

**HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2024 AND 2023



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**HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hennepin Healthcare System, Inc.
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hennepin Healthcare System, Inc. (the Organization), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Organization for the year ended December 31, 2023, were audited by another auditor whose report dated April 30, 2024, expressed an unmodified opinion on those statements.

Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2024, the Organization adopted new accounting guidance for the recognition and measurement of compensated absences and associated salary-related payments. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of defined benefit plan contributions, schedule of proportionate share of defined benefit plan, and schedule of changes in total other postemployment benefit liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 26, 2025

**HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023**

The following management discussion and analysis is intended to provide financial statement readers with a financial overview and narrative analysis of the financial position and activities of Hennepin Healthcare and its component units, Hennepin Healthcare Foundation (HHF) and Hennepin Healthcare Research Institute (HHRI), collectively referred to as Hennepin Healthcare System, Inc. (HHS), for the fiscal years ended December 31, 2024, and 2023. HHS is a subsidiary corporation of the County of Hennepin, Minnesota. Readers are encouraged to consider the information presented here in conjunction with HHS' basic financial statements, including the notes thereto.

Required Basic Financial Statements

HHS' basic financial statements report information utilizing accounting methods similar to those used by other health care organizations. The statements of net position include all of HHS' assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of HHS and assessing the liquidity and financial flexibility of HHS.

All the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of HHS' operations over the past two years and can be used to determine whether HHS has successfully recovered all its costs through patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a different period.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, capital, and related financing and investing activities. It also provides information for sources and uses of cash.

Due to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity—Omnibus—an amendment of GASB Statement Nos. 14 and 34*, and GASB No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, the basic financial statements of HHS include the financial information of HHF and HHRI, separately incorporated 501(c)(3) organizations.

Financial Highlights and Analysis

COVID-19 Pandemic: In January 2020, the Secretary of the U.S. Department of Health and Human Services declared a national public health emergency due to a novel strain of coronavirus (COVID-19), which continued through May 11, 2023. The measures to treat and contain the impact of COVID-19 had adversely impacted HHS' operational readiness and financial results.

HHS received Federal Emergency Management Agency (FEMA) public assistance funding of approximately \$1.9 million for disaster relief relating to COVID-19 costs in 2023. HHS did not receive COVID-19 funding in 2024.

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Care Patterns: The care currently being provided is more resource intensive. Hospital inpatient capacity remains stressed in 2024 primarily due to longer patient stays. For 2024 and 2023, the Average Length of Stay (ALOS) and Discharges remain unfavorable to pre-pandemic metrics. Lack of discharge options to non-acute care environments and lack of staffing created operating inefficiencies, forced sporadic care diversions, and contributed to the unusually high variable cost in personnel expenses, supplies, and drugs.

The ALOS during 2024 was 7.63, compared to 7.65 and 7.68 for the prior two years 2023 and 2022, respectively. The 2024 Average Daily Census (ADC) was 356, compared to the prior two years similar periods of 348 and 349. The average case mix, or severity of care seen in the hospital, was 1.95 in 2024, compared to 1.94 and 1.89 in 2023 and 2022. Some of the increase in ALOS and resulting ADC is attributable to the rising severity of care case mix index. Hospital discharges during 2024 were 17,090, compared to 16,592 and 16,587 for the prior two years 2023 and 2022. Therefore, discharge volumes can be directly traced to changes in the case mix index and barriers to discharge, which have increased the ALOS and led to capacity constraints, which further resulted in operating inefficiencies.

Patients seeking services through the emergency room account for roughly 80% of all inpatients. The ALOS remained high during 2024 and continued the capacity constraints as emergent care services grew 1.8%. Inpatient discharges increased 3.0%, clinic visits increased by 5.8%, operating room increased by 2.0%, and work relative value units (WRVUs) increased by 5.2% when compared to the same period last year.

Staffing: The hospital industry is continuing to experience healthcare worker shortages. During 2023, HHS expanded the work force to reduce vacant positions, help relieve burnout and maintain patient quality of care. The market demand for healthcare workers remains high causing increased regular wages, contract labor and premium pay. During 2024, HHS continued to expand the work force to reduce the need for contract labor and premium pay. Premium and contract labor costs incurred were \$57.1 million and \$79.6 million, in 2024 and 2023, respectively. For reference, these same costs were \$71.2 million and \$46.8 million in 2022 and 2021, respectively.

Supply Challenges: The supply chain of critical items continues to be a challenge. The availability of healthcare items has recovered since the pandemic; however the demand remains high, which has led to exorbitant costs during 2024 and 2023. Patient acuity increases the utilization of protective equipment such as gloves, gowns, goggles, and pharmaceuticals needed to treat acute respiratory illness and intensive care. Inventories were \$14.2 million and \$12.1 million in 2024 and 2023, respectively. Supplies and drugs cost were \$250.0 million and \$213.7 million in 2024 and 2023, respectively.

Change Healthcare: On February 21, 2024, Change Healthcare, a third-party service provider to HHS, became aware of a cybersecurity incident (the Incident) causing a disruption across the health care industry. As a result of the Incident, HHS was unable to use its patient billing system resulting in the inability to bill for services performed or post payments to patient accounts. HHS obtained an alternative third-party clearing house in order to process patient claims with payors.

The Incident also created significant patient financial assistance application processing delays with Change Healthcare. Patient applications are unable to be approved for public programs timely, which reduced cash flow opportunities from Medicaid and subsequently Directed Payments. HHS obtained cash advances from payors and the County. As of September 30, 2024, HHS has repaid all advances back to all payors and the County. The application approval delays continue into 2025.

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Comprehensive Facility Plan: The Comprehensive Facility Plan (CFP) is a strategic plan that will guide the future of Hennepin Healthcare as a system. The CFP is also an opportunity to reimagine the eight-block main campus, as well as our system's business models, programs, services offerings and infrastructure. It is aimed at positioning HHS to positively impact our team members, patients, communities, and stakeholders. HHS has partnered with Hennepin County to help with the vision, development, and fund support of this strategic plan.

The clinical redesign work is meant to transform the way HHS serves both the patients and the community. To meet patient demand, capacity will be adjusted across the system and care will be redesigned across service lines, including diving deeper into service line specific strategies. Future care spaces will be created through design inspiration and HHS' key principles. With the redesign, HHS intends to create a modern, digitally enabled healthcare delivery system to improve both patient and employee experience.

The County Board of Commissioners has approved an architect and general contractor for the new proposal for the ramp project. The new proposal will use the triangular shaped lot between Chicago Avenue and Centennial place. This facility would replace the existing Hospital Parking Ramp. The planning and construction will take place in 2025-2027.

The Hennepin County Board of Commissioners approved a \$15M capital project to plan a new facility on the Hennepin Healthcare downtown campus that will provide an integrated continuum of behavioral health services for adults and children. In addition to inpatient care, it will provide critically needed intensive outpatient and crisis services. Construction is expected 2027 – 2028.

Directed Payments: Minnesota enacted legislation that gives Medicaid authority to administer a Managed Care directed payment program during 2022. CMS approved the contract arrangement included in the pre-print that directs Medicaid Managed Care Organizations to participate in the directed payment program. Minnesota DHS directs and contractually requires Medicaid Managed Care Organizations to pay enhanced minimum fee schedule for services provided to Medicaid beneficiaries. HHS funds the program through intergovernmental transfers (IGT) payments. Receipt of directed payments by HHS is based on patient utilization and enhanced fee schedules. During 2023, HHS expanded the directed payment services to include outpatient. HHS continues to analyze the impacts of this revenue stream in 2024.

Medical Education and Research Costs (MERC): The MERC program reimburses teaching institutions for a portion of the cost related to clinical training of health care providers by providing grants that are distributed to clinical training sites. Prior to 2023, MERC was paid as a grant in April of each year. HHS did not receive any MERC funding in the second half of 2023 because there was a change in the way these funds are being paid. Effective 2024, HHS is receiving MERC two different ways. Medicaid fee-for-service MERC payments are still distributed in April as a grant. Medicaid Prepaid Medical Assistance Program (PMAP) MERC payments are an add-on to the patient claims. The add-on payments are revised by the State every two years. Due to this change, the first two years of MERC funding are being paid for over 18 months.

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Net Position

A summary of the HHS' statements of net position as of December 31, 2024, 2023, and 2022, are presented in the table below:

Table 1: Condensed Statements of Net Position
(In Thousands)

	December 31			2024 - 2023	2023 - 2022
	2024	2023	2022	Change	Change
Assets:					
Assets Other Than Capital Assets	\$ 421,758	\$ 432,101	\$ 464,308	\$ (10,343)	\$ (32,207)
Capital Assets	445,523	442,749	464,445	2,774	(21,696)
Total Assets	867,281	874,850	928,753	(7,569)	(53,903)
Deferred Outflows	75,053	122,528	179,082	(47,475)	(56,554)
Liabilities:					
Long-Term Debt	\$ 147,409	\$ 154,356	\$ 160,861	\$ (6,947)	\$ (6,505)
Long-Term Lease Payable	14,829	17,887	25,285	(3,058)	(7,398)
Long-Term Subscription Payable	9,024	6,572	10,321	2,452	(3,749)
Pension Liability, Net	207,678	310,354	471,641	(102,676)	(161,287)
Other Liabilities	268,082	260,108	278,930	7,974	(18,822)
Total Liabilities	647,022	749,277	947,038	(102,255)	(197,761)
Deferred Inflows	177,542	140,081	17,255	37,461	122,826
Net Position:					
Invested in Capital Assets, Net	255,645	244,756	243,395	10,889	1,361
Restricted	87,492	72,995	65,872	14,497	7,123
Unrestricted	(225,367)	(209,731)	(165,725)	(15,636)	(44,006)
Total Net Position	\$ 117,770	\$ 108,020	\$ 143,542	\$ 9,750	\$ (35,522)

During 2024, total assets and deferred outflows decreased by \$55.0 million. Capital assets increased by \$2.8 million as additions to property, plant, and equipment, net of disposals exceeded depreciation (see Note 4). Assets, other than capital assets, decreased \$10.3 million. Days in accounts receivable, net, increased to 65 from 55 days as of fiscal year-end. Days in accounts receivable increased as the result of the Change Healthcare breach. Total liabilities and deferred inflows decreased \$64.8 million which includes a \$102.7 million decrease in net pension liability (see Note 8), \$8.0 million increase in other current liabilities, offset by \$37.5 million increase in deferred inflows (see Note 8). Net position increased by \$9.8 million.

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Capital Assets

The following table summarizes the HHS' capital assets as of December 2024, 2023 , and 2022.

Table 2: Capital Assets
(In Thousands)

	December 31			2024 - 2023	2023 - 2022
	2024	2023	2022	Change	Change
Land	\$ 49,012	\$ 48,703	\$ 48,577	\$ 309	\$ 126
Buildings and Improvements	655,315	646,122	636,796	9,193	9,326
Leasehold Improvements	28,676	28,597	28,916	79	(319)
Furniture and Equipment	323,371	348,063	324,021	(24,692)	24,042
Software Capital	8,384	8,044	8,044	340	-
Projects in Progress	24,883	15,114	14,075	9,769	1,039
Subtotal	1,089,641	1,094,643	1,060,429	(5,002)	34,214
Less: Accumulated Depreciation	(681,769)	(690,973)	(650,196)	9,204	(40,777)
Building Leases	15,286	15,756	18,621	(470)	(2,865)
Vehicles and Equipment Leases	16,970	17,806	30,281	(836)	(12,475)
Subscriptions	49,401	38,177	31,358	11,224	6,819
Subtotal	81,657	71,739	80,260	9,918	(8,521)
Less: Accumulated Amortization	(44,006)	(32,660)	(26,048)	(11,346)	(6,612)
Property, Plant, and Equipment, Net	<u>\$ 445,523</u>	<u>\$ 442,749</u>	<u>\$ 464,445</u>	<u>\$ 2,774</u>	<u>\$ (21,696)</u>

More information about the HHS' capital assets is presented in Note 4 to the basic financial statements.

Long-Term Debt

The December 2024 principal payment of \$6.5 million reduced the outstanding balance on the County note payable to \$154.0 million. Interest payments were made in June and December 2024 in the amount of \$2.4 million and \$2.4 million, respectively. Total long-term debt of \$171.3 million represents 26.5% of the total liabilities as of December 31, 2024.

More information about the HHS debt is presented in Note 7 to the basic financial statements.

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Statement of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the HHS' historical revenue, expenses, and changes in net position for each of the fiscal years ended December 31.

Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	December 31			2024 - 2023	2023 - 2022
	2024	2023	2022	Change	Change
Operating Revenue	\$ 1,486,197	\$ 1,434,105	\$ 1,355,314	\$ 52,092	\$ 78,791
Operating Expense	1,532,094	1,478,092	1,355,805	54,002	122,287
Operating Loss Before Pension Plans, Actuarial Impact	(45,897)	(43,987)	(491)	(1,910)	(43,496)
Pension Plan, Actuarial Impact	15,244	(16,037)	(30,419)	31,281	14,382
Loss from Operations	(30,653)	(60,024)	(30,910)	29,371	(29,114)
Nonoperating Income (Loss)	7,315	13,857	(21,471)	(6,542)	35,328
Capital Contributions, Net	33,088	10,645	11,882	22,443	(1,237)
Change in Net Position	9,750	(35,522)	(40,499)	45,272	4,977
Beginning Net Position	108,020	143,542	184,041	(34,115)	(40,499)
Ending Net Position	<u>\$ 117,770</u>	<u>\$ 108,020</u>	<u>\$ 143,542</u>	<u>\$ 11,157</u>	<u>\$ (35,522)</u>

Financial Highlights of Hennepin Healthcare

Operating Results

In 2024, inpatient volumes grew 3.0%, and clinic visit services increased approximately 5.8% compared to 2023. The patient acuity also increased over the past two years. The ALOS decreased, compared to the prior year, by 0.3% and 0.4% during 2024 and 2023, respectively. The case mix index increased 0.5% and 2.6% during 2024 and 2023, respectively. Overall outpatient volumes increased primarily due to increases in clinic visits, WRVUs, and OR services.

In 2024, net patient service revenue increased approximately \$48.7 million or 3.8% compared to 2023. Inpatient and clinic volumes increased by 498 discharges (3.0%) and increased 36,992 clinic primary and specialty care visits (5.8%), respectively. For fiscal year 2023, inpatient and clinic volumes decreased by 5 discharges (0.0%) and increased 4,990 clinic primary and specialty care visits (0.8%), respectively.

For 2024, salaries, wages, and employee benefits (including contract labor) increased \$29.2 million or 3.0% as compared to 2023. For fiscal year 2023, labor costs increased by \$71.0 million or 8.0% as compared to 2022.

For 2024, medical supplies increased \$5.6 million or 7.8% from 2023, primarily related to OR and Lab activities. For fiscal year 2023, medical supplies increased \$3.7 million or 5.4% from 2022, primarily related to OR and Lab activities.

For 2024, net nonoperating revenue decreased \$4.7 million from 2023. For 2023, net nonoperating revenue decreased \$14.1 million.

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Operating Statistics

The table below sets forth certain selected historical operating statistics for the years ended December 31, 2024, 2023, and 2022:

Table 4: Operating Statistics

	December 31			2024 - 2023	2023 - 2022
	2024	2023	2022	Change	Change
Net Patient Service Revenue (<i>in thousands</i>)	\$ 1,337,916	\$ 1,289,237	\$ 1,194,466	\$ 48,679	\$ 94,771
Supplies and Services to Net Patient Services	26.5%	25.2%	23.4%	1.3%	1.8%
Salaries and Benefits to Net Patient Services	74.0%	74.4%	74.4%	-0.4%	0.1%
WRVUs	2,421,221	2,302,065	2,174,130	119,156	127,935
Clinic Visits	671,749	634,757	626,917	36,992	7,840
OR Cases	11,786	11,558	11,294	228	264
Emergency Services	163,867	160,906	151,858	2,961	9,048
Average Length of Stay (ALOS)	7.63	7.65	7.68	(0.02)	(0.03)
Case Mix Index - All Inpatient (1)	1.95	1.94	1.89	0.01	0.05

(1) Case mix index represents the activity level of inpatient services rendered. Changes generally reflect the level of resources required. For Medicare and certain commercial insurance payors, this relative value weighing system directly affects the reimbursement level.

Revenue and Volume Trends

Healthcare revenues depend upon inpatient occupancy levels, ancillary services volume, mix of services provided and reimbursement rates for such services. Hennepin Healthcare has agreements with third-party payors, including government programs and managed-care health plans, whereby payments are based upon predetermined rates per diagnosis, fixed per diem inpatient rates or discounts from established charges. Given budget concerns at both the federal and state levels, further government plan rate reductions are at risk and would be a significant financial detriment.

In addition, Hennepin Healthcare receives funding through several distinct programs related to its Disproportionate Share Hospital status. The formula to determine participation status is based upon inpatient days of Medicare, SSI and Medicaid patients. Hennepin Healthcare receives subsidies for the high volume of Medicaid patients served in the form of Upper Payment Limit payments for patients who utilize Hennepin Healthcare services and are billed directly to the State. Hennepin Healthcare anticipates additional subsidies for Medicaid patients who utilize commercial payer contracted systems in the form of Directed Payments. Hennepin Healthcare also participates in the 340b program, which allows Hennepin Healthcare to purchase medications at a discount from drug manufacturers. These various support payments are critical to supporting the mission and ensuring the financial viability of Hennepin Healthcare.

For next fiscal year, management believes, based on specific federal and state government rate changes, rates will increase less than inflationary cost. Based upon continued federal legislative actions and discussions, significant adverse challenges to government reimbursement are likely to continue into ensuing years.

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The percentage of gross patient service revenue related to Medicare, Medicaid, discounted arrangements, and other follows for the years ended December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Commercial/Other	20 %	20 %	20 %
Medicaid	43	44	45
Medicare	28	29	29
Self Pay	9	7	6
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Hennepin Healthcare provides significant health care to the indigent population within its primary service area. Uncompensated charges for care provided to this population included charity care of approximately \$80.2, \$51.4, and \$34.4 million and bad debts of approximately \$24.3, \$21.1, and \$32.2 million for the years ended December 31, 2024, 2023, and 2022, respectively. Management's projection for the ensuing year is for similar levels of uncompensated services as a percentage of total services.

Performance Compared to Budget

The following table compares fiscal year 2024 actual to budget information for admissions and the statement of revenue, expenses, and changes in net position for HHS, excluding the result of HHF and HHRI.

Table 5: Actual Vs. Budget

<i>(The Following Amounts Are in Thousands)</i>	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage Variance</u>
Net Patient Service Revenue	\$ 1,337,916	\$ 1,359,561	\$ (21,645)	-1.6%
Other Operating Revenue	<u>83,888</u>	<u>73,182</u>	<u>10,706</u>	14.6%
Total Operating Revenue	1,421,804	1,432,743	(10,939)	
Operating Expenses	<u>1,475,887</u>	<u>1,427,526</u>	<u>48,361</u>	3.4%
Operating Income (Loss)	(54,083)	5,217	(59,300)	
Pension Plan, Actuarial Impact	15,244	-	N/A	N/A
Income from Investments	4,542	1,020	3,522	345.3%
Other Nonoperating Loss	(5,667)	(5,784)	117	-2.0%
Capital Contributions from Related Parties, Net	<u>32,791</u>	<u>82,500</u>	<u>(49,709)</u>	-60.3%
(Deficit) Excess of Revenue Over Expenses	<u>\$ (7,173)</u>	<u>\$ 82,953</u>	<u>\$ (105,370)</u>	

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023

Net patient revenue was unfavorable to budget by \$21.6 million, or 1.6%, for the fiscal year ended December 31, 2024. The inability to enroll patients on public programs timely caused a payor mix shift that unfavorably impacted net patient revenues. Other operating revenue was favorable to budget by \$10.7 million, or 14.6%. Capital contributions from related parties were unfavorable to budget by \$49.7 million because of the CFP new parking ramp proposal. The project change shifted the planning and construction phases to 2025-2027.

Operating expenses were unfavorable to budget by \$48.4 million, or 3.4%. The operating margin was (3.8%) which was unfavorable to the budget of 0.4%.

Economic and Other Factors and Next Year's Budget

The HHS's board and management considered many factors when setting the 2025 budget. Of primary importance are market forces and environmental factors such as:

- The impact of the Patient Protection and Affordable Care Act (PPACA) and other mandated government reductions that affect Medicare and Medicaid reimbursement.
- The uncertainty of potential federal government actions which could have a negative effect on Medicaid funding.
- HHS's application for Directed Payments. This supplemental funding impacts health systems serving a disproportionate share of Medicaid Managed Care patients.
- Commercial payor reimbursement rate adjustments and the potential impact of Accountable Care Organizations (ACO's).
- Continued implementation of supply chain cost reduction strategies against inflation challenges relating to medical supplies and pharmacy drugs.
- On-going opportunities for revenue cycle improvements.
- Increased public expectations for quality at a lower price, including the impending price transparency reporting requirements.
- The HHS's commitment to providing increased financial assistance for medically necessary care to those unable to pay.
- Competitive salaries, wages and benefits.
- Continued need for capital investment to stay current with medical and business technology, including the hospital-wide electronic health record and all other supporting systems.

Financial Highlights of Hennepin Healthcare Foundation (HHF)

- Total net position increased \$12.1 million or 29.2%. This is primarily due to an increase in investment income and a decrease in utilization of grant disbursements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024 AND 2023

- Investments increased \$2.0 million to a total of \$19.6 million or an 11.2% increase due to improved market conditions throughout 2024.
- Contributions to HHF during fiscal years 2024 and 2023 were \$2.7 million and \$4.1 million, respectively.
- Grants and Contracts to HHF during fiscal years 2024 and 2023 were \$11.3 million and \$6.0 million, respectively.
- Investment income during fiscal years 2024 and 2023 was a gain of \$2.7 million and \$3.0 million, respectively.
- HHF had total expenses of \$10.0 million and \$10.7 million in 2024 and 2023, respectively.

HHF, as a separately incorporated 501(c)(3) organization, was organized for the charitable purpose of raising and providing funds for the advancement of HHS.

HHF invests in various mutual funds. Donated investments are reported at fair value at the date of receipt. Investments are carried at fair value based on quoted market prices.

Financial Highlights of Hennepin Healthcare Research Institute (HHRI)

- Total net position increased \$4.8 million or 8.0% in 2024. The majority of the increase is due to gains on investments totaling \$5.7 million.
- Total Cash and Investments increased \$5.5 million during 2024 due to positive cash flow from operating activities and gains on investments.
- Grants and contracts revenues recognized by HHRI during fiscal years 2024 and 2023 were \$51.7 million and \$54.3 million, respectively.
- Total Expenses increased from \$55.4 million in 2023 to \$53.5 million in 2024. General and Administrative expenses totaled \$4.2 million or 7.8% of total expenses in 2024.

HHRI, as a separately incorporated 501(c)(3) organization, was organized to promote the research and education mission of HHS.

HHRI invests in various mutual funds established by the HHS investment policy. Investments are carried at fair value based on quoted market prices.

HHRI invests in various mutual funds established by the HHS investment policy. Investments are carried at fair value based on quoted market prices.

Contacting HHS Chief Financial Officer

HHS' basic financial statements are designed to present users with a general overview of HHS' finances and to demonstrate HHS' accountability. If you have questions about the report or need additional financial information, please contact the Office of the Chief Financial Officer.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	(As Restated) 2023
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	\$ 28,197	\$ 76,994
Accounts Receivable:		
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$96,378 and \$67,726 in 2024 and 2023, Respectively	195,706	169,584
Other	32,318	36,671
Third-Party Payor Settlements	17,126	16,083
Due from Related Parties	4,139	6,193
Inventories	14,205	12,106
Prepaid Expenses and Other Current Assets	11,782	16,149
Total Current Assets	<u>303,473</u>	<u>333,780</u>
INVESTMENTS	26,846	23,839
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	22,289	22,352
Investments	55,418	49,907
Receivables, Other	9,784	735
Total Assets Limited as to Use	<u>87,491</u>	<u>72,994</u>
CAPITAL ASSETS (NOTE 4)		
Nondepreciable	73,895	63,817
Depreciable, Net of Accumulated Depreciation	333,978	339,853
Leased Assets, Net of Accumulated Amortization	16,390	19,273
Subscription Assets, Net of Amortization	21,260	19,806
Total Capital Assets	<u>445,523</u>	<u>442,749</u>
OTHER ASSETS	3,948	1,488
DEFERRED OUTFLOWS (NOTES 8 AND 9)	<u>75,053</u>	<u>122,528</u>
Total Assets and Deferred Outflows	<u><u>\$ 942,334</u></u>	<u><u>\$ 997,378</u></u>

See accompanying Notes to Financial Statements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	(As Restated) 2023
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 18,616	\$ 19,178
Accounts Payable	46,981	53,689
Third-Party Payor Settlements	603	3,651
Due to Related Parties	4,480	553
Accrued Expenses:		
Salaries, Wages, and Benefits	105,725	95,620
Other	59,656	54,676
Total Current Liabilities	<u>236,061</u>	<u>227,367</u>
Employee Benefit Obligations (Note 9):		
Retiree Health Care Program	20,401	19,375
Other Employee Benefits	11,620	13,366
Long-Term Debt, Net of Current Maturities (Notes 1 and 7)	171,262	178,815
Net Pension Liability (Note 8)	207,678	310,354
Total Liabilities	<u>647,022</u>	<u>749,277</u>
DEFERRED INFLOWS (NOTES 8 AND 9)	<u>177,542</u>	<u>140,081</u>
Total Liabilities and Deferred Inflows	824,564	889,358
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
NET POSITION		
Net Investment in Capital Assets	255,645	244,756
Restricted:		
Expendable	69,658	46,595
Nonexpendable	17,834	26,400
Unrestricted	(225,367)	(209,731)
Total Net Position	<u>117,770</u>	<u>108,020</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 942,334</u>	<u>\$ 997,378</u>

See accompanying Notes to Financial Statements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	(As Restated) 2023
OPERATING REVENUES		
Net Patient Service Revenue, Net of Provision for Bad Debts and Charity Care of \$255,695 and \$171,048 in 2024 and 2023, Respectively	\$ 1,337,916	\$ 1,289,237
Other Operating Revenue:		
Grants	99,635	97,432
Other	48,646	47,436
Total Operating Revenues	<u>1,486,197</u>	<u>1,434,105</u>
OPERATING EXPENSES		
Salaries and Benefits Excluding Pension Expense	1,021,259	987,536
Supplies and Services	374,896	354,634
Depreciation and Amortization	50,675	62,202
Utilities and Maintenance	47,624	46,938
Taxes and Surcharges	22,912	18,367
Other	14,728	7,008
Total Operating Expenses Before Pension Plans, Actuarial Impact	<u>1,532,094</u>	<u>1,476,685</u>
LOSS FROM OPERATIONS BEFORE PENSION PLANS, ACTUARIAL IMPACT	(45,897)	(42,580)
Pension Plans, Actuarial Gain (Loss)	<u>15,244</u>	<u>(16,037)</u>
LOSS FROM OPERATIONS	(30,653)	(58,617)
NONOPERATING REVENUE, NET		
Interest Expense	(5,700)	(6,086)
Contributions, Net	33	175
Investment Income	12,982	17,885
COVID-19 Funding	-	1,883
Total Nonoperating Revenue, Net	<u>7,315</u>	<u>13,857</u>
DEFICIENCY OF REVENUE OVER EXPENSES	(23,338)	(44,760)
Capital Contributions from Related Parties, Net	<u>33,088</u>	<u>10,645</u>
CHANGE IN NET POSITION	9,750	(34,115)
Net Position – Beginning of Year - As Previously Stated	108,020	143,542
PRIOR PERIOD ADJUSTMENT - GASB 101 ADOPTION	<u>-</u>	<u>(1,407)</u>
Net Position – Beginning of Year - As Restated	<u>108,020</u>	<u>142,135</u>
NET POSITION – END OF YEAR	<u><u>\$ 117,770</u></u>	<u><u>\$ 108,020</u></u>

See accompanying Notes to Financial Statements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Third-Party Payors and Patients	\$ 1,307,703	\$ 1,281,495
Grants	99,635	97,432
Other Receipts, Net	43,950	50,669
Payments to Employees for Salaries and Benefits	(1,044,858)	(1,000,175)
Payments to Suppliers	(421,796)	(439,799)
Net Cash Used by Operating Activities	(15,366)	(10,378)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
COVID-19 Funding	-	1,883
Gifts and Bequests, Net	477	1,143
Net Cash Provided by Noncapital Financing Activities	477	3,026
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from Related Parties	33,088	10,645
Purchases of Capital Assets	(40,439)	(34,186)
Principal Payments on Long-Term Debt	(22,585)	(29,058)
Interest Paid on Long-Term Debt	(5,700)	(6,086)
Other	(381)	17,813
Net Cash Used by Capital and Related Financing Activities	(36,017)	(40,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(2,952)	(5,218)
Sale of Investments	-	2,969
Investment Earnings Received	4,998	2,954
Net Cash Provided by Investing Activities	2,046	705
DECREASE IN CASH AND CASH EQUIVALENTS	(48,860)	(47,519)
Cash and Cash Equivalents - Beginning of Year	99,346	146,865
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 50,486</u>	<u>\$ 99,346</u>
Cash and Cash Equivalents are Reported in the Accompanying Statements of Net Position as Follows:		
Cash and Cash Equivalents	\$ 28,197	\$ 76,994
Assets Limited as to Use	22,289	22,352
Total	<u>\$ 50,486</u>	<u>\$ 99,346</u>

See accompanying Notes to Financial Statements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (30,653)	\$ (58,617)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	50,675	62,202
Provision for Bad Debts and Charity Care	255,695	171,048
Loss on Disposal of Assets	1,460	(319)
In-Kind Donations	-	43
Changes in Assets and Liabilities Related to Operations:		
Accounts Receivable	(286,513)	(191,625)
Prepaid Expenses and Inventories	2,268	(7,254)
Accounts Payable	(6,708)	12,393
Due from Related Parties, Net	5,981	459
Deferred Inflows, Outflows, and Net Pension Liability	(17,740)	18,093
Accrued Expenses and Estimated Third-Party Settlements	10,169	(16,801)
Net Cash Used by Operating Activities	<u>\$ (15,366)</u>	<u>\$ (10,378)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital Assets Financed Through Loans and Payables	<u>\$ 14,470</u>	<u>\$ 6,001</u>
Net Change in Realized Gain on Investments, Net	<u>\$ 10,620</u>	<u>\$ 11,218</u>

See accompanying Notes to Financial Statements.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Reporting Entity

Hennepin Healthcare System, Inc. (HHS or Organization), is a public corporation and component unit of Hennepin County, Minnesota (the County). The purpose of HHS is to engage in the organization and delivery of health care and related services to the general public, including the indigent as defined by state and federal law as determined by the Hennepin County Board of Commissioners, and to conduct related programs and research. HHS is also recognized as tax- exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC).

HHS incorporates an integrated network of physicians, hospital, and ambulatory care services. The main campus in Minneapolis, Minnesota, includes a Level 1 Adult and Pediatric Trauma Center and is also an academic medical center and public hospital, and operates primary and specialty care clinics. HHS also operates community and convenience care clinics in the surrounding metropolitan area. As of December 31, 2024, HHS operated a hospital with licensed capacity of 894 beds and 65 bassinets, 469 beds and 65 bassinets of which were available, as well as 10 primary care clinics and 34 specialty care clinics, and employed approximately 975 providers, 247 residents, and 160 pharmacists in 9 pharmacy locations.

HHS is governed by a 13-member Board of Directors that is responsible for oversight of operating activities. The Hennepin County Board of Commissioners retains certain ownership and governing rights and obligations, including oversight of the safety net mission and the review and approval of the Board members, annual operating budget, health service plan and capital budget. The County is the governing member of HHS.

The Hennepin Healthcare Foundation (HHF), a 501(c)(3) public charity, exists to support the mission of HHS and to raise and administer philanthropic support in the following functional areas: innovations in patient care, trauma and critical care, and educating the workforce of tomorrow. HHF's separately issued and audited financial statements can be obtained from HHS.

The Hennepin Healthcare Research Institute (HHRI), a 501(c)(3) organization, is organized to promote HHS' research and education missions through engaging in charitable, educational, and scientific activities. A major portion of HHRI's contributions and support is derived from restricted basic and clinical research grants and contracts from private donors and federal agencies. HHRI's separately issued and audited financial statements can be obtained from HHS.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*, HHF and HHRI are included in HHS' financial statements as blended component units. HHS is the sole corporate member and has the final authority to approve voting members of both HHF and HHRI Boards. Hereinafter, the combined entities are referred to as the Organization.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Basis and Standards

The Organization recognizes revenues and expenses on the accrual basis of accounting in accordance with the standards established by GASB and certain provisions in the *Audit and Accounting Guide for Health Care Organizations*, published by the American Institute of Certified Public Accountants. Revenues are recognized when earned and expenses are recognized when a liability has been incurred. Under this basis of accounting, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Organization are included in the statements of net position.

Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Patient Service Revenue and Patient Accounts Receivable

Gross patient service revenue is recorded when services are provided at HHS' established rates, with contractual adjustments and provision for bad debts deducted to arrive at net patient service revenue. HHS has agreements with third-party payors, which provide for reimbursement to HHS at amounts that differ from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, per diem payments, and risk-sharing contracts. Net patient service revenue, as reflected in the accompanying statements of revenues, expenses, and changes in net position for the years ended December 31, 2024 and 2023, consisted of the following:

	2024	2023
Gross Patient Charges	\$ 3,660,634	\$ 3,399,855
Deductions from Gross Patient Charges	(2,105,023)	(1,977,070)
Uncompensated Care Services, Hennepin County	38,000	37,500
Provision for Bad Debts and Charity Care	(255,695)	(171,048)
Net Patient Service Revenue	<u>\$ 1,337,916</u>	<u>\$ 1,289,237</u>

As a safety net hospital, HHS receives supplemental Medicaid payments, also known as Upper Payment Limit (UPL) payments, for inpatient, outpatient, managed care, physician, dental, CRNA, and ambulance services through intergovernmental transfers in accordance with specific state statutes subject to federal regulations and approval. These UPL amounts are recorded as net patient service revenue in the statements of revenues, expenses, and changes in net position. Estimated UPL amounts due to HHS at December 31, 2024 and 2023, were approximately \$14.7 million and \$11.2 million, respectively, and are recorded in the statements of net position as third-party payor settlements. The effect of changes in estimates related to prior years increased net patient service revenue \$3.9 million and \$8.7 million for the years ended December 31, 2024 and 2023, respectively.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue and Patient Accounts Receivable (Continued)

HHS has an agreement with the County whereby the County pays HHS for a portion of the services provided to Hennepin County residents that are uninsured and unable to pay.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Medicare

Payment arrangements under the Medicare program are as follows: inpatient acute care, psychiatric services, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The majority of outpatient services are paid at Ambulatory Payment Classification (APC) rates; certain outpatient services, including kidney acquisition and medical education costs related to Medicare beneficiaries, are paid based on a cost-reimbursement methodology. HHS also receives Disproportionate Share Hospital reimbursement for serving a disproportionate share of indigent patients based on a factor of Medicaid-eligible days to total days, plus a Social Security income percentage applied to Medicare inpatient prospective payments. HHS is reimbursed for cost-reimbursable items at an estimated rate, with final settlement determined after submission of annual cost reports by HHS and audits thereof by the Medicare fiscal intermediary. The net impact from final settlements and changes in estimates related to prior years was an increase in net patient service revenue of approximately \$0.7 million and \$0.9 million for the years ended December 31, 2024 and 2023, respectively. Medicare cost reports have been final settled through 2018. Various settled cost reports have pending appeals and re-openings to address a variety of issues.

Medicaid

Medicaid payments for inpatient, outpatient and physician services are primarily based on prospective, per-case rates. The inpatient rate is based upon the All-Patient Refined (APR) Diagnostic Related Grouping (DRG) methodology and utilizes the Medicare Cost Report as the base document in determining the statewide Medicaid operation rate and the HHS Disproportionate Population Adjustment. The outpatient rate is based on the Medicare APC methodology, modified by Department of Human Services (DHS) for Medicaid reimbursement. The 2024 and 2023 outpatient payments reflect the fee schedule rates less an 8.5% ratable reduction. The physician services payment is based upon the Medicare Relative Value Units (RVUs). The 2024 physician payments reflect the fee schedule rates less a 7% ratable reduction. Approximately 71% of the Medicaid services at HHS are Prepaid Medical Assistance Program (PMAP) patients. PMAP rates are negotiated directly with insurers, and are generally higher than those paid directly by the state for enrollees not assigned an insurer.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Directed Payments

Minnesota enacted legislation, effective January 1, 2022, that gives Medicaid authority to administer Managed Care directed payment program. CMS approval is required for the contractual arrangement included in the pre-print that directs Medicaid Managed Care Organizations to participate in the directed payment program. Minnesota DHS directs and contractually requires Medicaid Managed Care Organizations to pay enhanced minimum fee schedule amounts for services provided to Medicaid beneficiaries. HHS funds the program through intergovernmental transfers (IGT) payments. Receipt of directed payments by HHS is based on patient utilization and enhanced fee schedules. These payments are recorded in the gross patient service revenue.

Credit Risk from Payors

As of, and for the years ended December 31, 2024 and 2023, HHS' gross patient charges and related receivables by payor or payor categories as a percent of the totals were approximately as follows:

	Accounts Receivable		Gross Charges	
	2024	2023	2024	2023
Commercial/Other	40 %	36 %	20 %	20 %
Medicaid	31	34	43	44
Medicare	15	18	28	29
Self Pay	14	12	9	7
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

HHS provides health care services through its inpatient and outpatient ambulatory care facilities located in Minneapolis and the surrounding metropolitan area. HHS grants credit to patients, a majority of whom are local residents. HHS generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, health maintenance organizations and commercial insurance policies).

Patient accounts receivable, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, adjusted by an estimate made for contractual adjustments or discounts provided to third-party payors.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Risk from Payors (Continued)

Patient accounts receivable due directly from the patient are carried at the original charge for the services provided less amounts covered by third-party payors, discounts applied for uninsured patients, and an estimated allowance for doubtful receivables based on a review of outstanding amounts. Management determines the allowance for doubtful receivables by identifying potentially uncollectible accounts, using historical experience applied to an aging of accounts and by taking into account current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad-debt expense when received.

The laws and regulations under which the Medicare and Medicaid programs operate are complex and subject to frequent change and interpretation. As part of operating under these programs, there is a possibility that governmental authorities may review HHS' compliance with these laws and regulations. Such reviews may result in adjustments to reimbursement previously received and subject HHS to fines and penalties. Although no assurances can be given, management believes they have complied with the requirements of these programs.

Community Benefit

In furtherance of its charitable purpose, HHS provides a wide variety of benefits to the community. These services and donations account for a measurable portion of HHS' costs and serve to promote affordable access to care, health education, community development and healthy lifestyles (see Note 2).

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less and the Organization's share of the cash management pool of Hennepin County. The pool is a cash equivalent (see Note 3).

Investments

Investments are stated at fair value. Interest and dividends, when earned, and realized and unrealized investment gains and losses are recorded as nonoperating revenues in the Organization's statements of revenues, expenses, and changes in net position (see Note 5).

Inventories

Inventories consist of pharmaceuticals, food items, and certain medical supplies. These are reported at the lower of cost or market on a weighted average cost basis, determined using the first-in, first-out method.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Purchases in excess of one thousand dollars for HHF and five thousand dollars for HHRI and HHS are capitalized and recorded at cost, if purchased, or fair value at the date of donation, if donated. Assets under lease obligation are depreciated over the shorter of the lease term or their respective estimated useful lives, unless the Organization intends to purchase the asset at the end of the lease term in which case they are depreciated over the useful lives of the assets. Amortization on assets under leases is included with depreciation expense on owned capital assets. It is the policy of the Organization to record depreciation expense based on the estimated useful lives of individual assets, using the straight-line method of depreciation.

Prior to 2024, major asset classifications and estimated useful lives were generally in accordance with those recommended by the American Hospital Association. HHS may reassess useful lives as facts and circumstances changed regarding how assets were being used. During 2024, HHS conducted a study to reassess the estimated remaining useful lives of its buildings, building improvements, equipment, and IT assets. As a result of this study, HHS prospectively adjusted the estimated remaining useful lives of these assets, which resulted in a reduction to depreciation expense of \$5.5 million in 2024.

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. No asset impairment charges were recorded in 2024 and 2023.

Subscription-Based Information Technology Arrangements

Subscription-Based Information Technology Arrangements (SBITA) are defined as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. A SBITA is included as a right to use asset and corresponding SBITA liability in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). For SBITAs recorded, the rates are based upon the incremental borrowing rate and vary based on inception date and terms of the contract.

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NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

A lease asset is determined at inception when the control of the right to use an underlying asset belongs to the entity for the term of the lease for a period of one year or more. The term of the lease may include exercisable options when reasonably certain the option will be renewed. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Leases, in which the Organization is the lessee, are included as right-to-use assets, net of respective amortization, in accordance with GASB Statement No. 87, *Leases* (GASB 87), in the statement of net position at the present value of expected lease payments over the lease term, adjusted for lease incentives, if applicable. Lease liabilities are based initially at the present value of lease payments, over the term of the leases and are re-measured whenever there is a change or modification of the lease terms. The current and long-term lease liabilities are recorded in the statement of net position. For leases recorded, the rates are based upon the incremental borrowing rate and vary based on inception date and terms of the contract. Current rates range from 0.41% to 3.9%.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to expense related to the pension and postemployment benefit liabilities.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of pension related and postemployment benefits related deferrals.

Compensated Absences

Compensated absences, which include vacation and sick time, are reported as an expense and an accrued liability as the benefits are earned and expected to be paid.

The Hospital's policies permit most employees to accumulate paid time-off benefits. The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Accrued leave liabilities are computed using the regular pay rates in effect at the statements of net position date.

	2024	2023
Estimated Liability at Beginning of Year	\$ 46,891	\$ 42,586
Net Change	2,077	4,305
Estimated Liability at End of Year	<u>\$ 48,968</u>	<u>\$ 46,891</u>

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NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The statements of net position display HHS' assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets – Net capital assets reduced by the outstanding balance of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted, expendable – Net position that is subject to donor stipulations that will be available to HHS for direct use by a designated program as specified by the donor.

Restricted, nonexpendable – Net position that is subject to donor stipulations that must be maintained permanently by HHS.

Unrestricted – Net position that does not meet the definitions of restricted or net investment in capital assets above.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), HHS' policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Operating Revenues and Expenses

The Organization's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions for the primary purpose of the Organization, which is to provide health care services. Operating revenues also include educational, research, and scientific activities, many of which are funded by grants. Operating expenses are all expenses incurred to provide mission-oriented services including education, research and health care. All revenues and expenses not meeting these criteria are reported as nonoperating.

Grants and Contributions

Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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Related-Party Transactions

HHS is a major provider of health care services for Hennepin Health (HH), an enterprise fund of the County. HHS has an agreement with HH to provide services to enrollees of the Hennepin Health program whereby HHS is reimbursed based upon services performed and program outcomes. Net revenues from HH were approximately \$121.0 million and \$131.1 million for the years ended December 31, 2024 and 2023, respectively. HHS has net receivables from HH of approximately \$0.8 million and \$2.5 million at December 31, 2024 and 2023, respectively.

HHS records amounts received from the County for capital asset additions as capital contributions. During 2024 and 2023, HHS received capital contributions of approximately \$33.1 million and \$10.6 million, respectively.

HHS provides services to the County residents that are uninsured and indigent for which the County reimburses HHS. HHS reported \$38.0 million and \$37.5 million within net patient service revenue for this reimbursement during the years ended December 31, 2024 and 2023, respectively.

The County provided funding for the construction of a clinic and specialty center building under an agreement with HHS. The County funding was obtained in part by the County issuing General Obligation Bonds and is to be repaid by HHS over a term of 25 years at a blended interest rate of approximately 1.5%. HHS owed the County \$154.0 million and \$160.5 million as of December 31, 2024 and 2023, respectively (see Note 7).

HHS has a net payable of \$1.0 million and \$5.6 million from the County as of December 31, 2024 and 2023, respectively, which is included in due from related parties on the accompanying statements of net position.

HHRI has a net receivable of \$0.7 and \$0.6 million from the County as of December 31, 2024 and 2023, respectively, which is included in due from related parties on the accompanying statements of net position.

HHS is a participant in Hennepin County's central mobile equipment internal service fund, which is used to account for the costs of purchasing, operating, and replacing all automotive and other mobile equipment used by HHS and other components and departments of the County. At December 31, 2024, HHS purchased fleet of approximately 65 vehicles which included 36 ambulances. HHS paid \$4.3 million and \$4.4 million during the years ended December 31, 2024 and 2023, respectively, for the use of the fleet. Payments cover funded depreciation to replace the existing fleet, maintenance, fuel, and administrative costs. Increases to the total fleet size require vehicle purchases by HHS and subsequent contribution to the County at the time of addition.

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NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retiree Health Benefits

HHS provides retiree health benefits to eligible retired employees. HHS' other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) and amortization expense associated with deferred inflows and outflows, which is actuarially determined in accordance with the parameters of GASB Statement No. 75 (see Note 9).

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The Organization purchases commercial insurance to insure its risk of loss related to theft of, damage to and destruction of assets, business interruption, employee injuries and illnesses, natural disasters, cyber threats, and long-term disability benefits. The Organization is self-insured for claims arising from general, medical malpractice and other professional liability matters, employee health and dental, short-term disability, and workers' compensation. Additionally, HHS and HHRI have obtained a commercial policy for certain professional liability claims (see Note 10).

Due to the information technology systems used by the HHS and/or HHS' third-party vendors, HHS may often be the target of cyber-attacks and other security threats which could cause significant disruption in the HHS' business. Programs are in place which are intended to detect, contain, and respond to data security incidents and provide employee awareness training regarding phishing, malware and other cyber risks to protect against cyber risks and security breaches. However, because the techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and are increasing in sophistication, HHS may be unable to anticipate these techniques, detect breaches or implement adequate preventive measures and may be subject to breaches of our information technology systems or business interruption.

Reclassifications

Certain prior year amounts on the financial statements have been reclassified to conform to the December 31, 2024 presentation.

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NOTE 1 NATURE OF ORGANIZATION, DESCRIPTION OF REPORTING ENTITY, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

Effective January 1, 2024, the Organization implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The Organization adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the earliest comparative period presented.

The impact of adopting GASB Statement No. 101 on the statement of net position as of December 31, 2023, was as follows:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Net Position			
Current Liabilities			
Accrued Vacation	\$ 94,213	\$ 1,407	\$ 95,620
Net Position			
Unrestricted	(208,324)	(1,407)	(209,731)

Subsequent Events

In preparing the financial statements, the Organization has considered events and transactions that have occurred through March 26, 2025, the date in which the financial statements were available to be issued.

NOTE 2 COMMUNITY BENEFIT

HHS maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the cost to provide charity care, the cost of services, taxes and supplies furnished for community benefit programs, and costs in excess of program payments for treating Medical Assistance patients. Costs are determined using the cost to charge ratio methodology.

In addition to community benefit costs outlined below, HHS provides additional community contributions, such as services to Medicare patients below the costs for treatment, other uncompensated care, discounted pricing to the uninsured, and payment of taxes and fees, and other essential medical services that are not adequately reimbursed.

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NOTE 2 COMMUNITY BENEFIT (CONTINUED)

Community benefit costs for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Costs of Charity Care, Including Discounts to		
Uninsured Patients	\$ 80,191	\$ 51,377
Medicaid Payments in (Excess) Deficit of Costs, Net (1)	(11,798)	7,192
Medicaid Surcharge and MinnesotaCare Tax	21,561	17,488
Education Workforce Development and Research (2)	29,919	40,182
Community and Subsidized Health Services Costs (2)	1,481	1,723
Community Building and Other Community Benefit		
Costs (2)	422	19
Total Cost of Community Benefits (3)	<u>121,776</u>	<u>117,981</u>
Other Community Contributions:		
Costs in Excess of Medicare Payments	143,239	152,810
Other Care Provided Without Compensation (Bad Debt		
Expense) (4)	24,271	21,102
Total Value of Community Contributions	<u>\$ 289,286</u>	<u>\$ 291,893</u>

(1) Implementation of directed payments (Note 1)

(2) Grant monies of approximately \$15.7 million and \$5.4 million in 2024 and 2023, respectively, are excluded by offsetting to costs incurred.

(3) As defined by the CHA/VHA guidelines:

— CHA (Catholic Health Association) is the national membership association of Catholic Health Ministry.

— VHA (VHA, Inc.) is a national cooperative of leading not-for-profit health care corporations.

(4) Excludes County payments for uninsured and indigent care (Note 1).

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NOTE 3 CASH AND CASH EQUIVALENTS

The County's Office of Budget and Finance is responsible for the treasury function of all the County's deposits and investments held by its funds. Cash from all funds is pooled for deposit and investment purposes. HHS and HHF comprised \$59.0 million or 3.6% and \$101.9 million or 5.9% of the County's total cash and investments as of December 31, 2024 and 2023, respectively. As of December 31, 2024, a majority of the pool's investments were invested in U.S. government and agency issues, with the remainder invested in repurchase agreements and money market funds. Detailed information about the County's deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County's 2024 financial statements. Investment earnings and losses are allocated based on average monthly cash balances. HHRI's cash equivalents include highly liquid investments with maturities of three months or less.

NOTE 4 CAPITAL ASSETS AND RIGHT-TO-USE ASSETS

Capital asset and right-to-use lease asset activity as of December 31, 2024 and 2023, was as follows:

	2024				
	Beginning Balance	Additions and Transfers	Retirements and Disposals	Ending Balance	Estimated Years
Capital Assets Not Being Depreciated:					
Land and Other	\$ 48,703	\$ 309	\$ -	\$ 49,012	
Construction in Progress	15,114	10,301	(532)	24,883	
Total Capital Assets Not Being Depreciated	63,817	10,610	(532)	73,895	
Capital Assets Being Depreciated:					
Buildings and Improvements	646,122	14,579	(5,386)	655,315	5-40
Leasehold Improvements	28,597	1,567	(1,488)	28,676	3-15
Furniture and Equipment	348,063	16,513	(41,205)	323,371	3-20
Software Capital	8,044	799	(459)	8,384	3-7
Lease Right-of-Use - Buildings	15,756	-	(470)	15,286	
Lease Right-of-Use - Equipment and Vehicles	17,806	1,170	(2,006)	16,970	
Subscriptions Right-of-Use Assets	38,177	13,891	(2,667)	49,401	
Total Capital Assets Being Depreciated	1,102,565	48,519	(53,681)	1,097,403	
Less: Accumulated Depreciated for:					
Buildings and Improvements	(381,068)	(18,352)	4,150	(395,270)	
Leasehold Improvements	(20,696)	(1,421)	1,114	(21,003)	
Furniture and Equipment	(282,587)	(15,725)	39,757	(258,555)	
Software Capital	(6,622)	(654)	335	(6,941)	
Lease Right-of-Use - Buildings	(4,349)	(1,317)	470	(5,196)	
Lease Right-of-Use - Equipment and Vehicles	(9,940)	(2,735)	2,006	(10,669)	
Subscriptions Right-of-Use Assets	(18,371)	(11,858)	2,088	(28,141)	
Total Accumulated Depreciation	(723,633)	(52,062)	49,920	(725,775)	
Total Capital Assets Being Depreciated, Net	378,932	(3,543)	(3,761)	371,628	
Total Capital Assets, Net	\$ 442,749	\$ 7,067	\$ (4,293)	\$ 445,523	

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NOTE 4 CAPITAL ASSETS AND RIGHT TO USE ASSETS (CONTINUED)

	2023				
	Beginning Balance	Additions and Transfers	Retirements and Disposals	Ending Balance	Estimated Years
Capital Assets Not Being Depreciated:					
Land and Other	\$ 48,577	\$ 126	\$ -	\$ 48,703	
Construction in Progress	14,075	1,089	(50)	15,114	
Total Capital Assets Not Being Depreciated	62,652	1,215	(50)	63,817	
Capital Assets Being Depreciated:					
Buildings and Improvements	636,796	10,736	(1,410)	646,122	5-40
Leasehold Improvements	28,916	310	(629)	28,597	3-15
Furniture and Equipment	324,021	25,115	(1,073)	348,063	3-20
Software Capital	8,044	-	-	8,044	3-7
Lease Right-of-Use - Buildings	18,621	-	(2,865)	15,756	
Lease Right-of-Use - Equipment and Vehicles	30,281	-	(12,475)	17,806	
Subscriptions Right-of-Use Assets	31,358	6,819	-	38,177	
Total Capital Assets Being Depreciated	1,078,037	42,980	(18,452)	1,102,565	
Less: Accumulated Depreciated for:					
Buildings and Improvements	(358,784)	(22,655)	371	(381,068)	
Leasehold Improvements	(19,515)	(1,810)	629	(20,696)	
Furniture and Equipment	(266,090)	(17,411)	914	(282,587)	
Software Capital	(5,807)	(815)	-	(6,622)	
Lease Right-of-Use - Buildings	(3,233)	(1,538)	422	(4,349)	
Lease Right-of-Use - Equipment and Vehicles	(15,116)	(6,952)	12,128	(9,940)	
Subscriptions Right-of-Use Assets	(7,699)	(10,672)	-	(18,371)	
Total Accumulated Depreciation	(676,244)	(61,853)	14,464	(723,633)	
Total Capital Assets Being Depreciated, Net	401,793	(18,873)	(3,988)	378,932	
Total Capital Assets, Net	\$ 464,445	\$ (17,658)	\$ (4,038)	\$ 442,749	

Substantially all real property is leased from the County, pursuant to a lease agreement between HHS and the County, under which the County retained certain ownership rights.

NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE

Accounting guidance provides a framework for measuring fair value of certain assets and liabilities and requires certain disclosures about fair value measurements. As defined in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The three levels of the fair value hierarchy defined by GASB No. 72 and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

The Organization's assets and liabilities measured at fair value on a recurring basis are limited to investments. The fair values of the Organization's investments in mutual funds are included in Level 1, which were determined through unadjusted, quoted prices in active markets. The Organization did not have any Level 2 or Level 3 investments as of December 31, 2024 and 2023.

As of December 31, 2024, the Organization had the following investments:

	HHS	HHF	HHRI	Total
Mutual Funds:				
Domestic Equities	\$ 5,656	\$ 9,406	\$ 28,134	\$ 43,196
International	-	3,274	10,143	13,417
Fixed Income	1,531	6,936	17,184	25,651
Total Investments	<u>\$ 7,187</u>	<u>\$ 19,616</u>	<u>\$ 55,461</u>	<u>\$ 82,264</u>

The investments are included in the accompanying statements of net position as follows:

Investments	\$ 26,846
Assets Limited as to Use, Investments	55,418
Total Investments	<u>\$ 82,264</u>

As of December 31, 2023, the Organization had the following investments:

	HHS	HHF	HHRI	Total
Mutual Funds:				
Domestic Equities	\$ 4,895	\$ 7,783	\$ 23,297	\$ 35,975
International	-	3,114	9,646	12,760
Fixed Income	1,497	6,736	16,778	25,011
Total Investments	<u>\$ 6,392</u>	<u>\$ 17,633</u>	<u>\$ 49,721</u>	<u>\$ 73,746</u>

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NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The investments are included in the accompanying statements of net position as follows:

Investments	\$ 23,839
Assets Limited as to Use, Investments	49,907
Total Investments	<u>\$ 73,746</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. HHF does not have a policy specific to investment credit risk.

As of December 31, 2024 and 2023, the investments, as rated by Moody's, had the following ratings:

Type of Investment	2024		2023	
	Carrying Amount	Quality Rating	Carrying Amount	Quality Rating
Mutual Funds—Fixed Income	\$ 25,651	AAA - BB	\$ 25,011	AAA - BB
Not Rated:				
Mutual Funds—Domestic				
Equities	43,196		35,975	
Mutual Funds—International	13,417		12,760	
Total Investment	<u>\$ 82,264</u>		<u>\$ 73,746</u>	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Organization's investment policies do not limit the Organization's investment choices nor do they have a limit on the amount of any investment which the Organization may invest but the investment policy does establish asset allocation targets.

As of December 31, 2024 and 2023, not more than 5% of the Organization's total investments were invested in securities of any one issuer, excluding securities issued or guaranteed by the U.S. government, mutual funds and external investment pools or other pooled investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

HHRI's investment policy considers interest rate risk by establishing two investment pools, long-term and intermediate term, with established limits on the percentage of funds that can be invested in equities and fixed income funds. HHF's investment policy states there will be a long-term investment pool and near-term investment pool, which serves as a means of limiting HHF's exposure to interest rate risk.

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NOTE 6 ENDOWMENTS

HHRI's endowment consists of six individual funds established for a variety of purposes. The entire endowment is classified as restricted nonexpendable. HHRI's endowment reported in restricted nonexpendable net position as of December 31, 2024 and 2023, is \$20.4 million and \$19.2 million, respectively. HHF's restricted nonexpendable net position totaled \$6.2 million and \$5.3 million as of December 31, 2024 and 2023, respectively. HHS' restricted nonexpendable net position totaled \$1.9 million for both of the years ended December 31, 2024 and 2023.

NOTE 7 LONG-TERM DEBT

A schedule of changes in long-term debt as of and for the years ended December 31, 2024 and 2023, consists of the following:

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 160,527	\$ -	\$ (6,517)	\$ 154,010	\$ 6,923
Lease Liabilities	22,222	1,571	(4,420)	19,373	4,544
Subscription Liabilities	14,897	12,891	(11,615)	16,173	7,149
Other Promissory Notes	347	8	(33)	322	-
Total Long-Term Debt	<u>\$ 197,993</u>	<u>\$ 14,470</u>	<u>\$ (22,585)</u>	<u>\$ 189,878</u>	<u>\$ 18,616</u>

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 166,657	\$ -	\$ (6,130)	\$ 160,527	\$ 6,518
Lease Liabilities	34,562	-	(12,340)	22,222	4,335
Subscription Liabilities	19,497	5,988	(10,588)	14,897	8,325
Other Promissory Notes	334	13	-	347	-
Total Long-Term Debt	<u>\$ 221,050</u>	<u>\$ 6,001</u>	<u>\$ (29,058)</u>	<u>\$ 197,993</u>	<u>\$ 19,178</u>

Notes Payable

Notes payable due to the County with a 2.19% blended interest rate, due in semi-annual interest installments ranging from \$0.1 million to \$2.1 million, and annual principal installments ranging from \$5.8 million to \$11.5 million through December 2041.

Debt service requirements of notes payable and other promissory notes are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 6,923	\$ 4,151	\$ 11,074
2026	7,200	3,962	11,162
2027	7,432	3,767	11,199
2028	7,663	3,565	11,228
2029	7,908	3,356	11,264
2030-2034	43,759	13,424	57,183
2035-2039	50,789	7,148	57,937
2040-2041	22,658	871	23,529
Total	<u>\$ 154,332</u>	<u>\$ 40,244</u>	<u>\$ 194,576</u>

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NOTE 7 LONG-TERM DEBT (CONTINUED)

Lease Liabilities

HHS had lease obligations for buildings, medical and office equipment, and vehicles, which are payable in total monthly installments of \$0.1 million to \$0.4 million, discounted at rates ranging from 2.0% to 3.9%. As of December 31, 2024 and 2023, the related right-to-use assets had a net book value of \$16.4 million and \$19.3 million, respectively.

The schedule of the future minimum lease payments under the leases together with the present value of the net minimum lease payments is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,544	\$ 510	\$ 5,054
2026	4,368	383	4,751
2027	2,376	274	2,650
2028	1,503	223	1,726
2029	1,587	176	1,763
2030-2034	4,995	277	5,272
Total	<u>\$ 19,373</u>	<u>\$ 1,843</u>	<u>\$ 21,216</u>

Subscription Liabilities

HHS had subscription obligations for vendor's IT software and associated tangible capital assets, which are payable in annual or monthly installments of \$0.1 million to \$3.1 million, discounted at rates ranging from 0.2% to 3.6%. As of December 31, 2024 and 2023, the related right-to-use assets had a net book value of \$21.3 million and \$19.8 million, respectively.

The schedule of the future minimum lease payments under the subscriptions together with the present value of the net minimum lease payments is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,149	\$ 384	\$ 7,533
2026	4,592	238	4,830
2027	2,086	136	2,222
2028	1,717	80	1,797
2029	629	34	663
Total	<u>\$ 16,173</u>	<u>\$ 872</u>	<u>\$ 17,045</u>

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NOTE 8 PENSION PLANS

Defined Benefit Plan Description

HHS participates in the following cost-sharing, multiemployer defined benefit pension plans administered by the PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

1. General Employees Retirement Fund (GERF)

GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA. HHS' full-time paramedics are covered by the PEPFF, while part-time paramedics are covered by the GERF.

2. Public Employees Correctional Fund (PECF)

The Local Government Correctional Fund, referred to as the PECF, was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody and control of the facilities and their inmates. At HHS, protection officers are covered by the PECF.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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NOTE 8 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

1. GERF Benefits

GERF requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for GERF members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, GERF members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, GERF members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows GERF members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. PEPFF Benefits

Benefits for PEPFF members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. PEPFF members receive 3% of highest average salary for all years of service. PEPFF members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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NOTE 8 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

2. PEPFF Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

3. PECF Benefits

Benefits for PECF members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. PECF members receive 1.9% of highest average salary for each year of service. PECF members receive a full retirement benefit when they are age 55 and vested or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement begins at age 50 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of 1% and a maximum of 2.5%. The 2024 annual increase was 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. HHS' contributions to all plans during the years ended December 31, 2024 and 2023, were equal to the required contributions under the statutes.

1. GERP Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar years 2024 and 2023. HHS was required to contribute 7.5% for Coordinated Plan members in calendar years 2024 and 2023. HHS' contributions to the GERP for the years ended December 31, 2024 and 2023, were \$33.8 million and \$30.7 million, respectively.

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NOTE 8 PENSION PLANS (CONTINUED)

Contributions (Continued)

2. PEPFF Contributions

Plan members were required to contribute 11.8% of their annual covered salary in calendar years 2024 and 2023. HHS was required to contribute 17.7% of pay for PEPFF members in calendar years 2024 and 2023. HHS' contributions to the PEPFF for the years ended December 31, 2024 and 2023, were \$3.5 million and \$3.0 million.

3. PECF Contributions

Plan members were required to contribute 5.83% of their annual covered salary in calendar years 2024 and 2023. HHS was required to contribute 8.75% of pay for PECF members in calendar years 2024 and 2023. HHS' contributions to the PECF for both of the years ended December 31, 2024 and 2023, were \$0.3 million.

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

1. GERS Pension Costs

At December 31, 2024 and 2023, HHS reported a liability of \$189.3 million and \$287.5 million, respectively, for its proportionate share of the GERS' net pension liability. HHS' net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16.0 million to the fund in 2024 and 2023. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. At December 31, 2024 and 2023, the State of Minnesota's proportionate share of the net pension liability associated with HHS totaled \$4.9 million and \$7.9 million, respectively.

The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability and related deferred amounts were determined by actuarial valuations as of those dates. HHS' proportion of the net pension liability was based on the contributions received by PERA during the measurement periods for employer payroll paid dates from July 1, 2023 through June 30, 2024, for 2024 measurement, and July 1, 2022 through June 30, 2023, for 2023 measurement, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024 and 2023, HHS' proportionate share was 5.1% and 5.1%, respectively.

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NOTE 8 PENSION PLANS (CONTINUED)

**Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

1. GERF Pension Costs (Continued)

For the years ended December 31, 2024 and 2023, HHS recognized pension expense of \$19.0 million and \$46.5 million, respectively, for its proportionate share of the GERF's pension expense. In addition, for the years ended December 31, 2024 and 2023, HHS recognized \$0.8 million and \$0.8 million, respectively, as pension expense and grant revenue for its proportionate share of the State of Minnesota's contributions to the GERF in connection with the plan's special funding situation.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the GERF. The State of Minnesota is not included as a non-employer contributing entity in the GERF pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. HHS recognized \$8.7 million for the year ended December 31, 2024 as part of the actuarial gain and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the GERF.

At December 31, 2024 and 2023, HHS reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 17,840	\$ -	\$ 9,472	\$ (1,962)
Changes in Actuarial Assumptions	940	(71,865)	46,157	(78,805)
Net Difference Between Projected and Actual Investment Earnings	-	(53,517)	-	(8,636)
Changes in Proportion	1,230	(3,543)	4,826	(4,027)
Contributions Subsequent to the Measurement Date	18,078	-	18,681	-
Total	<u>\$ 38,088</u>	<u>\$ (128,925)</u>	<u>\$ 79,136</u>	<u>\$ (93,430)</u>

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NOTE 8 PENSION PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

1. GERS Pension Costs (Continued)

Employer contributions subsequent to the measurement date of approximately \$18.1 million, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (59,483)
2026	(11,414)
2027	(23,507)
2028	(14,511)
Total	<u>\$ (108,915)</u>

2. PEPFF Pension Costs

At December 31, 2024 and 2023, HHS reported a liability of \$17.9 million and \$22.3 million, respectively, for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability and related deferred amounts was determined by actuarial valuations as of those dates. HHS' proportion of the net pension liability was based on the contributions received by PERA during the measurement periods for employer payroll paid dates from July 1, 2023 through June 30, 2024, for measurement, and July 1, 2022 through June 30, 2023, for 2023 measurement, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024 and 2023, HHS' proportionate share was 1.4% and 1.3%, respectively.

The State of Minnesota contributed \$37.4 million to the PEPFF in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. At December 31, 2024 and 2023, the State of Minnesota's proportionate share of the net pension liability associated with HHS totaled \$0.7 million and \$0.9 million, respectively.

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NOTE 8 PENSION PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

2. PEPFF Pension Costs (Continued)

For the years ended December 31, 2024 and 2023, HHS recognized pension expense of \$9.6 million and \$6.6 million, respectively, for its proportionate share of the PEPFF's pension expense. HHS also recognized \$0.1 million for the years ended December 31, 2024 and 2023, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9.0 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2024 and 2023, HHS reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,633	\$ -	\$ 6,014	\$ -
Changes in Actuarial Assumptions	17,777	(31,167)	24,603	(31,263)
Net Difference Between Projected and Actual Investment Earnings	-	(5,686)	-	(660)
Changes in Proportion	2,471	(399)	1,825	(697)
Contributions Subsequent to the Measurement Date	1,931	-	1,868	-
Total	<u>\$ 28,812</u>	<u>\$ (37,252)</u>	<u>\$ 34,310</u>	<u>\$ (32,620)</u>

Employer contributions subsequent to the measurement date of approximately \$1.9 million, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (715)
2026	4,250
2027	(2,176)
2028	(6,135)
2029	(5,595)
Total	<u>\$ (10,371)</u>

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NOTE 8 PENSION PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

3. PECF Pension Costs

At December 31, 2024 and 2023, HHS reported a liability of \$0.4 million and \$0.6 million, respectively, for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. HHS' proportion of the net pension liability was based on the contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, for 2024 measurement, and July 1, 2022 through June 30, 2023, for 2023 measurement, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024 and 2023, HHS' proportion was 1.4% and 1.3%, respectively.

For the years ended December 31, 2024 and 2023, HHS recognized pension expense of \$1 million and \$0.1 million and, respectively, for its proportionate share of the PECF's pension expense.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$5.3 million to the PECF. The State of Minnesota is not included as a non-employer contributing entity in the PECF pension allocation schedules for the \$5.3 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. HHS recognized an immaterial amount for the year ended December 31, 2024 as part of the actuarial gain and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the PECF.

At December 31, 2024 and 2023, HHS reported its proportionate share of the PECF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 298	\$ -	\$ 233	\$ (71)
Changes in Actuarial Assumptions	-	(1,378)	1,894	(2,756)
Net Difference Between Projected and Actual Investment Earnings	-	(573)	-	(50)
Changes in Proportion	21	(113)	-	(229)
Contributions Subsequent to the Measurement Date	181	-	173	-
Total	<u>\$ 500</u>	<u>\$ (2,064)</u>	<u>\$ 2,300</u>	<u>\$ (3,106)</u>

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NOTE 8 PENSION PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

3. PECF Pension Costs (Continued)

Employer contributions subsequent to the measurement date of approximately \$0.2 million, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (1,622)
2026	261
2027	(224)
2028	(160)
Total	<u>\$ (1,745)</u>

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, Police and Fire Plan, and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1.0% for the Police and Fire Plan, and 2.0% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan and the Correctional Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

GERF

Changes in actuarial assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in plan provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

PEPFF

Changes in plan provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

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NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PECF

Changes in plan provisions:

- Employee contribution rates will increase from 5.83% of pay to 6.83% of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75% of pay to 10.25% of pay, effective July 1, 2025.
- The benefit multiplier changed from 1.9% to 2.2% for service earned after June 30, 2025.

The State Board of Investment, which manages the investments of PERA, prepares an analysis on a regular basis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stock	33.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
International Equity	16.5%	5.30%
Total	<u>100.0%</u>	

Pension Plans, Actuarial Impact

As described above, the deferred inflows and deferred outflows of resources are amortized into income/expense over a period of time. The amortization component of total pension expense has been presented in the statements of revenues, expenses and changes in net position within pension plans, actuarial impact.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the GERP and PEPFF were 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.

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NOTE 8 PENSION PLANS (CONTINUED)

Pension Liability Sensitivity

The following presents HHS' proportional share of the net pension liability (NPL) for all plans in which it participates, calculated using the discount rate disclosed in the preceding paragraph, as well as what the HHS proportional share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>June 30, 2024 Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.00%	7.00%	8.00%
HHS Proportionate Share of the GERF NPL	\$ 413,513	\$ 189,325	\$ 4,907
PEPFF Discount Rate	6.00%	7.00%	8.00%
HHS Proportionate Share of the PEPFF NPL	\$ 42,358	\$ 17,924	\$ (2,141)
PECF Discount Rate	6.00%	7.00%	8.00%
HHS Proportionate Share of the PECF NPL	\$ 3,483	\$ 429	\$ (2,005)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Defined Contribution Plans

Effective January 1, 2009, HHS established a 401(a) retirement plan, as a PERA alternative, for certain employees hired on or after that date. The plan requires a 6% employer contribution, which totaled approximately \$3.6 million and \$4.0 million in 2024 and 2023, respectively. Effective January 1, 2012, a 401(a) retirement plan was made available to certain physicians. Contributions are based upon a percentage of eligible employees' compensation and totaled approximately \$11.5 million and \$10.1 million in 2024 and 2023, respectively.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 9 OTHER EMPLOYEE BENEFITS

Other long-term employee benefits are as follows:

2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Postemployment Benefits:					
Retiree Health Care Program (GASB 75)	\$ 19,375	\$ 1,795	\$ (769)	\$ 20,401	\$ -
Workers' Compensation (Note 10)	15,000	5,686	(5,386)	15,300	5,100
Personal Choice Account	1,586	-	(68)	1,518	98
Total	<u>\$ 35,961</u>	<u>\$ 7,481</u>	<u>\$ (6,223)</u>	<u>\$ 37,219</u>	<u>\$ 5,198</u>
2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Postemployment Benefits:					
Retiree Health Care Program (GASB 75)	\$ 23,010	\$ 1,918	\$ (5,553)	\$ 19,375	\$ -
Workers' Compensation (Note 10)	18,500	1,942	(5,442)	15,000	3,100
Personal Choice Account	1,705	-	(119)	1,586	120
Total	<u>\$ 43,215</u>	<u>\$ 3,860</u>	<u>\$ (11,114)</u>	<u>\$ 35,961</u>	<u>\$ 3,220</u>

Other Postemployment Benefit Plans

Qualified retired employees are eligible for certain OPEB, also referred to as the retiree health care program.

Employees Covered by Benefit Terms

At December 31, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Active Employees Not Fully Eligible for Benefits	5,149	4,858
Inactive Employees Currently Receiving Benefits	84	96
Active Employees Fully Eligible for Benefits	1,246	1,238
Total	<u>6,479</u>	<u>6,192</u>

Total Retiree Health Care Program Liability

HHS' total OPEB liabilities of \$20.4 million and \$19.4 million as of December 31, 2024 and 2023, respectively, were measured as of December 31, 2023 and 2022, respectively, and were determined by actuarial valuations as of December 31, 2022.

Plan Description

Certain union HHS employees who have HHS-sponsored health coverage in force as of their termination date and who meet certain age and length of service requirements may be eligible for HHS' retiree health plan. In 2007, HHS offered a retiree health alternative called the personal choice account (PCA) for nonunion employees, in conjunction with the County, which can be used for qualifying health expenses of covered employees, as an alternative to HHS' health care benefits for retired nonunion employees. Nonunion employees who chose not to participate in the PCA benefit remained eligible to participate in the retiree health program.

HENNEPIN HEALTHCARE SYSTEM, INC.
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NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 9 OTHER EMPLOYEE BENEFITS (CONTINUED)

Plan Description (Continued)

While they are under age 65, eligible nonunion retirees who did not choose to participate in the PCA and certain eligible retirees who are unionized may participate in HHS' subsidized retiree health program, with access to the same health plan (and benefit levels) available to active employees. They may qualify to receive an HHS contribution toward health plan premiums in an amount equal to that contributed to an active employee electing employee-only health coverage until they reach age 65 by meeting one of the specific age and length of service requirements.

Funding Policy

HHS follows the County's funding policy whereby retiree health care benefits are funded in relation to the ARC on a pay-as-you-go basis. Either the HHS Board or the County Board may change the funding policy at any time. In 2022, HHS paid eligible single premium amounts for the enrolled retirees described above. Eligible retiree family members, as well as ineligible retirees, may pay their full premium to obtain coverage.

Actuarial Methods and Assumptions

The total OPEB liabilities in the December 31, 2024 and 2023 actuarial report were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2024</u>	<u>2023</u>
Reporting Date	December 31, 2024	December 31, 2023
Measurement Date	December 31, 2023	December 31, 2022
Actuarial Valuation Date	December 31, 2023	December 31, 2022
Discount Rate	3.26%	3.72%
Rate of Compensation Increase	PERA	PERA
Health Care Cost Trend Rates	**	**
Inflation Rate	PERA	PERA
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Straight-Line	Straight-Line
Amortization Period	9.0 Years	9.1 Years
Method Used to Determine Actuarial Value of Assets	N/A	N/A

**7.1% for healthcare costs, decreasing to an ultimate rate of 3.8% in 2074.

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 9 OTHER EMPLOYEE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in the December 31, 2023 report were based on the results of an actuarial experience study for the year ended December 31, 2022. These actuarial assumptions are based on the presumption that the OPEB Plan will continue. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Changes in the OPEB liability:

	2024	2023
Total OPEB Liability, Beginning	\$ 19,375	\$ 23,010
Changes for the Year:		
Service Cost	1,080	1,444
Interest	715	474
Changes of Assumptions or Other Inputs	1,745	(2,680)
Benefit Payments	(2,514)	(2,873)
Net Changes	1,026	(3,635)
Total OPEB Liability, Ending	<u>\$ 20,401</u>	<u>\$ 19,375</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.26% as of December 31, 2024, and 3.72% as of December 31, 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the approximate total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total OPEB Liability	\$ 21,954	\$ 20,401	\$ 18,933

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	Decreasing to 6.10%	Health Care Cost Trend Current Trend Rate 7.10%	Increasing to 8.10%
Total OPEB Liability	\$ 18,350	\$ 20,401	\$ 22,856

HENNEPIN HEALTHCARE SYSTEM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 9 OTHER EMPLOYEE BENEFITS (CONTINUED)

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

For the years ended December 31, 2024 and 2023, HHS recognized OPEB expense of \$1.8 million and \$1.9 million, respectively. At December 31, 2024 and 2023, HHS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions or Other Inputs	\$ 5,180	\$ (9,301)	\$ 4,268	\$ (10,924)
Employer Contributions Subsequent to the Measurement Date	2,473	-	2,514	-
Total	<u>\$ 7,653</u>	<u>\$ (9,301)</u>	<u>\$ 6,782</u>	<u>\$ (10,924)</u>

Employer contributions subsequent to the measurement date of December 31, 2024 of \$2.5 million, which are reported as deferred outflows of resources as of December 31, 2023, will be recognized as a reduction of the OPEB liability in HHS' year ending December 31, 2024. Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2024, will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense</u>
2025	\$ (791)
2026	(780)
2027	(773)
2028	(779)
2029	(578)
Thereafter	(420)
Total	<u>\$ (4,121)</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 10 RISK MANAGEMENT

General and Professional Liability

Because of HHS' status as a governmental entity, state law limits the exposure of HHS and its employees for their torts in accordance with Minnesota Statutes, Chapter 466. The limit of liability created by these statutes is \$0.5 million per claim and \$1.5 million maximum per occurrence, effective as of July 1, 2009. Prior to July 1, 2009, these limits ranged from \$0.3 million to \$0.4 million, and \$1.0 to \$1.2 million, respectively. HHS self-insures for general, professional and employment practices exposures. The estimated liability for claims represents an estimate for unpaid claims and for claims incurred but not reported. An actuarial valuation is the basis for the liability and expense. The actuarial calculations assume industry-based exposure rates and client-based statistically reliable and predictable loss data for professional liability. The general liability and professional claims liability is included in other accrued expenses in the statements of net position.

The statutory limits on liability did not apply to HFA, a Minnesota not-for-profit corporation which contracted with HHS to provide faculty physicians to HHS prior to January 1, 2012. On that day, the physicians of HFA became employees of HHS, and thus became subject to the limits of Chapter 466. HFA purchased tail insurance coverage to cover the liability of these physicians for claims that were incurred but not reported as of January 1, 2012. Policy limits are \$1.0 million per occurrence and \$3.0 million in the aggregate, with \$11.0 million excess liability coverage, subject to deductible and stop-loss amounts of \$0.1 million. HHS is a named insured under that tail policy. HFA was statutorily merged into HHS effective January 1, 2013.

Changes in the estimated general and professional liability are as follows:

	2024	2023
General and Professional Claims Liability at Beginning of Year	\$ 4,982	\$ 4,589
Incurred Claims (Including IBNR Estimate)	8,596	1,926
Change in IBNR Estimate	(1,538)	59
Claims Paid During the Year	(2,669)	(1,592)
General and Professional Claims Liability at End of Year	<u>\$ 9,371</u>	<u>\$ 4,982</u>

HHRI purchases comprehensive liability coverage on a claims-made basis covering claims of up to \$5.0 million per occurrence or \$7.0 million in the aggregate, subject to certain deductible and self-retention amounts. Should these claims-made policies not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. HHRI has obtained coverage through January 1, 2025.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 10 RISK MANAGEMENT (CONTINUED)

Workers' Compensation

HHS is self-insured for workers' compensation claims. During 2024 and 2023, \$4.8 million and \$1.9 million, respectively, in benefits and administrative costs were paid and charged to the workers' compensation expense account. The estimated liability for claims represents an estimate for unpaid claims and for claims incurred but not reported. An actuarial valuation is the basis for the liability and expense. The actuarial calculations assume industry-based exposure rates and client-based statistically reliable and predictable loss data for professional liability. The workers' compensation liability is included in other accrued expenses and other employee benefits in the statements of net position.

Changes in the estimated workers' compensation liability are as follows:

	2024	2023
Estimated Liability at Beginning of Year	\$ 15,000	\$ 18,500
Estimated Incurred Claims (Including IBNR)	4,836	1,942
Claims Payments	(4,536)	(5,442)
Estimated Liability at End of Year	<u>\$ 15,300</u>	<u>\$ 15,000</u>

HHS Self-Insured Health and Dental Program

On January 1, 2011, HHS became self-insured for employee medical and dental claims for its employees. The accrual for estimated claims includes estimates of the ultimate cost for claims incurred but not reported (IBNR) and are based upon estimated cost of settlement. HHS purchased reinsurance on a specific-case basis for 2024 and 2023, in order to reduce its liability on individual risks. All reinsurance contracts are excess-of-loss contracts, which indemnify HHS for losses in excess of stated reinsurance policy limits. As of December 31, 2024 and 2023, the limits were \$0.6 million for specific claims and were \$125.7 million and \$120.6 million for claims in the aggregate, respectively. HHS has recorded a liability of approximately \$6.3 million and \$7.0 million as of December 31, 2024 and 2023, respectively, for known cases and for estimated claims that have been incurred but not yet reported, which is included in accrued expenses: salaries, wages and benefits in the accompanying statements of net position. The estimated health and dental program liability is net of the imprest fund.

Changes in the estimated health and dental program liability are as follows:

	2024	2023
Estimated Liability at Beginning of Year	\$ 7,000	\$ 5,386
Estimated Incurred Claims (Including IBNR)	117,503	125,743
Claims, Administrative Payments, Taxes, and Fees	(118,249)	(124,129)
Estimated Liability at End of Year	<u>\$ 6,254</u>	<u>\$ 7,000</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 10 RISK MANAGEMENT (CONTINUED)

HHRI Self-Insured Health Program

HHRI is self-insured for its employee health insurance program. HHRI pays annual health care claims up to \$0.09 million per employee with a \$2.4 million maximum cap. A third-party insurance carrier covers health care claims exceeding maximum limits. Estimated claims, administrative costs, and reserves that have been incurred but are unpaid are reflected as accrued expenses on the statements of net position and totaled \$0.2 million and \$0.2 million as of December 31, 2024 and 2023, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Litigation

The Organization is involved in litigation and employee matters arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Organization's future financial position or results of operations.

HHS has capital commitments outstanding in the amount of approximately \$10.9 million at December 31, 2024.

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF DEFINED BENEFIT PLAN CONTRIBUTIONS
DECEMBER 31, 2024
(IN THOUSANDS)

Fiscal Years Ended December 31,	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 23,601	\$ 23,601	\$ -	\$ 315,068	7.5 %
2016	24,962	24,962	-	333,530	7.5 %
2017	24,995	24,995	-	333,365	7.5 %
2018	25,547	25,547	-	342,328	7.5 %
2019	26,388	26,388	-	353,423	7.5 %
2020	26,551	26,551	-	355,991	7.5 %
2021	28,614	28,614	-	383,652	7.5 %
2022	30,536	30,536	-	420,540	7.3 %
2023	32,095	32,095	-	431,307	7.4 %
2024	33,750	33,750	-	453,505	7.4 %

PEPFF Schedule of Contributions

Fiscal Years Ended December 31,	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 2,017	\$ 2,017	\$ -	\$ 12,446	16.2 %
2016	2,062	2,062	-	12,728	16.2 %
2017	2,166	2,166	-	13,372	16.2 %
2018	2,365	2,365	-	14,222	16.6 %
2019	2,378	2,378	-	14,164	16.8 %
2020	2,457	2,457	-	14,041	17.5 %
2021	2,680	2,680	-	15,214	17.6 %
2022	2,909	2,909	-	16,691	17.4 %
2023	3,178	3,178	-	18,262	17.4 %
2024	3,676	3,676	-	20,965	17.5 %

PECF Schedule of Contributions

Fiscal Years Ended December 31,	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 222	\$ 222	\$ -	\$ 2,533	8.8 %
2016	233	233	-	2,667	8.7 %
2017	229	229	-	2,620	8.7 %
2018	252	252	-	2,871	8.8 %
2019	267	267	-	3,066	8.7 %
2020	276	276	-	3,171	8.7 %
2021	278	278	-	3,188	8.7 %
2022	276	276	-	3,295	8.4 %
2023	290	290	-	3,338	8.7 %
2024	378	378	-	4,361	8.7 %

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF DEFINED BENEFIT PLAN
DECEMBER 31, 2024
(IN THOUSANDS)

Measurement Date June 30,	Proportion (%) of the Net Pension Liability (NPL)	Proportionate Share (Amount) of the NPL (a)	State's Proportionate Share of the NPL Associated with HHS (b)	HHS and State Total Proportionate Share of the NPL NPL Associated with HHS (abs)	Covered Payroll (c)	Proportionate Share of the NPL as a Percentage of the Covered Payroll ((a+b)/c)	Plan Fiduciary Net Positional as a Percentage of the Total Pension Liability
2015	4.9916%	\$ 258,691	\$ -	\$ 258,691	\$ 293,869	88.0%	78.2%
2016	5.1308%	416,596	5,441	422,037	319,090	132.3%	68.9%
2017	5.3401%	340,908	4,286	345,194	346,025	99.8%	75.9%
2018	4.9725%	275,845	9,048	284,902	336,058	84.8%	79.5%
2019	4.8846%	270,059	8,394	278,453	347,311	80.2%	80.2%
2020	4.9363%	295,954	9,126	305,080	353,643	86.3%	79.1%
2021	5.0942%	217,545	6,643	224,188	368,837	60.8%	87.0%
2022	5.2094%	412,586	12,096	424,682	403,020	105.4%	76.7%
2023	5.1416%	287,513	7,926	295,439	412,071	71.7%	83.6%
2024	5.1211%	189,325	4,896	194,221	453,794	42.8%	89.4%

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF DEFINED BENEFIT PLAN CONTRIBUTIONS (CONTINUED)
DECEMBER 31, 2024
(IN THOUSANDS)

Measurement Date June 30,	Proportion (%) of the Net Pension Liability (NPL)	Proportionate Share (Amount) of the NPL (a)	Covered Payroll (c)	Proportionate Share of the NPL as a Percentage of the Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.247%	\$ 14,169	\$ 11,511	123.1%	86.6%
2016	1.285%	51,569	12,428	414.9%	63.9%
2017	1.281%	17,295	13,386	129.2%	85.4%
2018	1.311%	13,978	13,937	100.3%	88.8%
2019	1.346%	14,332	14,187	101.0%	89.3%
2020	1.237%	16,300	14,067	115.9%	87.2%
2021	1.190%	9,186	14,714	62.4%	93.7%
2022	1.247%	54,273	15,310	354.5%	70.5%
2023	1.288%	22,237	17,262	128.8%	85.8%
2024	1.362%	17,924	19,975	89.7%	89.1%

Measurement Date June 30,	Proportion (%) of the Net Pension Liability (NPL)	Proportionate Share (Amount) of the NPL (a)	Covered Payroll (c)	Proportionate Share of the NPL as a Percentage of the Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.260%	\$ 195	\$ 2,266	8.6%	97.0%
2016	1.410%	5,151	2,646	194.7%	58.2%
2017	1.310%	3,734	2,626	142.2%	67.9%
2018	1.310%	216	2,700	8.0%	97.6%
2019	1.400%	193	2,992	6.5%	98.2%
2020	1.450%	392	3,162	12.4%	96.7%
2021	1.420%	(233)	3,269	-7.1%	101.6%
2022	1.440%	4,785	3,134	152.7%	74.6%
2023	1.340%	604	3,148	19.2%	96.1%
2024	1.406%	429	3,757	11.4%	97.5%

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024
(IN THOUSANDS)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Cost	\$ 1,080	\$ 1,444	\$ 2,022	\$ 1,757	\$ 1,692	\$ 1,775	\$ 1,601	\$ 1,614
Interest	715	474	585	720	1,187	1,042	1,118	1,064
Changes of Assumptions or Other Inputs	1,745	(2,680)	(3,789)	1,241	(2,915)	(1,233)	604	(349)
Benefit Payments	(2,514)	(2,873)	(2,711)	(2,625)	(2,823)	(2,824)	(2,751)	(2,358)
Net Change	1,026	(3,635)	(3,893)	1,093	(2,859)	(1,240)	572	(29)
Total OPEB Liability, Beginning	19,375	23,010	26,903	25,810	28,669	29,909	29,337	29,366
Total OPEB Liability, Ending	<u>\$ 20,401</u>	<u>\$ 19,375</u>	<u>\$ 23,010</u>	<u>\$ 26,903</u>	<u>\$ 25,810</u>	<u>\$ 28,669</u>	<u>\$ 29,909</u>	<u>\$ 29,337</u>
Covered Employee Payroll	\$ 646,252	\$ 595,718	\$ 544,706	\$ 519,523	\$ 524,771	\$ 499,684	\$ 485,742	\$ 476,292
Total OPEB Liability as a Percentage of Covered Employee Payroll	3.16%	3.25%	4.22%	5.18%	4.92%	5.74%	6.16%	6.16%

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.
The following are the discount rates used in each period.

January 1, 2017	3.57%
December 31, 2017	3.78%
December 31, 2018	3.44%
December 31, 2019	4.10%
December 31, 2020	2.74%
December 31, 2021	2.12%
December 31, 2022	2.06%
December 31, 2023	3.72%
December 31, 2024	3.16%

This schedule is presented to illustrate the requirement to show information for 10 years. However, only eight years of information is available since implementing GASB No. 75 at January 1, 2017. Annual plan information will be added until the required 10 years is presented.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Hennepin Healthcare System, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Hennepin Healthcare System, Inc. (the Organization), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2024, and have issued our report thereon, dated March 26, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The financial statements of the Organization for the year ended December 31, 2023, were audited by another auditor whose report dated April 30, 2024, expressed an unmodified opinion on those statements.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other supplementary information on page 61 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 26, 2025

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
NON-GAAP – MANAGEMENT PRESENTATION OF OPERATIONAL RESULTS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BLENDED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2024
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2024	2023
OPERATING REVENUES						
Net Patient Service Revenue	\$ 1,337,916	\$ -	\$ -	\$ -	\$ 1,337,916	\$ 1,289,237
Other Operating Revenue:						
Grants	28,965	18,977	51,693	-	99,635	97,432
Other	56,801	498	561	(7,336)	50,524	59,254
Total Operating Revenues	<u>1,423,682</u>	<u>19,475</u>	<u>52,254</u>	<u>(7,336)</u>	<u>1,488,075</u>	<u>1,445,923</u>
OPERATING EXPENSES						
Salaries and Benefits	980,812	8,116	26,129	(2,437)	1,012,620	964,390
Supplies and Services	345,833	1,036	23,905	(4,438)	366,336	353,227
Depreciation and Amortization	50,181	-	494	-	50,675	62,202
Utilities and Maintenance	46,059	266	1,299	-	47,624	46,938
Taxes and Surcharges	22,912	-	-	-	22,912	18,367
Other	18,591	613	1,685	(461)	20,428	13,094
Total Operating Expenses	<u>1,464,388</u>	<u>10,031</u>	<u>53,512</u>	<u>(7,336)</u>	<u>1,520,595</u>	<u>1,458,218</u>
INCOME (LOSS) FROM OPERATIONS	(40,706)	9,444	(1,258)	-	(32,520)	(12,295)
NONOPERATING REVENUE (EXPENSE)	<u>33,533</u>	<u>2,697</u>	<u>6,040</u>	<u>-</u>	<u>42,270</u>	<u>(23,227)</u>
CHANGE IN NET POSITION	(7,173)	12,141	4,782	-	9,750	(35,522)
Net Position - Beginning of Year	<u>6,289</u>	<u>41,596</u>	<u>60,135</u>	<u>-</u>	<u>108,020</u>	<u>143,542</u>
NET POSITION - END OF YEAR	<u>\$ (884)</u>	<u>\$ 53,737</u>	<u>\$ 64,917</u>	<u>\$ -</u>	<u>\$ 117,770</u>	<u>\$ 108,020</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF NET POSITION – BLENDED COMPONENT UNITS
DECEMBER 31, 2024
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2024
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 22,860	\$ 802	\$ 4,535	\$ -	\$ 28,197
Accounts Receivable:					
Patient Accounts Receivable, Net of Estimated					
Uncollectibles of \$96,378	195,706	-	-	-	195,706
Other	20,762	106	11,450	-	32,318
Third-Party Payor Settlements	17,126	-	-	-	17,126
Due from Related Parties	6,556	288	1,488	(4,193)	4,139
Inventories	14,205	-	-	-	14,205
Prepaid Expenses and Other Current Assets	11,225	-	557	-	11,782
Total Current Assets	<u>288,440</u>	<u>1,196</u>	<u>18,030</u>	<u>(4,193)</u>	<u>303,473</u>
INVESTMENTS	-	1,566	25,280	-	26,846
ASSETS LIMITED AS TO USE					
Cash and Cash Equivalents	-	22,289	-	-	22,289
Investments	7,187	18,050	30,181	-	55,418
Receivables, Other	-	9,784	-	-	9,784
Total Assets Limited as to Use	<u>7,187</u>	<u>50,123</u>	<u>30,181</u>	<u>-</u>	<u>87,491</u>
CAPITAL ASSETS					
Nondepreciable	72,467	1,428	-	-	73,895
Depreciable, Net	332,523	-	1,455	-	333,978
Leased Assets, Net	16,390	-	-	-	16,390
Subscription Assets, Net	20,688	-	572	-	21,260
Total Capital Assets	<u>442,068</u>	<u>1,428</u>	<u>2,027</u>	<u>-</u>	<u>445,523</u>
OTHER ASSETS	3,948	-	-	-	3,948
DEFERRED OUTFLOWS	<u>75,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,053</u>
Total Assets and Deferred Outflows	<u>\$ 816,696</u>	<u>\$ 54,313</u>	<u>\$ 75,518</u>	<u>\$ (4,193)</u>	<u>\$ 942,334</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF NET POSITION – BLENDED COMPONENT UNITS (CONTINUED)
DECEMBER 31, 2024
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2024
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 18,529	\$ -	\$ 87	\$ -	\$ 18,616
Accounts Payable	40,574	90	6,317	-	46,981
Third-Party Payor Settlements	603	-	-	-	603
Due from Related Parties	6,853	486	1,334	(4,193)	4,480
Accrued Expenses:					
Salaries, Wages, and Benefits	103,717	-	2,008	-	105,725
Other	59,286	-	370	-	59,656
Total Current Liabilities	<u>229,562</u>	<u>576</u>	<u>10,116</u>	<u>(4,193)</u>	<u>236,061</u>
Employee Benefit Obligations:					
Retiree Health Care Program	20,401	-	-	-	20,401
Other Employee Benefits	11,620	-	-	-	11,620
Long-Term Debt, Net of Current Maturities	170,777	-	485	-	171,262
Net Pension Liability	<u>207,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,678</u>
Total Liabilities	<u>640,038</u>	<u>576</u>	<u>10,601</u>	<u>(4,193)</u>	<u>647,022</u>
DEFERRED INFLOWS	<u>177,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,542</u>
Total Liabilities and Deferred Inflows	817,580	576	10,601	(4,193)	824,564
NET POSITION					
Net Investment in Capital Assets	252,762	1,428	1,455	-	255,645
Restricted:					
Expendable	5,304	43,923	20,431	-	69,658
Nonexpendable	1,883	6,201	9,750	-	17,834
Unrestricted	<u>(260,833)</u>	<u>2,185</u>	<u>33,281</u>	<u>-</u>	<u>(225,367)</u>
Total Net Position	<u>(884)</u>	<u>53,737</u>	<u>64,917</u>	<u>-</u>	<u>117,770</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 816,696</u>	<u>\$ 54,313</u>	<u>\$ 75,518</u>	<u>\$ (4,193)</u>	<u>\$ 942,334</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF NET POSITION – BLENDED COMPONENT UNITS
DECEMBER 31, 2023
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2023
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 71,381	\$ 860	\$ 4,753	\$ -	\$ 76,994
Accounts Receivable:					
Patient Accounts Receivable, Net of Estimated					
Uncollectibles of \$67,726	169,584	-	-	-	169,584
Other	22,017	87	14,567	-	36,671
Third-Party Payor Settlements	16,083	-	-	-	16,083
Due from Related Parties, Net	7,280	42	1,415	(2,544)	6,193
Inventories	12,106	-	-	-	12,106
Prepaid Expenses and Other Current Assets	15,742	-	407	-	16,149
Total Current Assets	<u>314,193</u>	<u>989</u>	<u>21,142</u>	<u>(2,544)</u>	<u>333,780</u>
INVESTMENTS	-	1,325	22,514	-	23,839
ASSETS LIMITED AS TO USE					
Cash and Cash Equivalents	-	22,352	-	-	22,352
Investments	6,392	16,308	27,207	-	49,907
Receivables, Other	-	735	-	-	735
Total Assets Limited as to Use	<u>6,392</u>	<u>39,395</u>	<u>27,207</u>	<u>-</u>	<u>72,994</u>
CAPITAL ASSETS					
Nondepreciable	62,698	1,119	-	-	63,817
Depreciable, Net	338,053	-	1,800	-	339,853
Leased Assets, Net	19,273	-	-	-	19,273
Subscription Assets, Net	19,806	-	-	-	19,806
Total Capital Assets	<u>439,830</u>	<u>1,119</u>	<u>1,800</u>	<u>-</u>	<u>442,749</u>
OTHER ASSETS	1,488	-	-	-	1,488
DEFERRED OUTFLOWS	<u>122,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,528</u>
Total Assets and Deferred Outflows	<u>\$ 884,431</u>	<u>\$ 42,828</u>	<u>\$ 72,663</u>	<u>\$ (2,544)</u>	<u>\$ 997,378</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF NET POSITION – BLENDED COMPONENT UNITS (CONTINUED)
DECEMBER 31, 2023
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2023
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 19,178	\$ -	\$ -	\$ -	\$ 19,178
Accounts Payable	44,592	76	9,021	-	53,689
Third-Party Payor Settlements	3,651	-	-	-	3,651
Due to Related Parties, Net	796	1,156	1,145	(2,544)	553
Accrued Expenses:					
Salaries, Wages, and Benefits	93,737	-	1,883	-	95,620
Other	54,197	-	479	-	54,676
Total Current Liabilities	<u>216,151</u>	<u>1,232</u>	<u>12,528</u>	<u>(2,544)</u>	<u>227,367</u>
Employee Benefit Obligations:					
Retiree Health Care Program	19,375	-	-	-	19,375
Other Employee Benefits	13,366	-	-	-	13,366
Long-Term Debt, Net of Current Maturities	178,815	-	-	-	178,815
Net Pension Liability	310,354	-	-	-	310,354
Total Liabilities	<u>738,061</u>	<u>1,232</u>	<u>12,528</u>	<u>(2,544)</u>	<u>749,277</u>
DEFERRED INFLOWS	<u>140,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,081</u>
Total Liabilities and Deferred Inflows	878,142	1,232	12,528	(2,544)	889,358
NET POSITION					
Net Investment in Capital Assets	241,837	1,119	1,800	-	244,756
Restricted:					
Expendable	4,509	34,079	8,007	-	46,595
Nonexpendable	1,883	5,316	19,201	-	26,400
Unrestricted	(241,940)	1,082	31,127	-	(209,731)
Total Net Position	<u>6,289</u>	<u>41,596</u>	<u>60,135</u>	<u>-</u>	<u>108,020</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 884,431</u>	<u>\$ 42,828</u>	<u>\$ 72,663</u>	<u>\$ (2,544)</u>	<u>\$ 997,378</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BLENDED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2024
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2024
OPERATING REVENUES					
Net Patient Service Revenue, Net of Provision for Bad Debts and Charity Care of \$255,695	\$ 1,337,916	\$ -	\$ -	\$ -	\$ 1,337,916
Other Operating Revenue:					
Grants	28,965	18,977	51,693	-	99,635
Other	54,923	498	561	(7,336)	48,646
Total Operating Revenues	1,421,804	19,475	52,254	(7,336)	1,486,197
OPERATING EXPENSES					
Salaries and Benefits Excluding Pension Expense	989,451	8,116	26,129	(2,437)	1,021,259
Supplies and Services	354,393	1,036	23,905	(4,438)	374,896
Depreciation and Amortization	50,181	-	494	-	50,675
Utilities and Maintenance	46,059	266	1,299	-	47,624
Taxes and Surcharges	22,912	-	-	-	22,912
Other	12,891	613	1,685	(461)	14,728
Total Operating Expenses Before Pension Plans, Actuarial Impact	1,475,887	10,031	53,512	(7,336)	1,532,094
INCOME (LOSS) FROM OPERATIONS BEFORE PENSION PLANS, ACTUARIAL IMPACT	(54,083)	9,444	(1,258)	-	(45,897)
Pension Plans, Actuarial Gain	15,244	-	-	-	15,244
INCOME (LOSS) FROM OPERATIONS	(38,839)	9,444	(1,258)	-	(30,653)
NONOPERATING REVENUE (EXPENSE), NET					
Interest Expense	(5,700)	-	-	-	(5,700)
Contributions, Net	33	-	-	-	33
Investment Income	4,542	2,697	5,743	-	12,982
COVID-19 Funding	-	-	-	-	-
Total Nonoperating Revenue (Expense), Net	(1,125)	2,697	5,743	-	7,315
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(39,964)	12,141	4,485	-	(23,338)
Capital Contributions from Related Parties, Net	32,791	-	297	-	33,088
CHANGE IN NET POSITION	(7,173)	12,141	4,782	-	9,750
Net Position - Beginning of Year	6,289	41,596	60,135	-	108,020
NET POSITION - END OF YEAR	<u>\$ (884)</u>	<u>\$ 53,737</u>	<u>\$ 64,917</u>	<u>\$ -</u>	<u>\$ 117,770</u>

HENNEPIN HEALTHCARE SYSTEM, INC.
A COMPONENT UNIT OF HENNEPIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BLENDED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2023
(IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	HHS	HHF	HHRI	Eliminations	2023
OPERATING REVENUES					
Net Patient Service Revenue, Net of Provision for Bad Debts of \$171,048	\$ 1,289,237	\$ -	\$ -	\$ -	\$ 1,289,237
Other Operating Revenue:					
Grants	27,876	15,236	54,320	-	97,432
Other	52,694	848	492	(6,598)	47,436
Total Operating Revenues	<u>1,369,807</u>	<u>16,084</u>	<u>54,812</u>	<u>(6,598)</u>	<u>1,434,105</u>
OPERATING EXPENSES					
Salaries and Benefits Excluding Pension Expense	958,866	8,443	23,288	(3,061)	987,536
Supplies and Services	324,891	1,430	28,738	(425)	354,634
Depreciation and Amortization	61,648	-	554	-	62,202
Utilities and Maintenance	45,357	251	1,330	-	46,938
Taxes and Surcharges	18,367	-	-	-	18,367
Other	8,063	557	1,500	(3,112)	7,008
Total Operating Expenses Before Pension Plans, Actuarial Impact	<u>1,417,192</u>	<u>10,681</u>	<u>55,410</u>	<u>(6,598)</u>	<u>1,476,685</u>
INCOME (LOSS) FROM OPERATIONS BEFORE PENSION PLANS, ACTUARIAL IMPACT	(47,385)	5,403	(598)	-	(42,580)
Pension Plans, Actuarial Loss	<u>(16,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,037)</u>
INCOME (LOSS) FROM OPERATIONS	(63,422)	5,403	(598)	-	(58,617)
NONOPERATING REVENUE, NET					
Interest Expense	(6,086)	-	-	-	(6,086)
Contributions, Net	175	-	-	-	175
Investment Income	7,621	2,983	7,281	-	17,885
COVID-19 Funding	1,883	-	-	-	1,883
Total Nonoperating Revenue, Net	<u>3,593</u>	<u>2,983</u>	<u>7,281</u>	<u>-</u>	<u>13,857</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(59,829)	8,386	6,683	-	(44,760)
Capital Contributions from Related Parties, Net	<u>10,255</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>10,645</u>
CHANGE IN NET POSITION	(49,574)	8,386	7,073	-	(34,115)
Net Position - Beginning of Year - As Previously Stated	57,270	33,210	53,062	-	143,542
PRIOR PERIOD ADJUSTMENT - GASB 101 ADOPTION	<u>(1,407)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,407)</u>
Net Position - Beginning of Year - As Restated	<u>55,863</u>	<u>33,210</u>	<u>53,062</u>	<u>-</u>	<u>142,135</u>
NET POSITION - END OF YEAR	<u>\$ 6,289</u>	<u>\$ 41,596</u>	<u>\$ 60,135</u>	<u>\$ -</u>	<u>\$ 108,020</u>

