management of complex heart diseases to the most complex surgical procedures, the Ross Heart Hospital offers care for every type of heart or vascular disease.
- ***OSU Harding Hospital:*** offers the most comprehensive inpatient and outpatient mental health and behavioral health services in central Ohio. Programs are available for adolescents, adults and older adults with complex psychiatric disorders.
- ***Ohio State East Hospital:*** blends academic medicine with a community-based setting. Ohio State East Hospital offers renowned services in orthopedic care, emergency services, cancer care, addiction services, ear, nose and throat care, heart care, radiology and imaging services, rehabilitation and wound healing. Additionally, patients have access to central Ohio's leading alcohol and drug addiction recovery services.
- ***Dodd Hall:*** home to Ohio State's nationally recognized and accredited rehabilitation inpatient program, specializing in stroke, brain and spinal cord rehabilitation. The program was the first in Ohio and is dedicated to physical medicine and rehabilitation research, training and treatment.
- ***Brain and Spine Hospital:*** a leader in brain and spine treatment and research. Ohio State is one of the first medical centers in the country to combine five neuroscience-related specialties into a single, integrated program. Ohio State is designed to rapidly unlock the mysteries of the brain and to pioneer therapies and technology on every neurological front.
- ***Ambulatory Services:*** offering primary care and many specialized health services in numerous convenient locations throughout Ohio. Primary care, sports medicine, orthopedics, mammography, imaging, wound care and other specialties are provided with the compassionate and nationally ranked expert care that is synonymous with The Ohio State University Wexner Medical Center.

The Health System provided services to approximately 62,300 inpatients and 1,868,000 outpatients during fiscal year 2020, 64,500 inpatients and 1,915,000 outpatients during fiscal year 2019, 64,500 inpatients and 1,810,000 outpatients during fiscal year 2018.

In total, the Health System operates nearly 1,460 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. The Wexner Medical Center delivers superior patient care, quality outcomes, and patient safety and has been recognized by US News and World Report for 28 consecutive years as one of "America's Best Hospitals." and is ranked first in Columbus. The Health System

is recognized as a national leader in nine specialties including: Cancer; Cardiology and Heart Surgery, Diabetes & Endocrinology; Ear, Nose & Throat; and Nephrology, Neurology and Neurosurgery, Pulmonary and Lung Surgery, Rehabilitation and Urology. The Ear, Nose & Throat program ranked fifth in the United States. Eleven other specialties were ranked in the top 10% of all hospitals in the country. Two specialties scored as high-performing: Geriatrics and Gastroenterology and Gastroenterology Surgery. When it comes to common adult procedures and conditions rated by U.S. News, The Ohio State University Wexner Medical Center is recognized as high performing in seven: abdominal aortic aneurysm repair, aortic valve surgery, chronic obstructive pulmonary disease (COPD), colon cancer surgery, heart bypass surgery, heart failure and lung cancer surgery. These high rankings demonstrate how The Wexner Medical Center is leading the way in life-changing medical research and compassionate, effective patient care.

Becker Hospital Review selected the Medical Center for its 2020 edition of "100 Great Hospitals in America." Hospitals selected for inclusion are recognized nationally for excellence in clinical care, patient outcomes, and staff and physician satisfaction.

Surgeons at the medical center's Comprehensive Transplant Center have performed more than 10,000 transplants since 1967, a milestone less than 10 percent of transplant centers nationwide have reached.

The Health System is also proud to be the first in central Ohio to have a hospital achieve Magnet Recognition, one of the highest honors awarded for nursing excellence. The Ross Heart Hospital, University Hospital, and The James are all designated Magnet hospitals.

The Ohio State University Wexner Medical Center has more "Top Doctors" than any other central Ohio hospital. Wexner Medical Center physicians were selected by Castle Connolly because they are among the very best in their specialties.

Operating and Financial Highlights

	Fiscal Year June 30,		
	2020	**2019**	**2018**
Selected Statistics			
Admissions	62,352	64,534	64,529
Avg. Daily Census	1,172	1,221	1,162
Outpatient Visits	1,868,222	1,915,176	1,809,957
Emergency Visits	121,915	132,632	130,916
Transplants	589	483	439
Surgeries	44,741	46,703	44,888

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was declared a pandemic by the World Health Organization on March 11, 2020 and a national emergency by the President of the United States on March 13, 2020. The outbreak of the disease has affected travel, commerce, economies, and financial markets globally, including in the United States. In response to the public health crisis, the Governor of Ohio and the Director of the Ohio Department of Health took certain actions to limit the spread of the virus and its impact on the State's local communities and health care services, including the declaration of a state of emergency in the State and the closure of all non-essential businesses commencing on March 23, 2020. On May 1, 2020, the State began a phased-in process of reopening certain businesses.

On March 17, 2020, the Director of the Ohio Department of Health issued an order temporarily recommending that non-essential or elective surgeries and procedures not be conducted at Ohio hospitals. The temporary suspension of performance of elective procedures was recommended to create capacity for

a potential increase in COVID-19 patients. The recommendation from the Ohio Department of Health to suspend non-essential or elective surgeries and procedures was withdrawn effective May 1, 2020.

Suspended operations due to the COVID-19 pandemic resulted in decreases in revenues and patient care volumes significantly below budget projections. Despite these challenges, however, the Health System's financial position remains strong and the enterprise continues its mission to "improve people's lives in Ohio and across the world through innovation in research, education and patient care."

The Coronavirus Aid, Relief, and Economic Security (CARES) Act – which was enacted March 27, 2020 in response to the COVID-19 outbreak – includes provisions to provide support to individuals, companies and non-profit institutions in the form of loans, grants, tax changes and other types of relief. The Health System recognized $143.3 million of Provider Relief Funds. Amounts provided to the Health System under CARES Act grant programs are recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position as eligibility requirements are met. In September 2020, Health and Human Services (HHS) issued new reporting requirements for the Provider Relief Funds (PRF). The new requirements first require the Health System to identify healthcare related expenses attributable to COVID-19 that another source has not reimbursed. If those expenses do not exceed the funding received, the Health System will need to demonstrate that the remaining provider relief funds were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses. Due to these new reporting requirements there is at least a reasonable possibility that amounts recorded under CARES Act for Provider Relief Funds may change in future periods. The Heath System received $274.9 million under the Medicare Accelerated and Advance Payment Program. These amounts are considered short-term loans and are reported as current liabilities in the Statement of Net Position.

In response to the COVID-19 pandemic, the Heath System is continuing to implement certain cost containment measures to address expected and potential revenue losses. These measures include a hiring pause with exceptions for essential services and key positions, a pause in merit-based compensation increases, restrictions on travel, and greater stringency on discretionary expenditures.

In 2015, The Ohio State University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB Statement No. 68 requires governmental employers participating in defined-benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. In 2018, The Ohio State University implemented a related accounting standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement healthcare. The Health System participates in two multi-employer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

In 2020, the Health System's share of OPERS and STRS-Ohio net pension liabilities decreased $341.7 million to $1.1 billion at June 30, 2020. The decrease relates primarily to OPERS net pension liabilities. In calendar year 2019, OPERS realized a 17.23% return on defined benefit plan investments for the period. STRS net pension liabilities were relatively stable in 2020. Deferred outflows related to pensions decreased $263.2 million, to $127.7 million at June 30, 2020 while deferred inflows related to pensions increased $215.3 million to $237.5 million at June 30, 2020. The swing in deferrals relates primarily to OPERS projected vs actual investment returns. These deferrals will be recognized as pension expense in future periods.

In 2020, the Health System's share of OPERS net OPEB liabilities increased $87.3 million, to $789.1 million at June 30, 2020 primarily due to a decrease in the discount rate from 3.96% to 3.16% that is used to calculate total OPEB liabilities. The impact of the lower discount rate was partially offset by a 19.59% return on investments. Deferred outflows related to OPEB increased $69.8 million, to $126.8 million at June 30,

2020, primarily due to deferrals related to the reduction in the discount rate for OPERS. Deferred inflows related to OPEB increased $110.2 million, to $112.4 million at June 30, 2020, primarily due to OPERS projected vs actual investment returns.

In 2019, the Health System's share of OPERS and STRS-Ohio net pension liabilities increased $641.5 million to $1.4 billion at June 30, 2019. The increase relates primarily to OPERS net pension liabilities. In calendar year 2018, OPERS reduced its long-term assumed rate of return on pension plan investments from 7.5% to 7.2%, increasing total pension liabilities for the system.

In 2019, the Health System also saw significant changes in its share of OPERS and STRS-Ohio net OPEB assets and liabilities. OPERS net OPEB liabilities increased $132.9 million, to $701.8 million at June 30, 2019, primarily due to a negative 5.76% return on OPERS health care investments in calendar year 2018.

In 2018, The Health System's share of net pension liabilities decreased $316.5 million, to $793.5 million at June 30, 2018, reflecting reductions in net pension liabilities for both retirement systems. Total net pension liabilities decreased at OPERS primarily due to increases in fiduciary net position. The OPERS defined benefit investment portfolio had a 16.62% return in calendar year 2017.

At June 30, 2018, the Health System's share of OPERS and STRS-Ohio net OPEB liabilities was $568.9 million. The cumulative effect of adopting GASB Statement No. 75 was a $528.5 million reduction in the Health System's net position as of July 1, 2017.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on the Health System for pension and OPEB funding. Although the liabilities recognized under GASB 68 and GASB 75 meet the GASB's definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on the Health System's resources, and there are no cash flows associated with the recognition of net pension and OPEB liabilities, deferrals and related expense.

In fiscal year 2019, the University implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). ARO liabilities and related deferred inflows are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The Health System recognized $0.08 million and $1.6 million of operating expense related to GASB 83 in 2020 and 2019.

Income Before Other Changes in Net Position was $223.1 million in 2020 compared to $181.1 million in 2019. Pension expense was $136.8 million in 2020 compared to $225.8 million in 2019 reflecting annual accounting under GASB 68. OPEB expense was $127.8 million in 2020 compared to $77.5 million in 2019 reflecting annual accounting under GASB 75. Income Before Other Changes in Net Position for clinical activities was $487.8 million in 2020, $486.2 million in 2019, and $430.4 million in 2018. Included in Income Before Other Changes in Net Position for clinical activities for 2020 was $143.3 million of provider relief funds from HHS as a result of the impact of COVID-19 on the Health System clinical operation.

	Fiscal Year June 30,		
	2020	2019	2018
		(in thousands)	
Clinical Activities	$ 487,816	$ 486,205	$ 430,360
Development pledges and gifts	(78)	(183)	(1,272)
GASB 68 pension expense	(136,792)	(225,792)	(117,250)
GASB 75 OPEB expense	(127,789)	(77,522)	(40,921)
Other	(86)	(1,635)	-
Income Before Other Changes in Net Position	**$ 223,071**	**$ 181,073**	**$ 270,917**

Changes to Net Position include Medical Center Investments of $173.7 million reinvested to support clinical research and education, as well as various patient programs at the Medical Center. This compares to Medical Center Investments of $150.0 million in 2019 and $150.4 million in 2018. Changes to Net Position also include $13.4 million of capital contributions for hospital projects and capital acquisitions. After these changes and including the impact of GASB 68 and GASB 75, the Health System's Net Position increased $62.5 million and totaled $702.3 million in 2020.

Using the Financial Statements

The Health System's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Statement of Net Position

The Statement of Net Position represents the financial position of the Health System at the end of the fiscal year and includes all assets and deferred outflows and liabilities and deferred inflows. The difference between total assets and deferred outflows and total liabilities and deferred inflows – Net Position – is one indicator of the current financial condition of the Health System, while the change in Net Position is an indication of whether the overall financial condition has improved during the year. Included in deferred outflows and deferred inflows is the impact of the recognition of GASB 68 and GASB 75.

The Statements of Net Position at June 30, 2020, 2019, and 2018 are summarized as follows:

	2020	2019	2018
		(in thousands)	
Current assets	$ 1,974,285	$ 1,537,075	$ 1,260,162
Noncurrent assets			
Assets whose use is limited	139,378	137,136	136,048
Long-term investment pool	282,320	282,961	275,497
Capital assets, net	1,696,555	1,487,507	1,437,028
Other	33,965	24,507	38,831
Deferred outflows	254,893	448,389	192,830
Total assets and deferred outflows	4,381,396	3,917,575	3,340,396
Current liabilities			
Accounts payable and accrued expenses	246,819	193,644	189,417
Medicare Advance Payment Program	274,915	-	-
Current portion of long-term debt	53,182	51,955	50,098
Other current liabilities	140,557	107,744	93,761
Total current liabilities	715,473	353,343	333,276
Non-current liabilities			
Long-term debt	594,270	647,634	699,764
Net pension liability	1,093,340	1,435,041	793,547
Net OPEB liability	789,145	701,844	568,913
Other non-current liabilities	136,943	115,501	104,599
Deferred inflows	349,926	24,431	240,418
Total liabilities and deferred inflows	3,679,097	3,277,794	2,740,517
Net position	702,299	639,781	599,879
Total liabilities, deferred inflows, and net position	$ 4,381,396	$ 3,917,575	$ 3,340,396

Current Assets and Current Liabilities

	2020	2019	2018
		(in thousands)	
Current Assets			
Cash and cash equivalents	$ 1,488,144	$ 987,582	$ 732,356
Patient accounts receivable, net	337,764	413,099	403,637
Due from third-party	5,020	12,125	16,701
Inventories, Prepaids, Other Receivables	143,357	124,269	107,468
Total Current Assets	**$ 1,974,285**	**$ 1,537,075**	**$ 1,260,162**

Cash and cash equivalents on deposit with the University represents the Health System's cash, which is pooled with cash from other operating units within the University. These funds earn interest income at rates established through the University's internal bank program. Cash increased $500.6 million from 2019 to 2020. The increase in cash in 2020 includes $143.3 million in Provider Relief Funds from Health and Human Services (HHS) and $274.9 million from the Medicare Advance Payment Program. Cash balances increased $255.2 million from 2018 to 2019 as a result of solid operational performance, increased patient volumes and bed capacity, and fiscally responsible expense management.

Patient accounts receivable, net represents amounts due from third-party payors and patients after allowances for discounts and bad debts. As of the end of the 2020 fiscal year, patient accounts receivable net decreased $75.3 million compared to 2019, reflecting the overall decline in hospital inpatient and outpatient volumes caused by the COVID-19 pandemic. Patient accounts receivable net increased $9.5 million from 2018 to 2019, reflecting higher inpatient and outpatient surgical case volume and increased outpatient chemotherapy infusion activity.

Due from third-party represents payments due from Medicare to the Health System for Periodic Interim Payments (PIP). As of the end of the 2020 fiscal year, due from third-party totaled $5.0 million. This compares to $12.1 million in 2019 and $16.7 million in 2018.

Inventories include medical supply, pharmaceutical drugs, and information technology equipment. Prepaids include preventive maintenance contracts on medical and information technology equipment. Additionally, other receivables represent amounts due from nonpatient activity, reference labs, and other revenue from Nationwide Children's Hospital management of the Neonatal Intensive Care Unit (NICU). As of the end of the 2020 fiscal year, inventories, prepaids, and other receivables totaled $143.4 million. This compares to $124.3 million in 2019 and $107.5 million in 2018. Increases in inventory for 2020 include a $4.5 million increase for Personal Protective Equipment (PPE) related to COVID-19 as well as a $4.3 million increase in pharmaceuticals. Prepaids increased in 2020 due to growth in preventive maintenance contracts on medical and information technology equipment.

	2020	2019	2018
		(in thousands)	
Current Liabilities			
Accounts payable and accrued expenses	$ 246,819	$ 193,644	$ 189,417
Medicare Advance Payment Program	274,915	-	-
Accrued salaries & benefits	82,925	75,350	67,099
Compensated absences	6,329	5,298	5,238
Current portion of long-term debt	53,182	51,955	50,098
Third-party payor settlements	51,303	27,096	21,424
Total Current Liabilities	**$ 715,473**	**$ 353,343**	**$ 333,276**

Current liabilities represent obligations that are due within one year and consist primarily of accounts payable and accrued expenses, accrued salaries and benefits, compensated absences, current portion of principal debt payments, and third-party payor settlements.

Accounts payable and accrued expenses increased $53.2 million or 27.5% from 2019 to 2020. The increase is primarily related to the timing of payment for medical supplies, PPE, and pharmaceuticals due to the recovery of surgical and procedural volumes during the COVID-19 phased-in reopening plan as well as the timing of payment for construction projects. Accounts payable and accrued expenses increased $4.2 million or 2.2% from 2018 to 2019 related to medical supplies, service contracts, and construction projects.

The increase in accrued salaries and benefits represents the days in the month the Health System has accrued for salaries and benefits after the most recent bi-weekly payroll.

Assets Whose Use is Limited

Assets whose use is limited is comprised of funds set aside for future capital expansion projects and research initiatives to support clinical care and the academic mission of the Wexner Medical Center.

	2020	2019	2018
		(in thousands)	
Assets whose use is limited			
Funds held for capital replacement	$ 91,347	$ 89,105	$ 88,017
Funds held for debt retirement	28,031	28,031	28,031
Funds held for research initiatives	20,000	20,000	20,000
Total Assets Limited as to Use	**$ 139,378**	**$ 137,136**	**$ 136,048**

Long-Term Investment Pool

	2020	2019	2018
		(in thousands)	
Long-Term Investment Pool			
Long-term investment pool - Cost Value	$ 276,389	$ 266,700	$ 250,000
Unrealized Gain/(Loss)	5,931	16,261	25,497
Long-Term Investment Pool	**$ 282,320**	**$ 282,961**	**$ 275,497**

In fiscal year 2017, the Health System transferred $250.0 million to the University to invest in the University's Long-Term Investment Pool to support capital projects, research initiatives, clinical care, and the academic mission. The $250.0 million transfer to the University's Long-Term Investment Pool included $130.0 million of operating cash and $120.0 million of assets whose use is limited. The Long-term investment pool – Cost Value increased $9.7 million in 2020 as a result of the Health System reinvesting Interest Income earnings into the pool. The net decrease or unrealized loss in the market value of investments during fiscal year 2020 was $10.3 million. The Health System recorded a net decrease or unrealized loss of $9.2 million in the market value of investments in 2019 and a net increase or unrealized gain of $8.3 million in 2018.

Capital Assets

	2020	2019	2018
		(in thousands)	
Capital Assets - Net			
Property, Plant, and Equipment	$ 2,868,564	$ 2,719,441	$ 2,553,892
Construction In Progress	332,195	138,526	123,316
Accumulated Depreciation	(1,504,204)	(1,370,460)	(1,240,180)
Capital Assets - Net	**$ 1,696,555**	**$ 1,487,507**	**$ 1,437,028**

The growth in property, plant, and equipment in 2020 is primarily due to the purchase of the land and building that was previously leased for the current operation of the Eye and Ear Institute as well as facility renovations, medical equipment, and information technology. The growth in construction in progress is due to costs associated with the new inpatient hospital and parking garage, a central sterile processing facility, regional ambulatory sites, and a faculty office building along with other facility renovations.

The growth in property, plant, and equipment noted from 2018 to 2019 was largely attributable to the build out of additional James Cancer Hospital patient rooms, completion of Phase 1 of the Cannon Drive relocation, facility renovations, medical equipment, and information technology. The growth in construction in progress is due to costs associated with the new inpatient hospital and regional ambulatory sites, along with other facility renovations and information technology projects.

Other Non-current Assets and Non-current Liabilities

	2020	2019	2018
		(in thousands)	
Other Non-Current Assets			
Investment in subsidiaries	$ 17,723	$ 14,186	$ 15,024
Long term pledges receivable, net	7,921	2,326	4,342
Long term receivables and other noncurrent assets	8,321	7,995	19,465
Total Other Non-Current Assets	**33,965**	**24,507**	**38,831**

The Health System has an equity investment interest in MedFlight, a community based air ambulance/intensive care transport authority as well as an investment interest with partial ownership in Madison County Hospital, a community hospital. As of June 30, 2020, the investment in subsidiaries was $17.7 million, an increase from $14.2 million and $15.0 million in fiscal years 2019 and 2018, respectively. The change in investment balance reflects the Health System's total equity interest in these investments. Long term receivables and other noncurrent assets decreased $11.1 million from 2018 to 2020. This decrease reflects the reinvestment of Interest Income earnings into the Long-term investment pool in 2019 and 2020. Long term receivables and other non-current assets also include endowment assets of $5.5 million in 2020, $5.7 million in 2019, and $5.6 million in 2018.

	2020	2019	2018
		(in thousands)	
Other Non-Current Liabilities			
Third-party payor settlements	$ 59,516	$ 49,374	$ 44,909
Compensated absences	74,806	63,470	58,961
Net pension liability	1,093,340	1,435,041	793,547
Net OPEB liability	789,145	701,844	568,913
Other noncurrent liabilities	2,621	2,657	729
Total Other Non-Current Liabilities	**$ 2,019,428**	**$ 2,252,386**	**$ 1,467,059**

Third-party payor settlements consists of future settlements of current and previous years Medicare and Medicaid cost reports. The change in third-party payor settlements from 2018 to 2020 reflects management's estimate for previous years Medicare and Medicaid cost report settlements. Compensated absences reflects the liability for earned but unused vacation and the potential payment of ill time upon an employee's termination or retirement. The increase in compensated absences from 2019 to 2020 is attributable to the increased volumes at the Health System and a larger workforce prior to COVID-19 as well as the growth in accrued paid time off over the last quarter of 2020 due to the slowdown of vacation usage by the workforce as a result of the pandemic.

The Health System participates in a cost-sharing multiple-employer plan with the University and is required to recognize a proportionate share of the collective net pension liabilities of the plans. OPERS and STRS-Ohio net pension liabilities decreased $341.7 million to $1.1 billion from 2019 to 2020. The decrease relates primarily to OPERS net pension liabilities. In calendar year 2019, OPERS realized a 17.23% return on defined benefit plan investments for the period. Net OPEB liability increased by $87.3 million in 2020 to $789.1 million primarily due to a reduction in the discount rate used to measure the liability.

In 2019, the Health System's share of OPERS and STRS-Ohio net pension liabilities increased $641.5 million to $1.4 billion at June 30, 2019. The Health System also saw significant changes in its share of OPERS and STRS-Ohio net OPEB assets and liabilities. OPERS net OPEB liabilities increased $132.9 million, to $701.8 million at June 30, 2019.

In 2018, The Health System's share of net pension liabilities decreased $316.5 million, to $793.5 million at June 30, 2018. The Health System's share of OPERS and STRS-Ohio net OPEB liabilities was $568.9 million. The cumulative effect of adopting GASB Statement No. 75 was a $528.5 million reduction in the Health System's net position as of July 1, 2017.

Net Position

Net Position represents the residual interest in the Health System's assets and deferred outflows after liabilities and deferred inflows are deducted. The composition of the Health System's Net Position at June 30, 2020, 2019 and 2018 is summarized as follows:

	2020	2019	2018
		(in thousands)	
Net Position			
Invested in capital assets, net of related debt	1,049,103	787,918	687,166
Restricted, nonexpendable	5,517	5,716	5,594
Restricted, expendable	24,728	15,310	15,208
Unrestricted	(377,049)	(169,163)	(108,089)
Net Position	**$ 702,299**	**$ 639,781**	**$ 599,879**

Net investment in capital assets are the Health System’s capital assets net of accumulated depreciation and outstanding principal balances of debt obtained for acquiring, constructing, and improving those assets. Net Position is further categorized into Restricted-Nonexpendable, Restricted-Expendable, and Unrestricted. Please see the Notes to the Financial Statements for further definition. In 2020, Net Position increased $62.5 million relative to 2019 due to strong clinical operations and growth in surgical cases prior to the COVID-19 pandemic as well as increased investment in capital assets, effective cost containment, and growth in operating cash.

Net Position increased $39.9 million from 2018 to 2019 as a result of strong clinical operations, growth in surgical cases, increased chemotherapy and pharmaceutical volumes, cost containment, and growth in operating cash.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position represents the Health System's results of operations. A comparison of revenues, expenses and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows:

	Fiscal Year June 30,		
	2020	2019	2018
Income and Change in Net Position		(in thousands)	
Operating Revenues	$ 3,451,914	$ 3,433,075	$ 3,106,236
Operating Expenses	3,362,656	3,222,872	2,815,739
Operating Income	89,258	210,203	290,497
Non-Operating Revenues (Expenses)	133,813	(29,130)	(19,580)
Income Before Other Changes in Net Position	223,071	181,073	270,917
Medical Center investments	$ (173,749)	$ (150,000)	$ (150,358)
Capital contributions	13,395	8,707	16,501
Additions to permanent endowments	(199)	122	629
Other Changes in Net Position	(160,553)	(141,171)	(133,228)
Increase in Net Position	$ 62,518	$ 39,902	$ 137,689
Net Position - Beginning of Year, as reported	639,781	599,879	990,733
Cumulative effect of accounting change	-	-	(528,543)
Net Position - End of Year	$ 702,299	$ 639,781	$ 599,879

Operating Revenues

In 2020, total operating revenues grew $18.8 million or 0.5% over the prior fiscal year. As of the end of February 2020 and prior to COVID-19, Inpatient Admissions, Total Surgeries, Outpatient Visits, and Radiation Oncology were all above prior year by 4.5%, 8.7%, 12.0%, and 18.5%, respectively. The COVID-19 pandemic and the temporary suspension of performance of elective surgeries and procedures significantly impacted Health System operating revenue.

Total operating revenues grew $326.8 million or 10.5% from 2018 to 2019. Growth in surgical cases, increased chemotherapy and pharmaceutical volumes and increased bed capacity contributed to the growth in operating revenue.

Approximately 90% of total operating revenues are from patient care activities. Other Operating Revenues include revenue from reference labs, cafeteria operations, rental agreements and other non-patient services. Due to the increasing complexity and significantly growing number of specialty oral and self-administered pharmaceuticals available for cancer and non-cancer patients, the Health System operates a Specialty Retail Pharmacy dedicated to improving patient care by easing the challenges of managing medications. The Specialty Retail Pharmacy contributed $166.7 million to Health System operating revenues in 2020, $127.6 million 2019, and $98.8 million 2018. Other Operating Revenues also includes a portion of the margin shared with Nationwide Children’s Hospital for the management of the Neonatal Intensive Care Unit located at the Heath System. The goal of this managed unit is to standardize the care and quality outcomes of all the neonatal patients in Central Ohio. The NICU contributed $17.8 million of operating revenues in 2020, $15.9 million of operating revenues in 2019, and $16.6 million in 2018. In 2019, the Health System enrolled in the Care Innovation and Community Improvement Program (CICIP). CICIP was developed to increase alignment of quality improvement strategies and goals between the State, Managed Care Organizations (MCO), and both public and nonprofit hospital agencies. The Health System

recognized $52.6 million in Other Operating Revenues related to CICIP in 2020 compared to $52.5 million in 2019.

	Fiscal Year June 30,		
	2020	2019	2018
		(in thousands)	
Revenues			
Net patient service revenue less provision for bad debts	$ 3,093,961	$ 3,116,216	$ 2,877,882
Other Operating Revenues	357,953	316,859	228,354
Total Operating Revenue	**$ 3,451,914**	**$ 3,433,075**	**$ 3,106,236**

Net Patient Service Revenue reflects charges to patients for clinical services provided, net of contractual allowances and other discounts, and provision for bad debts. Most patients have insurance coverage which pays for those services (third party payors). As is common within the industry, most reimbursement from third party payors are at a substantial discount from patient charges.

The major third party payors are The Center for Medicare and Medicaid Services (CMS) -- Medicare - the federal program for the aged and disabled & Medicaid – the state program covering various underserved constituents and Managed Care – healthcare coverage typically provided by employers.

Medicare pays most inpatient and outpatient care on prospectively determined case rates. Additional payments are made to the Health System for medical education, caring for low income patients, transplant costs, and cases with unusually high cost of care. Furthermore, The James is one of eleven cancer hospitals nationwide exempt from the prospective payment system. Medicare reimburses The James reasonable inpatient costs of care (subject to per case limit – TEFRA limit). The final payments for The James inpatient services are determined through annual cost reports. Medicare pays The James for outpatient services at costs discounted by a payment to cost factor (PCR) each year. In 2020, outpatient costs were paid at 88% PCR.

The Health System has estimated and recorded settlement amounts for all unsettled Medicare and Medicaid cost reports through June 30, 2020. In the opinion of management, adequate provisions have been made for such settlements. The Health System records changes in estimates upon receiving interim or final settlements related to prior year cost reports and are recorded in net patient service revenue.

Subject to income and asset levels, Medicaid pays for care under its Programs for Children, Families, and Pregnant Women; Aged Blind and Disabled program; and premium assistance for dual eligible Medicare enrollees. Medicaid pays for inpatient and outpatient services on prospectively determined rates with provisions for cases incurring unusually high costs. The James, as an exempt hospital for Medicare, is reimbursed for inpatient and outpatient services based upon Medicaid's predetermined percent of charges with no cost report settlement.

Effective January 1, 2014, new regulations under the Patient Protection and Affordable Care Act allowed states to extend coverage to additional eligible enrollees. Medicaid expansion is part of an effort to provide health insurance coverage for Ohio's working poor. The Health System has seen a relatively consistent insured population as a result of Medicaid expansion.

Contracts with Managed Care organizations are negotiated and include several different payment methods. Many of the contracts are case based or per diem for inpatients, with a combination of case rates and percent of charges for outpatients. Managed Care organizations may also offer plans to Medicare and Medicaid beneficiaries. These plans typically pay negotiated rates, but usually on a basis consistent with traditional Medicare or Medicaid plans. The State of Ohio mandates patients eligible for Programs for Children, Families, Pregnant Women, and eligible under the Aged, Blind and Disabled Program enroll in a Medicaid Managed Care plan.

The Health System also has contractual relationships with other payors and provides much of the acute care needs for The Ohio Department of Corrections. The Health System also provides care for various

Bureau of Worker's Compensation managed care payors, other state and federal agencies. Effective July 1, 2013, corrections/inmates under 21 or over 64 years are covered under Medicaid. Previously, the Health System was reimbursed directly through the Ohio Department of Corrections. As of July 1, 2013, any pregnant inmate is covered by Medicaid for inpatient services. The remaining inmate population shifted to Medicaid for inpatient health coverage on January 1, 2014.

The Health System provides care to patients without insurance. It participates in Ohio's Hospital Care Assurance Program which provides for free care to patients whose income levels are below 100% of the Federal Poverty Level (FPL) Guidelines. The Health System also provides sliding scale charity discounts for self-pay patients up to 400% of the FPL.

Payor Mix for the Health System has remained relatively consistent throughout the past several years. The Payor Mix for the 2020, 2019 and 2018 fiscal years are as follows:

	Fiscal Year June 30,		
Payor Mix	**2020**	**2019**	**2018**
Managed Care	37.6%	37.9%	37.7%
Medicare	37.7%	38.5%	37.4%
Medicaid	19.4%	19.1%	19.8%
Self Pay	1.6%	1.7%	1.5%
Other	3.7%	2.8%	3.6%
	100.0%	**100.0%**	**100.0%**

Operating Expenses

A comparison of operating expenses for the three years ended June 30, 2020, 2019 and 2018 is summarized as follows:

	Fiscal Year June 30,		
	2020	**2019**	**2018**
		(in thousands)	
Expenses			
Salaries and benefits	$ 1,466,527	$ 1,388,522	$ 1,304,358
Supplies and drugs	950,416	873,397	731,097
Purchased services	393,133	378,648	361,491
Depreciation	170,775	164,453	154,822
Pension expense	136,792	225,792	117,250
OPEB expense	127,789	77,522	40,921
Other expenses	117,224	114,538	105,800
Total Operating Expenses	**$ 3,362,656**	**$ 3,222,872**	**$ 2,815,739**

Operating expenses increased $139.8 million or 4.3% from 2019 to 2020. The growth in salaries and benefits from 2019 to 2020 is reflective of the volume growth noted above prior to COVID-19. The Health System experienced reduced medical supply and pharmaceutical costs in the months of March and April as a result of the cancellation or delay of elective surgeries and procedures. As a result of COVID-19, the Health System experienced a significant increase in demand for PPE, diagnostic testing, medical equipment and other supplies associated with patient care and staff safety. Solid organ transplant and Specialty Retail Pharmacy volumes increased from 2019 to 2020, also contributing to increases in supply and drug expense. Purchased services grew 3.8% in 2020 reflecting higher hospital franchise fee, legal services, and advertising costs.

Total pension and OPEB expense recognized in 2020 by the Health System including employer contributions totaled $403.6 million. Total pension and OPEB expense included of $139.0 million of employer contributions, $136.8 million in GASB 68 accruals, and $127.8 million in GASB 75 accruals.
Operating expenses increased $407.1 million or 14.5% from 2018 to 2019. Operating expenses correlate with the increases experienced with patient volumes and occupancy levels. The growth in salaries and benefits from 2018 to 2019 is reflective of a larger workforce due to the growth in patient volumes. Strong surgical and transplant volumes as well as increases in chemotherapy treatments contributed to the increase in supplies and drugs. The increase in volumes at the Specialty Retail Pharmacy also contributed to the increase in drug expense in 2019. Purchased services also grew in 2019 reflecting higher information technology and medical equipment general repairs costs, increased franchise fees, and advertising expense. Total pension and OPEB expense recognized by the Health System including employer contributions totaled $434.6 million in 2019. This compares to $279.0 million of pension and OPEB expense in 2018. Total pension and OPEB expense in 2019 includes $131.3 million of employer contributions, $225.8 million in GASB 68 accruals, and $77.5 million in GASB 75 accruals.

Adjusted for activities (measuring both inpatient and outpatient activity), total operating expense increased 5.3% from 2019 to 2020. The Health System employed 14,500 full time equivalent employees (FTEs) in 2020, 14,300 in 2019, and 13,500 in 2018.

Non-Operating Revenue and Expenses

The Health System incurred a total of $31.9 million in interest cost in 2020 with the majority paid (or payable) to the University to service debt incurred on behalf of the Health System. The Health System incurred a total of $35.0 and $39.2 million interest cost in 2019 and 2018, respectively.

In 2017, the Health System transferred $250.0 million to the University to invest in the University's Long-Term Investment Pool to support capital projects, research initiatives, clinical care, and the academic mission of the Medical Center. Income from investments in 2020 includes $10.3 million unrealized loss and $9.7 million of interest income related to the Long-Term Investment Pool. Income from investments in 2019 includes $9.2 million unrealized loss and $5.2 million of interest income related to the Long-Term Investment Pool. Income from investments in 2018 includes $8.3 million unrealized gain and $6.8 million of interest income related to the Long-Term Investment Pool.

Income Before Other Changes in Net Position

Income Before Other Changes In Net Position was $223.1 million in 2020 compared to $181.1 million in 2019 and $270.9 million in 2018. Impacts to Income Before Other Changes In Net Position include pension expense of $136.8 million in 2020 compared to $225.8 million in 2019 and $117.3 million in 2018. This reflects the annual accounting for GASB 68. OPEB expense was $127.8 million in 2020 compared to $77.5 million in 2019 and $40.9 million in 2018, reflecting annual accounting for GASB 75. Income Before Other Changes in Net Position for Clinical Activities grew $1.6 million from 2019 to 2020 which reflects the significant impact of COVID-19 between the months of March to June.

Other Changes in Net Position

The Health System's other changes in net position for fiscal year 2020 includes Medical Center Investments of $173.7 million dedicated to research, education, and other programs at the Medical Center. Medical Center Investments totaled $150.0 million in 2019 and $150.4 million in 2018. Other changes in net position include capital contributions of $13.4 million in 2020, $8.7 million in 2019, and $16.5 million in 2018 for hospital projects and capital acquisitions.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the Health System's major sources and uses of cash. A comparison of cash flows for the three years ended June 30, 2020, 2019 and 2018 is summarized as follows:

	2020	2019	2018
		(in thousands)	
Cash Flows			
Receipts from patients and third-party payors	$ 3,486,936	$ 3,120,684	$ 2,838,260
Payments to and on behalf of employees	(1,497,898)	(1,424,039)	(1,339,636)
Payments to vendors for supplies and services	(1,243,938)	(1,192,514)	(1,017,456)
Other operating activities	222,539	196,722	107,677
Net cash provided by operating activities	967,639	700,853	588,845
Cash flows from non-capital financing activities	143,892	1,352	1,909
Cash flows used in capital and related financing activities	(449,803)	(280,279)	(261,434)
Cash flows used in investing activities	(161,166)	(166,700)	(150,358)
Net increase in cash	500,562	255,226	178,962
Cash at beginning of year	$ 987,582	$ 732,356	$ 553,394
Cash at end of year	$ 1,488,144	$ 987,582	$ 732,356

Net cash provided by operating activities totaled $967.6 million in 2020 compared to $700.9 million in 2019. Net cash provided by operating activities includes $274.9 million related to the Medicare Advance Payment Program. Net cash provided by non-capital and financing activities totaled $143.9 million in 2020 which includes $143.3 million of Provider Relief Funds. Net cash used in capital and related financing activities totaled $449.8 million in 2020, an increase of $169.5 million compared to 2019 as a result of purchases of Health System capital assets and the payment of debt obligations. Net cash used in investing activities totaled $161.2 million related to the reinvestment of funds back into the Medical Center for research, education, and programs at the Medical Center.

Future Direction

Healthcare at The Ohio State University Wexner Medical Center is future-focused and driven by the mission to improve health in Ohio and across the world through innovation in research, education and patient care. The Health System will continue to respond to the challenges and opportunities of the healthcare environment. The healthcare industry is witnessing a transformation toward a value-based system that will require The Health System to continue to provide high quality care and superior outcomes. The Health System has aggressively implemented cutting edge healthcare delivery strategies and continues to enhance tertiary and quaternary care delivery across a broader geographic area.

The Health System is continuing its vision to deliver unparalleled care and meet anticipated future growth, embarking on a plan to expand its care with new, large outpatient care facilities planned for New Albany, Dublin, and Powell. The comprehensive facilities are part of a new suburban outpatient care program that supports growth in the region and excellence in academic health care will include ambulatory surgery, endoscopy, primary care, specialty medical and surgical clinics and related support space.

A new inpatient hospital scheduled to open in early 2026 will be a 1.9 million square foot facility and the largest single facilities project ever undertaken at The Ohio State University. The new tower will enhance research, clinical training and patient care. The hospital will have up to 820 beds in private rooms, 60 neonatal intensive care unit bassinets, 24 floors, an emergency department, imaging suites, operating rooms and critical care and medical/surgical beds. Plans also include an indoor café, a conservatory

garden, outdoor park areas and conference facilities. The building itself will be a glass and brick structure designed to maximize light in patient rooms to improve outcomes.

The Health System will continue creating an innovative healthcare delivery model to deliver high value care with an unparalleled patient experience and access. As a leading academic medical center, The Ohio State University Wexner Medical Center will change how patients receive care. The Medical Center has a critical role in both meeting the most complex care needs of our community and also keeping our community and individuals healthy. This role can only be filled by an academic medical center such as The Ohio State University Wexner Medical Center.

By pushing the boundaries of discovery and knowledge, The Ohio State University Wexner Medical Center will solve significant problems and deliver unparalleled care. The Medical Center embodies the Buckeye Spirit in everything we do through our shared values of Inclusiveness, Determination, Empathy, Sincerity, Ownership, and Innovation. As a responsible, future-focused organization, the Health System will continue to be proactive in responding to all challenges and opportunities of the healthcare environment and expects to build upon its unmatched healthcare delivery model and growth in financial position and operating results during the upcoming year.

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM
STATEMENTS OF NET POSITION
(in thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents on deposit with the University	$ 1,488,144	$ 987,582
Patient accounts receivable, net of estimated uncollectibles of $65,364 in 2020 and $54,600 in 2019	337,764	413,099
Pledge receivables, net	3,231	1,911
Due from third-party	5,020	12,125
Other receivables	50,089	52,331
Inventory	56,789	45,254
Prepaid expenses and other current assets	33,248	24,773
Total current assets	1,974,285	1,537,075
Non-current assets:		
Assets whose use is limited	139,378	137,136
Long-term investment pool	282,320	282,961
Investment in subsidiaries	17,723	14,186
Capital assets, net	1,696,555	1,487,507
Long term pledge receivables, net	7,921	2,326
Long term receivables and other non-current assets	8,321	7,995
Total non-current assets	2,152,218	1,932,111
Total assets	4,126,503	3,469,186
Deferred outflows:		
Pension	127,655	390,898
OPEB	126,814	57,057
Other	424	434
Total deferred outflows	254,893	448,389
Total assets and deferred outflows	$ 4,381,396	$ 3,917,575
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 246,819	$ 193,644
Medicare Advance Payment Program	274,915	-
Accrued salaries and benefits	82,925	75,350
Compensated absences	6,329	5,298
Third-party payor settlements	51,303	27,096
Current portion of long-term debt	53,182	51,955
Total current liabilities	715,473	353,343
Non-current liabilities:		
Long-term debt less current portion	594,270	647,634
Compensated absences less current portion	74,806	63,470
Third-party payor settlements less current portion	59,516	49,374
Net pension liability	1,093,340	1,435,041
Net OPEB liability	789,145	701,844
Other non-current liabilities	2,621	2,657
Total non-current liabilities	2,613,698	2,900,020
Total liabilities	3,329,171	3,253,363
Deferred inflows:		
Pension	237,483	22,231
OPEB	112,443	2,200
Total deferred inflows	349,926	24,431
Total liabilities and deferred inflows	3,679,097	3,277,794
Net Position		
Net investment in capital assets	1,049,103	787,918
Restricted:		
Nonexpendable	5,517	5,716
Expendable	24,728	15,310
Unrestricted	(377,049)	(169,163)
Total net position	702,299	639,781
Total liabilities, deferred inflows, and net position	$ 4,381,396	$ 3,917,575

The accompanying notes are an integral part of these financial statements

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
Operating Revenues		
Net patient service revenue	$ 3,170,416	$ 3,159,878
Provision for bad debts	(76,455)	(43,662)
Net patient service revenue less provision for bad debts	3,093,961	3,116,216
Other revenue	357,953	316,859
Total Operating Revenue	3,451,914	3,433,075
Operating Expenses		
Salaries and benefits	1,466,527	1,388,522
Supplies and drugs	950,416	873,397
Purchased services	393,133	378,648
Depreciation	170,775	164,453
Pension expense	136,792	225,792
OPEB expense	127,789	77,522
Other expenses	117,224	114,538
Total Expenses	3,362,656	3,222,872
Operating Income	89,258	210,203
Non-Operating Revenues (Expenses)		
Interest expense	(31,941)	(34,995)
Income from investments	22,272	6,355
Gifts	(78)	(183)
Provider Relief Funds	143,301	-
Other non-operating revenues (expenses) **Total**	259	(307)
Non-Operating Revenues (Expenses)	133,813	(29,130)
Income Before Other Changes in Net Position	223,071	181,073
Other Changes in Net Position		
Medical Center investments	(173,749)	(150,000)
Capital contributions	13,395	8,707
Additions to permanent endowments	(199)	122
Total Other Changes in Net Position	(160,553)	(141,171)
Increase in Net Position	62,518	39,902
Net Position - Beginning of Year	639,781	599,879
Net Position - End of Year	$ 702,299	$ 639,781

The accompanying notes are an integral part of these financial statements

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
Cash flows from operating activities		
Receipts from patients and third-party payors	$ 3,212,021	$ 3,120,684
Medicare Advance Payment Program	274,915	-
Other receipts	355,073	322,518
Payments to and on behalf of employees	(1,497,898)	(1,424,039)
Payments to vendors for supplies and services	(1,243,938)	(1,192,514)
Payments on other expenses	(132,534)	(125,796)
Net cash provided by operating activities	967,639	700,853
Cash flows from non-capital financing activities		
Non-exchange grant receipts - Provider Relief Funds	143,301	-
Gift receipts for current use	790	1,230
Additions to permanent endowments	(199)	122
Net cash provided by non-capital financing activities	143,892	1,352
Cash flows from capital and related financing activities		
Purchase of capital assets	(375,806)	(205,493)
Repayments of long-term debt	(52,137)	(50,273)
Cash paid for interest	(31,941)	(34,280)
Contributions and transfers for property acquisitions	10,081	9,767
Net cash used in capital financing activities	(449,803)	(280,279)
Cash flows from investing activities		
Medical Center investments	(173,749)	(150,000)
Investment Income, net of related expenses	22,272	-
Purchase of long-term investments	(9,689)	(16,700)
Net cash used in investing activities	(161,166)	(166,700)
Net increase in cash and cash equivalents	500,562	255,226
Cash and cash equivalents at beginning of year	987,582	732,356
Cash and cash equivalents at end of year	$ 1,488,144	$ 987,582
Reconciliation of operating income to net cash provided in operating activities		
Operating Income	89,258	210,203
Adjustments to reconcile operating income to net cash provided by operations:		
Pension Expense	136,792	225,792
OPEB Expense	127,789	77,522
Other Expense	86	1,635
Depreciation	170,775	164,453
Changes in operating assets and liabilities:		
Patient accounts receivable	75,335	(9,462)
Medicare Advance Payment Program	274,915	-
Other receivables	(1,836)	1,722
Inventories	(11,535)	(6,017)
Prepaid expenses and other assets	(8,475)	1,317
Accounts payable/accrued expenses	53,175	4,227
Accrued salaries and benefits	7,575	8,251
Third party payor settlements	41,454	14,713
Compensated absences	12,367	4,569
Other liabilities	(36)	1,929
Net cash provided by operating activities	967,639	700,853
Non Cash Transactions		
Unrealized loss (gain) on investments	10,330	9,236

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

The Ohio State University Wexner Medical Center Health System (the "Health System" or the “System”) operates under the governance of The Ohio State University Board of Trustees. The Health System is comprised of a series of departments representing the financial activities of University Hospital, East Hospital, Brain and Spine Hospital, Richard M. Ross Heart Hospital, Harding Hospital, Dodd Rehabilitation Hospital, Arthur G. James Cancer Hospital and Richard J. Solove Research Institute and various Ambulatory Clinics and Outreach Sites. As a series of departments of The Ohio State University (the "University"), the Health System is included in the financial statements of the University and is exempt from income taxes under Internal Revenue Code Section 115.

The Health System is an operating unit of The Ohio State University Wexner Medical Center (“OSUWMC”) which also includes the College of Medicine, Office of Health Sciences, OSU Physicians, and the OSU Health Plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The preparation of these financial statements is in conformity with generally accepted accounting principles, accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The financial statements of the Health System have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Health System reports as a special purpose government entity engaged primarily in business type activities, as defined by GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

New Accounting Pronouncements:

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement - which is intended to provide temporary relief to governments in light of the COVID-19 pandemic - extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.The requirements of this Statement are effective immediately.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. This standard is effective for periods beginning after December 15, 2019 (FY2021).

In June 2017, the GASB issued Statement No. 87, Leases. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months or less. This standard is effective for periods beginning after June 15, 2021 (FY2022).

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2020 (FY2022) and will be applied on a prospective basis.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2019 (FY2021).

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This standard addresses P3s and APAs and amends current guidance in GASB 60, Accounting and Financial Reporting for Service Concession Arrangements. In general, the standard applies the right-of-use model set forth in GASB 87 to P3 arrangements and provides accounting and disclosure guidance for both transferors and operators of governmental assets. The standard is effective for periods beginning after June 15, 2022 (FY2023).

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY2023), and all reporting periods thereafter.

The effective dates of the accounting pronouncements listed above have been updated in accordance with Statement No. 95. Health System management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90, 94 and 96 will have on the Health System's financial statements.

Implementation of GASB Statement No. 83

In fiscal year 2019, the Health System implemented GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). ARO liabilities and related deferrals are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The Health System recognized $1,635 of operating expense related to GASB 83 in 2019.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions regarding the reported amounts. The most significant areas requiring estimates relate to accounts receivable allowances for contractual adjustments and bad debts, third-party payor settlement liabilities, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In particular, 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 related to these programs could change by a material amount in the near term.

Principles of Consolidation:

The financial statements include the accounts of the Health System and all wholly owned subsidiaries and controlled entities. All material inter-company transactions and account balances have been eliminated in the financial statements.

Net Position:

Net Position is categorized as:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable – Net position subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the University for the benefit of the Health System. These assets primarily consist of the Health System's permanent endowments.

  Expendable – Net position whose use by the Health System is subject to externally-imposed stipulations that can be fulfilled by actions of the Health System pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: Net position that is not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents on Deposit with the University:

Cash and cash equivalents of $1,488,144 at June 30, 2020 and $987,582 at June 30, 2019 consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts held at the University. Health System cash is pooled with other operating units within the University and earns interest income at rates established through the University's internal bank program.

Patient Accounts Receivable and Estimated Payables to Third-Party Payors:

A substantial portion of the Health System's revenue is received from governmental payers: Medicare and Medicaid. Payments from these payors are based on a combination of prospectively determined rates and retrospectively settled amounts. Many of the payment calculations require the use of estimates until the cost reports are audited and reach a final settlement. Final settlement of the amount due to the Health System or payable to the payors are subject to the laws and regulations governing the federal and state programs and post-payment audits may result in further adjustments by the payors. Provisions for anticipated adjustments have been made in the financial statements. Certain adjustments and payment rates of third parties in previously settled cost reports are being appealed. Any recoveries are recognized in the financial statements as adjustments to prior year settlements at the time the appeals are resolved.

The Health System also enters into contractual relationships with managed care organizations and other third party payors to provide services to plan beneficiaries. These relationships may include services provided to Medicare beneficiaries under Medicare Advantage programs and to Medicaid beneficiaries under Medicaid Managed Care programs. Many of the agreements with Medicare, Medicaid, and third-party payors provide for payment at amounts different from established prices. A summary of the significant payment arrangements with major third-party payors follows:

Medicare:

The Medicare program reimburses the Health System for services provided to its beneficiaries. The Ohio State University Hospital, The Richard M. Ross Heart Hospital, and Ohio State East Hospital reimbursement for inpatient services are based on a prospective payment system (PPS) that utilizes Medicare Severity Diagnostic Related Groups (MS-DRGs). These payment rates vary according to the

patient classification system established by the Center for Medicare and Medicaid Services (CMS). OSU Harding is paid under PPS for Medicare Inpatient Psychiatric facilities. Medicare reimburses the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute on a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) basis, subject to certain reasonable cost limits. Outpatient services for all business units are paid prospectively on pre-determined fee schedules or Ambulatory Payment Classifications (APCs). In addition, the James receives Hold Harmless payments up to a published payment to cost ratio (PCR). The program's share of Graduate Medical Education, Paramedical training, and Solid Organ Transplant costs are reimbursed outside of MS-DRGs on a combination of prospective and cost based methodologies. Reimbursement for these items is made at a tentative rate with a final settlement determined after submission of annual cost reports by the Health System, and audits thereof, by Medicare.

Medicaid:

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based upon All Patient Refined Diagnostic Related Groups (APR-DRGs). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. This is applicable for every business unit except the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. Outpatient services are paid prospectively on pre-determined fee schedules except the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. Inpatient capital costs are paid based on an Ohio Department of Medicaid published hospital specific rate. Effective July 1, 2014, there is no cost report settlement, although Medicaid Cost reports continue to be required.

The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute is reimbursed for inpatient and outpatient beneficiary care at Ohio Department of Medicaid published rates with final cost settlement via cost reports through September 30, 2014. Thereafter, cost settlement no longer applies. The submission of annual cost reports by the Health System, and audits thereof, by Medicaid, determine any settlement amounts. Effective January 1, 2014, new regulations under the Patient Protection and Affordable Care Act allow states to extend coverage to additional eligible enrollees. Medicaid expansion continues to be an effort to secure health insurance coverage for Ohio's working poor.

Other:

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

Settlements:

The Health System has estimated and recorded settlement amounts for all unsettled Medicare and Medicaid cost reports through June 30, 2020. In the opinion of management, adequate provisions have been made for such settlements. The Health System records changes in estimates upon receiving interim or final settlements related to prior year cost reports. The most recent settled cost report for The Ohio State University Hospital for Medicare was for fiscal year ended June 30, 2016 and June 30, 2015 for Medicaid. The most recent settled cost report for the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute for Medicare was fiscal year ended June 30, 2017 and June 30, 2015 for Medicaid.

In addition to cost report settlements, government and managed care payors are increasingly retroactively reviewing claims for medical necessity, inpatient/outpatient status, charge accuracy, documentation, provider-based requirements and non-allowable charges. Annual audits are completed related to HCAP payments. Electronic Health Records payment audits are also being completed by CMS and the Office of the Inspector General (OIG) to assure accuracy of payments in prior years for both

Medicare and Medicaid. The Health System reserves include amounts to cover potential recoveries related to these audits.

Contributions and Pledges Receivable:

The University receives pledges and bequests of financial support from corporations, foundations and individuals, including amounts relating to capital expansion and patient care activities of the Health System. Contributions and pledges receivable are recorded in the Health System's financial statements. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received.

Pledges receivable are reported net of allowance for uncollectable pledges. As estimated by management, the allowance for uncollectable pledges totaled $332 at June 30, 2020 and $149 at June 30, 2019. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

Inventories:

Inventories for the Health System consist primarily of pharmaceutical drugs, operating room supplies, personal protective equipment, and information technology equipment, and are valued at the lower of cost or market, with the cost determined on a FIFO (first-in/ first-out) basis.

Assets Whose Use is Limited:

Assets Whose Use is Limited are set aside for future capital improvements, third party settlements, debt repayments and research initiatives. Control of these assets is maintained by the Health System who may, at its discretion, subsequently use the assets for other purposes not related to current operations with Medical Center Board of Directors' approval.

These funds are invested in The Ohio State University investment pool. The Health System receives interest based on rates established by The University's internal bank program.

The University's investment policy authorizes the University to invest non-endowment funds in the following investments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds

Assets whose use is limited consisted of the following at June 30, 2020 and 2019:

	2020	2019
	(in thousands)	
Funds held for capital replacement	$ 91,347	$ 89,105
Funds held for debt retirement	28,031	28,031
Funds held for research initiatives	20,000	20,000
Total	**$ 139,378**	**$ 137,136**

Operating Funds and Endowments in University Long-Term Investment Pool:

Amounts invested in The Ohio State University Long-Term Investment Pool are recorded at fair value. These funds are managed by the Investment Office of the University, which commingles the funds with other University related organizations. Earned investment income by a fund is based on the moving average of its monthly market value percentage to the overall pool. Investments are carried at fair value in accordance with GASB Statement No. 31*, Accounting and Reporting for Certain Investments and for External Investment Pools* as amended by GASB Statement 72*, Fair value Measurement and Application*. The net decrease in the value of investments during the year ended June 30, 2020 was $641. This amount takes into account all changes in fair value (including purchase and sales) that occurred during the fiscal year.

The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2020, a cumulative unrealized gain on investments totaled $5,931. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long-Term Investment Pool. Net appreciation related to operating funds is classified as unrestricted net position. Net appreciation related to endowment funds is classified as restricted-expendable net position.

Endowment Funds:

All University endowments are invested in the University's Long-Term Investment Pool and are invested and administered according to University policy. Certain endowment fund assets, namely funds relating to the Health System capital expansion and patient care activities, have been recorded in the Health System's financial statements beginning in fiscal year 2012 based upon the concurrent determination that the underlying activities are to be recorded by the Health System. Each named Health System fund is assigned a number of shares in the University Long-Term Investment Pool based on the value of the gifts, income to principal transfers, or transfers of operating funds to the named fund. Annual distributions from the funds are computed using the share method of accounting for pooled investments. Health System endowment fund assets are included in Long term receivables and other assets on the Statement of Net Position, and totaled $5,516 and $5,716 at June 30, 2020 and 2019, respectively.

Investments in Subsidiaries:

Investments in uncontrolled subsidiaries are recorded using the equity method of accounting.

Capital Assets:

Capital asset acquisitions are recorded at cost or at acquisition value at date of donation. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets. The life of buildings range from 5-40 years, for equipment the range is 2-20 years, and for leasehold improvements the range is 3-16 years. The Health System uses guidelines established by the American Hospital Association to assign estimated useful lives to fixed equipment and inventoried equipment. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Long-lived assets are evaluated for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from future estimated cash flows. Fair value estimates are derived from independent appraisals, established market values of comparable assets or internal calculations of future estimated cash flows.

(in thousands)

Net Patient Service Revenues:

Net Patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated and retroactive settlements. Net patient service revenue for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Total patient service revenue	$ 9,758,938	$ 9,875,821
Contractual allowances and other discounts	(6,588,522)	(6,715,943)
Provision for bad debts	(76,455)	(43,662)
Net patient service revenue	**$ 3,093,961**	**$ 3,116,216**

Additionally, net patient service revenue is reported net of contractual allowances and other discounts and excludes provision for bad debts. Net patient service revenue amounts recognized from major payor sources (based on primary payor) for fiscal 2020 and 2019, respectively, is as follows:

2020	**Third Party**	**Self-Pay**	**Total All Payors**
Patient service revenue (net of contractual allowances and other discounts)	$ 3,119,215	$ 51,201	$ 3,170,416
2019			
Patient service revenue (net of contractual allowances and other discounts)	$ 3,112,160	$ 47,718	$ 3,159,878

Charity Care:

The Health System provides medical care to all patients regardless of their ability to pay. In addition, the Health System provides services intended to benefit the poor and under-served, the uninsured and the under-insured. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues or patient accounts receivable.

The total cost of charity care provided is determined using a ratio of costs to gross charges calculation methodology. The total cost of charity care is adjusted by support received under the Health Care Assurance Program (HCAP) to arrive at net cost of charity care. HCAP is administered by the State of Ohio to help hospitals cover a portion of the costs of providing charity care.

The cost of providing charity for the fiscal years 2020 and 2019 are as follows:

	2020	2019
Total cost of charity care	$ 58,250	$ 53,781
Less Health Care Assurance Program support	(5,661)	(3,443)
Net cost of charity care	**$ 52,589**	**$ 50,338**

In 2020 and 2019 University Hospital was not subject to the Omnibus Budget Reconciliation Act (OBRA) cap. The James is not eligible for HCAP due to Federal Requirements to provide emergency obstetric services.

Other Revenue

Other Revenue is composed of items such as reference labs, cafeteria operations, rental agreements, retail pharmacy operations, Neonatal Intensive Care Unit, and other sources.

Estimated Medical Liability Costs

The Health System recognizes medical liability contributions paid to The University's Self Insurance Program as a period expense. See NOTE 8 - SELF INSURANCE PROGRAM – MEDICAL LIABILITY.

NOTE 3 – COVID-19 AND CARES ACT ASSISTANCE

On March 11, 2020, The World Health Organization designated COVID-19 and subsequently has had a significant impact on the results of the Health System operations. The impact had a substantial decrease to inpatient admissions, outpatient visits, and elective procedures causing considerable decrease to hospital revenue. Health System expenses were also significantly impacted due to the purchases of Personal Protective Equipment (PPE), lab equipment, labs test, and constructing alternate care sites to care for COVID-19 patients and prepare for the anticipated surge.

In response to the impact on the Healthcare environment from the coronavirus pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act became law on March 27, 2020. It includes provisions to support healthcare providers and patients in the form of grants, payments for uninsured patients, and changes to Medicare and Medicaid payments, among other types of relief.

Health Care Provider Relief Funds:

The CARES Act provided $100 billion to the Public Health and Social Services Emergency Fund to establish a Provider Relief Fund. Health and Human Services (HHS) distributed $143,301 to the Health System to be used to prevent, prepare for, and respond to COVID-19.

Amounts provided to the Health System under CARES Act grant programs are recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position as eligibility requirements are met.

Refer to Note 16 - Subsequent Events for information related to changes in reporting requirements issued by HHS subsequent to the financial statement date.

Medicare Advance Payment Program:

The CARES Act expands the Medicare Accelerated and Advance Payment Program. An accelerated or advance payment was intended to provide necessary funds for the disruption in claims submission and/or claims processing. These expedited payments can also be offered in circumstances such as national emergencies or natural disasters to accelerate cash flow to the impacted healthcare providers and suppliers. The Health System received advance payments under this program totaling $274,915. Amounts provided under the Medicare Accelerated and Advance Payment Program are considered short-term loans and are reported as current liabilities in the Statement of Net Position. The Health System will repay the funds in fiscal 2021.

NOTE 4 – LONG-TERM INVESTMENT POOL

In fiscal year 2017, the Health System transferred $250,000 to the University, for investment in the University's Long-Term Investment Pool. In addition, certain endowment funds, namely funds relating to the Health System capital expansion and patient care activities, have been recorded in the Health System's financial statements beginning in fiscal year 2012 based upon the concurrent determination that the underlying activities are to be recorded by the Health System.

(in thousands)

The pool consists of 5,894 Board authorized funds and 228 pending funds. Each named fund in the Long-Term Investment Pool is assigned a number of shares, based on the value of the original gift amounts, income-to-principal transfers or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income securities and alternative investment funds. The pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution to support the Health System's mission.

The University holds investments in limited partnerships, such as hedge, private equity, venture capital and other alternative investment funds, which are carried at estimated fair value provided by the management of these limited partnerships. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Investments in these limited partnerships are fair valued based on the University's proportional share of the net asset value of the total fund. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material.

Annual distributions to named funds in the Long-Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.5% of the average market value per share of the Long-Term Investment Pool over the most recent seven-year period.

At June 30, 2020, the original cost and additions and the market value of the Health System's operating investments in the pool were $276,389 and $282,320 respectively.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2020 and 2019 is summarized as follows:

	2020			
	Beginning Balance	Additions	Retirements and Reductions	Ending Balance
Land and Improvements	$ 200,815	14,746	-	$ 215,561
Buildings	1,170,261	56,203	-	1,226,464
Leasehold Improvements	31,524	296	-	31,820
Equipment - fixed	550,936	30,072	-	581,008
Equipment - moveable	765,905	86,089	38,283	813,711
Construction in progress	138,526	381,075	187,406	332,195
	2,857,967	568,481	225,689	3,200,759
Less accumulated depreciation	1,370,460	170,774	37,030	1,504,204
Capital assets, net	**$ 1,487,507**	**397,707**	**188,659**	**$ 1,696,555**

Capital assets placed in service in 2020 were $187,406. The capital assets placed in service additions are primarily from the acquisition of the Eye and Ear Institute, facility renovations, medical equipment, and information technology. The growth in construction in progress is due to costs associated with the new inpatient hospital and parking garage, a central sterile processing facility, regional ambulatory sites, and a faculty office building along with other facility renovations.

(in thousands)

	2019			
	Beginning Balance	Additions	Retirements and Reductions	Ending Balance
Land and Improvements	$ 172,173	28,642	-	$ 200,815
Buildings	1,113,878	56,383	-	1,170,261
Leasehold Improvements	30,946	578	-	31,524
Equipment - fixed	519,079	31,858	1	550,936
Equipment - moveable	717,816	82,629	34,540	765,905
Construction in progress	123,316	215,299	200,089	138,526
	2,677,208	415,389	234,630	2,857,967
Less accumulated depreciation	1,240,180	164,453	34,173	1,370,460
Capital assets, net	**$ 1,437,028**	**250,936**	**200,457**	**$ 1,487,507**

Capital assets placed in service in 2019 were $200,089. The capital assets placed in service additions are primarily from the build out of additional James Cancer Hospital patient rooms, completion of Phase 1 of the Cannon Drive relocation, facility renovations, medical equipment, and information technology. The growth in construction in progress is due to costs associated with the new inpatient hospital and regional ambulatory sites, along with other facility renovations and information technology projects.

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2020 is summarized as follows:

	2020			
	Beginning Balance	Additions	Reductions	Ending Balance
University Bonds:				
2015, 4.75% through 2031	$ 6,827	$ -	$ 461	$ 6,366
2013, 4.75% through 2032	353,491	-	20,142	333,349
2010, 4.95% through 2031	234,383	-	15,817	218,566
2008, 3.83%-4.03% through 2029	46,318	-	4,085	42,233
2005, 3.83%-4.03% through 2026	34,568	-	5,033	29,535
2003, 4.32%-4.57% through 2024	13,379	-	2,923	10,456
1999, 5.14% through 2030	4,413	-	359	4,054
Other Financing:				
2016 Master Lease, 1.67% through 2021	1,948	-	856	1,092
2016 Master Lease, 2.058% through 2021	1,238	-	442	796
Mgmt Svc , 4.38% through 2022	471	-	182	289
2013, 4.50% through 2021	1,118	-	832	286
2012, 2.25%-4.00% through 2021	4	-	4	0
2010, 3.65%-5.84% through 2021	1,431	-	1,001	430
Interim University financing	-	-	-	-
Total Long Term Obligations	**699,589**	**-**	**52,137**	**647,452**
Less Current Portion of Long-Term Debt	51,955	53,182	51,955	53,182
Net Long Term Debt	**$ 647,634**	**$ (53,182)**	**$ 182**	**$ 594,270**

The Health System received no additions to debt related to University Bonds or Other Financing in fiscal year 2020.

(in thousands)

Long-term debt activity for the year ended June 30, 2019 is summarized as follows:

	2019			
	Beginning Balance	Additions	Reductions	Ending Balance
University Bonds:				
2015, 4.75% through 2031	$ 7,265	$ -	$ 438	$ 6,827
2013, 4.75% through 2032	372,700	-	19,209	353,491
2010, 4.95% through 2031	249,437	-	15,054	234,383
2008, 3.83%-4.03% through 2029	50,242	-	3,924	46,318
2005, 3.83%-4.03% through 2026	39,400	-	4,832	34,568
2003, 4.32%-4.57% through 2024	16,582	-	3,203	13,379
1999, 5.14% through 2030	4,761	-	348	4,413
Other Financing:				
2016 Master Lease, 1.67% through 2021	2,790	-	842	1,948
2016 Master Lease, 2.058% through 2021	1,671	-	433	1,238
Mgmt Svc , 4.38% through 2022	646	-	175	471
2013, 4.50% through 2021	1,914	-	796	1,118
2012, 2.25%-4.00% through 2021	66	-	62	4
2010, 3.65%-5.84% through 2021	2,388	-	957	1,431
Interim University financing	-	-	-	-
Total Long Term Obligations	**749,862**	**-**	**50,273**	**699,589**
Less Current Portion of Long-Term Debt	50,098	51,955	50,098	51,955
Net Long Term Debt	**$ 699,764**	**$ (51,955)**	**$ 175**	**$ 647,634**

The Health System received no additions to debt related to University Bonds or Other Financing in fiscal year 2019.

University Bonds

The University has issued general receipts bonds, and has allocated a portion of those to the Health System with no premium or discount on the debt. The acquisition of this debt has been for various hospital construction and renovation projects, and the funding of the Medical Center Expansion project. The Health System received no additions to debt in 2020 and 2019 related to University Bonds.

Other Financing

The Health System received no additions to debt in 2020 and 2019 related to Other Financing.

(in thousands)

Scheduled principal and interest payments on long-term debt based on scheduled maturities for the next five years and in subsequent five year periods are as follows:

	Principal	Interest	Total
2021	53,182	29,508	82,690
2022	54,433	27,029	81,462
2023	56,133	24,463	80,596
2024	56,171	21,819	77,990
2025	57,955	19,162	77,117
2026-2030	290,884	54,801	345,685
2031-2032	78,694	3,586	82,280
	$ 647,452	**$ 180,368**	**$ 827,820**

NOTE 7 – OPERATING LEASES

The Health System leases various buildings and office space under operating lease agreements. These facilities are not recorded as assets on the Statement of Net Position. Operating leases related to equipment are not significant. Total operating lease and rental expense for fiscal years 2020 and 2019 were $19,554 and $19,928, respectively.

The following is a schedule for the next five years and in subsequent five year periods of future minimum lease payments under operating leases as of June 30, 2020, that have initial or remaining lease terms in excess of one year:

2021	$ 8,654
2022	8,648
2023	8,551
2024	7,405
2025	7,305
2026-2030	31,323
2031-2035	6,283
	$ 78,169

NOTE 8 - SELF INSURANCE PROGRAM – MEDICAL LIABILITY

On July 1, 2003, the Health System joined with Ohio State University Physicians, Inc., a component unit of The Ohio State University, to establish a self-insurance fund for professional and patient general liability claims (Fund II). The fund covers the hospitals as well as the employed physicians of Ohio State University Physicians, Inc. and its Single Member Limited Liability Companies and their Sub Limited Liability Companies created prior to 7/1/2013. Previous to July 1, 2003, the Health System was self-insured through the University's established self-insurance fund for professional and patient general liability (Fund I). The assets and liabilities of both funds are included in the University's financial statements, but are not included in the Health System financial statements, as a result of the retained risk being held by the University. The estimated liability and the related contributions are based upon an independent actuarial determination as of June 30, 2020. The medical liability contribution expense is recorded as period expense for the Health System. There was no medical liability contribution expense for fiscal years 2020 and 2019.

The University has also established a pure captive insurer (Oval Limited) that provides excess liability coverage over Fund I and Fund II. Both funds retain $4,000 per occurrence with various annual aggregate

(in thousands)

limits and a $2,000 buffer layer in excess of this retention. Effective July 1, 2019, Oval Limited provides coverage with limits of $85,000 per occurrence and in the aggregate. The risk written for fiscal years 2020 and 2019 are fully reinsured by a combination of five reinsurance companies each of which has a minimum A.M. Best rating of A (Berkshire Hathaway Specialty Insurance Company: A++, Endurance Specialty Insurance Ltd.: A+, Medical Protective A++, Arch Specialty Insurance Co.: A+, and Liberty Specialty Markets Bermuda Limited: A).

Oval Limited assets and liabilities are included in the University's financial statements, but are not included in the Health System financial statements, as a result of the retained risk being held by the University. Annual contributions from the Health System are recorded as period expense. There were no contributions to Oval in fiscal years 2020 and 2019.

There has not been a settlement in the past two fiscal years which exceeded the combined limits provided by Fund I or Fund II and Oval Limited. The Health System has not made any additional contributions in the last two years beyond its actuarially determined and Self Insurance Board approved funding levels.

NOTE 9 - RETIREMENT PLANS

Health System employees are covered by one of three retirement systems. Health System faculty are covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

In accordance with GASB Statements Nos. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension liabilities of the retirement system's and the Health System's proportionate share of these net pension liabilities as of June 30, 2020 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	$ 22,114,399	$ 19,553,374	
Proportion of the net pension liability - Health System	0.013%	5.577%	
Proportionate share of net pension liability	$ 2,933	$ 1,090,407	$ 1,093,340

(in thousands)

The collective net OPEB liabilities of the retirement systems and the Health System's proportionate share of these liabilities as of June 30, 2020 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	$ (1,656,240)	$ 13,812,598	
Proportion of the net OPEB (asset) liability - Health System	0.013%	5.715%	
Proportionate share of net OPEB (asset) liability	$ (220)	$ 789,364	$ 789,145

The collective net pension liabilities of the retirement system's and the Health System's proportionate share of these net pension liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	$ 21,987,755	$ 27,273,872	
Proportion of the net pension liability - Health System	0.012%	5.252%	
Proportionate share of net pension liability	$ 2,627	$ 1,432,414	$ 1,435,041

The collective net OPEB liabilities of the retirement systems and the Health System's proportionate share of these liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	$ (1,606,898)	$ 13,037,639	
Proportion of the net OPEB (asset) liability - Health System	0.012%	5.385%	
Proportionate share of net OPEB (asset) liability	$ (192)	$ 702,036	$ 701,844

(in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2020:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 24	$ 870	$ 894
Changes in assumptions	345	59,102	59,447
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion of university contributions	3	3,277	3,280
Employer contributions subsequent to the measurement date	233	63,801	64,034
Total	**$ 605**	**$ 127,050**	**$ 127,655**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 13	$ 17,619	$ 17,632
Net difference between projected and actual earnings on pension plan investments	143	219,685	219,828
Changes in proportion of university contributions	$ -	$ 22	22
Total	**$ 156**	**$ 237,326**	**$ 237,482**

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2020:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 20	$ 20	$ 40
Changes in assumptions	5	124,812	124,817
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion of university contributions	-	1,957	1,957
Employer contributions subsequent to the measurement date	-	-	-
Total	**$ 25**	**$ 126,789**	**$ 126,814**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 10	$ 72,164	$ 72,174
Changes in assumptions	241		241
Net difference between projected and actual earnings on OPEB plan investments	14	40,013	40,027
Changes in proportion of university contributions	$ -	$ -	-
Total	**$ 265**	**$ 112,177**	**$ 112,442**

(in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 61	$ 685	$ 746
Changes in assumptions	466	126,685	127,151
Net difference between projected and actual earnings on pension plan investments	-	202,340	202,340
Changes in proportion of university contributions	3	3,443	3,446
Employer contributions subsequent to the measurement date	200	57,015	57,215
Total	**$ 730**	**$ 390,168**	**$ 390,898**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 17	$ 22,032	$ 22,049
Net difference between projected and actual earnings on pension plan investments	159	-	159
Changes in proportion of university contributions	$ -	$ 23	23
Total	**$ 176**	**$ 22,055**	**$ 22,231**

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 22	$ 227	$ 249
Changes in assumptions	-	21,725	21,725
Net difference between projected and actual earnings on OPEB plan investments	-	33,522	33,522
Changes in proportion of university contributions	-	1,561	1,561
Employer contributions subsequent to the measurement date	-	-	-
Total	**$ 22**	**$ 57,035**	**$ 57,057**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 11	$ 1,905	$ 1,916
Changes in assumptions	262		262
Net difference between projected and actual earnings on OPEB plan investments	22	-	22
Changes in proportion of university contributions	$ -	$ -	-
Total	**$ 295**	**$ 1,905**	**$ 2,200**

(in thousands)

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	STRS-Ohio	OPERS	Total
2021	411	41,350	41,761
2022	38	(68,755)	(68,717)
2023	(17)	6,074	6,057
2024	17	(88,731)	(88,714)
2025	-	(106)	(106)
2026 and Thereafer	-	(108)	(108)
Total	**$ 449**	**$ (110,276)**	**$ (109,827)**

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ending June 30 as follows:

	STRS-Ohio	OPERS	Total
2021	(52)	21,917	21,865
2022	(52)	10,285	10,233
2023	(47)	(415)	(462)
2024	(45)	(17,175)	(17,220)
2025	(44)	-	(44)
2026 and Thereafer	-	-	-
Total	**$ (240)**	**$ 14,612**	**$ 14,372**

The following table provides additional details on the benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension and OPEB liabilities for the retirement systems (information below applies to both pensions and OPEB unless otherwise indicated).

	STRS-Ohio	OPERS
Statutory Authority	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145

(in thousands)

Benefit Formula	**Pensions** -- The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age. **OPEB** – STRS Ohio provides access to health care coverage for eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees and prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Benefit recipients contributed $312.8 million or 64% of the total health care costs in fiscal 2019 (excluding deductibles, coinsurance and copayments). Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the year ended June 30, 2019, STRS Ohio received $84.8 million in Medicare Part D reimbursements.	**Pensions** -- Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment. **OPEB** – The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to

(in thousands)

		control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2019 CAFR. OPERS no longer participates in the Medicare Part D program as of December 31, 2016.
Cost-of-Living Adjustments (COLAs)	Effective July 1, 2017, the COLA was reduced to 0%.	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.
Contribution Rates	Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 2019, no employer allocation was made to the health care fund.	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2019, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	June 30, 2019	December 31, 2019 (OPEB is rolled forward from December 31, 2018 actuarial valuation date)
Actuarial Assumptions	**Valuation Date:** June 30, 2019 for pensions and OPEB **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 7.45% **Inflation:** 2.50% **Projected Salary Increases:** 12.50% at age 20 to 2.50% at age 65 **Cost-of-Living Adjustments:** 0% effective July 1, 2017 **Payroll Increases:** 3.00% **Health Care Cost Trends:** 4.9% to 9.6% initial; 4% ultimate	**Valuation Date:** December 31, 2019 for pensions; December 31, 2018 for OPEB **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 7.2% for pensions; 6.0% for OPEB **Inflation:** 3.25% **Projected Salary Increases:** 3.25% - 10.75% **Cost-of-Living Adjustments:** Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple **Health Care Cost Trends:** 10.5% initial; 3.50% ultimate

(in thousands)

Mortality Rates	Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.	Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.
Date of Last Experience Study	June 30, 2016	December 31, 2015

(in thousands)

Investment Return Assumptions

The 10 year expected real rate of return on defined benefit pension and health care plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Return*
Domestic Equity	28.0%	7.35%
International Equity	23.0%	7.55%
Alternatives	17.0%	7.09%
Fixed Income	21.0%	3.00%
Real Estate	10.0%	6.00%
Liquidity Reserves	1.0%	2.25%
Total	100%	

* Returns presented as geometric means

The long term expected rates of return on defined benefit pension and health care investment assets were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return*
Fixed Income	25.0%	1.83%
Domestic Equity	19.0%	5.75%
Real Estate	10.0%	5.20%
Private Equity	12.0%	10.70%
International Equity	21.0%	7.66%
Other Investments	13.0%	4.98%
Total	100.0%	

* Returns presented as arithmetic means

The following table displays the Board-approved asset allocation policy for health care assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return*
Fixed Income	36.0%	1.53%
Domestic Equities	21.0%	5.75%
REITs	6.0%	5.69%
International Equities	23.0%	7.66%
Other Investments	14.0%	4.90%
Total	100.0%	

* Returns presented as arithmetic means

(in thousands)

Discount Rate	**Pensions** -- The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019. **OPEB** -- The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB liability as of June 30, 2019.	**Pensions** -- The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. **OPEB** – A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

(in thousands)

<table>
<tr><td>Changes in Assumptions Since the Prior Measurement Date</td><td>Pensions – There were no changes in assumptions since the prior measurement date of June 30, 2018.

OPEB -- There were no changes in assumptions since the prior measurement date of June 30, 2018.</td><td>Pensions – There were no changes in assumptions since the prior measurement date of December 31, 2018.

OPEB -- The discount rate was reduced from 3.96% to 3.16% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).</td></tr>
<tr><td>Benefit Term Changes Since the Prior Measurement Date</td><td>Pensions – There were no changes in benefit terms since the prior measurement date of June 30, 2018.

OPEB -- The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.</td><td>Pensions -- For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

OPEB – On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan.
These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.</td></tr>
<tr><td>Sensitivity of Net Pension Liability to Changes in Discount Rate</td><td><table><tr><th>1% Decrease (6.45%)</th><th>Current Rate (7.45%)</th><th>1% Increase (8.45%)</th></tr><tr><td>$ 4,286</td><td>$ 2,933</td><td>$ 1,787</td></tr></table></td><td><table><tr><th>1% Decrease (6.2%)</th><th>Current Rate (7.2%)</th><th>1% Increase (8.2%)</th></tr><tr><td>$ 1,810,858</td><td>$ 1,090,407</td><td>$ 443,624</td></tr></table></td></tr>
<tr><td>Sensitivity of Net OPEB Liability (Asset) to Changes in Discount Rate</td><td><table><tr><th>1% Decrease (6.45%)</th><th>Current Rate (7.45%)</th><th>1% Increase (8.45%)</th></tr><tr><td>$ (187)</td><td>$ (220)</td><td>$ (247)</td></tr></table></td><td><table><tr><th>1% Decrease (2.16%)</th><th>Current Rate (3.16%)</th><th>1% Increase (4.16%)</th></tr><tr><td>$ 1,032,980</td><td>$ 789,364</td><td>$ 594,266</td></tr></table></td></tr>
<tr><td>Sensitivity of Net OPEB Liability (Asset) to Changes in Medical Trend Rate</td><td><table><tr><th>1% Decrease in Trend Rate</th><th>Current Trend Rate</th><th>1% Increase in Trend Rate</th></tr><tr><td>$ (249)</td><td>$ (220)</td><td>$ (184)</td></tr></table></td><td><table><tr><th>1% Decrease in Trend Rate</th><th>Current Trend Rate</th><th>1% Increase in Trend Rate</th></tr><tr><td>$ 766,049</td><td>$ 789,364</td><td>$ 812,337</td></tr></table></td></tr>
</table>

(in thousands)

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.53% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no post-retirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self- directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Summary of Employer Pension and OPEB Expense

Total pension and OPEB expense for the year ended June 30, 2020, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	$ 243	$ 126,617	$ 12,125	$ 138,985
GASB 68 Pension Accruals	411	136,381		136,792
GASB 75 OPEB Accruals	(58)	127,847		127,789
Total Pension and OPEB Expense	**$ 596**	**$ 390,845**	**$ 12,125**	**$ 403,566**

(in thousands)

Total pension and OPEB expense for the year ended June 30, 2019, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	$ 195	$ 119,588	$ 11,468	$ 131,251
GASB 68 Pension Accruals	(391)	226,183		225,792
GASB 75 OPEB Accruals	(524)	78,046		77,522
Total Pension and OPEB Expense	**$ (720)**	**$ 423,817**	**$ 11,468**	**$ 434,565**

Pension and OPEB expenses are allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org/investments/cafr.shtml

NOTE 10 – COMPENSATED ABSENCES

Health System employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of service with the State. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

The Health System accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “termination payment method” which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the Health System calculates a ratio, Sick Leave Termination Cost per Year Worked that is based on the Health System’s actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

Certain employees (primarily classified civil service) may receive compensatory time in lieu of overtime pay. Any unused compensatory time must be paid to the employee at the time of termination or retirement.

See the roll forward of compensated absences activity as included in Note 11.

(in thousands)

NOTE 11 – OTHER NON-CURRENT LIABILITIES

Other non-current liability activity for the years ending June 30, 2020 and 2019 is summarized as follows:

	2020			
	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences	$ 63,470	$ 13,683	$ 2,347	$ 74,806
Third party payor settlements	49,374	20,189	10,147	59,416
Other non-current liabilities	2,657	191	227	2,621
	115,501	34,063	12,721	136,843

	2019			
	Beginnng Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 58,961	$ 7,869	$ 3,360	$ 63,470
Third party payor settlements	44,909	55,382	50,917	49,374
Other non-current liabilities	729	2,287	359	2,657
	104,599	65,538	54,636	115,501

Pre-COVID-19, the increase in compensated absences from 2019 to 2020 is attributable to the growth in volumes at the Health System and a larger workforce. Growth in the Compensated Absence over the last quarter of 2020 reflects liability incurred for the slowdown of vacation usage by the workforce. The changes in third-party payor settlements in 2019 and 2020 reflects updated calculations for current and prior year Medicare and Medicaid cost reports. Open cost reports as of June 30, 2020 are represented in the following table below.

University Hospital	James Cancer Hospital
2020	2020
2019	2019
2018	2018
2017	
2013	
2012	
2011	

(in thousands)

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third party payor agreements. The mix of hospital accounts receivable from patients and third party payors at June 30, 2020 and 2019 is summarized as follows:

	Fiscal Year June 30,	
Payor - Receivables	**2020**	**2019**
Managed Care	59%	57%
Medicare	22%	25%
Medicaid	14%	13%
Self Pay	5%	5%
Total	**100.0%**	**100.0%**

NOTE 13 – RELATED PARTY TRANSACTIONS

The Ohio State University

The Health System purchases employee benefits, utilities, mail services, and construction project management services from the University. Additionally, the Health System pays university overhead, which includes such services as payroll processing, public safety, auditing, and insurance. University overhead charged to the Health System is recorded in Other expenses and was $61,900 and $60,834 for the years ended June 30, 2020 and 2019, respectively. The Health System provides healthcare services to OSU employees enrolled in OSU sponsored health insurance programs. The Health System collected $95,523 for healthcare services in 2020 and $92,615 in 2019. This is reflected in Net patient service revenue.

In fiscal year 2017, the Health System transferred $250,000 to the University, for investment in the University's Long-Term Investment Pool. The Health System records Interest Income related to the Long term receivables and other noncurrent assets on a monthly basis. The Long-term investment pool – Cost Value increased $9,689 in 2020 as a result of the Health System reinvesting Interest Income earnings back into the pool.

OSU Physicians

The Health System leases patient management, accounting and billing software and related hardware to OSU Physicians, Inc. (OSUP). OSUP provides patient account management and insurance billing services for the Health System based physician practices. The Health System also contracts with certain OSUP LLCs to provide physician services to some of the Health System based physician practices. The Health System provides single patient billing services to OSUP for patient responsibility after insurance has paid. Health System amounts due to OSUP totaled $20,181 for fiscal year 2020 and $10,371 for fiscal year 2019. Health System amounts due from OSUP totaled $9,790 for fiscal year 2020 and $7,248 for fiscal year 2019.

College of Medicine

The Health System transfers funds to the College of Medicine for support of programs and research which are recorded as Medical Center investments. Medical Center investments totaled $173,749 for fiscal year 2020 and $150,000 for fiscal year 2019 and are reflected as Other Changes in Net Position.
Oval

The University has a pure captive insurer (Oval Limited) that provides excess coverage over both Fund I and Fund II. Oval Limited assets and liabilities are included in the University's financial statements, but are not included in the Health System financial statements, as a result of the retained risk being held by the University. Annual contributions from the Health System are recorded as period expense. There were no contributions to Oval in fiscal year 2020 and 2019. See NOTE 8 - SELF INSURANCE PROGRAM – MEDICAL LIABILITY.

MedFlight

The Health System has an investment interest in MedFlight, a community based air ambulance/intensive care transport which is recorded as Investment in subsidiaries. The investment reflects the Health System's equity interest of $11,173 for fiscal year 2020 and $8,969 for fiscal year 2019.

OSU Mount Carmel Health Alliance

The Health System has a joint venture with Mount Carmel with partial ownership in Madison County Hospital which are recorded as Investment in subsidiaries. The investment reflects the Health System's equity interest of $6,469 for fiscal year 2020 and $5,135 for fiscal year 2019.

NOTE 14 – CONTINGENCIES

The Health System is a party in a number of legal actions. Management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the Health System's future financial position, results from operations, or cash flows.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets. The outbreak and related actions taken by federal and state governments may materially impact the Health System's financial position and its results of operations. While the impacts of COVID-19 may materially affect financial results for 2021 and potentially beyond, Health System management believes that the Health System has sufficient liquidity to meet its operating and financial needs in fiscal year 2021. However, given the difficulty in predicting the duration and severity of the COVID-19 pandemic and its effects on the Health System, the economy and financial markets, the ultimate impact is unknown. Health System management continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the community and promote the continuity of the Health System's mission.

NOTE 15 - COMPLIANCE

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The estimated Medicare and Medicaid cost report settlements recorded at June 30, 2020 could differ from actual settlements based upon results of the cost report audits discussed in Note 2. Changes in Medicare and Medicaid programs and the reduction of funding levels could have a material adverse impact on the Health System.

NOTE 16 - SUBSEQUENT EVENTS

The Health System evaluated subsequent events through October 15, 2020, the date the financial statements were issued.

Provider Relief Funds:

The Health System received $143,301 and recognized the entire distribution as non-operating revenue during fiscal 2020 related to the CARES Act Provider Relief Funds taking into consideration information available at June 30, 2020 based upon laws and regulations governing the funding as well as interpretations issued by the U.S. Department of Health and Human Services (HHS). In September 2020, HHS issued new reporting requirements for the Provider Relief Funds (PRF). The new requirements first require the Health System to identify healthcare related expenses attributable to coronavirus that another source has not reimbursed. If those expenses do not exceed the funding received, the Health System will need to demonstrate that the remaining provider relief funds were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses. Due to these new reporting requirements there is at least a reasonable possibility that amounts recorded under CARES Act for Provider Relief Funds may change in future periods.

Medicare Advance Payment Program:

The Health System received advance payments under the Medicare Accelerated and Advance Payment Program totaling $274,915. Amounts provided are considered short-term loans and are reported as current liabilities in the Statement of Net Position as the Health System had previously planned to repay the funds in fiscal 2021. The Continuing Appropriations Act, 2021 and Other Extensions Act was signed into law on October 1, 2020 and as part of the legislation, the recoupment period was extended up to 29 months after the initial payments were issued.

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION LIABILITIES AND GASB 75 ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
(UNAUDITED)
(in thousands)

GASB 68
Required Supplementary Information:

Schedule of Proportionate Share of the Net Pension Liability

(dollars in thousands)	2015	2016	2017	2018	2019	2020
STRS-Ohio:						
Health System proportion of the collective net pension liability	0.024%	0.023%	0.016%	0.015%	0.012%	0.013%
Health System proportionate share of the net pension liability	$ 5,783	$ 6,382	$ 5,450	$ 3,453	$ 2,627	$ 2,933
Health System covered payroll	$ 2,061	$ 2,001	$ 1,417	$ 1,316	$ 1,118	$ 1,275
Health System proportionate share of the net pension liability as a percentage of its covered payroll	281%	319%	385%	262%	235%	230%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%
OPERS:						
Health System proportion of the collective net pension liability	4.564%	4.765%	4.876%	5.082%	5.252%	5.577%
Health System proportionate share of the net pension liability	$ 548,730	$ 822,955	$ 1,104,558	$ 790,094	$ 1,432,414	$ 1,090,407
Health System covered payroll	$ 616,496	$ 654,922	$ 694,019	$ 744,740	$ 809,493	$ 853,211
Health System proportionate share of the net pension liability as a percentage of its covered payroll	89%	126%	159%	106%	177%	128%
Plan fiduciary net position as a percentage of the total pension liability	86.5%	81.1%	77.4%	84.9%	74.9%	82.4%

GASB 75
Required Supplementary Information:

Schedule of Proportionate Share of the Net OPEB Liability

(dollars in thousands)	2018	2019	2020
STRS-Ohio:			
Health System proportion of the collective net OPEB	0.015%	0.012%	0.013%
Health System proportionate share of the net OPEB	$ 567	$ (192)	$ (220)
Health System covered payroll	$ 1,316	$ 1,118	$ 1,275
Health System proportionate share of the net OPEB liability as a percentage of its covered payroll	43%	-17%	-17%
Plan fiduciary net position as a percentage of the total OPEB liability	47.1%	176.0%	174.7%
OPERS:			
Health System proportion of the collective net OPEB liability	5.234%	5.385%	5.715%
Health System proportionate share of the net OPEB liability	$ 568,346	$ 702,036	$ 789,364
Health System covered payroll	$ 744,740	$ 809,493	$ 853,211
Health System proportionate share of the net OPEB liability as a percentage of its covered payroll	76%	87%	93%
Plan fiduciary net position as a percentage of the total OPEB liability	54.1%	46.3%	47.8%

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

To the Board of Trustees of
The Ohio State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of The Ohio State University Wexner Medical Center Health System (the "Health System"), a series of departments of The Ohio State University which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020, which included an emphasis of matter paragraph concerning the scope of the Health System's financial statement presentation as discussed in Note 1 of the financial statements.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

Columbus, Ohio
October 15, 2020

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

THE OHIO STATE UNIVERSITY WEXNER MEDICAL CENTER HEALTH SYSTEM

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 12/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov