UNIVERSITY OF CALIFORNIA

Medical Centers Report

18/19

UC Health is committed to nothing less than the well-being of all Californians. As one of the nation's largest academic health systems, we combine teaching, research and public service to provide high quality care to millions of patients each year and to drive the medical advances that save lives.

UNIVERSITY OF CALIFORNIA

Medical Centers
18/19 Annual Financial Report

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Letter from the Executive Vice President

This is my last annual report letter as Executive Vice President of UC Health.

After 50 years in Medicine and 11 years with the University of California, it is time for me to turn the reins of leadership for UC Health to another. It has been both an honor and pleasure to work so many dedicated individuals who are passionate about what they do.

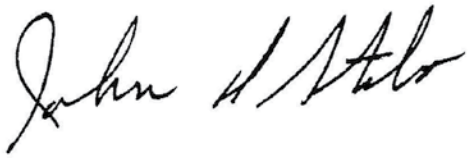
I'm delighted to welcome my successor, Dr. Carrie L. Byington, to this role. Dr. Byington is an accomplished pediatrician, researcher, and academic leader with stellar credentials and reputation. I am confident that she, working collaboratively with our health campus leadership, will keep our health professional schools, academic medical centers and community health system among the very best in the nation.

The Medical Centers FY 2018–2019 Annual Report highlights the accomplishments of another remarkable year.

- UC Health's academic medical centers — UC Davis Health, UCI Health, UCLA Health, UC San Diego Health and UCSF Health — are financially self-supported through reimbursements for clinical services. This year revenue reached $12.7 billion. Of that, $606 million was provided to the schools of medicine in health system support.
- Our Leveraging Scale for Value (LSfV) initiative drives efficiencies across our system, with supply chain, revenue cycle, and information technology improvements yielding an estimated $345 million in benefits this fiscal year and approximately $1.3 billion lifetime to date. Looking ahead, we've set an ambitious goal of $500 million in efficiency improvements each year, starting in FY 2021.
- Our move toward 'systemness' also continues through more than a dozen clinical and research collaborations among our medical centers. Similar to how the LSfV initiative achieves economic efficiencies, these collaborations facilitate the sharing of best clinical practices, leverage vast amounts of data and can accelerate the development of new treatments.
- Our payor mix demonstrates our unwavering commitment to caring for all Californians regardless of ability to pay. Despite representing less than six percent of the acute care hospital beds in California, we are one of the largest providers of inpatient services and hospital-based outpatient visits for Medi-Cal enrollees. More than 35 percent of our systemwide inpatient days are associated with Medi-Cal. At UC Davis Health and UCI Health, 41 percent and 45 percent, respectively, of total inpatient days are for Medi-Cal patients. Another 34 percent of systemwide inpatient days are for patients with Medicare.
- All of our medical centers are in the top 10 hospitals in California, according to the 2019-2020 U.S. News & World Report rankings and almost all of our health professional schools are nationally ranked.

These successes flow from tens of thousands of dedicated employees at every level of the organization. Even with a dedicated workforce and a proud history, policy changes at state and federal levels will continue to bring new challenges. More than anything else during my tenure, I've seen the boldness and resiliency of the people of UC Health.

And, I leave knowing the future is bright.



JOHN D. STOBO, EXECUTIVE VICE PRESIDENT
UC HEALTH, UNIVERSITY OF CALIFORNIA

The University of California, Davis Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2017. Data for the 12-month period ended December 31, 2017, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Sacramento, Placer, Yolo	84	2,139,421	65.1%	12.3%
Secondary	Colusa, El Dorado, San Joaquin, Solano, Sutter, Yuba	87	1,574,635	15.8%	3.9%

The University of California, Davis Medical Center

UC Davis Medical Center is the principal clinical teaching site for the UC Davis School of Medicine and the Betty Irene Moore School of Nursing at UC Davis and is the clinical core of the UC Davis Health system.

Licensed as a 625-bed general acute care hospital with more than 30 operating rooms, the medical center provides a full range of inpatient acute and intensive care and a full complement of ancillary, support and ambulatory services. These services are housed in about 4.9 million gross square feet of facilities, most located on approximately 144 acres in the city of Sacramento. Ambulatory care is provided at hospital-based and satellite clinics in Sacramento and the surrounding communities of Auburn, Carmichael, Davis, Elk Grove, Folsom, Natomas, Rancho Cordova, Rocklin and Roseville.

The medical center serves as a major tertiary and quaternary care referral hospital for a 33-county, 65,000-square-mile service area with a population of more than six million people. Its services range from heart and vascular surgery to transplant and neurological surgery. It is the only provider of several tertiary/quaternary services between San Francisco and Portland, including level I adult and pediatric trauma care. It is also home to the region's only nationally ranked comprehensive children's hospital and a National Cancer Institute-designated comprehensive cancer center.

The UC Davis Medical Center leads multiple cooperative programs with regional health care providers to increase access and quality in both urban and rural settings. The UC Davis Cancer Care Network is comprised of community-based cancer centers in locations such as Marysville, Merced, Bakersfield, Truckee/Tahoe and the southeastern Sierra. Nationally recognized clinical telemedicine and rural affiliation programs partner with community hospitals and Federally Qualified Health Centers (FQHCs), the Veterans Administration, Lawrence Livermore National Laboratory and Shriners Hospitals for Children–Northern California.

Significant events during the year are highlighted below:

The UC Davis Medical Center continues to maintain an outstanding local and national reputation

- The UC Davis Medical Center is the top-ranking hospital in the Sacramento metropolitan area, according to the annual U.S. News & World Report "Best Hospitals" 2019–2020 survey.
- U.S. News also ranked the UC Davis Medical Center one of the nation's best hospitals for 2019–2020 in 10 adult medical specialties, including cancer care; cardiology and heart surgery; ear, nose and throat; geriatrics; gynecology; nephrology; neurology and neurosurgery; orthopedics; pulmonology and lung surgery; and urology.

- In U.S. News ratings for common adult care or procedures for 2019–2020, the UC Davis Medical Center rated as high-performing in abdominal aortic aneurysm repair; chronic obstructive pulmonary disease; colon cancer surgery; heart bypass surgery; heart failure condition; knee replacement and lung cancer surgery. UC Davis was also high-performing in the diabetes and endocrinology specialty, and in the gastroenterology and gastrointestinal surgery specialty.
- U.S. News ranked the UC Davis Children's Hospital among the nation's best in five specialties for 2019–2020, including neonatology, diabetes and endocrinology, and nephrology. UC Davis Children's Hospital also ranked in the top 20 nationally in orthopedics and urology, together with longstanding partner Shriners Hospitals for Children–Northern California.
- UC Davis Children's Hospital opened a state-of-the-art Children's Surgery Center in fall 2018, featuring advanced technology and a child-friendly design to complement the center's existing status as the West Coast's first American College of Surgeons-designated level I children's surgery center.
- In fall 2018 the American Nurses Credentialing Center (ANCC) renewed UC Davis Medical Center's Magnet® designation for another four-year term. Less than 10 percent of U.S. hospitals achieve the designation — considered the nation's highest recognition for nursing excellence — and UC Davis is the only hospital in the Sacramento region to hold it.
- For the fifth consecutive year, Becker's Hospital Review included UC Davis Medical Center on its list of 100 Great Hospitals in America for 2019. The publication for U.S. health care leaders includes hospitals that are recognized nationally for excellence, have achieved advanced certifications and are industry innovators.
- For the ninth consecutive year, the educational arm of America's largest civil rights organization working to achieve equality for lesbian, gay, bisexual, transgender and queer people recognized the UC Davis Medical Center as a LGBTQ Healthcare Equality Leader in 2019.

Regional outreach and strategic initiatives

We continue to enhance our ability to provide the right care, at the right time, in the right place to support both our academic mission and our operational and financial performance. We continue to increase affiliations with regional providers to ensure greater access to tertiary and quaternary services at the UC Davis Medical Center, as well as providing care through telehealth at hospitals closer to patients' homes. We are also increasing partnerships with FQHCs, recognizing these neighborhood clinics are often a convenient destination for transportation–challenged populations. We envision having an even larger footprint providing care at non-UC Davis hospitals through affiliations and contractual agreements and providing a larger share of care through virtual and telemedicine visits that increase local quality and expertise in Northern California's rural markets.

Some highlights:

- In October 2018, UC Davis Health and Sacramento County created a new partnership to expand primary care services for up to thousands of additional Medi-Cal patients at the Sacramento County Primary Care Center. UC Davis primary and specialty care physicians, residents and medical students also serve patients at other FQHCs in Sacramento, Yolo and San Joaquin counties.
- The UC Davis telehealth program connects 30 specialties to 70 remote hospitals and clinic sites, enabling patients throughout California to receive care without leaving their communities.
- In 2018–2019 we launched connected-health video visits for patients through their mobile devices, including multiple primary and specialty care departments. An active e-consult program also includes multiple specialties and every UC Davis primary care provider.
- A major American Medical Association (AMA) grant to UC Davis and the Oregon Health & Science University will expand care access between Sacramento and Portland, placing hundreds of medical students and residents to train at health systems, hospitals and FQHCs. A new grant-funded telephysiatry program is also serving rural children with physical disabilities.
- Distance-education offerings train and update community providers on topics such as pain management, mental health, hepatitis, acute care and autism.
- UC Davis Cancer Care Network partners bring advanced care and clinical research to patients in their own communities — including a new location in Chico for victims of 2018's Camp Fire.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The University of California, Irvine Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2017. Data for the 12-month period ended December 31, 2017, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Orange	91	1,956,091	82.1%	8.4%
Secondary	Orange, Los Angeles, Riverside, San Bernardino	80	2,053,127	17.9%	1.9%

The University of California, Irvine Medical Center

UCI Medical Center in Orange is a major clinical component of UCI Health, the primary teaching facility for the UCI School of Medicine and the flagship facility of the UCI Health System. Established in 1976, the medical center soon expanded with the addition of the University Hospital Tower, UCI Health Neuropsychiatric Center, Chao Family Comprehensive Cancer Center and the H. H. Chao Comprehensive Digestive Disease Center. The UCI Health Douglas Hospital opened as the main inpatient facility in 2009 and was designed to exceed the needs of a world class academic medical center and provide an exceptional patient experience.

Orange County's only academic medical center, UCI Medical Center is licensed to operate 402 beds and offers specialty inpatient care and primary/specialty care outpatient services, teaching and clinical research.

It serves as the primary tertiary and quaternary care referral center for nearly four million people residing in and around Orange County, western Riverside County and southeastern Los Angeles County. It is also Orange County's only combined Level I adult and Level II pediatric trauma center verified by the American College of Surgeons, combined high-risk obstetrics and regional neonatal programs and American Burn Association-verified Regional Burn Center. The UCI Medical Center campus is home to Orange County's only National Cancer Institute-designated comprehensive cancer center, providing access to leading clinical care and trials not available anywhere else in the county.

UCI Health provides inpatient and outpatient services through a clinical practice group of more than 400 faculty physicians and surgeons. Outpatient services are provided at the medical center's pavilion buildings, Chao Family Comprehensive Cancer Center, H. H. Chao Comprehensive Digestive Disease Center and Gottschalk Medical Plaza on the UCI campus. In addition to these locations, UCI Health owns and operates two Federally Qualified Health Centers in Santa Ana and Anaheim to meet the needs of underserved populations in Orange County. The system also operates multiple outpatient primary and specialty care centers around the county.

These sites enable the UCI Health System to provide a full scope of high-quality patient care services to the community and attract a broad and diverse patient population required to support the education and research programs of the UCI School of Medicine.

Significant events during the year are highlighted below:

Notable recognition

For the 19th consecutive year, UCI Medical Center is listed among "America's Best Hospitals," according to the 2019–2020 U.S. News & World Report survey. It is the only Orange County hospital consistently rated among the nation's best. The annual rankings recognize hospitals that excel in treating the most challenging patients. For 2019–2020, UCI Medical Center is listed among California's top 10 hospitals, and its programs in gynecology, gastroenterology and GI surgery, and geriatrics are ranked among the country's top 50. Since 2001, the publication has recognized UCI Health programs in urology, gynecology, geriatrics, cancer, digestive disorders/gastroenterology and GI surgery, nephrology, orthopedics and ear, nose and throat among the top 50 nationwide.

In 2019, UCI Health earned its 10th consecutive "A" grade in The Leapfrog Group's biannual Hospital Safety Grade, which rates how

well hospitals protect patients from errors, injuries and infections. UCI Health features more than 100 physicians listed as Best Doctors in America by Best Doctors Inc., more than any hospital in Orange County.

UCI Medical Center earned its fourth designation as a Magnet® hospital by the American Nurses Credentialing Center, which recognizes organizations for quality patient care, nursing excellence and innovations in nursing. UCI Medical Center is one of the first hospitals to receive a fourth designation since the program began in 1993.

UCI Health became the first academic health system to earn the Patient Safety Movement Foundation's Five-Star Hospital ranking bestowed for implementing 29 evidence-based Actionable Patient Safety Solutions, processes designed to help hospitals eliminate the leading causes of preventable patient deaths.

The UCI Health Regional Burn Center earned verification from the American Burn Association/American College of Surgeons. It is one of only 10 verified burn centers in California and the only one in Orange County.

UCI Medical Center earned "Most Wired" designation in FY 2018–2019, as one of the nation's health leaders in information technology, according to Hospitals & Health Networks magazine.

UCI Medical Center received the American Heart Association's 2019 Get with the Guidelines–Gold Plus Quality Achievement Awards for stroke and heart failure care and was recognized on the Association's Target: Heart Failure Honor Roll and the Target: Stroke Elite Plus Honor Roll.

UCI Health Clinical Network

Primary Care

UCI Health continues to expand its community-based primary care presence, providing access to family medicine, internal medicine, pediatrics and senior health in Placentia, Yorba Linda, Orange and Tustin, with additional sites planned for FY 2020.

Specialty Care

UCI Health continues to expand its specialty care services. In north Orange County, the new UCI Health–Yorba Linda Multispecialty center features breast health, cardiology, dermatology, imaging, integrative health, pain management, physical medicine and rehabilitation, and urology services. In the county's coastal region, the UCI Health–Newport Heights specialty center includes urology, executive health, behavioral health and sleep medicine services.

Major initiatives to meet the needs of our community

UCI Campus Medical Complex — Hospital

- UCI Health plans to expand its medical enterprise and improve access to world-class, academic health care by establishing a new medical complex on the main UCI campus in the heart of Irvine. The proposed project includes a 95–110 bed hospital, a multispecialty ambulatory care center including outpatient surgery, and clinic space with special emphasis on oncology, neurosurgery, orthopedics, and spine services. The project aims to deliver a full continuum of integrated and seamless care, and further advance the UCI Health's tripartite mission of Discover, Teach, Heal.

UCI Campus Medical Complex — Medical Office Building and UCI Center for Child Health

- This proposal aims to strengthen UCI's ambulatory presence in south Orange County and includes a 125,000–square–foot medical office building that includes urgent care services, adult and pediatric primary care and subspecialties. It will include the UCI Center for Child Health, which is proposed to be a full-service pediatric medical home providing care to the pediatric population across Orange County. The Center for Child Health is funded through a $29 million Proposition 3 grant for pediatric services. The project is proposed on the main campus in Irvine, within the UCI Campus Medical Complex.

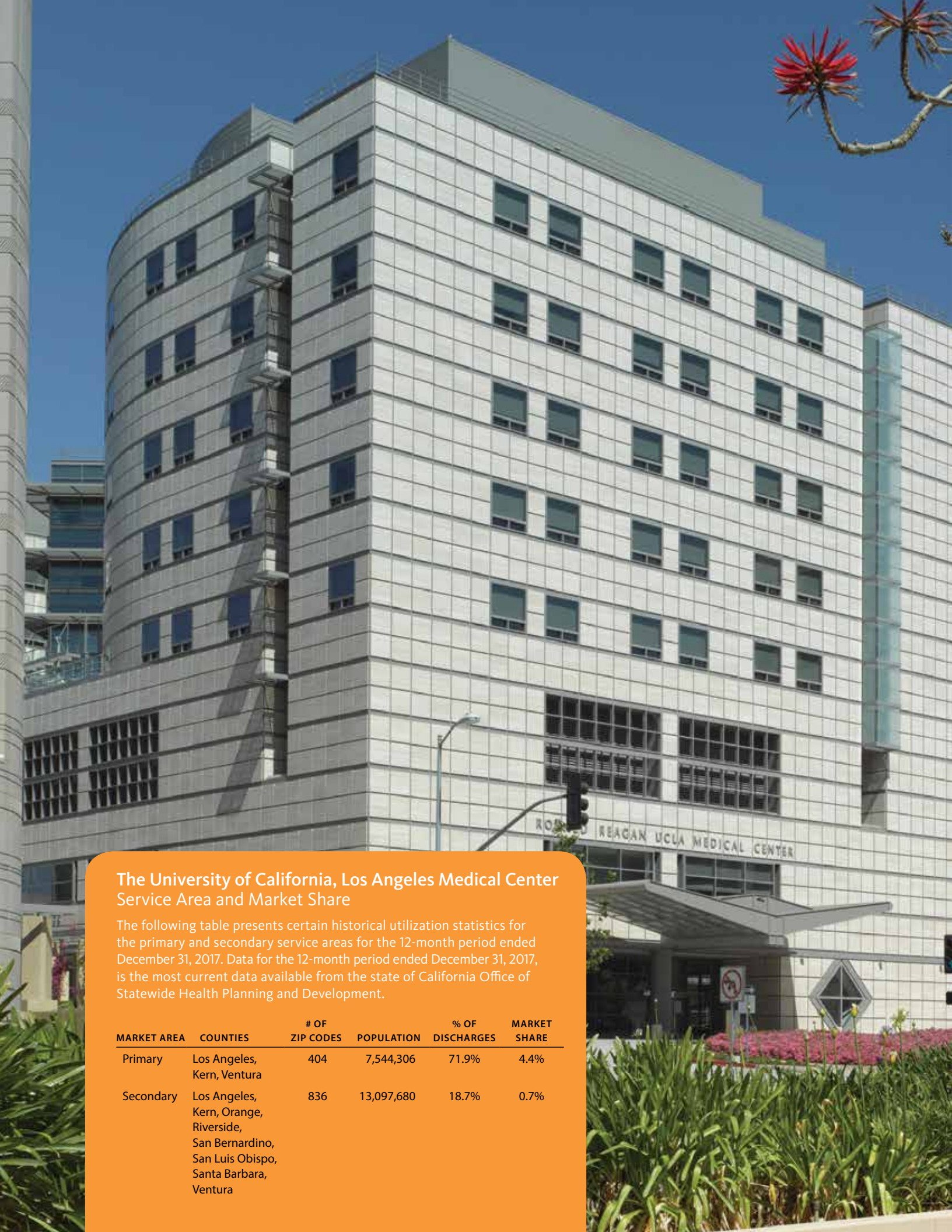
UCI Medical Center

- Completed an emergency department (ED) expansion with additional space for mental health assessments, an ambulance ramp canopy, additional ED beds and expanded triage capabilities.

Information Services infrastructure

During 2019, Information Services (IS) had implemented the following initiatives:

- Completed a double upgrade to the latest version of the electronic medical records system (Epic).
- Also completed a "double" update to Epic in spring 2019.
- Introduced a new MyUCIHealth mobile platform for assisting patients with easy access to UCI Health services.
- Deployed a robust instance of MyChart patient portal and mobile app with new features such as e-checkin, appointment self-scheduling and questionnaire completion to improve patient engagement.
- Expanded the use of Epic across ambulatory centers including the new Newport Beach Sleep Center and Yorba Linda Multispecialty centers for seamless availability of patient data for our physicians.



The University of California, Los Angeles Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2017. Data for the 12-month period ended December 31, 2017, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Los Angeles, Kern, Ventura	404	7,544,306	71.9%	4.4%
Secondary	Los Angeles, Kern, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, Ventura	836	13,097,680	18.7%	0.7%

The University of California, Los Angeles Medical Center

The UCLA Medical Center (UCLA) is the hospital system of UCLA Health — an integrated and comprehensive health system, which also includes the UCLA Faculty Practice Group, responsible for the clinical care of UCLA Health patients.

UCLA Health operates licensed-bed facilities at the 445-bed Ronald Reagan UCLA Medical Center (RRUCLA) in Westwood, which includes the UCLA Mattel Children's Hospital (MCH), the 281-bed UCLA Medical Center, Santa Monica (SMUCLA) in Santa Monica, and the 74-bed Resnick Neuropsychiatric Hospital at UCLA (RNPH) in Westwood. The financial statements also include the activities of the UCLA Tiverton House, a 100-room hotel facility for patients and their families.

UCLA is the principal teaching site for the David Geffen School of Medicine at UCLA (DGSOM). The mission is to provide leading-edge patient care in support of the educational and scientific programs of the schools of the UCLA Center for the Health Sciences, including the Schools of Medicine, Dentistry, Nursing and Public Health.

The Westwood campus opened in 1955 as a 320-bed hospital and expanded to 669 beds by 1967. In June 2008, the construction of the RRUCLA then 466-bed and RNPH 74-bed hospital opened for patient care, meeting the seismic requirements of the state of California's SB 1953 Hospital Facilities Seismic Safety Act.

UCLA offers patients of all ages comprehensive care, from routine to highly specialized medical and surgical treatment. The Westwood campus is known for its wide range of tertiary and quaternary care offerings including Level I trauma care, regional neonatal and pediatric intensive care units (ICUs), neurosurgery/neurology, comprehensive cancer care, blood and marrow transplantation and solid organ transplantation. SMUCLA also serves the University's teaching and research missions while meeting the health care needs of Los Angeles' west-side community. RNPH is one of the leading centers for comprehensive patient care, research and education in the fields of mental and developmental disabilities and offers a full range of treatment options.

Together, these sites enable UCLA to provide a full spectrum of services and attract the volume and diversity of patients necessary to meet its educational, clinical, research and community services missions.

Significant events during the year are highlighted below:

UCLA Health Sciences maintains its outstanding national reputation

- UCLA Health hospitals placed No. 1 in both Los Angeles and California and No. 6 in the nation on the Honor Roll in the 2019–2020 U.S. News & World Report Best Hospitals rankings.
- MCH was recognized in the 2019–2020 U.S. News Best Children's Hospital rankings with 10 specialties ranking on the list of top programs.
- DGSOM ranked No. 5 among best medical schools for primary care in the U.S. News annual survey of the best graduate schools in the U.S. DGSOM tied for No. 6 in the ranking of the nation's best medical schools for research.

- UCLA Health was ranked 25th in the country by Forbes magazine on its annual "Best Employers for Diversity" list.
- UCLA Health was named to the Becker's Healthcare list of the "Top 150 Places to Work in Healthcare for 2019."
- UCLA Health earned its sixth consecutive "Most Wired" designation from the College of Healthcare Information Management Executives.
- RRUCLA and SMUCLA each received an "A," the highest score possible, in The Leapfrog Group's data-driven hospital safety assessment. SMUCLA has earned straight A's since 2013.
- RRUCLA's Comprehensive Stroke Program was recertified by The Joint Commission.
- SMUCLA's Advanced Primary Stroke Program was recertified by The Joint Commission.
- RRUCLA received the American Heart Association's (AHA) "Get with the Guidelines–Heart Failure Gold Plus Quality Achievement Award" for implementing evidence-based quality improvement measures that ensure the best care for heart failure patients.
- RRUCLA was one of the first hospitals in California approved to offer patients the new FDA-approved chimeric antigen receptor (CAR) T-cell therapy for blood cancers.
- SMUCLA received the AHA's "Get with the Guidelines–Stroke Gold Plus Quality Achievement Award" for providing high-quality, evidence-based care to stroke patients.
- SMUCLA was designated a "core center" by the Cystic Fibrosis Foundation, reflecting the hospital's high level of specialized care for adult and pediatric patients with cystic fibrosis.
- SMUCLA was recognized as a five-star facility by the Centers for Medicare & Medicaid Services. The rating is intended to help consumers make informed choices about the quality of care at hospitals. SMUCLA was one of only 293 hospitals nationwide to earn the five-star designation.
- RNPH earned the American Nurses Credentialing Center's Magnet® Recognition, one of a select few psychiatric facilities nationwide. RNPH now joins RRUCLA and SMUCLA as being designated as Magnet® facilities.
- MCH was named one of the most innovative children's hospitals in the U.S. by Parents magazine.
- UCLA Medical Group was recognized with an "Elite status" designation by American Physician Groups (APG) in its annual "Standards of Excellence" survey for the eighth consecutive year. This is the highest ranking given and helps health care consumers evaluate a medical group's level of quality, patient experience and affordability.

UCLA Health accelerates systemwide integration

UCLA Health and DGSOM are implementing a unified Strategic Plan designed to articulate a clear vision, accelerate systemwide integration and position UCLA for continued success among competitive pressures. In FY 2018–2019, this included restructuring to operate as an integrated health system, including the 180 clinics in the community. UCLA's strategic activities remain focused on increasing tertiary and quaternary care delivery in Westwood while expanding its primary and secondary care presence to create a robust health care delivery platform for managing all aspects of high–quality health care delivery with convenient access. These activities are related to a carefully orchestrated clinical growth strategy that advances UCLA's depth, scope and reach, promotes increased market presence, rationalizes care by utilizing lower-cost clinical settings, secures alignments that fuel additional clinical growth and provides partners with access to a large and vibrant academic community.

- UCLA Health and the Southern California Orthopedic Institute (SCOI) have signed a strategic alliance that brings together two mission–driven organizations with longstanding commitments to excellence in orthopedic care to benefit patients in our community.
- UCLA Health signed a three–year contract with L.A. Care Health Plan, the largest publicly operated health plan in the country, which will allow its 2.2 million members to receive advanced and highly specialized care, when deemed medically necessary. Additionally, 3,500 L.A. Care members, primarily Medicaid Managed Care, will also be eligible to receive primary care from the UCLA Medical Group.
- UCLA Health is the Official Medical Partner of the Los Angeles Dodgers as part of a multi–year partnership. UCLA Health and the LA Dodgers partner on health related community service events and health care professionals from UCLA Health are on hand at the Dodger Stadium first aid station as a resource for fans. Starting in 2020, UCLA Health physicians also will provide care to players during home games and handle the team's annual physicals during spring training.
- UCLA Health growth and expansion in the community for increased access to primary and secondary care continued in Los Angeles County and Ventura County.
- UCLA Health continued to impact health systems abroad through advisory projects such as health system consulting with R&F Properties in China and a simulation center development initiative with Hallym University Medical Center in South Korea.

The University of California, San Diego Medical Center
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2017. Data for the 12-month period ended December 31, 2017, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTY	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Diego	77	1,491,919	46.6%	13.9%
Secondary	San Diego	95	1,845,537	31.5%	6.5%

The University of California, San Diego Medical Center

UC San Diego Health maintains a two-campus strategy, fulfilling its three-part mission of clinical service, teaching and research excellence at locations in the urban area of Hillcrest and the more suburban La Jolla. Each medical complex supports acute inpatient care, emergency services and a spectrum of advanced specialty outpatient programs. The two locations operate under one license with a capacity of 808 beds.

UC San Diego Medical Center in Hillcrest (390 beds), established in 1966 at the site of the former County Hospital, serves as a principal clinical teaching site for the UC San Diego School of Medicine and is a focal point for community service missions. It is home to the area's only Regional Burn Center, a Comprehensive Stroke Center and one of only two adult Level I trauma centers in the county. The campus also includes the Owen Clinic, founded in 1982 and among the nation's top HIV care programs for men, women and children, as well as adult inpatient psychiatric care and intensive outpatient psychiatric care for older adults. In 2019, cancer services in Hillcrest were expanded to meet the region's need for comprehensive cancer care.

The La Jolla campus (418 beds), located on the eastern portion of the main university campus, has been the center of substantial growth in the last decade. The expansion includes:

- Koman Family Outpatient Pavilion, opened in 2018, a four-story building that features eight operating rooms for surgeries that once required hospital stays, as well as specialty services in orthopedics and sports medicine, breast oncology and imaging, and urology, among others.
- Jacobs Medical Center (364 beds), opened in 2016, a 10-story building with advanced surgery, oncology and high-risk obstetrics and gynecology. It is home to the region's highest-volume BMT unit, a level III neonatal intensive care unit and an intraoperative imaging suite for complex brain surgeries. Jacobs Medical Center includes the former Thornton Hospital, now referred to as the Thornton Pavilion, and is adjacent to the seven-story Altman Clinical and Translational Research Institute, which opened in 2016 and is a regional hub for translational medicine and clinical trials.
- The La Jolla campus also includes Moores Cancer Center, the region's only National Cancer Institute-designated Comprehensive Cancer Center; Shiley Eye Institute, a multi-specialty vision center with the region's only facility dedicated to children; and Sulpizio Cardiovascular Center (54 beds), the inpatient facility for the newly created Cardiovascular Institute.

A Strong Reputation for Patient Care

Top-Ranked Specialty Care — UC San Diego Health is repeatedly ranked among the nation's best in multiple adult medical and surgical specialties by U.S. News & World Report. Specialties listed in the top 50 nationally for 2019–2020 include: Cardiology and Heart Surgery (No. 44); Geriatrics (No. 29); Neurology &

Neurosurgery (No. 40); and Pulmonology (No. 14). Pulmonology has been ranked among the nation's top 20 programs for more than a decade, largely for its role in pioneering pulmonary thromboendarterectomy (PTE), an operation to remove blood clots from the pulmonary arteries to treat chronic pulmonary hypertension.

Nation's Best Heart Transplant Survival Rates — The heart transplant program had the best one-year survival rates in the nation among providers with a volume of more than 50 heart transplants a year, according to data released in 2019 by the Scientific Registry of Transplant Recipients.

Outstanding Stroke Care — Earned the American Stroke Association's "Get With The Guidelines–Stroke Gold Plus Quality Achievement Award" in 2018 and is listed on its "Target: Stroke Elite Plus Honor Roll" for the quality of its stroke care.

Excellence in Maternity Care — In 2018, it was the only health care system in the county to meet all the maternity care standards identified by The Leapfrog Group as indicative of quality maternal care.

Top Teaching Hospital — UC San Diego Medical Center in Hillcrest was named a 2018 Top Teaching Hospital by The Leapfrog Group for achievements in patient safety and quality.

Nursing Excellence — Maintains Magnet® status from the American Nurses Credentialing Center, considered among the highest recognitions for nursing excellence.

LGBTQ Leader — Scored a perfect 100 on the Human Rights Campaign Foundation's LGBTQ Healthcare Equality rating in 2019. It has earned this distinction every year since 2012. In addition, nearly 3,500 front-line UC San Diego Health providers recently completed training in LGBTQ cultural competency.

Information Technology to Enhance Patient Care & Comfort — UC San Diego Health was listed among "HealthCare's Most Wired" hospital systems by the College of Healthcare Information Management Executives (CHIME) in 2018.

Student Health — UC San Diego Health has long provided care to UC San Diego students. In 2019, the University's Student Health Services and Counseling and Psychological Services began transitioning to the same electronic medical record system (Epic) as the hospital system. The shared EMR system will improve continuity of care for UC San Diego students who need specialty care and it will enable students to benefit from population health data and predictive analytics.

Vision for the Future

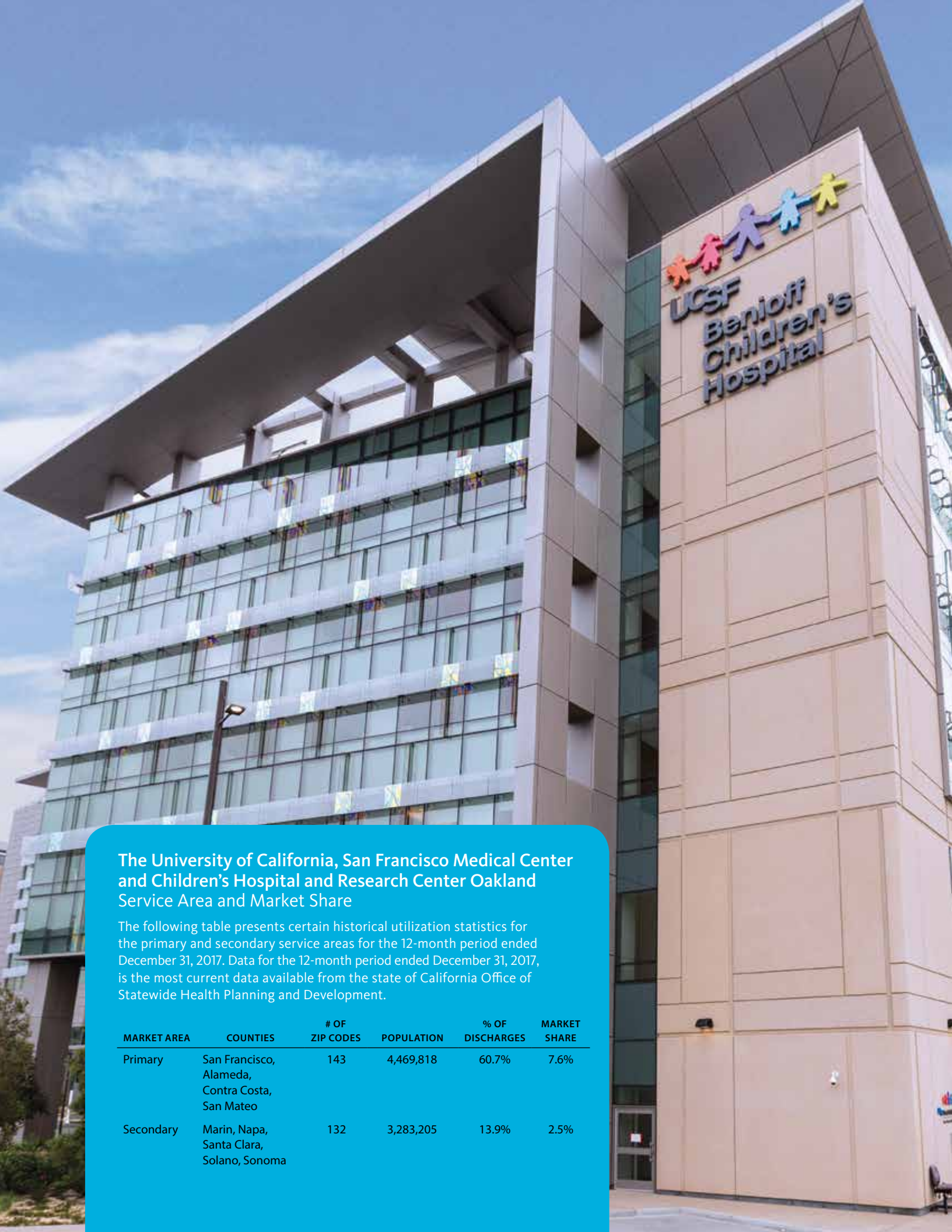
UC San Diego's medical center has always excelled in advanced tertiary and quaternary specialty care. It now aims to also provide exceptional value-based care to the community.

To this end, it has been expanding its clinical footprint in the San Diego area to improve the community's access to world-class primary and specialty care. New clinics, in locations such as Encinitas and Rancho Bernardo, offer consumer-friendly patient-centered care with modern conveniences such as online appointment scheduling and a "save your spot" feature.

The medical center's vision for the future also includes re-imagining the 62-acre Hillcrest campus as a modern, walkable and environmentally sustainable health care district.

Plans are underway to build a new hospital in Hillcrest to meet the state's seismic safety standards, as well as a new outpatient pavilion and research center. Construction will also include multi-family housing to meet smart growth objectives with preserved canyon habitats and landscaped green spaces.

The new health care district would continue to serve as a focal point for the University's community service missions, including both medical and mental health care services to the community's most vulnerable people.



The University of California, San Francisco Medical Center and Children's Hospital and Research Center Oakland
Service Area and Market Share

The following table presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2017. Data for the 12-month period ended December 31, 2017, is the most current data available from the state of California Office of Statewide Health Planning and Development.

MARKET AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Francisco, Alameda, Contra Costa, San Mateo	143	4,469,818	60.7%	7.6%
Secondary	Marin, Napa, Santa Clara, Solano, Sonoma	132	3,283,205	13.9%	2.5%

The University of California, San Francisco Medical Center and Children's Hospital and Research Center Oakland

UCSF Health is comprised of the hospitals of UCSF Medical Center, the UCSF Faculty Clinical Practices, Langley Porter Psychiatric Hospital and Clinics and UCSF Benioff Children's Hospital Oakland. UCSF Health serves as the principal clinical teaching site for the University of California, San Francisco, School of Medicine, affiliated with the University of California since 1873.

UCSF Medical Center in San Francisco is licensed to provide inpatient care at Moffitt-Long Hospital on the 107-acre Parnassus campus and at UCSF Benioff Children's Hospital and Bakar Cancer Hospital in San Francisco's Mission Bay neighborhood. UCSF Medical Center also provides outpatient hospital care at the hospital sites, UCSF Mount Zion and physician clinical care at those hospitals and other locations primarily in San Francisco. It also has a national cancer institute designated as a National Comprehensive Cancer Network Member Institution. The UCSF Medical Center in San Francisco is licensed to operate 1,019 beds.

UCSF Health's financial statements also include the activities of the UCSF Faculty Clinical Practices — the faculty practice organization for more than 1,100 UCSF faculty physicians. The net revenues from clinical practices are recorded in net patient service revenue; the direct expenses of non-physician staff and non-labor expenses are included in operating expenses.

Effective January 1, 2014, UCSF Medical Center affiliated with Children's Hospital & Research Center Oakland and the University of California became its sole corporate and voting member. Now known and doing business as UCSF Benioff Children's Hospital Oakland (BCHO), the 107-year-old hospital retains its status as a private, not-for-profit 501(c)(3) medical center, offering children and their families outstanding medical, surgical and mental health care. BCHO has 190 licensed beds and more than 500 physicians in 43 specialties.

The BCHO hospital is one of only five ACS Pediatric Level I trauma centers in the state and has one of the largest pediatric intensive care units in Northern California.

UCSF Health continues to maintain an outstanding local and national reputation

- UCSF Medical Center is the top ranked hospital in Northern California and a destination for patients with complex conditions from around the world.
- U.S. News & World Report ranked UCSF Medical Center seventh in the country in its 2019–2020 survey and ranked it among the top 10 medical centers nationwide in 10 of the 15 specialties for which it was assessed.
- UCSF Benioff Children's Hospitals in Oakland and San Francisco are recognized as the best hospitals in Northern California in five pediatric specialties and nationally ranked by U.S. News & World Report in all 10 specialties.
- The UCSF School of Medicine was ranked third in the nation by U.S. News & World Report in its survey for 2019–2020 best medical schools for its primary care training and fifth for its research training — the only medical school in the country ranked in the top five in both categories.
- UCSF Medical Center is designated as a Magnet® hospital by the American Nurses Credentialing Center (ANCC) which recognizes organizations for quality patient care, nursing excellence and innovations in nursing.

- In November 2018, UCSF Health was named one of Healthcare's Most Wired Hospitals by the College of Healthcare Information Management Executives.
- UCSF Medical Center became the only institution in the country to receive a perfect score on the national LGBTQ Healthcare Equality Index (HEI) for nine consecutive years. The HEI annually invites health care facilities nationwide to complete a survey describing how they provide equitable, inclusive care for lesbian, gay, bisexual, transgender and queer (LGBTQ) patients and their families.

UCSF Health continues to focus on strategic initiatives and network expansion to meet its mission and community needs

- UCSF Health is self-supporting and uses its margins to meet important needs in the community, including training physicians and other health professionals, supporting medical research, providing care to the medically and financially needy and building and operating facilities to serve the diverse needs of its patients.
- In 2018, construction was completed on the UCSF Benioff Children's Hospital Oakland Outpatient Center and was opened in May 2018. The new six-story building added 89,000 square feet of exam rooms and clinical workspace and features the latest technology in a space designed specifically for children.
- UCSF Health continued to implement its Health System Strategic Plan to foster strategic alignments with other providers in order to provide greater access to clinical care regionally.
- Canopy Health, a Bay Area-wide health care network developed by UCSF Health, John Muir Health and three physician groups, has grown to include more than 6,000 physicians, dozens of care centers and 18 hospitals throughout the San Francisco Bay Area. The breadth of the Canopy Health network enables patients to have in-network access to a full continuum of care, through close connections between primary care providers, community hospitals, medical groups (facilities and practitioners) and academic medical centers. In 2018, Canopy Health expanded into the South Bay with Good Samaritan Health System and Santa Clara County Individual Practice Association (SCCIPA) and in 2019, Canopy Health grew to 44,000 members.
- In March 2018, UCSF Health and Sonoma Valley Hospital (SVH) signed an agreement to create an integrated health care network that will serve the needs of Sonoma Valley residents. As a part of the alliance, UCSF Health and SVH have jointly appointed a new Chief Medical Officer and implemented a UCSF teleneurology program.
- In June 2018, the Berkeley Outpatient Center opened as a jointly operated and staffed facility with John Muir Health. The 90,000-square-foot center offers adult specialty and primary care, urgent care, and lab and imaging services and was developed by UCSF Health and John Muir's Health joint venture company, BayHealth.
- In July 2018, UCSF Health opened a new primary care practice in San Francisco. Located at China Basin, this office will serve the growing Mission Bay demand as well as the surrounding community.
- In September 2018, UCSF Health signed an agreement with Marin Health (formerly Marin General Hospital) to expand clinical collaborations in Marin County, with the goal of improving patient care and strengthening physician practices for the local community. As a part of this alliance, UCSF Health integrated 34 clinics and 190 providers into its network and installed its Apex electronic medical record in these locations.
- In September 2018, UCSF Health and John Muir Health signed a letter of intent to develop a cancer network designed to improve prevention, diagnosis and treatment for patients throughout the East Bay. The joint East Bay Cancer Network will include development of distinguished disease-specific treatment capabilities, expanded clinical trial enrollment and precision medicine offerings.
- In June 2019, UCSF Health opened the first phase of the Bakar Precision Cancer Medicine Building, a six-story building dedicated to cancer care and research. Additional phases are expected to open in the coming year.

UCSF Health: Commitment to the Community

- UCSF Health collaborated with the San Francisco Department of Public Health and other health and social services agencies to develop a community health needs assessment report in 2017 to identify key health priorities in its primary service area. These priorities are important components in the Health System Strategic Plan mentioned above and are included in future goals for UCSF Health.
- UCSF Health provided more than $1,050 million in uncompensated or undercompensated care in 2019.
- While UCSF Health is known and respected nationally and internationally, its primary commitment is providing leading-edge health care services to the people of the San Francisco Bay Area and communities throughout Northern California and offering the best possible experience for patients and their families.


UCSF

Management's Discussion and Analysis *(Unaudited)*

INTRODUCTION

The objective of Management's Discussion and Analysis is to help readers better understand the UC Medical Centers' financial position and operating activities for the year ended June 30, 2019, with selected comparative information for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes to financial statements. Unless otherwise indicated, years (2017, 2018, 2019 etc.) in this discussion refer to the fiscal years ended June 30.

OVERVIEW

The University of California, Medical Centers (the "Medical Centers") are operating units of the University of California (the "University"), a California public corporation under Article IX, Section 9 of the California Constitution. The University is administered by The Regents of the University of California ("The Regents") of which, under the formation documents of the University, administrative authority with respect to the Medical Centers is vested in the President of the University. The Medical Centers consist of the University of California, Davis Medical Center ("UC Davis Medical Center" or "Davis"), the University of California, Irvine Medical Center ("UC Irvine Medical Center" or "Irvine"), the University of California, Los Angeles Medical Center ("UCLA Medical Center" or "Los Angeles"), the University of California, San Diego Medical Center ("UC San Diego Medical Center" or "San Diego") and the University of California, San Francisco Medical Center ("UCSF Medical Center" or "San Francisco"), each of which provides educational and clinical opportunities for students in the University's Schools of Medicine ("Schools of Medicine") and offers a comprehensive array of medical services including tertiary and quaternary care services. The San Francisco Medical Center's financial statements include Children's Hospital & Research Center Oakland ("CHRCO"), combined with its foundation, a blended component unit of the University of California. The Regents are the sole corporate and voting member of CHRCO, a private, not-for-profit 501(c)(3) corporation. San Francisco provides certain management services for CHRCO. The San Francisco Medical Center's financial statements also include the activities of the UCSF Faculty Clinical Practices.

The Medical Centers' activities are monitored by The Regents' Committee on Health Services. Under the formation documents of the University of California, administrative authority with respect to the Medical Centers is vested in the President of the University, who, in turn, has delegated certain authority to the Chancellor of the applicable campus. At each applicable campus, direct management authority has been further delegated by the applicable Chancellor as follows: for the UC Davis Medical Center, to the Vice Chancellor, Human Health Sciences; for the UC Irvine Medical Center and the UCSF Medical Center, to the applicable Medical Center Director; and for the UCLA Medical Center and the UC San Diego Medical Center, to the Vice Chancellor, Health Sciences.

OPERATING STATISTICS

The following table presents utilization statistics for the Medical Centers:

(shown in fiscal year)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Licensed beds						
2019	625	402	800	808	1,276	3,911
2018	625	417	784	808	1,276	3,910
2017	627	417	784	808	1,276	3,912
Admissions						
2019	31,782	22,142	40,265	33,605	45,197	172,991
2018	34,763	22,086	40,438	31,715	45,837	174,839
2017	34,564	21,173	40,966	29,264	45,480	171,447
Average daily census						
2019	540	348	730	587	789	2,994
2018	535	344	729	552	760	2,920
2017	536	338	741	504	755	2,874
Discharges						
2019	31,752	22,139	40,233	33,464	45,230	172,818
2018	34,811	21,982	40,526	31,683	45,800	174,802
2017	34,565	21,270	40,979	29,200	45,549	171,563
Average length of stay						
2019	6.1	5.7	6.6	6.4	6.4	6.3
2018	5.6	5.7	6.6	6.4	6.1	6.1
2017	5.6	5.8	6.6	6.3	6.0	6.1
Patient days						
2019	197,019	126,864	266,559	214,198	287,882	1,092,522
2018	195,370	125,476	266,020	201,431	277,281	1,065,578
2017	195,678	123,191	270,550	184,135	275,446	1,049,000
Case mix index[1]						
2019	2.00	1.83	2.09	1.98	2.06	
2018	1.91	1.83	2.03	2.03	2.06	
2017	1.87	1.83	2.00	1.96	1.97	
Outpatient visits						
2019	946,930	747,187	796,929	399,840	1,985,553	4,876,439
2018	967,695	689,724	775,952	345,276	1,838,829	4,617,476
2017	1,007,187	786,917	776,341	311,659	1,704,965	4,587,069

[1]*Case mix index is calculated at the patient level and is not determinable systemwide.*

Licensed Beds

Licensed beds changed as follows:

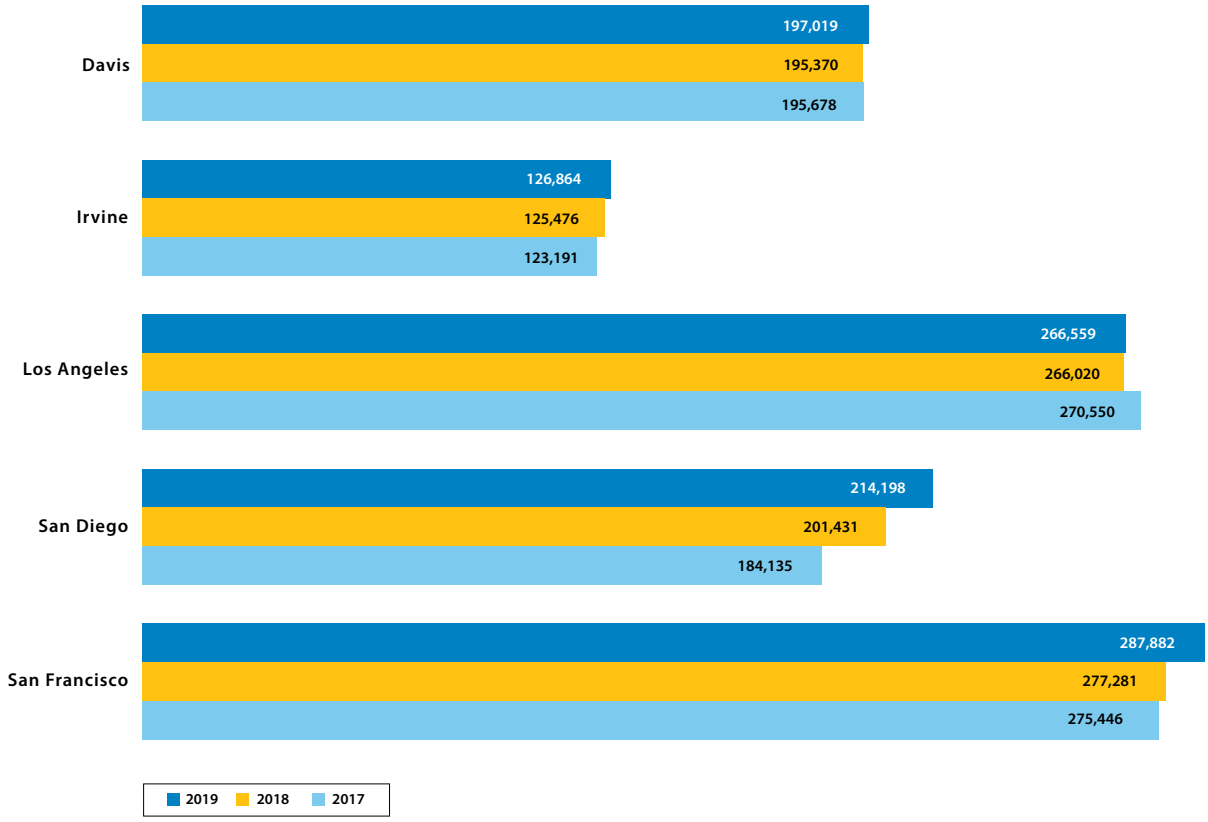
Increased (decreased)

	2019	2018	
Davis		(2)	Decrease resulted from ongoing renovation in hospital.
Irvine	(15)		License beds decreased due to reduction in neonatal intensive care nursery (NICU) beds.
Los Angeles	16		Increase due to opening of a new inpatient unit at the Santa Monica Hospital.

Admissions and Patient Days

Admissions fluctuate based upon the Medical Centers' market share and overall volumes in the marketplace. Patient days fluctuate based on admissions and the overall length of stay, generally as a result of the complexity of care provided.

Patient days for each Medical Center are as follows:



Admissions and patient days changed in 2019 as follows:

Increased (decreased)

	ADMISSIONS		PATIENT DAYS		
Davis	(2,981)	(8.6%)	1,649	0.8%	Patient admissions decreased slightly; however, observation cases increased. Patient days and average length of stay increased as well as the acuity of the illness.
Irvine	56	0.3	1,388	1.1	Admissions and patient days remained relatively stable.
Los Angeles	(173)	(0.4)	539	0.2	Admissions and patient days remained relatively stable.
San Diego	1,890	6.0	12,767	6.3	Increase due to higher Medicare volume and Emergency Department admissions.
San Francisco	(640)	(1.4)	10,601	3.8	Despite a decrease in admissions, a higher average length of stay resulted in an increase in patient days.

Admissions and patient days changed in 2018 as follows:

Increased (decreased)

	ADMISSIONS		PATIENT DAYS		
Davis	199	0.6%	(308)	(0.2%)	Admissions and patient days remained relatively stable.
Irvine	913	4.3	2,285	1.9	Admissions and patient days increased primarily due to higher volume in Emergency Department admissions.
Los Angeles	(528)	(1.3)	(4,530)	(1.7)	Admissions and patient days decreased due to lower Contract patient days.
San Diego	2,451	8.4	17,296	9.4	Increase primarily due to the first full year of operations at Jacobs Medical Center since its opening in November 2016.
San Francisco	357	0.8	1,835	0.7	Adult admissions and patient days increased but were offset by declines in children's volumes.

Outpatient Visits

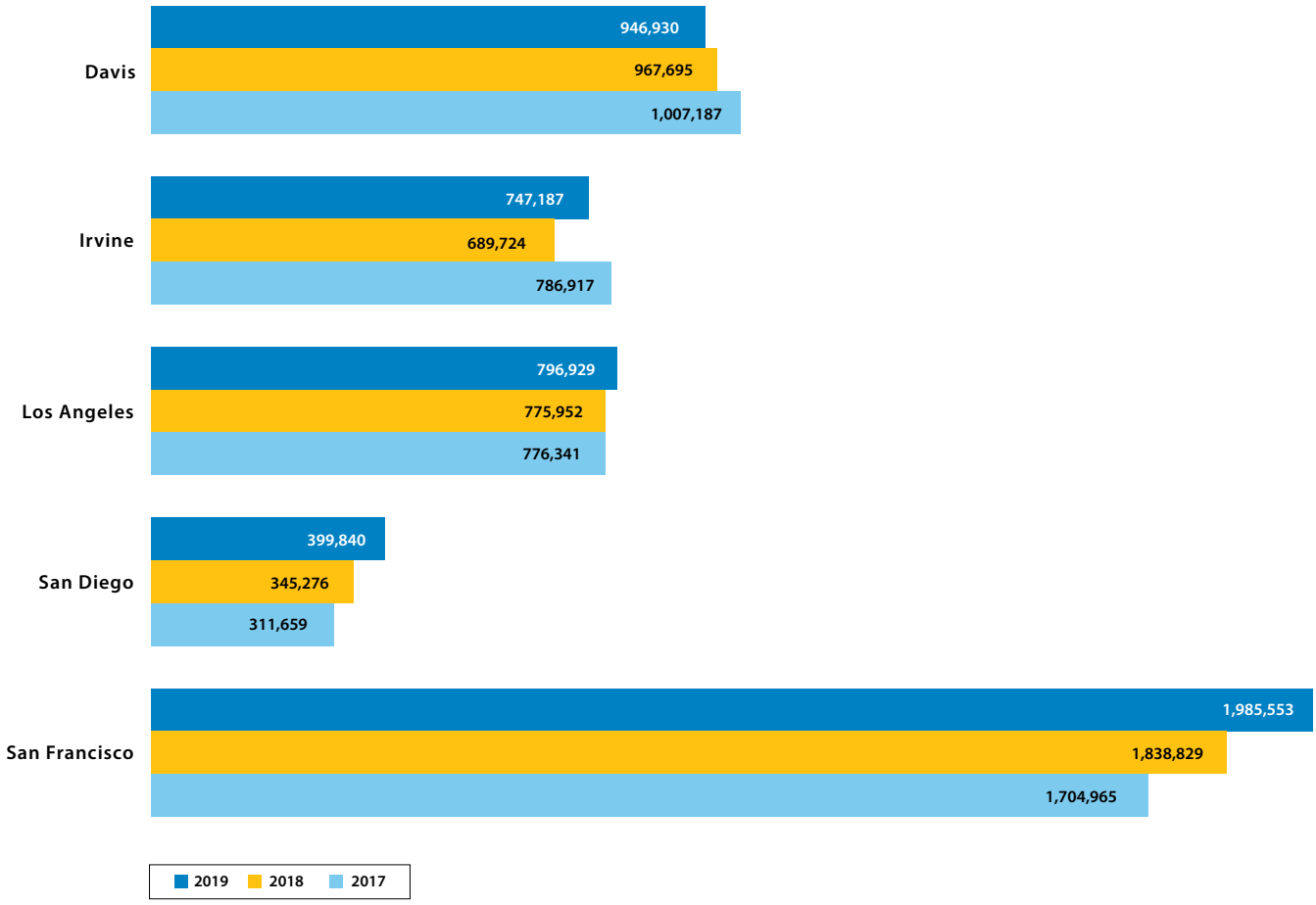
Outpatient services provided by the Medical Centers include clinic visits, primary care network, home health and hospice, and emergency visits. The following presents outpatient services volume for the Medical Centers:

(shown in fiscal year)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Hospital clinics	448,623	694,951	715,105	317,959	1,883,586	4,060,224
Primary care network	417,989					417,989
Home health and hospice	22,258					22,258
Emergency visits	58,060	52,236	81,824	81,881	101,967	375,968
Total Medical Center outpatient visits	**946,930**	**747,187**	**796,929**	**399,840**	**1,985,553**	**4,876,439**
School of Medicine and other non-hospital clinic visits[1]	**25,939**	**149,148**	**2,020,567**	**592,166**		**2,787,820**
2018						
Hospital clinics	449,590	637,403	693,053	267,049	1,736,684	3,783,779
Primary care network	434,804					434,804
Home health and hospice	24,148					24,148
Emergency visits	59,153	52,321	82,899	78,227	102,145	374,745
Total Medical Center outpatient visits	**967,695**	**689,724**	**775,952**	**345,276**	**1,838,829**	**4,617,476**
School of Medicine and other non-hospital clinic visits[1]	**22,525**	**153,454**	**1,867,904**	**567,792**		**2,611,675**
2017						
Hospital clinics	460,417	735,083	695,529	234,056	1,600,025	3,725,110
Primary care network	466,313					466,313
Home health and hospice	23,072				3,072	26,144
Emergency visits	57,385	51,834	80,812	77,603	101,868	369,502
Total Medical Center outpatient visits	**1,007,187**	**786,917**	**776,341**	**311,659**	**1,704,965**	**4,587,069**
School of Medicine and other non-hospital clinic visits[1]	**19,091**	**74,760**	**1,742,158**	**515,501**		**2,351,510**

[1]Related revenues not reported by the Medical Centers. All San Francisco clinic visits are reported as revenues by the Medical Center.

The outpatient visits volume for each Medical Center is as follows:



Outpatient visits changed in 2019 as follows:

Increased (decreased)			
Davis	(20,765)	(2.1%)	Reduced physician capacity and changes in contracts contributed to the decrease.
Irvine	57,463	8.3	Increase in hospital-based visits and ambulatory off-site clinic expansion.
Los Angeles	20,977	2.7	Increase due to the growth and expansion of outpatient programs.
San Diego	54,564	15.8	Increase primarily due to the first full year of operations at the Koman Family Outpatient Pavilion.
San Francisco	146,724	8.0	Outpatient visits increased due to continued growth in outpatient programs, in particular primary care and emergency medicine.

Outpatient visits changed in 2018 as follows:

Increased (decreased)			
Davis	(39,492)	(3.9%)	Vacancies in positions and termination of contracts contributed to the decrease.
Irvine	(97,193)	(12.4)	Decrease due to planned reduction in ambulatory schedules during the conversion of the electronic medical record system, Epic.
Los Angeles	(389)	(0.1)	Decrease due to a reduction in hospital clinic visits.
San Diego	33,617	10.8	Increase due to the first full year of operation at Jacobs Medical Center and clinic expansions at other locations.
San Francisco	133,864	7.9	Outpatient visits increased due to growth of outpatient programs, including the expansion of physical therapy services at the UCSF Mount Zion facility and clinical outreach to grow other targeted areas.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following table summarizes the operating results for the Medical Centers for fiscal years:

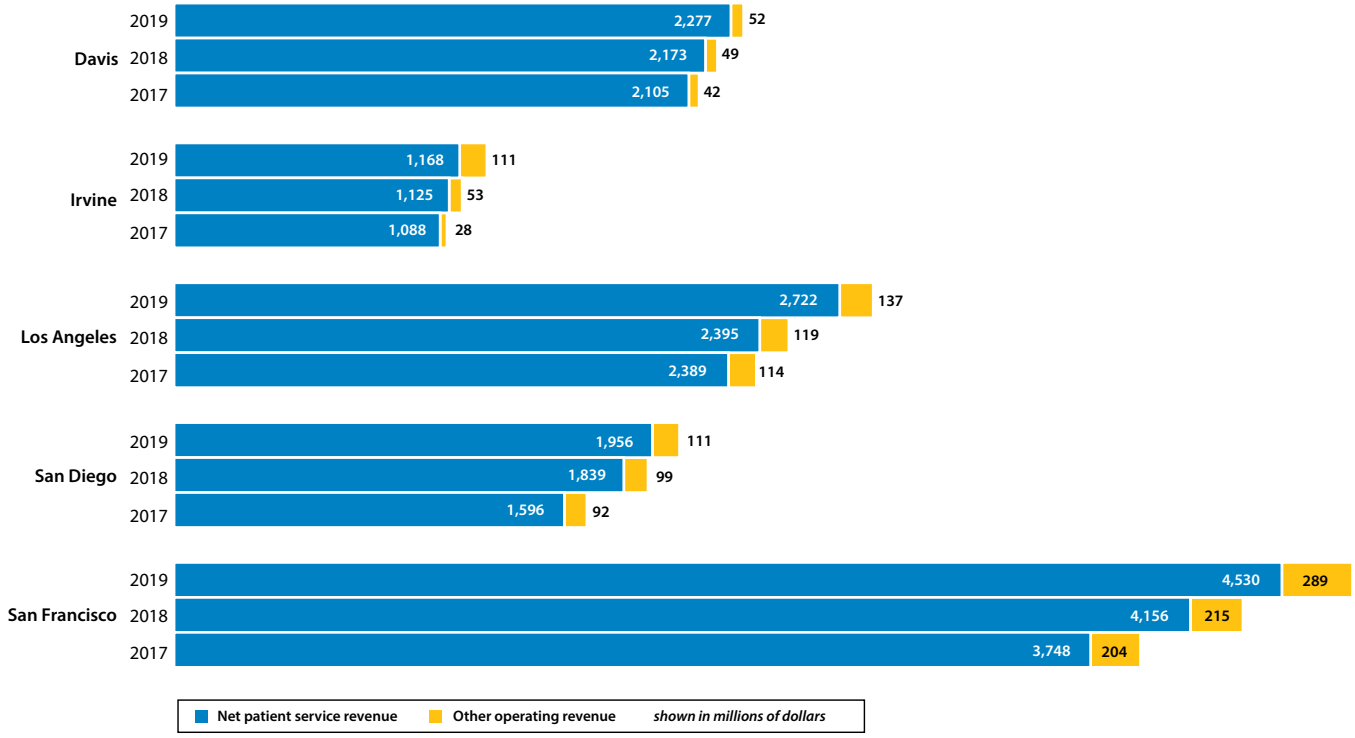
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Net patient service revenue	$2,276,798	$1,167,754	$2,721,912	$1,955,993	$4,530,333	$12,652,790
Other operating revenue	52,492	111,180	137,019	111,455	288,881	701,027
Total operating revenue	2,329,290	1,278,934	2,858,931	2,067,448	4,819,214	13,353,817
Total operating expenses	2,352,198	1,204,352	2,690,901	2,156,970	4,958,400	13,362,821
Income (loss) from operations	(22,908)	74,582	168,030	(89,522)	(139,186)	(9,004)
Net nonoperating revenues (expenses)	16,360	(9,519)	17,603	(27,678)	44,172	40,938
Income (loss) before other changes in net position	(6,548)	65,063	185,633	(117,200)	(95,014)	31,934
Other changes in net position	(53,131)	(39,259)	(200,094)	(132,633)	(33,093)	(458,210)
Increase (decrease) in net position	(59,679)	25,804	(14,461)	(249,833)	(128,107)	(426,276)
Net position - beginning of year	(563,498)	(261,050)	(338,224)	(90,772)	(174,767)	(1,428,311)
Net position - end of year	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**
2018						
Net patient service revenue	$2,172,804	$1,124,757	$2,395,252	$1,838,912	$4,155,733	$11,687,458
Other operating revenue	48,957	52,747	118,813	99,317	214,673	534,507
Total operating revenue	2,221,761	1,177,504	2,514,065	1,938,229	4,370,406	12,221,965
Total operating expenses	2,045,569	1,042,663	2,394,047	1,813,765	4,242,116	11,538,160
Income from operations	176,192	134,841	120,018	124,464	128,290	683,805
Net nonoperating revenues (expenses)	15,612	(12,761)	9,872	(24,959)	46,189	33,953
Income before other changes in net position	191,804	122,080	129,890	99,505	174,479	717,758
Other changes in net position	(46,757)	(30,886)	(201,812)	(155,601)	18,460	(416,596)
Increase (decrease) in net position	145,047	91,194	(71,922)	(56,096)	192,939	301,162
Net position - beginning of year	(708,545)	(352,244)	(266,302)	(34,676)	(367,706)	(1,729,473)
Net position - end of year	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**
2017						
Net patient service revenue	$2,105,499	$1,088,317	$2,388,924	$1,595,867	$3,748,100	$10,926,707
Other operating revenue	41,875	28,010	113,628	92,295	203,654	479,462
Total operating revenue	2,147,374	1,116,327	2,502,552	1,688,162	3,951,754	11,406,169
Total operating expenses	1,983,662	1,050,777	2,384,772	1,668,586	4,003,451	11,091,248
Income (loss) from operations	163,712	65,550	117,780	19,576	(51,697)	314,921
Net nonoperating revenues (expenses)	9,467	(17,961)	(36,579)	(10,470)	24,134	(31,409)
Income (loss) before other changes in net position	173,179	47,589	81,201	9,106	(27,563)	283,512
Other changes in net position	(29,562)	(50,705)	(166,007)	(88,902)	(47,588)	(382,764)
Increase (decrease) in net position	143,617	(3,116)	(84,806)	(79,796)	(75,151)	(99,252)
Net position - beginning of year:	(852,162)	(349,128)	(181,496)	45,120	(292,555)	(1,630,221)
Net position – end of year	**($708,545)**	**($352,244)**	**($266,302)**	**($34,676)**	**($367,706)**	**($1,729,473)**

Revenues

Patient service revenue depends on inpatient occupancy levels, the volume of outpatient visits, the complexity of care provided and the payment rates for services provided. Patient service revenues are net of bad debts and estimated allowances from contractual arrangements with Medicare, Medi-Cal and other third-party commercial payors and have been estimated based on the terms of reimbursement for contracts currently in effect. Other operating revenue consisted primarily of clinical teaching support funds, contracts and grants and other non-patient services such as contributions, pharmacy rebate programs and cafeteria revenues.

The following chart illustrates trends in the net patient service revenue and other operating revenue:



Revenues for 2019 as compared to 2018 are as follows:

Increased (decreased) in millions of dollars

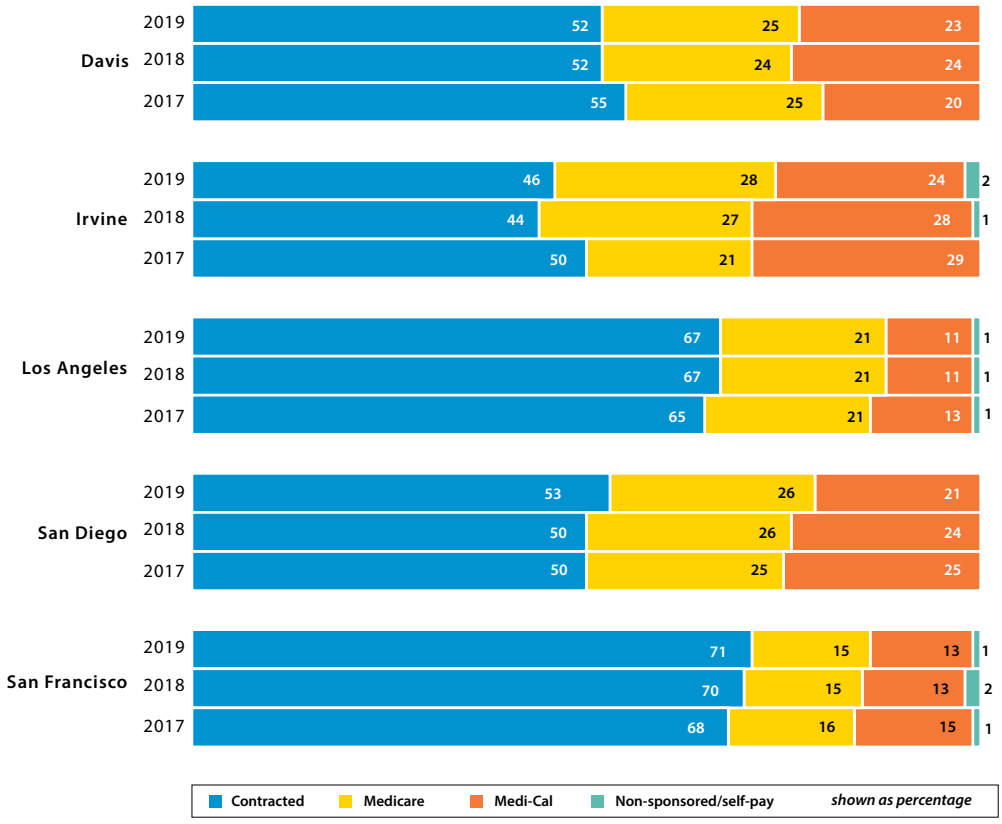
	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$107.5	4.8%	$104.0	4.8%	Increase due to higher Patient Days and Case Mix Index, along with changes in Contracts and Medicare payor mix.
Irvine	101.4	8.6	43.0	3.8	Increase due to growth of patient volume as well as the 340B federal drug discount program and specialty pharmacy revenue.
Los Angeles	344.9	13.7	326.7	13.6	Increase due to contract price increases, growth in outpatient volume and additional supplemental funding.
San Diego	129.2	6.7	117.1	6.4	Increase due to growth in patient volume and contract price increases.
San Francisco	448.8	10.3	374.6	9.0	Increase due to growth in patient volumes, particularly outpatient, improvement in reimbursement rates, Medi-Cal supplemental payments and specialty pharmacy revenue.

Revenues for 2018 as compared to 2017 are as follows:

Increased (decreased) in millions of dollars

	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$74.4	3.5%	$67.3	3.2%	Increase due to growth of patient volume, as well as a large settlement with a third party for prior year services.
Irvine	61.2	5.5	36.4	3.3	Increase due to growth of patient volume as well as the 340B federal drug discount program and specialty pharmacy revenue.
Los Angeles	11.5	0.5	6.3	0.3	Increase due to a slight growth in volume and additional supplemental funding.
San Diego	250.1	14.8	243.0	15.2	Increase due to 9.5 percent growth in patient census, increased complexity of cases and contract price increases.
San Francisco	418.7	10.6	407.6	10.9	Increase due to growth in patient volumes, primarily outpatient, improvements in reimbursement rates and overall patient acuity levels and prior year Medicare cost report settlements.

The most common payment arrangement for inpatient services is a prospectively determined per-diem rate or case rate. The most common payment arrangement for outpatient care is a prospective payment system that uses ambulatory payment classifications. The following chart illustrates the percentage of net patient service revenue by payor:



Payor mix changed in 2019 as follows:

Davis	Payor mix remained consistent year over year.
Irvine	Payor mix changed due to increase in contract revenue offset by decrease in Medi-Cal.
Los Angeles	Payor mix was consistent with prior year.
San Diego	Payor mix changed primarily due to an increase in Contract revenue offset by a decrease in Medi-Cal.
San Francisco	Payor mix stayed consistent year-over-year.

Payor mix changed in 2018 as follows:

Davis	Medi-Cal increased due to a large settlement received in the current year. Additionally, capitated revenue decreased due to the termination of a large contract.
Irvine	Payor mix changed primarily with increased Medicare offset by a decrease in contract revenue.
Los Angeles	Payor mix changed primarily with a decrease in Medi-Cal and an increase in Contracts as a result of a shift from traditional Medi-Cal to Medi-Cal managed care plans. All other payors remained relatively consistent with prior year.
San Diego	Overall payor mix was stable although this year continued the shift away from traditional Medi-Cal towards Medi-Cal managed care plans.
San Francisco	Payor mix changed primarily with a decrease in Medi-Cal and an increase in contracts as a result of a shift from traditional Medi-Cal to Medi-Cal managed care plans.

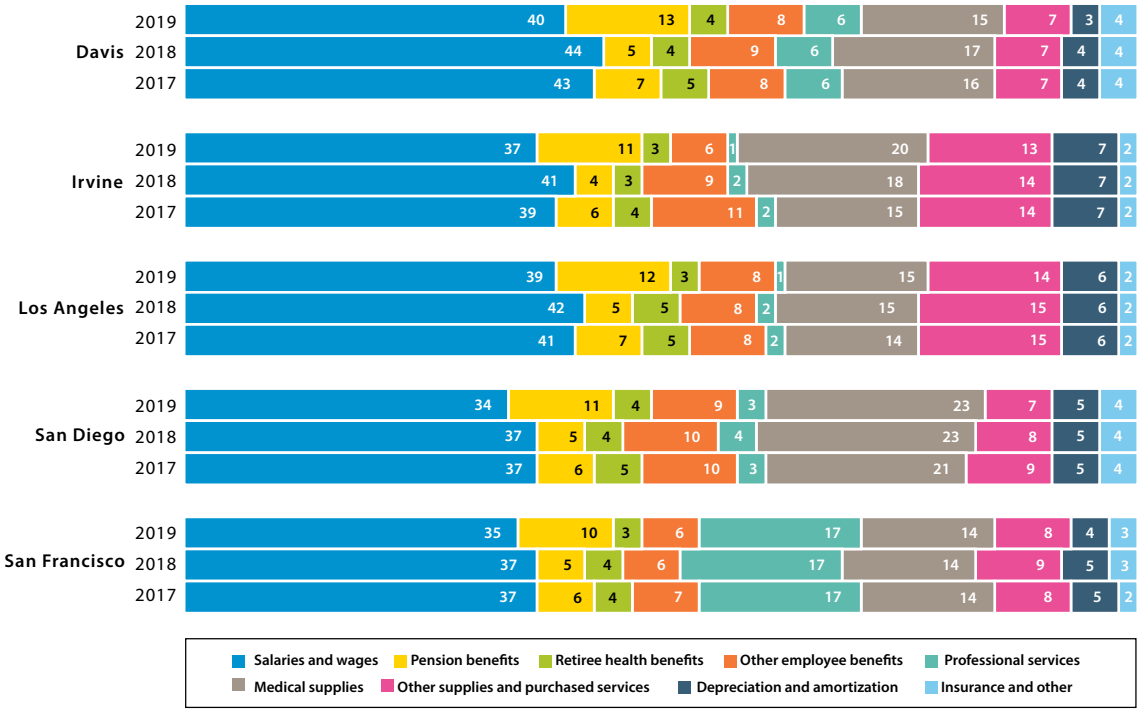
Operating Expenses

Operating expenses fluctuate based on patient statistics, including inpatient occupancy levels, the volume of outpatient visits and the mix of services provided. Expenses are also impacted by inflation and ongoing cost containment efforts by the Medical Centers. Additionally, changes in pension expenses due to assumption changes and investment returns have caused significant fluctuations in total operating expenses. The following table summarizes the operating expenses for the Medical Centers:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Salaries and wages	$937,657	$452,767	$1,052,871	$741,263	$1,718,914	$4,903,472
Pension benefits	300,946	130,154	315,589	238,764	490,465	1,475,918
Retiree health benefits	85,796	33,989	84,132	80,030	171,511	455,458
Other employee benefits	192,312	71,179	214,621	186,947	311,284	976,343
Professional services	139,095	17,919	31,298	71,961	826,532	1,086,805
Medical supplies	353,221	236,457	412,930	490,104	690,118	2,182,830
Other supplies and purchased services	167,610	151,855	377,532	160,971	409,569	1,267,537
Depreciation and amortization	84,354	84,675	152,840	102,640	212,222	636,731
Insurance and other	91,207	25,357	49,088	84,290	127,785	377,727
Total	**$2,352,198**	**$1,204,352**	**$2,690,901**	**$2,156,970**	**$4,958,400**	**$13,362,821**
2018						
Salaries and wages	$898,454	$427,120	$1,011,430	$671,513	$1,589,405	$4,597,922
Pension benefits	107,400	37,541	121,203	86,068	194,567	546,779
Retiree health benefits	89,497	34,908	109,242	77,397	161,755	472,799
Other employee benefits	174,866	89,914	202,184	185,116	269,081	921,161
Professional services	129,586	22,414	35,315	63,125	726,528	976,968
Medical supplies	344,284	183,205	361,874	408,936	609,932	1,908,231
Other supplies and purchased services	139,897	145,814	360,111	150,869	368,743	1,165,434
Depreciation and amortization	76,331	78,723	147,785	93,379	216,292	612,510
Insurance and other	85,254	23,024	44,903	77,362	105,813	336,356
Total	**$2,045,569**	**$1,042,663**	**$2,394,047**	**$1,813,765**	**$4,242,116**	**$11,538,160**
2017						
Salaries and wages	$844,408	$407,671	$972,473	$620,548	$1,496,989	$4,342,089
Pension benefits	138,692	65,965	157,056	102,403	223,821	687,937
Retiree health benefits	104,795	46,113	127,609	79,684	177,865	536,066
Other employee benefits	163,447	118,183	201,544	173,917	272,697	929,788
Professional services	119,988	24,240	40,363	49,322	660,395	894,308
Medical supplies	310,960	155,943	342,389	348,549	543,119	1,700,960
Other supplies and purchased services	141,370	144,902	358,645	147,549	318,791	1,111,257
Depreciation and amortization	78,839	69,271	142,841	76,779	210,913	578,643
Insurance and other	81,163	18,489	41,852	69,835	98,861	310,200
Total	**$1,983,662**	**$1,050,777**	**$2,384,772**	**$1,668,586**	**$4,003,451**	**$11,091,248**

The following graph illustrates the percentage of operating expenses by type:



Total operating expenses changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$306.6	15.0%	Salaries and wages, as well as pension costs increased. Higher census contributed to the overall increase in supplies.
Irvine	161.7	15.5	Increase in salaries and pension benefits. Other employee benefits decreased due to a one-time settlement for self-insured workers' compensation.
Los Angeles	296.9	12.4	Increase in salaries, pension benefits, other employee benefits, medical supplies, and other supplies and purchased services due to volume increases and wage rate increases.
San Diego	343.2	18.9	Increase in pension costs as well as for salaries, pharmaceuticals and other medical supplies due to higher patient volume.
San Francisco	716.3	16.9	Pension and other employee benefits increased. Higher patient volumes and annual cost inflation also resulted in higher operating expenses.

Total operating expenses changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$61.9	3.1%	Lower pension and retiree health expenses were offset by hourly wage increases. Supply costs are consistent with volume.
Irvine	(8.1)	(0.8)	Lower pension and retiree health benefits were offset by a net increase in salaries mainly due to rate changes. Other employee benefits — vacation accrual was a one-time charge in fiscal year 2017. Medical supplies costs increased consistent with volume.
Los Angeles	9.3	0.4	Increases in salaries, other employee benefits, medical supplies, and other supplies and purchased services due to volume increases and wage rate increases.
San Diego	145.2	8.7	Overall increase reflects 9.5 percent increase in patient census.
San Francisco	238.7	6.0	Increase due to higher patient volumes and annual cost inflation offset by lower pension and retiree health costs.

Salaries and Benefits

Salary and employee benefits expenses include wages paid to employees, vacation, holiday and sick pay, payroll taxes, workers' compensation insurance premiums, health insurance, pension and retiree health benefits expenses and other employee benefits. In 2019, salaries and benefits as a percentage of total operating revenues increased primarily due to higher pension expenses, along with higher salaries related to growth in operations. In 2018, salaries and benefits decreased slightly due to lower pension and retiree health benefit expenses, partially offset by higher salaries related to growth.

(shown as percentage)

	2019	2018	2017	
Davis	65.1%	57.2%	58.3%	2019 increased due to headcount, higher salary and wages, as well as higher pension costs.
Irvine	53.8	50.1	57.1	Increase mainly due to higher wages and pension expense in 2019. Payroll increase was offset by pension and retiree health benefits decrease in 2018.
Los Angeles	58.3	57.4	58.3	Increase due to higher wages and pension expense partially offset by a decrease in retiree health benefits expense.
San Diego	60.3	52.6	57.8	Increase in pension costs as well as growth in full-time employees (FTE's) due to higher patient volume.
San Francisco	55.9	50.7	54.9	Increase due to growth in FTE's due to volume and strategic initiatives. Increase in pension costs.

Approximately one-half of the Medical Centers' workforces, including nurses and employees providing ancillary services, expand and contract with patient volumes. Salaries and wages, FTE's and salary and wage rates changed as follows:

Increased (decreased) in millions of dollars

	2019						2018					
	SALARIES AND WAGES		FTE'S		RATE CHANGES		SALARIES AND WAGES		FTE'S		RATE CHANGES	
Davis	$39.2	4.4%	209	2.5%	$16.6	1.8%	$54.0	6.4%	216	2.7%	$31.5	3.6%
Irvine	25.6	6.0	136	3.0	10.5	2.7	19.4	4.8	(21)	(0.5)	21.4	5.3
Los Angeles	41.4	4.1	142	1.5	25.7	2.5	39.0	4.0	118	1.3	26.2	2.7
San Diego	69.8	10.4	531	7.5	19.3	2.9	51.0	8.2	363	5.4	17.6	2.8
San Francisco	129.5	8.1	770	6.2	30.0	1.8	92.4	6.2	214	1.8	66.0	4.3

Employee benefits changed as follows:

Increased (decreased) in millions of dollars

	2019						2018					
	PENSION		RETIREE HEALTH		OTHER EMPLOYEE BENEFITS		PENSION		RETIREE HEALTH		OTHER EMPLOYEE BENEFITS	
Davis	$193.5	180.2%	($3.7)	(4.1%)	$17.4	10.0%	($31.3)	(22.6%)	($15.3)	(14.6%)	$11.4	7.0%
Irvine	92.6	246.7	(0.9)	(2.6)	(18.7)	(20.8)	(28.4)	(43.1)	(11.2)	(24.3)	(28.3)	(23.9)
Los Angeles	194.4	160.4	(25.1)	(23.0)	12.4	6.2	(35.9)	(22.8)	(18.4)	(14.4)	0.6	0.3
San Diego	152.7	177.4	2.6	3.4	1.8	1.0	(16.3)	(16.0)	(2.3)	(2.9)	11.2	6.4
San Francisco	295.9	152.1	9.8	6.0	42.2	15.7	(29.3)	(13.1)	(16.1)	(9.1)	(3.6)	(1.3)

Substantially all full-time employees of the Medical Centers participate in the University of California Retirement Plan (UCRP). Pension expense and contributions for the Medical Centers related to UCRP are as follows:

(In thousands of dollars)

	2019		2018		2017	
	PENSION EXPENSE	PENSION CONTRIBUTIONS	PENSION EXPENSE	PENSION CONTRIBUTIONS	PENSION EXPENSE	PENSION CONTRIBUTIONS
Davis	$300,946	$112,545	$107,400	$111,593	$138,692	$102,403
Irvine	130,671	50,761	38,750	48,153	63,997	48,710
Los Angeles	315,589	121,724	121,203	122,001	157,056	111,966
San Diego	238,764	82,496	86,068	79,580	102,403	69,647
San Francisco	463,320	160,627	172,233	153,693	203,864	139,730
Total	**$1,449,290**	**$528,153**	**$525,654**	**$515,020**	**$666,012**	**$472,456**

The University has a financial responsibility for pension benefits associated with its defined benefit plans. The Medical Centers are required to contribute at a rate set by The Regents. Employer contribution rates were 14.0 percent in 2019, 2018 and 2017, of covered compensation. The employer contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent.

Pension expense is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year. Pension expense fluctuates primarily based on expected as compared to actual investment returns and the trend in the Medical Centers' proportionate share of the net pension liability. Pension expenses were higher in 2019 primarily driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the mortality tables causing the largest increases. Pension expenses were lower in 2018 due to higher than expected investment returns. The discount rate used to estimate the net pension liability was 6.75, 7.25 and 7.25 percent in 2019, 2018 and 2017, respectively.

Retiree health benefits expense and contributions for the Medical Centers are as follows:

(In thousands of dollars)

	2019		2018		2017	
	RETIREE HEALTH EXPENSE	RETIREE HEALTH CONTRIBUTIONS	RETIREE HEALTH EXPENSE	RETIREE HEALTH CONTRIBUTIONS	RETIREE HEALTH EXPENSE	RETIREE HEALTH CONTRIBUTIONS
Davis	$85,796	$22,032	$89,497	$22,535	$104,795	$21,562
Irvine	33,989	9,948	34,908	10,170	46,113	10,089
Los Angeles	84,132	23,606	109,242	26,042	127,609	24,975
San Diego	80,030	16,196	77,397	16,088	79,684	14,677
San Francisco	171,511	33,792	161,755	33,182	177,865	31,217
Total	**$455,458**	**$105,574**	**$472,799**	**$108,017**	**$536,066**	**$102,520**

The University administers single-employer health and welfare plans to provide primarily medical, dental and vision benefits to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The University has a financial responsibility for retiree health benefits associated with UCRHBT. The Medical Centers are required to contribute at a rate assessed each year by the University based upon projected pay-as-you-go financing requirements.

Retiree health benefits expense is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year. Retiree health expenses decreased slightly in 2019 as a result of the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. Retiree health expenses were lower in 2018 due to an increase in the discount rate. The discount rates as of June 30, 2019, 2018 and 2017 were 3.50 percent, 3.87 percent and 3.58 percent, respectively.

Professional Services

Professional services include payments to the Schools of Medicine for physician services in the hospitals and clinics, payments to other health care providers for capitated patients, outside lab fees, organ acquisition fees, transcription fees and legal fees.

Professional services changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$9.5	7.3%	Increase due to expanded hospital-based coverage and external physician services.
Irvine	(4.5)	(20.1)	Consulting fee decreased as Operations Efficiency project was completed.
Los Angeles	(4.0)	(11.4)	Decrease due to lower legal fees.
San Diego	8.8	14.0	Increase primarily due to realignment of fees paid for physician services, and to higher legal fees.
San Francisco	100.0	13.8	Increase due to growth of patient volumes. Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance.

Professional services changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$9.6	8.0%	Increases primarily due to professional network costs for physician services.
Irvine	(1.8)	(7.5)	Decrease due to fewer medical directors and lower consulting costs.
Los Angeles	(5.0)	(12.5)	Decrease due to lower legal fees, lower costs related to consulting and management fees due to cessation of information technology and revenue cycle projects.
San Diego	13.8	28.0	Increase primarily due to realignment of call coverage fees paid to several physician specialties.
San Francisco	66.1	10.0	Increase due to growth of patient volumes. Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance.

Medical Supplies

Medical supplies costs fluctuate with patient volumes. Medical supplies are also subject to significant inflationary pressures due to escalating pharmaceutical costs and continued innovation in implants, prosthetics and other medical supplies. The Medical Centers have ongoing initiatives to control supply utilization and to negotiate competitive pricing.

Medical supplies expenses, including pharmaceuticals, changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$8.9	2.6%	Increase due to continued growth in the 340B federal drug discount program and specialty pharmacy business.
Irvine	53.3	29.1	Increase due to continued growth in the 340B federal drug discount program and specialty pharmacy business.
Los Angeles	51.1	14.1	Increase due to higher pharmaceutical costs as a result of new pharmacy programs, the use of higher priced pharmaceuticals and increased surgical volumes and transplant cases.
San Diego	81.2	19.8	Increase in patient volume, new pharmacy programs including high-cost drugs for new therapies and continued high price increases from pharmaceutical suppliers.
San Francisco	80.2	13.1	Increase primarily due to higher pharmaceutical and blood costs for high-cost treatment therapies as well as a growth of specialty pharmacy activity.

Medical supplies expenses, including pharmaceuticals, changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$33.3	10.7%	Increases in volume and utilization of higher priced pharmaceuticals contributed to the change.
Irvine	27.3	17.5	Increase due to new specialty pharmacy opening in fiscal year 2018 therefore increasing pharmaceutical supplies cost.
Los Angeles	19.5	5.7	Increase due to higher pharmaceutical costs, increased surgical volumes and transplant cases.
San Diego	60.4	17.3	Increase primarily reflected higher patient volume and inflation, particularly for pharmaceuticals.
San Francisco	66.8	12.3	Increase primarily due to higher pharmaceutical and blood costs for high cost treatment therapies.

Other Supplies and Purchased Services

Other supplies and purchased services include non-medical supplies, medical purchased services and repairs and maintenance.

Other supplies and purchased services changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$27.7	19.8%	Seismic renovations and much higher repairs and maintenance costs led to the increase.
Irvine	6.0	4.1	Medical purchased services increase due to growth in ambulatory clinics.
Los Angeles	17.4	4.8	Increase in purchased services as a result of more transplant cases and increased patient volumes.
San Diego	10.1	6.7	Increase was in line with higher patient volume.
San Francisco	40.8	11.1	Increase due to higher purchased medical services as a result of increased patient volumes and repair and maintenance costs.

Other supplies and purchased services changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	($1.5)	(1.0%)	Other supplies and purchased services were consistent with prior year.
Irvine	0.9	0.6	Slight increase in non-medical supplies offset by decrease in purchased services.
Los Angeles	1.5	0.4	Increase in repairs and maintenance costs and an increase in genetic testing.
San Diego	3.3	2.3	Increase was below growth in patient census and reflects process improvements.
San Francisco	50.0	15.7	Increase due to higher purchased medical services as a result of increased patient volumes and repair and maintenance costs.

Depreciation and Amortization

Depreciation and amortization expense changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$8.0	10.5%	Higher software costs and completion of a hospital administration building contributed to the increase.
Irvine	6.0	7.6	Increase due to completed projects and new equipment that were placed in service during the year.
Los Angeles	5.1	3.4	Increase due to completed projects and new equipment that were placed in service during the year.
San Diego	9.3	9.9	Increase reflects first full year of Koman Family Outpatient Pavilion and other projects and equipment.
San Francisco	(4.1)	(1.9)	Decrease due to large assets becoming fully depreciated during the year.

Depreciation and amortization expense changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	($2.5)	(3.2%)	Deferred capital maintenance resulted in lower depreciation expense.
Irvine	9.5	13.6	Increase due to the project of the electronic medical record system, Epic, and Chao Comprehensive Digestive Disease Center being placed into service.
Los Angeles	4.9	3.5	Increase due to completed projects and new equipment that were capitalized during the year.
San Diego	16.6	21.6	Increase reflects first full year of Jacobs Medical Center, opening of Koman Family Outpatient Pavilion in March 2018, and other projects and equipment.
San Francisco	5.4	2.6	Increase due to the completion of the Benioff Children's Hospital Oakland Outpatient Center and new equipment placed in service during the year.

Insurance

The Medical Centers are insured through the University's and its captive insurance company for malpractice, general liability, workers' compensation and health and welfare benefits. All claims and related expenses are paid from the University's self-insurance funds or its captive insurance company. Rates for each Medical Center are established based upon claims experience and insurance costs increase or decrease with favorable or unfavorable claims experience. CHRCO has a claims-made policy for malpractice and is self-insured for workers' compensation and health and welfare benefits.

Income (Loss) from Operations

The Medical Centers reported income (loss) from operations and operating margins of:

(in millions of dollars)

	2019		2018		2017	
	INCOME (LOSS) FROM OPERATIONS	OPERATING MARGIN	INCOME FROM OPERATIONS	OPERATING MARGIN	INCOME (LOSS) FROM OPERATIONS	OPERATING MARGIN
Davis	($22.9)	(1.0%)	$176.2	7.9%	$163.7	7.6%
Irvine	74.6	5.8	134.8	11.5	65.6	5.9
Los Angeles	168.0	5.9	120.0	4.8	117.8	4.7
San Diego	(89.5)	(4.3)	124.5	6.4	19.6	1.2
San Francisco	(139.2)	(2.9)	128.3	2.9	(51.7)	(1.3)
Total	**($9.0)**		**$683.8**		**$315.0**	

In 2019, while patient days and outpatient visits increased, operating results declined due to a large increase in pension expense driven by changes in assumptions for the discount rate and extended mortality. In 2018, operating results improved due to increased volumes, higher supplemental revenues and lower pension and retiree health benefits expenses. Operating results also improved in San Diego as a result of increased volumes related to opening a new hospital in 2017.

Nonoperating Revenues (Expenses)

Nonoperating revenues and expenses include Hospital Fee Program revenue, federal subsidies for bond interest, private gifts, investment income, interest expense and changes in fair value expense and losses on disposals of capital assets. Nonoperating revenues and expenses for the years that ended June 30 are as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Net nonoperating revenues (expenses):						
2019	$16,360	($9,519)	$17,603	($27,678)	$44,172	$40,938
2018	15,612	(12,761)	9,872	(24,959)	46,189	33,953
2017	9,467	(17,961)	(36,579)	(10,470)	24,134	(31,409)

Net nonoperating revenues (expenses) improved (declined) in 2019 as follows:

(in millions of dollars)			
Davis	$0.7	4.8%	Higher interest rates and return on investments was offset by expenses related to the future obligation to retire a portion of the hospital.
Irvine	3.2	25.4	Increase in STIP interest income and Hospital Fee Program grant.
Los Angeles	7.7	78.3	Increase primarily due to increased investment income and net appreciation of fair value for long-term investments.
San Diego	(2.7)	(10.9)	Decrease due to recognition of asset retirement obligations required by GASB 83 which was adopted this year.
San Francisco	(2.0)	(4.4)	Decrease due to costs incurred related to affiliates offset by higher investment income.

Net nonoperating revenues (expenses) improved (declined) in 2018 as follows:

(in millions of dollars)			
Davis	$6.1	64.9%	Capitalization of interest costs resulted in lower expense, while higher cash balances and outstanding notes receivables resulted in more interest income.
Irvine	5.2	29.0	Net nonoperating expenses decreased due to increase in grant and interest income.
Los Angeles	46.5	127.0	Increase primarily due to an increase in revenue from the Hospital Fee Program grants, an increase in investment income and a decrease in interest expense. In the prior year, there was a significant loss on a hedge termination.
San Diego	(14.5)	(138.4)	Decrease due to interest expense for full year of Jacobs Medical Center.
San Francisco	22.1	91.4	Increase due to additional Hospital Fee Program grants, increases in investment income and contributions.

Income (Loss) Before Other Changes in Net Position

Income (loss) before other changes in net position fluctuates consistent with operating results. Income (loss) before other changes in net position for the Medical Centers is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019	($6,548)	$65,063	$185,633	($117,200)	($95,014)	$31,934
2018	191,804	122,080	129,890	99,505	174,479	717,758
2017	173,179	47,589	81,201	9,106	(27,563)	283,512

Income (loss) before other changes in net position changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	($198.4)	(103.4%)	Expenses slightly outpaced revenue, and pension expense increased.
Irvine	(57.0)	(46.7)	Decrease due to overall increase in salaries, pension benefits, pharmacy and medical supplies expenses outpaced revenue growth.
Los Angeles	55.7	42.9	Increase primarily due to the growth in net patient service revenue which outpaced expenses.
San Diego	(216.7)	(217.8)	Decrease due to pension and salary costs.
San Francisco	(269.5)	(154.5)	Decrease primarily due to higher pension costs and a reduction of prior year Medicare cost report settlements and Medi-Cal supplemental funds approved in the year.

Income before other changes in net position changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$18.6	10.8%	Increase due to higher volume which outpaced expenses, along with one-time third-party settlements.
Irvine	74.5	156.5	Overall increase due to increase in patient revenue offset by decreases in pension, retiree health benefits and nonoperating expenses.
Los Angeles	48.7	60.0	Increase primarily due to the reduction in pension and retiree health benefits expense.
San Diego	90.4	992.7	Increase primarily due to revenue from higher patient census that outpaced expenses.
San Francisco	202.0	733.0	Increase due to higher patient volumes which outpaced expenses including a reduction in pension and retiree health expenses and prior year Medicare cost report settlements.

Other Changes in Net Position

Health system support includes amounts paid to the Schools of Medicine by the Medical Centers to fund the operating activities, clinical research and faculty practice plans, as well as other payments for various programs. Transfers from the respective campuses to fund capital projects are reported as contributions for building programs. The following table presents total other changes in net position as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019	($53,131)	($39,259)	($200,094)	($132,633)	($33,093)	($458,210)
2018	(46,757)	(30,886)	(201,812)	(155,601)	18,460	(416,596)
2017	(29,562)	(50,705)	(166,007)	(88,902)	(47,588)	(382,764)

Other changes in net position changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	($6.4)	(13.6%)	The primary driver behind the change was due to an increase of pension allocations.
Irvine	(8.4)	(27.1)	Change mainly due to increase in health systems support.
Los Angeles	1.7	0.9	Payments for health system support, representing transfers in support of the overall strategic plan.
San Diego	23.0	14.8	Change primarily due to completion of the Koman Family Outpatient Pavilion, resulting in reduced funding transfers to the University by the Medical Center.
San Francisco	(51.6)	(279.3)	Change primarily due to an increase of health system support and an increase of pension allocations.

Other changes in net position changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	($17.2)	(58.2%)	Change primarily due to the Medical Center transferring an under-utilized building to the University. Additionally, there were initiatives executed by the University, but funded by the Medical Center.
Irvine	19.8	39.1	Change due to reduced allocation for pension payable to the University.
Los Angeles	(35.8)	(21.6)	Payments for health system support, representing transfers in support of the overall strategic plan.
San Diego	(66.7)	(75.0)	Decrease primarily due to slow down of gifts and donations now that primary fundraising for Jacobs Medical Center is complete and increased payments for health system support.
San Francisco	66.0	138.8	Change due to funds donated for the construction of the Precision Cancer Medical Building offset by an increase in health system support.

STATEMENTS OF NET POSITION

The following tables are abbreviated statements of net position at June 30:

(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Current assets:						
Cash and cash equivalents	$819,285	$455,229	$1,114,849	$341,255	$946,580	$3,677,198
Net patient accounts receivable	269,446	158,234	398,976	367,003	682,558	1,876,217
Short-term investments and other current assets	267,682	117,663	387,337	86,720	267,474	1,126,876
Current assets	**1,356,413**	**731,126**	**1,901,162**	**794,978**	**1,896,612**	**6,680,291**
Restricted assets	13,718	9,348	10,973	2,843	100,160	137,042
Capital assets, net	1,115,955	766,783	1,671,098	1,609,016	2,427,895	7,590,747
Investments and other noncurrent assets	105,747		129,448	24,348	233,893	493,436
Noncurrent assets	**1,235,420**	**776,131**	**1,811,519**	**1,636,207**	**2,761,948**	**8,221,225**
Total assets	**2,591,833**	**1,507,257**	**3,712,681**	**2,431,185**	**4,658,560**	**14,901,516**
Deferred outflows of resources	**746,421**	**312,113**	**858,937**	**701,535**	**1,352,434**	**3,971,440**
Liabilities:						
Current liabilities	457,064	237,264	503,481	295,493	708,871	2,202,173
Long-term debt	320,819	329,673	876,922	771,188	917,096	3,215,698
Net pension liability	1,151,862	536,927	1,245,807	844,319	1,655,695	5,434,610
Net retiree health benefits liability	1,268,189	572,706	1,358,829	932,379	1,945,198	6,077,301
Other liabilities	354,680	151,613	391,900	345,605	469,612	1,713,410
Total liabilities	**3,552,614**	**1,828,183**	**4,376,939**	**3,188,984**	**5,696,472**	**18,643,192**
Deferred inflows of resources	**408,817**	**226,433**	**547,364**	**284,341**	**617,396**	**2,084,351**
Net position:						
Net investment in capital assets	766,483	431,447	762,330	813,976	1,505,229	4,279,465
Restricted	13,283	9,348	24,776		97,383	144,790
Unrestricted	(1,402,943)	(676,041)	(1,139,791)	(1,154,581)	(1,905,486)	(6,278,842)
Total net position	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2018						
Current assets:						
Cash and cash equivalents	$741,159	$331,844	$943,930	$293,548	$823,411	$3,133,892
Net patient accounts receivable	248,467	155,384	330,172	321,636	594,448	1,650,107
Short-term investments and other current assets	149,804	101,758	392,120	139,660	230,295	1,013,637
Total current assets	**1,139,430**	**588,986**	**1,666,222**	**754,844**	**1,648,154**	**5,797,636**
Restricted assets	45,783	41,547	10,928	4,138	78,109	180,505
Capital assets, net	1,080,332	759,413	1,717,689	1,661,760	2,375,485	7,594,679
Investments and other noncurrent assets	105,448		94,761	20,214	215,288	435,711
Noncurrent assets	**1,231,563**	**800,960**	**1,823,378**	**1,686,112**	**2,668,882**	**8,210,895**
Total assets	**2,370,993**	**1,389,946**	**3,489,600**	**2,440,956**	**4,317,036**	**14,008,531**
Deferred outflows of resources	**330,997**	**128,954**	**454,015**	**401,567**	**775,863**	**2,091,396**
Liabilities:						
Current liabilities	408,938	230,244	471,304	246,776	655,904	2,013,166
Long-term debt	342,030	335,335	908,811	792,429	922,666	3,301,271
Net pension liability	643,552	292,837	706,286	460,577	910,558	3,013,810
Net retiree health benefits liability	1,215,567	548,548	1,404,685	867,819	1,789,855	5,826,474
Other noncurrent liabilities	266,959	138,408	343,508	290,933	404,824	1,444,632
Total liabilities	**2,877,046**	**1,545,372**	**3,834,594**	**2,658,534**	**4,683,807**	**15,599,353**
Deferred inflows of resources	**388,442**	**234,578**	**447,245**	**274,761**	**583,859**	**1,928,885**
Net position:						
Net investment in capital assets	698,049	421,341	780,373	847,607	1,447,759	4,195,129
Restricted	45,783	41,547	10,884		77,245	175,459
Unrestricted	(1,307,330)	(723,938)	(1,129,481)	(938,379)	(1,699,771)	(5,798,899)
Total net position	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**

(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2017						
Current assets:						
Cash and cash equivalents	$628,409	$342,862	$1,007,761	$394,822	$626,724	$3,000,578
Net patient accounts receivable	242,561	122,480	317,226	254,358	554,803	1,491,428
Short-term investments and other current assets	128,055	61,809	146,281	91,587	154,000	581,732
Total current assets	**999,025**	**527,151**	**1,471,268**	**740,767**	**1,335,527**	**5,073,738**
Restricted assets	86,748	69,703	13,781	9,954	90,724	270,910
Capital assets, net	1,030,246	734,509	1,749,540	1,620,948	2,349,538	7,484,781
Investments and other noncurrent assets	18,194		308,331	21,426	195,072	543,023
Noncurrent assets	**1,135,188**	**804,212**	**2,071,652**	**1,652,328**	**2,635,334**	**8,298,714**
Total assets	**2,134,213**	**1,331,363**	**3,542,920**	**2,393,095**	**3,970,861**	**13,372,452**
Deferred outflows of resources	**362,917**	**160,399**	**516,101**	**345,110**	**836,506**	**2,221,033**
Liabilities:						
Current liabilities	328,609	270,520	404,441	231,802	592,470	1,827,842
Long-term debt	362,743	338,340	934,794	754,170	928,264	3,318,311
Net pension liability	675,141	340,003	741,290	459,781	961,088	3,177,303
Net retiree health benefits liability	1,227,803	574,394	1,422,069	835,720	1,777,540	5,837,526
Other noncurrent liabilities	242,313	115,732	400,951	240,242	368,317	1,367,555
Total liabilities	**2,836,609**	**1,638,989**	**3,903,545**	**2,521,715**	**4,627,679**	**15,528,537**
Deferred inflows of resources	**369,066**	**205,017**	**421,778**	**251,166**	**547,394**	**1,794,421**
Net position:						
Net investment in capital assets	640,415	393,404	790,467	857,221	1,396,747	4,078,254
Restricted	86,748	69,703	11,138		89,739	257,328
Unrestricted	(1,435,708)	(815,351)	(1,067,907)	(891,897)	(1,854,192)	(6,065,055)
Total net position	**($708,545)**	**($352,244)**	**($266,302)**	**($34,676)**	**($367,706)**	**($1,729,473)**

Cash and Cash Equivalents

Cash and cash equivalents changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$78.1	10.5%	Increase in cash due to the operational performance of the hospital.
Irvine	123.4	37.2	Increase due to strong operational performance and higher patient accounts receivable cash collections.
Los Angeles	170.9	18.1	Increase in cash due to strong operational performance, higher patient accounts receivable cash collections and cash from third-party settlements.
San Diego	47.7	16.3	Increase primarily due to cash received from third party settlements and reduced capital expenditures.
San Francisco	123.2	15.0	Increase due to hospital operations excluding non-cash pension costs.

Cash and cash equivalents changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$112.8	17.9%	Increase in cash due to the strong operational performance as well as an increase in interest.
Irvine	(11.0)	(3.2)	Decrease due to payments to suppliers, salaries and employee benefits outpacing accounts receivable collections.
Los Angeles	(63.8)	(6.3)	Decrease primarily due to the pay-off of the Note Payable to Campus.
San Diego	(101.3)	(25.7)	Decrease due to construction and opening of Koman Family Outpatient Pavilion and increased health system support.
San Francisco	196.7	31.4	Increase due to the result of strong financial performance from hospital operations.

Patient Accounts Receivable

Patient accounts receivable, net of estimated uncollectible accounts, changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$21.0	8.4%	Increase primarily due to higher patient volumes.
Irvine	2.9	1.8	Increase primarily due to higher patient volumes from growth in outpatient revenues, offset by higher collections.
Los Angeles	68.8	20.8	Increase due to net patient revenue growth, timing of payments from payors and higher outpatient volume.
San Diego	45.4	14.1	Increase primarily due to higher patient volumes.
San Francisco	88.1	14.8	Increase primarily due to higher patient volumes.

Patient accounts receivable, net of estimated uncollectible accounts, changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$5.9	2.4%	Higher volume was offset by improved collections.
Irvine	32.9	26.9	Increase due to the revenue cycle conversion of the electronic medical record system, Epic.
Los Angeles	12.9	4.1	Increase due to timing of payments from Medi-Cal and Contract payors.
San Diego	67.3	26.5	Increase primarily due to the opening of new facilities near the end of the fiscal year and payer related issues that temporarily increased days in patient receivables at year end.
San Francisco	39.6	7.1	Increase due to higher patient volumes.

Capital Assets

Net capital assets changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	$35.6	3.3%	Ongoing construction resulted in higher capital expenditures.
Irvine	7.4	1.0	Completion of the chiller plant and an upgrade of our electronic medical record system, Epic.
Los Angeles	(46.6)	(2.7)	Annual depreciation exceeded capital projects for the year.
San Diego	(52.7)	(3.2)	Annual depreciation exceeded capital expenditures for the year.
San Francisco	52.4	2.2	Increase due to the construction of the Precision Cancer Medical Building.

Net capital assets changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	$50.1	4.9%	Ongoing construction resulted in higher capital expenditures.
Irvine	24.9	3.4	Increase due to the electronic medical record system, Epic, and construction of chiller plant and electrical systems.
Los Angeles	(31.9)	(1.8)	Annual depreciation exceeded capital projects for the year.
San Diego	40.8	2.5	Increase primarily due to construction of Koman Family Outpatient Pavilion.
San Francisco	25.9	1.1	Increase due to the construction of the Precision Cancer Medical Building and the Benioff Children's Hospital Oakland Outpatient Center.

Long-term Debt

Long-term debt, including the current portion, changed in 2019 as follows:

Increased (decreased) in millions of dollars			
Davis	($21.2)	(5.8%)	Debt service payments were made reducing long term debt.
Irvine	(2.7)	(0.8)	Debt service payments were made reducing long-term debt.
Los Angeles	(28.5)	(3.0)	Debt service payments were made reducing long-term debt.
San Diego	(20.4)	(2.5)	Debt Service payments were made reducing long-term debt.
San Francisco	(5.1)	(0.5)	Debt service payments were made reducing long-term debt.

Long-term debt, including the current portion, changed in 2018 as follows:

Increased (decreased) in millions of dollars			
Davis	($21.4)	(5.6%)	Debt service payments were made reducing long-term debt.
Irvine	(3.0)	(0.9)	Debt service payments were made reducing long-term debt.
Los Angeles	(24.4)	(2.5)	Debt service payments were made reducing long-term debt.
San Diego	44.6	5.8	Increase primarily due to equipment financing arrangements related to Koman Family Pavilion, net of scheduled debt service payments.
San Francisco	(5.4)	(0.6)	Debt service payments were made reducing long-term debt.

Net Pension Liability

The University has a financial responsibility for pension benefits associated with its defined benefit plans. The net pension liability related to UCRP is allocated to the Medical Centers based on their proportionate share of covered compensation for the fiscal year.

(in thousands of dollars)

	2019		2018		2017	
	PROPORTIONATE SHARE	NET PENSION LIABILITY	PROPORTIONATE SHARE	NET PENSION LIABILITY	PROPORTIONATE SHARE	NET PENSION LIABILITY
Davis	6.7%	$1,151,862	6.8%	$643,552	6.7%	$675,141
Irvine	3.0	519,523	3.0	279,015	3.2	321,946
Los Angeles	7.2	1,245,807	7.5	706,286	7.3	741,290
San Diego	4.9	844,319	4.9	460,577	4.5	459,781
San Francisco	9.6	1,643,970	9.4	886,410	9.1	919,944
Total	**31.4%**	**$5,405,481**	**31.6%**	**$2,975,840**	**30.8%**	**$3,118,102**

The change in net pension liability in 2019 was driven by changes in assumptions as a result of the most recent experience study, with the reduction in the discount rate and the changes in the mortality tables causing the largest increases. The change in pension liability in 2018 was primarily driven by the investment performance above the expected return for the UCRP investment portfolio. UCRP's total investment rate of return was 6.0 percent in 2019, 7.8 percent in 2018 and 14.5 percent in 2017. The discount rate used to estimate the net pension liability was 6.75 percent in 2019, and 7.25 percent in 2018 and 2017.

The Irvine Medical Center's proportionate share of the net pension liability for the Orange County Employees Retirement System was $17.4 million, $13.8 million and $18.1 million as of June 30, 2019, 2018 and 2017, respectively.

CHRCO is the sponsor of a single employer defined benefit plan. The net pension liability for CHRCO was $11.7 million, $24.1 million and $41.1 million as of June 30, 2019, 2018 and 2017, respectively, and the liability is reported by San Francisco.

Net Retiree Health Benefits Liability

The University has a financial responsibility for retiree health benefits. The net retiree health benefits liability is allocated to Medical Centers based on their proportionate share of covered compensation for the fiscal year.

(in thousands of dollars)

	2019		2018		2017	
	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE	NET RETIREE HEALTH BENEFITS LIABILITY
Davis	6.6%	$1,268,189	6.6%	$1,215,567	6.6%	$1,227,803
Irvine	3.0	572,706	3.0	548,548	3.1	574,394
Los Angeles	7.1	1,358,829	7.7	1,404,685	7.6	1,422,069
San Diego	4.8	932,379	4.8	867,819	4.5	835,720
San Francisco	10.1	1,945,198	9.8	1,789,855	9.5	1,777,540
Total	**31.6%**	**$6,077,301**	**31.9%**	**$5,826,474**	**31.3%**	**$5,837,526**

The net retiree health benefit liability decreased slightly in 2019 as a result of the decrease in the discount rate offset by reducing the inflation assumption and strong management of health care costs. The net retiree health benefit liability was lower in 2018 due to an increase in the discount rate. The discount rate used to estimate the net retiree health benefits liability as of June 30, 2019, 2018 and 2017 was 3.50 percent, 3.87 percent and 3.58 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCRHBT plan assets are not sufficient to make benefit payments.

Net Position

Net position represents the residual interest in the Medical Centers' assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing its use must be classified as unrestricted for reporting purposes. Unrestricted net position is negative primarily due to obligations for pension and retiree health benefits exceeding the Medical Centers' reserves.

LIQUIDITY AND CAPITAL RESOURCES

Days Cash on Hand

Days cash on hand measures the average number of days' expenses the Medical Centers maintain in cash and unrestricted investments. The goal, set by the University of California Office of the President, is a minimum of 60 days cash on hand.

Days cash on hand is as follows:

	2019	2018	2017
Davis	149	137	120
Irvine	148	126	128
Los Angeles	195	191	164
San Diego	61	62	91
San Francisco	88	92	77

Days of Revenue in Accounts Receivable

The days of revenue in accounts receivable measures the average number of days it takes to collect patient accounts receivable. Generally, days of revenue in accounts receivable increases when Medical Centers have implemented new billing systems and decreases as the Medical Centers have streamlined the billing and collection processes. Days of revenue in accounts receivable is as follows:

	2019	2018	2017
Davis	43	42	42
Irvine	49	50	41
Los Angeles	54	50	48
San Diego	68	64	58
San Francisco	55	52	54

Debt Service Coverage

Debt service coverage ratio measures the amount of funds available to cover the principal and interest on long-term debt. Debt service coverage decreases as new debt is issued and increases or decreases based on operating results.

Debt service coverage ratios are as follows:

	2019	2018	2017
Davis	2.8	8.8	6.4
Irvine	9.1	12.7	6.5
Los Angeles	6.1	5.0	4.4
San Diego	0.4	3.8	1.9
San Francisco	2.6	7.4	4.0

LOOKING FORWARD

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors and intermediaries retained by the federal, state or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees were received.

Moreover, Government Agents frequently interpret government regulations and other requirements differently. For example, Government Agents might disagree on a patient's principal medical diagnosis, the appropriate code for a clinical procedure or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, each Medical Center estimates the amount of revenue that will ultimately be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary significantly from these estimates.

Hospital Facilities Seismic Safety Act

State of California Senate Bill 1953 (SB 1953), the Hospital Facilities Seismic Safety Act, requires hospitals to meet certain standards designed to yield predictable seismic performance, whether at the essential life safety level or post-earthquake continued operations level. Buildings used for acute care patient services must either be retrofitted by 2030 or the acute care services must be relocated and the building must be closed, repurposed or demolished. Three of the Medical Centers, Davis, San Diego and San Francisco, have beds in service in facilities that do not meet the requirements of SB 1953, and these facilities will either need to be retrofitted or replaced by 2030. The Medical Centers are continuing to address these seismic building requirements; however, the cost to construct replacement facilities or retrofit existing facilities to comply with the statutory requirements by 2030 cannot be estimated at this time.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the Medical Centers, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the Medical Centers expect or anticipate will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The Medical Centers do not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

We have audited the accompanying individual financial statements of the University of California, Davis Medical Center, the University of California, Irvine Medical Center, the University of California, Los Angeles Medical Center, the University of California, San Diego Medical Center, and the University of California, San Francisco Medical Center (collectively referred to as the "University of California Medical Centers"), each of which is a department of the University of California (the "University"), which comprise the individual statements of net position as of June 30, 2019 and 2018, and the related individual statements of revenues, expenses and changes in net position and of cash flows for the years then ended, which comprise the basic financial statements of each of the University of California Medical Centers.

Management's Responsibility for the Individual Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University of California Medical Centers' preparation and fair presentation of the individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of California Medical Centers' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the individual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the individual financial positions of the University of California, Davis Medical Center, the University of California, Irvine Medical Center, the University of California, Los Angeles Medical Center, the University of California, San Diego Medical Center, and the University of California, San Francisco Medical Center as of June 30, 2019 and 2018, and the changes in their individual financial position and their individual cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the individual financial statements of the University of California Medical Centers are intended to present the financial position, and the changes in financial position and the cash flows of only that portion of the University of California that is attributable to the transactions of the University of California Medical Centers. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the University of California Medical Centers changed the manner in which they account for certain asset retirement obligations as of July 1, 2018. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying management's discussion and analysis on pages 26 through 50, the individual schedule of the University of California Medical Centers' proportionate share of UCRP's net pension liability, the schedule of changes in the net pension liability for the CHRCO Pension Plan, the schedule of net pension liability for the CHRCO Pension Plan, the schedule of employer contributions for the CHRCO Pension Plan, the schedule of Irvine's proportionate share of OCERS' net pension liability, and the schedule of the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability on pages 110 through 113 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements of the corresponding University of California Medical Center. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements of the corresponding University of California Medical Center in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP
San Francisco, California
October 8, 2019

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
ASSETS						
Cash and cash equivalents	$819,285	$455,229	$1,114,849	$341,255	$946,580	$3,677,198
Short-term investments	103,536		241,738			345,274
Net patient accounts receivable	269,446	158,234	398,976	367,003	682,558	1,876,217
Other receivables	21,771	3,280	30,300	18,696	88,392	162,439
Third-party payor settlements, net	52,996	70,128	18,670	14,255	10,432	166,481
Inventory	37,808	19,958	41,514	33,561	56,921	189,762
Prepaid expenses and other assets	51,571	24,297	55,115	20,208	111,729	262,920
Current assets	**1,356,413**	**731,126**	**1,901,162**	**794,978**	**1,896,612**	**6,680,291**
Restricted assets:						
Deposits held for hospital construction	13,718	9,348	45	2,843		25,954
Donor funds			10,928		100,160	111,088
Capital assets, net	1,115,955	766,783	1,671,098	1,609,016	2,427,895	7,590,747
Investments in joint ventures	20,771		3,901	23,018	22,807	70,497
Investments			68,557		195,594	264,151
Other assets	84,976		56,990	1,330	15,492	158,788
Noncurrent assets	**1,235,420**	**776,131**	**1,811,519**	**1,636,207**	**2,761,948**	**8,221,225**
Total assets	**2,591,833**	**1,507,257**	**3,712,681**	**2,431,185**	**4,658,560**	**14,901,516**
DEFERRED OUTFLOWS OF RESOURCES	**746,421**	**312,113**	**858,937**	**701,535**	**1,352,434**	**3,971,440**
LIABILITIES						
Accounts payable and accrued expenses	75,234	51,477	211,093	134,960	257,300	730,064
Accrued salaries and benefits	142,157	67,812	177,144	89,762	155,922	632,797
Third-party payor settlements, net	170,565	98,848	74,859	33,172	177,578	555,022
Current portion of long-term debt and financing obligations	21,211	5,663	31,889	26,695	5,570	91,028
Other current liabilities	47,897	13,464	8,496	10,904	112,501	193,262
Current liabilities	**457,064**	**237,264**	**503,481**	**295,493**	**708,871**	**2,202,173**
Long-term debt and financing obligations, net of current portion	320,819	329,673	876,922	771,188	917,096	3,215,698
Net pension liability	1,151,862	536,927	1,245,807	844,319	1,655,695	5,434,610
Net retiree health benefits liability	1,268,189	572,706	1,358,829	932,379	1,945,198	6,077,301
Notes payable to campus		15,474		93,558		109,032
Pension payable to University	304,044	136,139	326,734	222,361	431,107	1,420,385
Interest rate swap agreements			65,166		8,320	73,486
Self-insurance					19,054	19,054
Other noncurrent liabilities	50,636			29,686	11,131	91,453
Noncurrent liabilities	**3,095,550**	**1,590,919**	**3,873,458**	**2,893,491**	**4,987,601**	**16,441,019**
Total liabilities	**3,552,614**	**1,828,183**	**4,376,939**	**3,188,984**	**5,696,472**	**18,643,192**
DEFERRED INFLOWS OF RESOURCES	**408,817**	**226,433**	**547,364**	**284,341**	**617,396**	**2,084,351**
NET POSITION						
Net investment in capital assets	766,483	431,447	762,330	813,976	1,505,229	4,279,465
Restricted: Nonexpendable endowments and gifts			598		29,150	29,748
Restricted: Nonexpendable for minority interest			13,848			13,848
Restricted: Expendable capital projects and other	13,283	9,348	10,330		68,233	101,194
Unrestricted	(1,402,943)	(676,041)	(1,139,791)	(1,154,581)	(1,905,486)	(6,278,842)
Total net position	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2018 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
ASSETS						
Cash and cash equivalents	$741,159	$331,844	$943,930	$293,548	$823,411	$3,133,892
Short-term investments			230,080			230,080
Net patient accounts receivable	248,467	155,384	330,172	321,636	594,448	1,650,107
Other receivables	21,433	597	33,539	18,884	86,924	161,377
Third-party payor settlements, net	42,500	63,803	41,270	67,434	25,862	240,869
Inventory	34,367	21,641	36,695	31,724	55,062	179,489
Prepaid expenses and other assets	51,504	15,717	50,536	21,618	62,447	201,822
Current assets	**1,139,430**	**588,986**	**1,666,222**	**754,844**	**1,648,154**	**5,797,636**
Restricted assets:						
Deposits held for hospital construction	45,783	41,547	45	4,138	16	91,529
Donor funds			10,883		78,093	88,976
Capital assets, net	1,080,332	759,413	1,717,689	1,661,760	2,375,485	7,594,679
Investments in joint ventures	16,369		1,460	18,884	13,712	50,425
Investments			63,370		188,099	251,469
Other assets	89,079		29,931	1,330	13,477	133,817
Noncurrent assets	**1,231,563**	**800,960**	**1,823,378**	**1,686,112**	**2,668,882**	**8,210,895**
Total assets	**2,370,993**	**1,389,946**	**3,489,600**	**2,440,956**	**4,317,036**	**14,008,531**
DEFERRED OUTFLOWS OF RESOURCES	**330,997**	**128,954**	**454,015**	**401,567**	**775,863**	**2,091,396**
LIABILITIES						
Accounts payable and accrued expenses	66,944	46,774	201,492	116,215	259,651	691,076
Accrued salaries and benefits	110,751	60,368	166,951	75,816	151,795	565,681
Third-party payor settlements, net	173,380	104,744	67,470	15,930	136,227	497,751
Current portion of long-term debt and financing obligations	21,152	2,737	28,548	25,862	5,060	83,359
Other current liabilities	36,711	15,621	6,843	12,953	103,171	175,299
Current liabilities	**408,938**	**230,244**	**471,304**	**246,776**	**655,904**	**2,013,166**
Long-term debt and financing obligations, net of current portion	342,030	335,335	908,811	792,429	922,666	3,301,271
Net pension liability	643,552	292,837	706,286	460,577	910,558	3,013,810
Net retiree health benefits liability	1,215,567	548,548	1,404,685	867,819	1,789,855	5,826,474
Notes payable to campus		20,632		95,000		115,632
Pension payable to University	266,959	117,776	294,440	192,368	369,031	1,240,574
Interest rate swap agreements			49,068		6,435	55,503
Self-insurance					18,413	18,413
Other noncurrent liabilities				3,565	10,945	14,510
Noncurrent liabilities	**2,468,108**	**1,315,128**	**3,363,290**	**2,411,758**	**4,027,903**	**13,586,187**
Total liabilities	**2,877,046**	**1,545,372**	**3,834,594**	**2,658,534**	**4,683,807**	**15,599,353**
DEFERRED INFLOWS OF RESOURCES	**388,442**	**234,578**	**447,245**	**274,761**	**583,859**	**1,928,885**
NET POSITION						
Net investment in capital assets	698,049	421,341	780,373	847,607	1,447,759	4,195,129
Restricted: Nonexpendable endowments and gifts			603		27,715	28,318
Restricted: Expendable capital projects and other	45,783	41,547	10,281		49,530	147,141
Unrestricted	(1,307,330)	(723,938)	(1,129,481)	(938,379)	(1,699,771)	(5,798,899)
Total net position	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Net patient service revenue	$2,276,798	$1,167,754	$2,721,912	$1,955,993	$4,530,333	$12,652,790
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					43,134	43,134
Other	52,492	103,298	123,552	111,455	245,747	636,544
Total other operating revenue	**52,492**	**111,180**	**137,019**	**111,455**	**288,881**	**701,027**
Total operating revenue	**2,329,290**	**1,278,934**	**2,858,931**	**2,067,448**	**4,819,214**	**13,353,817**
Operating expenses:						
Salaries and wages	937,657	452,767	1,052,871	741,263	1,718,914	4,903,472
Pension benefits	300,946	130,154	315,589	238,764	490,465	1,475,918
Retiree health benefits	85,796	33,989	84,132	80,030	171,511	455,458
Other employee benefits	192,312	71,179	214,621	186,947	311,284	976,343
Professional services	139,095	17,919	31,298	71,961	826,532	1,086,805
Medical supplies	353,221	236,457	412,930	490,104	690,118	2,182,830
Other supplies and purchased services	167,610	151,855	377,532	160,971	409,569	1,267,537
Depreciation and amortization	84,354	84,675	152,840	102,640	212,222	636,731
Insurance and other	91,207	25,357	49,088	84,290	127,785	377,727
Total operating expenses	**2,352,198**	**1,204,352**	**2,690,901**	**2,156,970**	**4,958,400**	**13,362,821**
Income (loss) from operations	**(22,908)**	**74,582**	**168,030**	**(89,522)**	**(139,186)**	**(9,004)**
Nonoperating revenues (expenses):						
Hospital Fee Program grants	8,152	7,409	5,564	3,856	8,628	33,609
Investment income	23,514	9,059	30,459	7,513	26,273	96,818
Build America Bonds federal interest subsidies		3,371	3,092	2,375	15,172	24,010
Private gifts, net					31,735	31,735
Net appreciation in fair value of investments	3,536		10,848		9,414	23,798
Interest expense	(7,591)	(15,511)	(33,562)	(39,150)	(35,763)	(131,577)
Gain (loss) on disposal of capital assets	950	(407)	(1,360)	(259)	(409)	(1,485)
Other	(12,201)	(13,440)	2,562	(2,013)	(10,878)	(35,970)
Net nonoperating revenues (expenses)	**16,360**	**(9,519)**	**17,603**	**(27,678)**	**44,172**	**40,938**
Income (loss) before other changes in net position	**(6,548)**	**65,063**	**185,633**	**(117,200)**	**(95,014)**	**31,934**
Other changes in net position:						
Donated assets	23		181	10,950	127,498	138,652
Contributions (distributions) for building programs	2,141	8,937	239	(1,408)		9,909
Contributions for joint venture			13,848			13,848
Transfers from (to) University, net	(22,611)	39,622		(9,005)		8,006
Changes in allocation for pension payable to University	(3,651)	(2,767)	3,866	(5,486)	(14,359)	(22,397)
Health system support	(29,033)	(85,051)	(218,228)	(127,684)	(146,232)	(606,228)
Other changes in net position	**(53,131)**	**(39,259)**	**(200,094)**	**(132,633)**	**(33,093)**	**(458,210)**
Increase (decrease) in net position	**(59,679)**	**25,804**	**(14,461)**	**(249,833)**	**(128,107)**	**(426,276)**
Net position:						
Beginning of year	(563,498)	(261,050)	(338,224)	(90,772)	(174,767)	(1,428,311)
End of year	**($623,177)**	**($235,246)**	**($352,685)**	**($340,605)**	**($302,874)**	**($1,854,587)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2018 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Net patient service revenue	$2,172,804	$1,124,757	$2,395,252	$1,838,912	$4,155,733	$11,687,458
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					43,766	43,766
Other	48,957	44,865	105,346	99,317	170,907	469,392
Total other operating revenue	**48,957**	**52,747**	**118,813**	**99,317**	**214,673**	**534,507**
Total operating revenue	**2,221,761**	**1,177,504**	**2,514,065**	**1,938,229**	**4,370,406**	**12,221,965**
Operating expenses:						
Salaries and wages	898,454	427,120	1,011,430	671,513	1,589,405	4,597,922
Pension benefits	107,400	37,541	121,203	86,068	194,567	546,779
Retiree health benefits	89,497	34,908	109,242	77,397	161,755	472,799
Other employee benefits	174,866	89,914	202,184	185,116	269,081	921,161
Professional services	129,586	22,414	35,315	63,125	726,528	976,968
Medical supplies	344,284	183,205	361,874	408,936	609,932	1,908,231
Other supplies and purchased services	139,897	145,814	360,111	150,869	368,743	1,165,434
Depreciation and amortization	76,331	78,723	147,785	93,379	216,292	612,510
Insurance and other	85,254	23,024	44,903	77,362	105,813	336,356
Total operating expenses	**2,045,569**	**1,042,663**	**2,394,047**	**1,813,765**	**4,242,116**	**11,538,160**
Income from operations	**176,192**	**134,841**	**120,018**	**124,464**	**128,290**	**683,805**
Nonoperating revenues (expenses):						
Hospital Fee Program grants	4,041	3,685	6,584	5,596	7,238	27,144
Investment income	13,952	5,573	21,720	4,881	17,390	63,516
Build America Bonds federal interest subsidies		3,353	3,074	2,368	15,089	23,884
Private gifts, net					31,034	31,034
Net appreciation in fair value of investments			9,645		19,273	28,918
Interest expense	(6,989)	(12,927)	(34,419)	(37,532)	(43,844)	(135,711)
Gain (loss) on disposal of capital assets	266	(6)	(470)	(525)	(298)	(1,033)
Other	4,342	(12,439)	3,738	253	307	(3,799)
Net nonoperating revenues (expenses)	**15,612**	**(12,761)**	**9,872**	**(24,959)**	**46,189**	**33,953**
Income before other changes in net position	**191,804**	**122,080**	**129,890**	**99,505**	**174,479**	**717,758**
Other changes in net position:						
Donated assets			(466)	5,149	120,820	125,503
Contributions (distributions) for building programs	1,066	1,566		(23,133)	1,251	(19,250)
Transfers from (to) University, net	(19,570)	6,198	12,629	(3,034)	15,850	12,073
Changes in allocation for pension payable to University	2,032	9,523	(1,148)	(10,528)	(3,175)	(3,296)
Health system support	(30,285)	(48,173)	(212,827)	(124,055)	(116,286)	(531,626)
Other changes in net position	**(46,757)**	**(30,886)**	**(201,812)**	**(155,601)**	**18,460**	**(416,596)**
Increase (decrease) in net position	**145,047**	**91,194**	**(71,922)**	**(56,096)**	**192,939**	**301,162**
Net position:						
Beginning of year	(708,545)	(352,244)	(266,302)	(34,676)	(367,706)	(1,729,473)
End of year	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**	**($1,428,311)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Cash flows from operating activities:						
Receipts from patients and third-party payors	$2,235,509	$1,159,008	$2,684,363	$1,981,047	$4,499,004	$12,558,931
Payments to employees	(913,403)	(445,323)	(1,050,017)	(727,317)	(1,732,783)	(4,868,843)
Payments to suppliers	(735,464)	(407,832)	(815,415)	(816,457)	(1,956,756)	(4,731,924)
Payments for benefits	(339,677)	(142,782)	(365,836)	(301,339)	(765,714)	(1,915,348)
Other receipts	73,196	74,658	87,931	138,721	388,013	762,519
Net cash provided by operating activities	**320,161**	**237,729**	**541,026**	**274,655**	**431,764**	**1,805,335**
Cash flows from noncapital financing activities:						
Health system support	(29,033)	(85,051)	(218,228)	(127,684)	(146,232)	(606,228)
Grants from the Hospital Fee Program	8,921	7,409	5,564	3,856	8,628	34,378
Transfers from (to) University, net	(22,611)	39,622		(9,005)		8,006
Gifts received for other than capital purposes					31,735	31,735
Repayment of notes payable to campus		(5,158)				(5,158)
Net cash used by noncapital financing activities	**(42,723)**	**(43,178)**	**(212,664)**	**(132,833)**	**(105,869)**	**(537,267)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for building programs	2,141	8,937		(1,408)		9,670
Proceeds from financing obligations and other borrowings				6,482		6,482
Build America Bonds federal interest subsidies		3,371	3,092	2,376	15,172	24,011
Proceeds from sale of capital assets	4		110	14,136		14,250
Purchases of capital assets	(128,593)	(93,046)	(111,349)	(65,001)	(261,638)	(659,627)
Scheduled principal paid on long-term debt and financing obligations	(17,900)	(1,531)	(21,779)	(22,855)	(4,355)	(68,420)
Interest paid on long-term debt and financing obligations	(13,017)	(16,716)	(39,589)	(42,442)	(53,670)	(165,434)
Gifts and donated funds	23		181	10,950	127,498	138,652
Repayment of notes payable to campus				(1,442)		(1,442)
Other nonoperating receipts (payments)		(39)	2,800	416	253	3,430
Net cash used by capital and related financing activities	**(157,342)**	**(99,024)**	**(166,534)**	**(98,788)**	**(176,740)**	**(698,428)**
Cash flows from investing activities:						
Investment income received	21,890	9,059	30,459	7,512	26,273	95,193
Contributions to investments in joint ventures, net			(15,326)	(4,134)	(21,249)	(40,709)
Purchase of investments	(100,576)		(5,997)		(1,709)	(108,282)
Proceeds from sales and maturities of investments					2,406	2,406
Change in restricted assets	32,065	32,200	(45)	1,295	(22,051)	43,464
Other nonoperating receipts (payments)	4,651	(13,401)			(9,656)	(18,406)
Net cash provided (used) by investing activities	**(41,970)**	**27,858**	**9,091**	**4,673**	**(25,986)**	**(26,334)**
Net increase in cash and cash equivalents	**78,126**	**123,385**	**170,919**	**47,707**	**123,169**	**543,306**
Cash and cash equivalents - beginning of year	741,159	331,844	943,930	293,548	823,411	3,133,892
Cash and cash equivalents - end of year	**$819,285**	**$455,229**	**$1,114,849**	**$341,255**	**$946,580**	**$3,677,198**

STATEMENTS OF CASH FLOWS *continued*

For the year ended June 30, 2019 (in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Reconciliation of income (loss) from operations to net cash provided by operating activities:						
Income (loss) from operations	($22,908)	$74,582	$168,030	($89,522)	($139,186)	($9,004)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	84,354	84,675	152,840	102,640	212,222	636,731
Provision for uncollectible accounts	92,731	79,962	45,706	23,308	45,779	287,486
Changes in operating assets and liabilities:						
Patient accounts receivable	(113,710)	(82,812)	(114,511)	(68,675)	(133,890)	(513,598)
Other receivables	(32)	(9,008)	3,239	188	(1,469)	(7,082)
Inventory	(3,441)	1,683	(4,819)	(1,837)	(1,860)	(10,274)
Prepaid expenses and other assets	(67)	(8,580)	(6,075)	1,410	(51,312)	(64,624)
Other assets	5,228				12,169	17,397
Accounts payable and accrued expenses	19,243	5,296	13,613	20,865	11,244	70,261
Accrued salaries and benefits	31,406	7,444	10,193	13,946	4,127	67,116
Third-party payor settlements	(13,311)	(5,896)	29,989	70,421	56,782	137,985
Other liabilities	9,827	(2,157)	1,653	(2,491)	10,189	17,021
Pension benefits	173,615	72,124	187,649	145,375	422,907	1,001,670
Retiree health benefits	57,226	20,416	53,519	59,027	(15,938)	174,250
Net cash provided by operating activities	**$320,161**	**$237,729**	**$541,026**	**$274,655**	**$431,764**	**$1,805,335**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$12,870	$1,881	$5,487	$2,197	$17,520	$39,955
Amortization of bond premium	3,252	1,205	6,769	4,035	705	15,966
Capital asset transfers from (to) the University	97	(921)		(13,480)		(14,304)
Change in fair value of interest rate swaps			16,098		(1,885)	14,213
Swap fair value amortization			(1,046)			(1,046)
Beneficial interests in irrevocable split-interest agreements					14,793	14,793

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2018 (in thousands of dollars)

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Cash flows from operating activities:						
Receipts from patients and third-party payors	$2,137,790	$1,075,330	$2,424,797	$1,723,041	$4,119,593	$11,480,551
Payments to employees	(891,423)	(453,987)	(1,004,666)	(665,276)	(1,634,372)	(4,649,724)
Payments to suppliers	(717,905)	(356,920)	(791,467)	(727,947)	(1,742,457)	(4,336,696)
Payments for benefits	(334,815)	(130,758)	(378,375)	(292,960)	(572,134)	(1,709,042)
Other receipts	43,896	(6,722)	103,350	133,658	209,776	483,958
Net cash provided by operating activities	**237,543**	**126,943**	**353,639**	**170,516**	**380,406**	**1,269,047**
Cash flows from noncapital financing activities:						
Health system support	(30,285)	(48,173)	(200,198)	(124,055)	(116,286)	(518,997)
Grants from the Hospital Fee Program	7,045	3,685	6,584	5,596	7,238	30,148
Transfers from (to) University, net	(19,570)			(11,270)		(30,840)
Gifts received for other than capital purposes					31,038	31,038
Repayment of notes payable to campus		(5,158)	(75,000)			(80,158)
Net cash used by noncapital financing activities	**(42,810)**	**(49,646)**	**(268,614)**	**(129,729)**	**(78,010)**	**(568,809)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for building programs	1,066	1,566		(23,133)	1,251	(19,250)
Proceeds from financing obligations and other borrowings	5,340	1,765	24,030	263,123		294,258
Build America Bonds federal interest subsidies		3,353	3,074	2,368	15,089	23,884
Proceeds from sale of capital assets	62			332		394
Purchases of capital assets	(110,227)	(97,856)	(115,657)	(115,339)	(212,689)	(651,768)
Refinancing or prepayment of outstanding debt	(4,595)	(1,875)	(20,680)	(225,521)		(252,671)
Scheduled principal paid on long-term debt and financing obligations	(18,436)	(1,539)	(20,231)	(19,527)	(4,210)	(63,943)
Interest paid on long-term debt and financing obligations	(12,895)	(15,265)	(41,657)	(41,715)	(54,211)	(165,743)
Gifts and donated funds			(466)	5,149	120,820	125,503
Other nonoperating receipts (payments)	2,440	247	254	253	(142)	3,052
Net cash used by capital and related financing activities	**(137,245)**	**(109,604)**	**(171,333)**	**(154,010)**	**(134,092)**	**(706,284)**
Cash flows from investing activities:						
Investment income received	11,892	5,573	21,720	4,881	17,390	61,456
Distributions from (contributions to) investments in joint ventures, net	150		3,416	1,252	(4,342)	476
Purchase of investments			(5,512)		(4,566)	(10,078)
Proceeds from sales and maturities of investments					2,284	2,284
Change in restricted assets	40,965	28,155	2,853	5,816	17,173	94,962
Other nonoperating receipts (payments)	2,255	(12,439)			444	(9,740)
Net cash provided by investing activities	**55,262**	**21,289**	**22,477**	**11,949**	**28,383**	**139,360**
Net increase (decrease) in cash and cash equivalents	**112,750**	**(11,018)**	**(63,831)**	**(101,274)**	**196,687**	**133,314**
Cash and cash equivalents - beginning of year	628,409	342,862	1,007,761	394,822	626,724	3,000,578
Cash and cash equivalents - end of year	**$741,159**	**$331,844**	**$943,930**	**$293,548**	**$823,411**	**$3,133,892**

STATEMENTS OF CASH FLOWS *continued*

For the year ended June 30, 2018 (in thousands of dollars)

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Reconciliation of income from operations to net cash provided by operating activities:						
Income from operations	$176,192	$134,841	$120,018	$124,464	$128,290	$683,805
Adjustments to reconcile income from operations to net cash provided by operating activities:						
Depreciation and amortization expense	76,331	78,723	147,785	93,379	216,292	612,510
Provision for uncollectible accounts	118,743	58,513	33,960	28,622	30,362	270,200
Changes in operating assets and liabilities:						
Patient accounts receivable	(124,649)	(91,417)	(46,906)	(95,900)	(70,006)	(428,878)
Other receivables	(3,397)	(39,374)	(12,157)	(2,751)	(46,532)	(104,211)
Inventory	(3,021)	(2,204)	(2,968)	(3,296)	(4,442)	(15,931)
Prepaid expenses and other assets	(11,556)	1,629	(8,590)	(6,053)	(7,609)	(32,179)
Other assets	(84,797)					(84,797)
Accounts payable and accrued expenses	(3,841)	(4,912)	19,522	8,627	28,953	48,349
Accrued salaries and benefits	12,051	(1,021)	9,395	6,237	(47,878)	(21,216)
Third-party payor settlements	47,155	(16,523)	42,762	(48,593)	3,504	28,305
Other liabilities	4,542	2,929	(804)	10,159	41,056	57,882
Pension benefits	(26,692)	(16,057)	(24,093)	(1,066)	73,695	5,787
Retiree health benefits	60,482	21,816	75,715	56,687	34,721	249,421
Net cash provided by operating activities	**$237,543**	**$126,943**	**$353,639**	**$170,516**	**$380,406**	**$1,269,047**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$23,823	$2,475	$9,499	$4,317	$31,116	$71,230
Bond retirements				(3,480)		(3,480)
Amortization of bond premium	3,403	1,384	6,743	2,891	1,197	15,618
Capital asset transfers from (to) the University	(10,637)	1,566				(9,071)
Change in fair value of interest rate swaps			(12,870)		(2,989)	(15,859)
Swap fair value amortization			(1,046)			(1,046)
Advances from University				21,336		21,336
Beneficial interests in irrevocable split-interest agreements					12,798	12,798
Notes receivable for net patient service revenue	95,610					95,610

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2019 and 2018

1. ORGANIZATION

The University of California, Medical Centers (the Medical Centers) are operating units of the University of California (the University), a California public corporation under Article IX, Section 9 of the California Constitution. Since a majority of the Regents are appointed by the governor and approved by the state Senate, the University is a component unit of the state of California. The University is administered by The Regents of the University of California (The Regents) of which, under the formation documents of the University, administrative authority with respect to the Medical Centers is vested in the President of the University. The Medical Centers consist of the University of California, Davis Medical Center (UC Davis Medical Center or Davis), the University of California, Irvine Medical Center (UC Irvine Medical Center or Irvine), the University of California, Los Angeles Medical Center (UCLA Medical Center or Los Angeles), the University of California, San Diego Medical Center (UC San Diego Medical Center or San Diego) and the University of California, San Francisco Medical Center (UCSF Medical Center or San Francisco). The Medical Centers provide educational and clinical opportunities for students in the University's Schools of Medicine (Schools of Medicine) and offer a comprehensive array of medical services including tertiary and quaternary care services.

The financial statements of the Medical Centers present the financial position, and the changes in financial position and cash flows, of only that portion of the University that is attributable to the transactions of the Medical Centers.

The Regents are the sole corporate and voting member of Children's Hospital & Research Center Oakland (CHRCO), a private, not-for-profit 501(c)(3) corporation. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. Since San Francisco provides certain management services for CHRCO, CHRCO combined with its foundation is included with UCSF Medical Center in the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Medical Centers have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable Statements of the Governmental Accounting Standards Board (GASB). The proprietary fund method of accounting is followed and uses the economic resources measurement focus and the accrual basis of accounting.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was adopted by the Medical Centers as of July 1, 2018. The Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with

an asset retirement obligation is measured at the amount of the corresponding liability upon initial measurement and is generally recognized as an expense during the reporting periods that the asset provides service. The adoption of Statement No. 83 did not result in any adjustments to the previously issued financial statements of the Medical Centers.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was implemented by the Medical Centers as of July 1, 2018. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires additional disclosures related to debt including providing additional information for direct borrowings and direct placements of debt separately from other debt. Implementation of Statement No. 88 had no impact on the financial statements.

Significant accounting policies of the Medical Centers are as follows (total columns are memorandum only):

Cash and cash equivalents. All University operating entities maximize the returns on their cash balances by investing in a Short Term Investment Pool (STIP) managed by the Treasurer of The Regents. The Regents are responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Treasurer of The Regents.

Substantially all of the Medical Centers' cash is deposited into the STIP. The Medical Centers consider demand deposits and STIP balances, other than amounts held in for construction, to be cash and cash equivalents.

The net asset value for the STIP is held at a constant value of $1, not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of the investments included in the STIP (which are predominately held to maturity) and are not recorded by each operating entity but absorbed by the University as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, the Medical Centers have not experienced any losses on these accounts.

Interest income is reported as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Additional information on cash and investments can be obtained from the University's 2018-2019 annual report.

UCSF Medical Center includes certain investments in highly liquid debt instruments with original maturities of three months or less as cash and cash equivalents.

Investments. Investments are reported at fair value. The Medical Centers' investments consist of investments in the UC Regents Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP) and General Endowment Pool (GEP). UCSF Medical Center's investments consist of investments in the UCSF Foundation's (UCSFF's) Endowed Investment Pool (EIP), the University's STIP and other investment securities. The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the month. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Inventory. The Medical Centers' inventory consists primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

Prepaid expenses and other assets. The Medical Centers' prepaid expenses are primarily prepayments for pharmaceuticals and medical supplies, rent, equipment and maintenance contracts. Other assets include beneficial interests in irrevocable split-interest agreements administered by third parties.

Restricted assets, deposits held for hospital construction. The University directly finances the construction, renovation and acquisition of facilities and equipment as authorized by The Regents through the issuance of debt obligations. Bond proceeds are primarily invested in STIP and are released to the Medical Centers when spent on qualifying expenditures for hospital construction.

Restricted assets, donor funds. The Medical Centers have been designated as the trustees for several charitable remainder trusts. The trusts are established by donors to provide income to designated beneficiaries, generally for life. Upon maturity, the principal in the trusts will be distributed to the Medical Centers. Trust assets are recorded at fair value.

The Medical Centers have been named the irrevocable beneficiaries for several charitable remainder trusts for which the Medical Centers are not the trustees. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the Medical Centers. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The Medical Centers recognize contribution revenue when all eligibility requirements have been met.

Beneficial interests in irrevocable split-interest agreements. The beneficial interests in irrevocable split-interest agreements represent the Medical Centers' right to the portion of the benefits from the irrevocable split-interest agreements that are administered by third parties and are recognized as an asset and deferred inflows of resources. These are measured at fair value and are reported as other noncurrent assets in the statements of net position. Changes in the fair value of the beneficial interest asset are recognized as an increase or decrease in the related deferred inflows of resources. At the termination of the agreement, net assets received from the beneficial interests are recognized as revenues.

Capital assets, net. The Medical Centers' capital assets are reported at cost at the date of acquisition. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. The range of the estimated useful lives for the Medical Centers' buildings and land improvements is 5 to 40 years and 2 to 20 years for equipment. University guidelines mandate that land purchased with the Medical Centers' funds is recorded as an asset of the Medical Centers. Land utilized by the Medical Centers but purchased with other sources of funds is recorded as an asset of the University. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized by the Medical Centers if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Investments in joint ventures. Certain Medical Centers have entered into joint-venture arrangements with various third-party entities that include home health services, cancer center operations and a health maintenance organization. Investments in these joint ventures are recorded using the equity method.

Interest rate swap agreements. Certain Medical Centers have entered into interest rate swap agreements to limit the exposure of their variable-rate debt to changes in market interest rates. These derivative financial instruments are agreements that involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The difference to be paid or received is recognized over the life of the agreements as an adjustment to interest expense.

Interest rate swaps are recorded at fair value as either assets or liabilities in the statements of net position. The Medical Centers have determined that the market interest rate swaps are hedging derivatives that hedge future cash flows. Under hedge accounting, changes in the fair value are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

At the time of pricing certain interest rate swaps, the fixed rate of the swaps was off-market such that the Medical Centers received an up-front payment. As such, the swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the up-front payment. The unamortized amount of the borrowing is included in the current and noncurrent portion of debt and amortized as interest expense over the term of the bonds.

Bond premium. The premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer.

Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. While the Medical Centers participate in the self-insurance programs, they are administered by the University of California Office of the President. Accordingly, the self-insurance assets and liabilities are not included in the accompanying financial statements.

CHRCO has a claims-made policy for medical malpractice claims. Under this policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. CHRCO has a high-deductible, per-occurrence policy for workers' compensation with no limit, and is effectively self-insured due to the high deductible. CHRCO has a self-insured preferred provider organization plan for health claims.

Asset retirement obligations. Upon an obligating event, the Medical Centers record the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively. The Medical Centers classify gains on refunding of debt, increases in the fair value of the hedging derivatives and changes in irrevocable split-interest agreements as deferred inflows of resources. The Medical Centers classify losses on refunding of debt, decreases in the fair value of hedging derivatives and certain asset retirement obligations as deferred outflows of resources. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split-interest agreements are recognized when the resources become available to spend.

Changes in net pension and retiree health liabilities not included in expense, including proportionate shares of collective pension and retiree health expenses from the University of California Retirement Plan, are reported as deferred outflows of resources or deferred inflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes in the following categories:

Net Investment in Capital Assets — Capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted — The Medical Centers classify net position resulting from transactions with purpose restrictions as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable — Net position subject to externally imposed restrictions that must be retained in perpetuity. Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable — Net position whose use is subject to externally imposed restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Unrestricted — Net positions that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by management or The Regents. Substantially all unrestricted net positions are allocated for operating initiatives or programs, or for capital programs.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the Medical Centers' reserves.

Contributions received by CHRCO may be designated by the donor for restricted purposes or may be without restriction as to their use. Contributions restricted by donors as to use or time period are reported as restricted until used in a manner designated or upon expiration of the time period. Under California law, income and gains on permanently restricted net position are maintained in restricted expendable net position until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act. Income and gains on permanently restricted net position that are available for expenditure are $9.5 million and $9.8 million as of June 30, 2019 and 2018, respectively.

Revenues and expenses. Revenues received through conducting the programs and services of the Medical Centers are presented in the financial statements as operating revenue. Revenues include professional fees earned by the faculty physicians practicing as the UCSF Faculty Clinical Practices.

Operating revenues include net patient service revenue reported at the estimated net realizable amounts from patients, third-party payors including Medicare and Medi-Cal, and others for services rendered, including estimated retroactive audit 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. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Medical Centers believe that they are in compliance with all applicable laws and regulations related to the Medicare and Medi-Cal programs.

The Medical Centers estimate and recognize a provision for uncollectible accounts based on historical experience.

CHRCO receives grants from federal agencies and other third parties. Government grants are reimbursed based on actual expenses incurred or units of service provided. Revenue from these grants is recognized either when expenses are incurred or when services are provided, depending on the grant award agreements.

Substantially all of the Medical Centers' operating expenses are directly or indirectly related to patient care activities.

Nonoperating revenues and expenses include Hospital Fee Program grants, interest income and expense, federal interest subsidies, gains on bond retirements, the gain or loss on the disposal of capital assets and other nonoperating revenue and expenses.

Health system support, donated assets, contributions for building programs, transfers to the University and changes in allocation for pension payable to the University are classified as other changes in net position.

Net pension liability. The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of the Medical Centers. The Medical Centers are required to contribute to UCRP at a rate set by The Regents. Net pension liability includes the Medical Centers' share of the University's net pension liability for UCRP. The Medical Centers' share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon their proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the Plan. For purposes of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Net pension liability also includes the net pension liability for the Retirement Plan for Children's Hospital & Research Center Oakland (CHRCO Plan). The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position have been measured consistent with the accounting policies used by the CHRCO Plan. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Net retiree health benefits liability. The University provides retiree health benefits to retired employees of the Medical Centers. The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including the Medical Centers, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Contributions from the Medical Centers to the UCRHBT are effectively made to a single-employer health plan administered by the University as a cost-sharing plan. The Medical Centers are required to contribute at a rate assessed each year by the University.

Net retiree health benefits liability includes the Medical Centers' share of the University's net retiree health benefits liability for UCRHBT. The Medical Centers' share of net retiree health benefits liability, deferred inflows of resources, deferred outflows of resources and retiree health benefits expense have been determined based upon their proportionate share of UCRP's covered compensation for the fiscal year. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting

policies used by the trust. For purposes of measuring UCRHBT's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Pension payable to University. Additional deposits in UCRP have been made using University resources to make up the gap between the approved contribution rates and the required contributions based on The Regents' funding policy. These deposits, carried as internal loans by the University, are being repaid by the Medical Centers, plus accrued interest, through 2042 with a supplemental pension assessment. The Medical Centers' share of the internal loans has been determined based upon their proportionate share of covered compensation for the fiscal year. Supplemental pension assessments are reported as pension expense by the Medical Centers. Additional deposits in UCRP by the University, and changes in the Medical Centers' share of the internal loans, are reported as other changes in net position.

Charity care. The Medical Centers provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. The Medical Centers also provide services to other patients under publicly sponsored programs, which may reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these persons and the expected reimbursement is included in the estimated cost of charity care.

Transactions with the University and University affiliates. The Medical Centers have various transactions with the University and University affiliates. The University, as the primary reporting entity, has at its discretion the ability to transfer cash from the Medical Centers at will (subject to certain restrictive covenants or bond indentures) and to use that cash at its discretion. The Medical Centers record expense transactions where direct and incremental economic benefits are received by the Medical Centers. Payments, which constitute subsidies or payments for which the Medical Centers do not receive direct and incremental economic benefit, are recorded as health system support in the statements of revenues, expenses and changes in net position.

Certain revenues and expenses are allocated from the University to the Medical Centers. Allocated expenses reported as operating expenses in the statements of revenues, expenses and changes in net position are management's best estimates of the Medical Centers' arms-length payment of such amounts for its market-specific circumstances. To the extent that payments to the University exceed an arms-length estimated amount relative to the benefit received by the Medical Centers, they are recorded as health system support.

Compensated absences. The Medical Centers accrue annual leave, including employer related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Tax exemption. The University of California is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income tax under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. CHRCO is qualified for exemption under IRC Section 501(c)(3).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes these estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

Reclassifications. Certain reclassifications have been made to the 2018 financial information to conform to the 2019 financial statement presentation.

New accounting pronouncements. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the Medical Centers' fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The Medical Centers are evaluating the effect that Statement No. 84 will have on their financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the Medical Centers' fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-

approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend financed purchases, leases of assets that are investments and certain regulated leases. The Medical Centers are evaluating the effect Statement No. 87 will have on their financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* effective prospectively for the Medical Centers' fiscal year beginning July 1, 2020. The Statement requires that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. As a result, interest costs would not be capitalized as part of the asset's historical cost. For construction in progress, interest cost incurred after applying Statement No. 89 will not be capitalized. The Medical Centers expect interest expense to increase upon implementation of Statement No. 89.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests — An amendment of GASB Statements No. 14 and No. 61*, effective for the Medical Centers' fiscal year beginning July 1, 2019. The Statement defines a majority equity interest in a legally separate organization and clarifies the accounting and financial reporting for majority equity interests, classified as either investments or component units, in the financial statements. The Medical Centers are evaluating the effect that Statement No. 90 will have on their financial statements.

2. INVESTMENTS

The composition of investments, by investment type and fair value level at June 30, is as follows:

(in thousands of dollars)

	FAIR VALUE LEVEL	DAVIS	LOS ANGELES		SAN FRANCISCO	
		2019	2019	2018	2019	2018
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2				$442	$422
U.S. government-guaranteed					**442**	**422**
Other U.S. dollar-denominated:						
U.S. agencies - asset-backed securities	2					29
Other U.S. dollar-denominated						**29**
Commingled funds:						
U.S. equity funds	1				963	1,096
Non-U.S. equity funds	1				395	404
U.S. bond funds	1				308	326
Non-U.S. bond funds	1				147	159
Money market funds	1				95	95
Balanced funds	NAV	$103,536	$310,295	$293,450	243,152	234,375
Commingled funds		**103,536**	**310,295**	**293,450**	**245,060**	**236,455**
Publicly traded real estate investment trusts	1				270	259
Total investments		**103,536**	**310,295**	**293,450**	**245,772**	**237,165**
Less: Current portion		(103,536)	(241,738)	(230,080)		
Less: Reported as restricted assets in donor funds					(50,178)	(49,066)
Noncurrent portion			**$68,557**	**$63,370**	**$195,594**	**$188,099**

The University-managed commingled funds (UC pooled funds) serve as the core investment vehicle for the Medical Centers. A description of the funds used is as follows:

TRIP. The Total Return Investment Pool (TRIP) allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP supplements STIP by investing in an intermediate-term, higher-risk portfolio allocated across equities, fixed-income and liquid alternative strategies, and allows participants to maximize the return on their long-term capital. The objective of TRIP is to generate a rate of return above

the policy benchmark, after all costs and fees, consistent with liquidity, cash flow requirements and the risk. UCLA Medical Center's investment in TRIP is classified as commingled balanced funds. TRIP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in TRIP was $241.7 million and $230.1 million at June 30, 2019 and 2018, respectively.

Investments in TRIP require at least one calendar quarter notice to the campus for any redemptions or withdrawals. Withdrawals will occur on the last business day of the month. Investments into TRIP are subject to certain withdrawal guidelines such as limiting the withdrawals to 10 percent of the current value of TRIP in any one quarter.

BGP. The Blue & Gold Pool (BGP) is an investment pool established by The Regents and is available to the University and its related entities. The objective of BGP is to provide a low cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from the STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used. UC Davis Medical Center's investment in BGP is classified as commingled balanced funds. BGP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UC Davis Medical Center's investment in BGP was $103.5 million at June 30, 2019.

GEP. The General Endowment Pool (GEP) is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. UCLA Medical Center's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from the Medical Center's perspective. The fair value of the UCLA Medical Center's investment in GEP was $68.6 million and $63.4 million at June 30, 2019 and 2018, respectively.

EIP. UCSF Medical Center invests primarily in the UCSF Foundation's Endowed Investment Pool (EIP). EIP is the UCSF Foundation's primary investment vehicle for endowed gifts. The Foundation's primary investment objective is growth of principal sufficient to preserve purchasing power and provide income to support current and future activities. Investments in EIP include high-quality, readily marketable equity and fixed-income securities; other types of investments, including derivative instruments such as financial futures, may be made at the direction of the UCSF Foundation's Investment Committee. EIP represents investments in a unitized pool. UCSF Medical Center's investment in EIP is classified as commingled funds. Transactions within each individual endowment in the pool are based on the unit market value at the beginning or end of the month during which the transaction takes place for withdrawals and additions, respectively.

Investments in the EIP by the UCSF Foundation require at least twelve months' prior written notice of intention to terminate as of a date specified in the notice. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines such as providing a forecasted schedule of cash withdrawals 90 days prior to the start of each fiscal year.

Fair Value. Fair value is defined in the accounting standards as 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. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 — Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.

Level 2 — Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds (institutional funds not listed in active markets) and other assets that are valued using market information.

Level 3 — Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.

Not Leveled — Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. UCLA Medical Center and UCSF Medical Center have established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Credit Risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the security price to decline. These circumstances may arise due to a variety of factors, such as financial weakness or bankruptcy.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies; for example, Moody's Investor Service (Moody's) or Standard & Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. The credit risk profile for investments at June 30, 2019 and 2018 is as follows:

(in thousands of dollars)

	SAN FRANCISCO	
	2019	**2018**
Fixed- or variable-income securities:		
U.S. government-guaranteed	$442	$422
Other U.S. dollar-denominated:		
Not rated		29
Commingled funds:		
U.S. bond funds: Not rated	308	326
Non-U.S. bond funds: Not rated	147	159
Money market funds: Not rated	95	95

UC Davis Medical Center's, UCLA Medical Center's and UCSF Medical Center's commingled funds (including GEP, BGP, EIP and TRIP) are not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of UCSF Medical Center's investments are registered in the name of the UCSF Foundation. UCLA Medical Center's investments are registered in the name of the University.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools and other pooled investments are not subject to concentration of credit risk. Investments in the various investment pools managed by the Office of the Chief Investment Officer of the Regents and the UCSF Foundation are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of investments that comprises more than five percent of total investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis-point (1-percentage-point) change in the level of interest rates. It is not a measure of time.

The effective durations for fixed- or variable-income securities at June 30, 2019 and 2018 are as follows:

	SAN FRANCISCO	
	2019	**2018**
U.S. government-guaranteed:		
U.S. Treasury bills, notes and bonds	5.3	5.5

UCSF Medical Center considers the effective duration for money market funds to be zero, and effective duration information for the EIP is unavailable.

Investments include other asset-backed securities, which generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, BGP and GEP as well as the UCSF Foundation's asset allocation strategy includes allocations to non-U.S. equities and non-dollar-denominated bonds. Exposure from foreign currency risk results from investments in foreign currency-denominated equity, fixed-income and private equity securities. At June 30, 2019 and 2018, UCSF Medical Center is subject to foreign currency risk as a result of holding various currency denominations in the following investments:

(in thousands of dollars)

	SAN FRANCISCO	
	2019	**2018**
Commingled funds:		
Non-U.S. equity funds	$395	$404
Non-U.S. bond funds	147	159
Real estate investment trusts	92	97
Total exposure to foreign currency risk	**$634**	**$660**

3. NET PATIENT SERVICE REVENUE

The Medical Centers have agreements with third-party payors that provide for payments at amounts different from the Medical Centers' established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Medicare patient revenues include traditional reimbursement under Title XVIII of the Social Security Act or Medicare capitated contract revenue.

Inpatient acute care 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. Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications. The Medical Centers do not believe that there are significant credit risks associated with the Medicare program.

The Medical Centers are reimbursed for cost reimbursable items at a tentative rate with final settlement of such items determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Medical Centers' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Centers have received final notices from the Medicare fiscal intermediary through June 30, 2013, for UC Davis

Medical Center, except for 2004 and 2005, which are still under review; through June 30, June 30, 2011 for UC Irvine Medical Center, except for 2003 through 2005, which are currently under review; through June 30, 2012 for Ronald Reagan UCLA Medical Center; through June 30, 2016 for the Santa Monica Hospital; through June 30, 2017 for the Resnick Neuropsychiatric Hospital; through June 30, 2011 except for 2008 and 2010, for UC San Diego Medical Center; through 2011 for UCSF Medical Center, except for 2004 and 2005, which are currently under review; and through 2014 for CHRCO. The fiscal intermediary is in the process of conducting their audits of the subsequent cost reports. The results of these audits have yet to be finalized and any amounts due to or from Medicare have not been determined. Estimated receivables and payables related to all open cost reporting periods are included in the statements of net position as third-party payor settlements.

Medi-Cal. The Medicaid program is referred to as Medi-Cal in California. Medi-Cal fee-for-service (FFS) inpatient hospital payments are made in accordance with the federal Medicaid hospital financing waiver and legislation enacted by the state of California (Waiver Program). The Waiver Program has been enacted in three five-year phases, the first covering 2006 through 2010, the second covering 2011 through 2015 and the third covering 2016 through 2020. The total payments under the Waiver Program made to the Medical Centers include a combination of Medi-Cal inpatient FFS payments, Medi-Cal Disproportionate Share Hospital (DSH) payments and the Safety Net Care Pool. Effective November 2011 through 2015, the Medical Centers are also eligible to receive incentive payments designed to encourage delivery system innovation in connection with federal health care reform. Effective July 2017, the Medical Centers may be eligible to receive enhanced payments and additional reimbursement for Medi-Cal managed care patients. However, since final approval of these payments is still pending with the Center for Medicare and Medicaid Services, the Medical Centers have not recognized revenues as of June 30, 2019 for such payments.

The Medical Centers are reimbursed at interim rates with final settlement of such items determined after submission of annual filings and audits thereof by the state. Payments under The Waiver Program are based on the allocation of pooled funds amongst all participating designated public hospitals in the state and are subject to change based on the audit results of the other participating designated public hospitals. The Medical Centers have received final settlements for the Waiver Program through 2007. The state is in the process of conducting audits of subsequent years of the Waiver Program. The results of these audits have yet to be finalized and any amounts due to or from Medi-Cal have not been determined. Estimated receivables and payables related to all Waiver Program reporting periods are included in the statements of net position as third-party payor settlements.

CHRCO has a contractual agreement with the Medi-Cal program, which includes patients that qualify for California Children's Services. CHRCO is an essential Medi-Cal and California Children's Services provider. Inpatient services are reimbursed by the All Patient Refined Diagnosis Related Group, at a per-case rate based upon acuity. Outpatient services are paid via fee schedules. In addition, CHRCO is the recipient of Medi-Cal funds under various state of California programs, in particular the Private Hospital Supplemental Fund and DSH. The state of California funds eligible hospitals based upon the total pool of funding available and a formula for distribution. The legislative funding is subject to retroactive reductions and potential future elimination.

Assembly Bill 1383. State of California Assembly Bill 1383 of 2009, as amended by AB 1653 on September 8, 2010, and extended through 2013, established a series of Medicaid supplemental payments funded through a Quality Assurance Fee and a Hospital Fee Program, which are imposed on certain California hospitals. The effective date of the Hospital Fee Program was April 1, 2009 through December 31, 2013, and was predicated, in part, on the enhanced Federal Medicaid Assistance Percentage contained in the American Reinvestment and Recovery Act. The Hospital Fee Program was extended for three years starting on January 1, 2014 with SB 239. The Hospital Fee Program makes supplemental payments to hospitals for various health care services and supports the state's effort to maintain health care coverage for children. The Hospital Fee Program is funded by a Quality Assurance Fee paid by participating hospitals and matching federal funds. All of the Medical Centers, except CHRCO, are designated as public hospitals, and are exempt from paying the Quality Assurance Fee. CHRCO recognized $120.8 million and $85.7 million of patient service revenue under the Hospital Fee Program for the years ended June 30, 2019 and 2018, respectively. CHRCO paid $22.9 million and $23.4 million in Quality Assurance Fees for the years ended June 30, 2019 and 2018, respectively. The Medical Centers, including CHRCO, receive supplemental payments under the Hospital Fee Program.

Assembly Bill 915. State of California Assembly Bill 915, Public Hospital Outpatient Services Supplemental Reimbursement Program, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's certified public expenditures, which are matched with federal Medicaid funds.

Senate Bill 1732. State of California Senate Bill 1732 provides for supplemental Medi-Cal reimbursement to DSH for costs (i.e., principal and interest) of qualified patient care capital construction. For the years ended June 30, 2019 and 2018, the Medical Centers applied for and received additional revenue related to the reimbursement of costs for certain debt-financed construction projects based on the Medical Centers' Medi-Cal utilization rate.

Other. The Medical Centers have entered into agreements with numerous other third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:

- Commercial insurance companies that reimburse the Medical Centers for reasonable and customary charges. Workers' compensation plans pay negotiated rates and are reported as contract (discounted or per-diem) revenue.
- Managed care contracts such as those with HMOs and PPOs that reimburse the Medical Centers at contracted or per-diem rates, which are usually less than full charges. CHRCO contracts with various Medi-Cal managed care plans in the state. These plans operate as state-licensed HMOs that provide health care services on a prepaid basis to enrolled Medi-Cal members residing in the county. Eligible members select the plan in which they wish to participate.
- Capitated contracts with health plans that reimburse the Medical Centers on a per-member-per-month basis, regardless of whether services are actually rendered. The Medical Centers assume a certain financial risk, as the contract requires patient treatment for all covered services. Expected losses on capitated agreements are accrued when probable and can be reasonably estimated.
- Certain health plans that have established a shared-risk pool where the Medical Centers share in any surplus associated with health care utilization as defined in the related contracts. Additionally, the Medical Centers may assume the risk of certain health care utilization costs, as determined in the related agreements. Differences between the final contract settlement and the amount estimated as receivable or payable relating to the shared-risk arrangements are recorded in the year of final settlement.
- Counties in the state of California that reimburse the Medical Centers for certain indigent patients covered under county contracts.

The most common payment arrangement for inpatient services is a prospectively determined per-diem rate or case rate. The most common payment arrangement for outpatient care is a prospective payment system that uses ambulatory payment classifications.

Amounts due from Medicare and Medi-Cal as a percentage of net patient accounts receivable at June 30 are as follows:

(shown as percentage)

	MEDICARE		MEDI-CAL	
	2019	**2018**	**2019**	**2018**
Davis	21.3%	20.0%	17.2%	17.7%
Irvine	25.0	22.8	17.5	17.6
Los Angeles	11.8	13.6	5.7	5.1
San Diego	29.3	24.9	15.1	14.6
San Francisco	11.6	11.9	7.9	9.4

CHRCO receives Medi-Cal supplemental payments, which are comprised of both federal and non-federal components. CHRCO received $57.2 million and $56.7 million under these programs for the years ended June 30, 2019 and 2018, respectively. Included in the $57.2 million is $9.6 million approved in 2019 for prior periods.

For the years ended June 30, net patient service revenue included amounts due to favorable (or unfavorable) cost report settlements with Medicare, Medi-Cal, County Medical Services Program and changes in estimate for settlements related to Medi-Cal as follows:

(in thousands of dollars)

	2019	**2018**
Davis	$92,065	$102,692
Irvine	1,545	10,849
Los Angeles	42,699	17,719
San Diego	1,639	48,394
San Francisco	32,624	52,601
Total	**$170,572**	**$232,255**

Net patient accounts receivable and net patient service revenues at June 30 are presented net of uncollectible accounts as follows:

(in thousands of dollars)

	PATIENT ACCOUNTS RECEIVABLE ALLOWANCE AT JUNE 30		PATIENT SERVICE REVENUE ALLOWANCE FOR THE YEAR ENDING JUNE 30	
	2019	**2018**	**2019**	**2018**
Davis	$75,972	$68,606	$92,731	$118,743
Irvine	83,163	68,633	79,962	58,513
Los Angeles	47,192	37,343	45,706	33,960
San Diego	57,828	48,614	23,308	28,622
San Francisco	62,043	59,599	45,779	30,362
Total	**$326,198**	**$282,795**	**$287,486**	**$270,200**

Net patient service revenue by major payor for the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Medicare	$574,220	$323,127	$569,021	$509,570	$665,052	$2,640,990
Medi-Cal	519,782	290,393	301,004	402,948	580,995	2,095,122
Contract (discounted or per diem)	1,120,409	535,572	1,793,298	1,038,929	3,158,679	7,646,887
Contract (capitated)	58,076		33,287		60,542	151,905
Non-sponsored/self-pay	4,311	18,662	25,302	4,546	65,065	117,886
Total	**$2,276,798**	**$1,167,754**	**$2,721,912**	**$1,955,993**	**$4,530,333**	**$12,652,790**
2018						
Medicare	$525,856	$307,346	$499,131	$470,418	$611,649	$2,414,400
Medi-Cal	506,292	313,130	283,667	440,892	563,128	2,107,109
Contract (discounted or per diem)	1,040,980	490,985	1,564,609	924,287	2,873,526	6,894,387
Contract (capitated)	97,141		30,004		39,225	166,370
Non-sponsored/self-pay	2,535	13,296	17,841	3,315	68,205	105,192
Total	**$2,172,804**	**$1,124,757**	**$2,395,252**	**$1,838,912**	**$4,155,733**	**$11,687,458**

4. CHARITY CARE

Information related to the Medical Centers' charity care, as defined within the policy footnote, for the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Charity care at established rates	$21,516	$125,785	$12,592	$83,900	$59,284	$303,077
Estimated cost of charity care	4,502	34,706	4,901	26,655	16,913	87,677
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	170,892	212,175	367,924	506,078	1,033,767	2,290,836
2018						
Charity care at established rates	$22,859	$77,350	$13,353	$77,270	$67,402	$258,234
Estimated cost of charity care	4,959	19,516	6,111	24,246	21,263	76,095
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	214,403	95,087	365,060	289,175	830,423	1,794,148

5. RESTRICTED ASSETS, DONOR FUNDS

Restricted assets due to donor restrictions are invested and remitted to the Medical Centers in accordance with the donors' wishes. Securities are held by the trustee in the name of the University. The trust agreements permit trustees to invest in equity and fixed-income securities, in addition to real property.

The composition of restricted assets due to donor restrictions at June 30 is as follows:

(in thousands of dollars)

	LOS ANGELES	SAN FRANCISCO	TOTAL
2019			
Cash and STIP	$4,296	$49,982	$54,278
General Endowment Pool and Endowed Investment Pool	6,103	47,558	53,661
Mutual funds	30		30
Charitable remainder trusts	499	2,620	3,119
Total	**$10,928**	**$100,160**	**$111,088**
2018			
Cash and STIP	$4,120	$29,027	$33,147
General Endowment Pool and Endowed Investment Pool	6,242	46,276	52,518
Mutual funds	30		30
Charitable remainder trusts	491	2,790	3,281
Total	**$10,883**	**$78,093**	**$88,976**

Donor restricted funds at June 30 are available for the following purposes:

(in thousands of dollars)

	LOS ANGELES	SAN FRANCISCO	TOTAL
2019			
Capital projects	$1,049	$2,359	$3,408
Endowments	598	50,178	50,776
Operations	9,281	47,623	56,904
Total	**$10,928**	**$100,160**	**$111,088**
2018			
Capital projects	$1,051	$6,132	$7,183
Endowments	603	27,715	28,318
Operations	9,229	44,246	53,475
Total	**$10,883**	**$78,093**	**$88,976**

Gifts and pledges are included in the financial statements of the University and transferred to the Medical Centers when used. Additional gift funds and pledges received by the related campus or foundation but not used by the Medical Centers are not included in the financial statements of the Medical Centers.

6. CAPITAL ASSETS

The Medical Centers' capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

DAVIS	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$36,675			$36,675			$36,675
Buildings and improvements	1,368,056	$23,402	($18,929)	1,372,529	$104,970	($125)	1,477,374
Equipment	419,942	75,721	(25,988)	469,675	56,502	(17,596)	508,581
Construction in progress	88,443	37,457		125,900	(41,017)		84,883
Capital assets, at cost	**$1,913,116**	**$136,580**	**($44,917)**	**$2,004,779**	**$120,455**	**($17,721)**	**$2,107,513**

	2017	DEPRECIATION	DISPOSALS	2018	DEPRECIATION	DISPOSALS	2019
ACCUMULATED DEPRECIATION							
Buildings and improvements	$598,558	$39,061	($9,207)	$628,412	$41,179		$669,591
Equipment	284,312	37,270	(25,547)	296,035	43,175	($17,243)	321,967
Accumulated depreciation	882,870	**$76,331**	**($34,754)**	924,447	**$84,354**	**($17,243)**	991,558
Capital assets, net	**$1,030,246**			**$1,080,332**			**$1,115,955**

(in thousands of dollars)

IRVINE	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$12,859			$12,859			$12,859
Buildings and improvements	880,174	$5,990	($367)	885,797	$48,228	($1,214)	932,811
Equipment	421,817	66,285	(11,672)	476,430	43,418	(11,836)	508,012
Construction in progress	18,789	31,605		50,394	806		51,200
Capital assets, at cost	**$1,333,639**	**$103,880**	**($12,039)**	**$1,425,480**	**$92,452**	**($13,050)**	**$1,504,882**

	2017	DEPRECIATION	DISPOSALS	2018	DEPRECIATION	DISPOSALS	2019
ACCUMULATED DEPRECIATION							
Buildings and improvements	$340,437	$36,805	($367)	$376,875	$37,437	($1,023)	$413,289
Equipment	258,693	41,918	(11,419)	289,192	47,238	(11,620)	324,810
Accumulated depreciation	599,130	**$78,723**	**($11,786)**	666,067	**$84,675**	**($12,643)**	738,099
Capital assets, net	**$734,509**			**$759,413**			**$766,783**

(in thousands of dollars)

LOS ANGELES	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$46,918	$2,581		$49,499			$49,499
Buildings and improvements	2,010,142	22,484		2,032,626	$32,000		2,064,626
Equipment	723,012	88,531	($23,024)	788,519	63,956	($53,811)	798,664
Construction in progress	33,085	2,808		35,893	11,763		47,656
Capital assets, at cost	**$2,813,157**	**$116,404**	**($23,024)**	**$2,906,537**	**$107,719**	**($53,811)**	**$2,960,445**

	2017	DEPRECIATION	DISPOSALS	2018	DEPRECIATION	DISPOSALS	2019
ACCUMULATED DEPRECIATION							
Buildings and improvements	$559,642	$56,934		$616,576	$55,870	($1,568)	$670,878
Equipment	503,975	90,851	($22,554)	572,272	96,970	(50,773)	618,469
Accumulated depreciation	1,063,617	**$147,785**	**($22,554)**	1,188,848	**$152,840**	**($52,341)**	1,289,347
Capital assets, net	**$1,749,540**			**$1,717,689**			**$1,671,098**

(in thousands of dollars)

SAN DIEGO	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$8,641			$8,641			$8,641
Buildings and improvements	1,670,322	$162,250		1,832,572	$31,251		1,863,823
Equipment	434,290	63,200	($29,341)	468,149	22,399	($24,255)	466,293
Construction in progress	119,543	(90,734)		28,809	9,985		38,794
Capital assets, at cost	**$2,232,796**	**$134,716**	**($29,341)**	**$2,338,171**	**$63,635**	**($24,255)**	**$2,377,551**
	2017	**DEPRECIATION**	**DISPOSALS**	**2018**	**DEPRECIATION**	**DISPOSALS**	**2019**
ACCUMULATED DEPRECIATION							
Buildings and improvements	$386,343	$53,604		$439,947	$58,341		$498,288
Equipment	225,505	39,775	($28,816)	236,464	44,299	($10,516)	270,247
Accumulated depreciation	611,848	**$93,379**	**($28,816)**	676,411	**$102,640**	**($10,516)**	768,535
Capital assets, net	**$1,620,948**			**$1,661,760**			**$1,609,016**

(in thousands of dollars)

SAN FRANCISCO	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$143,268			$143,268	$207	($2,056)	$141,419
Buildings and improvements	2,639,784	$138,125	($124)	2,777,785	129,194	(166)	2,906,813
Equipment	1,065,809	59,850	(13,448)	1,112,211	58,129	(20,957)	1,149,383
Construction in progress	218,029	44,562	7	262,598	77,764		340,362
Capital assets, at cost	**$4,066,890**	**$242,537**	**($13,565)**	**$4,295,862**	**$265,294**	**($23,179)**	**$4,537,977**
	2017	**DEPRECIATION**	**DISPOSALS**	**2018**	**DEPRECIATION**	**DISPOSALS**	**2019**
ACCUMULATED DEPRECIATION							
Buildings and improvements	$1,017,781	$93,070		$1,110,851	$93,187		$1,204,038
Equipment	699,571	123,222	($13,267)	809,526	119,035	($22,517)	906,044
Accumulated depreciation	1,717,352	**$216,292**	**($13,267)**	1,920,377	**$212,222**	**($22,517)**	2,110,082
Capital assets, net	**$2,349,538**			**$2,375,485**			**$2,427,895**

(in thousands of dollars)

TOTAL	2017	ADDITIONS	DISPOSALS	2018	ADDITIONS	DISPOSALS	2019
ORIGINAL COST							
Land	$248,361	$2,581		$250,942	$207	($2,056)	$249,093
Buildings and improvements	8,568,478	352,251	($19,420)	8,901,309	345,643	(1,505)	9,245,447
Equipment	3,064,870	353,587	(103,473)	3,314,984	244,404	(128,455)	3,430,933
Construction in progress	477,889	25,698	7	503,594	59,301		562,895
Capital assets, at cost	**$12,359,598**	**$734,117**	**($122,886)**	**$12,970,829**	**$649,555**	**($132,016)**	**$13,488,368**
	2017	**DEPRECIATION**	**DISPOSALS**	**2018**	**DEPRECIATION**	**DISPOSALS**	**2019**
ACCUMULATED DEPRECIATION							
Buildings and improvements	$2,902,761	$279,474	($9,574)	$3,172,661	$286,014	($2,591)	$3,456,084
Equipment	1,972,056	333,036	(101,603)	2,203,489	350,717	(112,669)	2,441,537
Accumulated depreciation	4,874,817	**$612,510**	**($111,177)**	5,376,150	**$636,731**	**($115,260)**	5,897,621
Capital assets, net	**$7,484,781**			**$7,594,679**			**$7,590,747**

Equipment under financing obligations and related accumulated amortization at June 30 are as follows:

(in thousands of dollars)

	IRVINE	LOS ANGELES	SAN DIEGO	TOTAL
2019				
Equipment under financing obligations	$2,220	$102,147	$96,529	$200,896
Accumulated amortization	(2,220)	(47,887)	(27,834)	(77,941)
Total		**$54,260**	**$68,695**	**$122,955**
2018				
Equipment under financing obligations	$2,220	$106,660	$75,651	$184,531
Accumulated amortization	(1,929)	(43,716)	(13,866)	(59,511)
Total	**$291**	**$62,944**	**$61,785**	**$125,020**

The Medical Centers made seismic improvements in order to be in compliance with Senate Bill 1953 (SB 1953), the Hospital Facilities Seismic Safety Act. Certain facilities and equipment were constructed or acquired to make seismic improvements using financing obligations of the University. These facilities and equipment were contributed at cost by the University to the Medical Centers to support the operations of the Medical Centers. Principal and interest payments required for these obligations are not reflected in the financial statements of the Medical Centers.

Davis, San Diego and San Francisco have beds in service in facilities that do not meet the requirements of SB 1953, and these facilities will either need to be retrofitted or replaced by 2030. Asset retirement obligations and related deferred outflows are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates the Medical Centers to perform asset retirement activities. Davis and San Diego plan to demolish certain existing facilities to comply with SB 1953. At June 30, 2019, Davis recognized asset retirement obligations of $53.1 million and an expense of $21.2 million. At June 30, 2019, San Diego recognized asset retirement obligations of $26.6 million and an expense of $2.0 million. The estimated remaining useful lives of these assets range from 2 to 13 years. San Francisco is continuing to determine its plans to address these seismic building requirements; therefore, the internal event that obligates the Medical Center to perform asset retirement activities has not occurred at June 30, 2019.

7. NOTES PAYABLE TO CAMPUS

The UC Irvine Medical Center has an outstanding internal payable of $20.6 million and $25.8 million to the Irvine campus as of June 30, 2019 and 2018, respectively. The payable bears no interest and is being repaid in annual installments with the final payment due in May 2023.

The UC San Diego Medical Center has an internal loan of up to $95.0 million from the San Diego campus funded from the campus' allocation of proceeds from a series of General Revenue Bonds of The Regents. The loan is to fund a portion of the costs for an outpatient pavilion. The loan is due in May 2048 and bears interest at a rate of 5.0 percent. As of June 30, 2019 and 2018, balances of $93.6 million and $95.0 million, respectively, were outstanding and are reported as a note payable to the campus on the statements of net position. Interest payments of $4.7 million and $2.9 million were made on the loan for the years ended June 30, 2019 and 2018, respectively.

8. INTEREST RATE SWAP AGREEMENTS

As a means to lower the UCLA and UCSF Medical Centers' borrowing costs, when compared against fixed-rate bonds at the time of issuance, the UCLA and UCSF Medical Centers entered into interest rate swap agreements in connection with their variable-rate Medical Center Pooled Revenue Bonds. Under the swap agreements, the Medical Centers pay the swap counterparty a fixed interest rate payment and receive a variable-rate interest payment to effectively change the variable-rate bonds to synthetic fixed-rate bonds. For three of the hedging derivatives, the notional amount of the swap matches the principal amount of the variable-rate Medical Center Pooled Revenue Bonds, and the swap agreement contains scheduled reductions to outstanding notional amounts that match scheduled reductions in the variable-rate bonds. One of the UCLA Medical Center interest rate swaps is a partial hedge, whereby the notional amount of the swap of $25.8 million is less than the amount of bonds outstanding of $31.3 million.

The UCLA Medical Center determined that certain of its interest rate swap agreements were hedging derivatives that hedge future cash flows for its variable-rate Medical Center Pooled Revenue Bonds. At the time of pricing the interest rate swaps, the fixed rate on each of the swaps was off-market such that the UCLA Medical Center received an up-front payment. As such, the swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the up-front payment. The unamortized amount of the borrowing was $71.4 million and $75.2 million at June 30, 2019 and 2018, respectively.

The notional amounts, fair value of the interest rate swaps outstanding and the change in fair value for June 30 are as follows:

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE – POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
	2019	2018	CLASSIFICATION	2019	2018	CLASSIFICATION	2019	2018
Los Angeles	$124,775	$124,775	Other noncurrent liabilities	($41,528)	($31,577)	Deferred outflows	($9,951)	$8,843
	24,250	24,250	Other noncurrent liabilities	(11,198)	(8,307)	Deferred outflows	(2,891)	1,945
	25,750	25,750	Other noncurrent liabilities	(12,440)	(9,184)	Deferred outflows	(3,256)	2,082
San Francisco	60,485	64,075	Other noncurrent liabilities	(8,320)	(6,435)	Deferred outflows	(1,885)	2,988

Because interest rates have changed since the execution of the swaps, financial institutions have estimated the fair value of the swaps using quoted market prices when available or a forecast of expected discounted future net cash flows. The swaps are classified as level 2 on the fair value hierarchy. The fair value of the interest rate swap is the estimated amount the Medical Centers would have either (paid) or received if the swap agreement was terminated on June 30, 2019 or 2018.

Additional terms with respect to the outstanding interest rate swaps, classified as hedging derivatives, along with the credit rating of the counterparty, are as follows:

(in thousands of dollars)

TERMS	NOTIONAL AMOUNT		EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	COUNTERPARTY CREDIT RATING
	2019	2018				
Los Angeles						
Pay fixed 4.550 percent; receive 67 percent of 3-Month LIBOR* +0.61 percent	$31,610	$31,610	2016	2030	None	Aa2/A+
Pay fixed 4.625 percent; receive 67 percent of 3-Month LIBOR* +0.67 percent	38,670	38,670	2016	2037	None	Aa2/A+
Pay fixed 4.6935 percent; receive 67 percent of 3-Month LIBOR* +0.74 percent	54,495	54,495	2016	2043	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* +0.79 percent	24,250	24,250	2016	2045	None	Aa2/A+
Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* +0.79 percent	25,750	25,750	2016	2047	None	Aa2/A+
San Francisco						
Pay fixed 3.5897 percent; receive 58 percent of 1-Month LIBOR* +0.48 percent	60,485	64,075	2007	2032	None	Aa2/A+/AA-

** London Interbank Offered Rate (LIBOR)*

Interest Rate Swap Risk Factors

Credit Risk

The Medical Centers could be exposed to credit risk if the counterparties to the swap contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The Medical Centers face a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the Medical Centers provided by the counterparties. Swap contracts with negative fair values are not exposed to credit risk. Although the Medical Centers have entered into the interest rate swap contracts with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the swaps held by the UCSF Medical Center. Depending on the fair value and the counterparty credit rating for the UCLA Medical Center swaps with the counterparty that is currently rated Aa2/A+, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million as of June 30, 2019. At June 30, 2019 and 2018, there was no collateral required.

Interest Rate Risk

There is a risk that the value of the interest rate swaps will decline because of changing interest rates. The values of interest rate swaps with longer maturity dates tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis Risk

There is no basis or tax risk related to two of the swaps classified as hedging derivatives with a total notional amount of $149.0 million since the variable rate the UCLA Medical Center pays to the bond holders matches the variable-rate payments received from the swap counterparty.

In connection with one of the UCLA Medical Center swaps and the UCSF Medical Center swap, there is a risk that the basis for the variable payment received will not match the variable payment on the bonds that expose the UCLA Medical Center and the UCSF Medical Center to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt interest rates, while the basis of the variable receipt on the interest rate swap is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market. For example, the swaps expose the UCSF Medical Center to risk if reductions in the federal personal income tax rate cause the relationship between the variable interest rate on the bonds to be greater than 58.0 percent of the 30-day LIBOR, plus 0.48 percent. The swaps expose the UCLA Medical Center to risk if reductions in the federal personal income tax rate cause the relationship between the variable interest rate on the bonds to be greater than 67.0 percent of the three-month LIBOR, plus 0.79 percent.

Termination Risk

There is termination risk for losses on the interest rate swaps classified as hedging derivatives in the event of non-performance by the counterparty in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. For the interest rate swap held by the UCSF Medical Center, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps held by the UCLA Medical Center, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB. Upon termination, the Medical Centers may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

9. LONG-TERM DEBT AND FINANCING OBLIGATIONS

The Medical Centers' outstanding debt at June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$60,485	$60,485
2007 Series C-2*			$149,025			149,025
2009 Series F Build America Bonds		$155,855	143,320	$110,355	19,620	429,150
2010 Series G & I			5,810	4,915		10,725
2010 Series H Build America Bonds					700,000	700,000
2013 Series J	$8,740	1,960	56,090	299,885	525	367,200
2013 Series K*			31,300			31,300
2016 Series L	234,830	119,725	256,715	86,095	106,705	804,070
2016 Series M	53,690	36,015	42,365		18,910	150,980
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
Financing obligations			85,622	57,980		143,602
Other borrowings			71,441			71,441
Total outstanding debt and financing obligations	**301,785**	**315,320**	**862,053**	**752,015**	**906,245**	**3,137,418**
Unamortized bond premium	40,245	20,016	46,758	45,868	16,421	169,308
Total debt and financing obligations	**342,030**	**335,336**	**908,811**	**797,883**	**922,666**	**3,306,726**
Less: Current portion	(21,211)	(5,663)	(31,889)	(26,695)	(5,570)	(91,028)
Noncurrent portion of debt and financing obligations	**$320,819**	**$329,673**	**$876,922**	**$771,188**	**$917,096**	**$3,215,698**

** Variable-rate bonds*

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2018						
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$64,075	$64,075
2007 Series C-2*			$149,025			149,025
2009 Series F Build America Bonds		$155,855	143,320	$110,355	19,620	429,150
2010 Series G & I			7,695	9,620		17,315
2010 Series H Build America Bonds					700,000	700,000
2013 Series J	$9,805	2,230	58,935	300,800	525	372,295
2013 Series K*			31,300			31,300
2016 Series L	247,800	120,400	262,020	87,415	107,250	824,885
2016 Series M	57,555	36,310	45,180		19,130	158,175
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
Financing obligations		291	94,551	67,413		162,255
Other borrowings			75,244			75,244
Total outstanding debt and financing obligations	**319,685**	**316,851**	**887,635**	**768,388**	**910,600**	**3,203,159**
Unamortized bond premium	43,497	21,221	49,724	49,903	17,126	181,471
Total debt and financing obligations	**363,182**	**338,072**	**937,359**	**818,291**	**927,726**	**3,384,630**
Less: Current portion	(21,152)	(2,737)	(28,548)	(25,862)	(5,060)	(83,359)
Noncurrent portion of debt and financing obligations	**$342,030**	**$335,335**	**$908,811**	**$792,429**	**$922,666**	**$3,301,271**

** Variable-rate bonds*

Significant terms of the Medical Centers' outstanding debt are as follows:

	INTEREST RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL PAYMENT TERMS
University of California Medical Center Pooled Revenue Bonds:			
2007 Series B*	1.4 percent	Monthly	Through 2032
2007 Series C-2*	2.3 percent to 2.5 percent	Quarterly	Through 2045
2009 Series F Build America Bonds	4.3 percent, after 35.0 percent federal subsidy	Semi-annually	Through 2049
2010 Series G & I	3.0 percent to 5.8 percent	Semi-annually	Through 2025
2010 Series H Build America Bonds	4.2 percent, after 35.0 percent federal subsidy	Semi-annually	Through 2048
2013 Series J	4.0 percent to 5.3 percent	Semi-annually	Through 2048
2013 Series K*	1.5 percent	Monthly	Beginning 2045 through 2047
2016 Series L	2.5 percent to 5.0 percent	Semi-annually	Through 2047
2016 Series M	1.4 percent to 3.5 percent	Semi-annually	Through 2047
University of California General Revenue Bonds:			
2017 Series AY	3.0 percent to 5.0 percent	Semi-annually	Beginning 2022 through 2041
Financing obligations (primarily for computer and medical equipment, collateralized by underlying equipment)	Fixed interest rates of 1.1 percent to 6.0 percent	Monthly, quarterly	Through 2042

**Variable-rate bonds*

Total interest expense and interest capitalized during the years ended June 30 are as follows:

(in thousands of dollars)

	2019		2018	
	INTEREST EXPENSE	INTEREST CAPITALIZED	INTEREST EXPENSE	INTEREST CAPITALIZED
Davis	$7,591	$2,455	$6,989	$4,104
Irvine	15,511	597	12,927	954
Los Angeles	33,562	382	34,419	832
San Diego	39,150	1,410	37,532	2,459
San Francisco	35,763	17,250	43,844	9,701
Total	**$131,577**	**$22,094**	**$135,711**	**$18,050**

The activity with respect to current and noncurrent debt is as follows:

(in thousands of dollars)

DAVIS	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$363,182		$363,182
Principal payments and debt retirements	(17,900)		(17,900)
Amortization of bond premium	(3,252)		(3,252)
Long-term debt and financing obligations at June 30, 2019	**342,030**		**342,030**
Less: Current portion	(21,211)		(21,211)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$320,819**		**$320,819**
Year ended June 30, 2018			
Long-term debt and financing obligations at June 30, 2017	$383,956	$621	$384,577
New obligations	4,525		4,525
Bond premium, net	514		514
Principal payments and debt retirements	(22,410)	(621)	(23,031)
Amortization of bond premium	(3,403)		(3,403)
Long-term debt and financing obligations at June 30, 2018	**363,182**		**363,182**
Less: Current portion	(21,152)		(21,152)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$342,030**		**$342,030**

(in thousands of dollars)

IRVINE	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$337,781	$291	$338,072
Principal payments and debt retirements	(1,240)	(291)	(1,531)
Amortization of bond premium	(1,205)		(1,205)
Long-term debt and financing obligations at June 30, 2019	**335,336**		**335,336**
Less: Current portion	(5,663)		(5,663)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$329,673**		**$329,673**
Year ended June 30, 2018			
Long-term debt and financing obligations at June 30, 2017	$340,475	$630	$341,105
New obligations	1,765		1,765
Principal payments and debt retirements	(3,075)	(339)	(3,414)
Amortization of bond premium	(1,384)		(1,384)
Long-term debt and financing obligations at June 30, 2018	**337,781**	**291**	**338,072**
Less: Current portion	(2,446)	(291)	(2,737)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$335,335**		**$335,335**

(in thousands of dollars)

LOS ANGELES	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year ended June 30, 2019				
Long-term debt and financing obligations at June 30, 2018	$767,564	$94,551	$75,244	$937,359
New obligations				0
Bond premium, net				0
Principal payments and debt retirements	(12,850)	(8,929)		(21,779)
Amortization of bond premium	(2,966)		(3,803)	(6,769)
Long-term debt and financing obligations at June 30, 2019	**751,748**	**85,622**	**71,441**	**908,811**
Less: Current portion	(18,770)	(9,316)	(3,803)	(31,889)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$732,978**	**$76,306**	**$67,638**	**$876,922**
Year ended June 30, 2018				
Long-term debt and financing obligations at June 30, 2017	$779,554	$103,112	$79,048	$961,714
New obligations	20,365			20,365
Bond premium, net	2,934			2,934
Principal payments and debt retirements	(32,350)	(8,561)		(40,911)
Amortization of bond premium	(2,939)		(3,804)	(6,743)
Long-term debt and financing obligations at June 30, 2018	**767,564**	**94,551**	**75,244**	**937,359**
Less: Current portion	(15,816)	(8,929)	(3,803)	(28,548)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$751,748**	**$85,622**	**$71,441**	**$908,811**

(in thousands of dollars)

SAN DIEGO	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL
Year ended June 30, 2019			
Long-term debt and financing obligations at June 30, 2018	$750,878	$67,413	$818,291
New obligations		6,482	6,482
Principal payments and debt retirements	(6,940)	(15,915)	(22,855)
Amortization of bond premium	(4,035)		(4,035)
Long-term debt and financing obligations at June 30, 2019	**739,903**	**57,980**	**797,883**
Less: Current portion	(11,171)	(15,524)	(26,695)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$728,732**	**$42,456**	**$771,188**
Year ended June 30, 2018			
Long-term debt and financing obligations at June 30, 2017	$729,215	$44,466	$773,681
New obligations	192,785	35,674	228,459
Bond premium, net	34,664		34,664
Principal payments and debt retirements	(202,895)	(12,727)	(215,622)
Amortization of bond premium	(2,891)		(2,891)
Long-term debt and financing obligations at June 30, 2018	**750,878**	**67,413**	**818,291**
Less: Current portion	(10,978)	(14,884)	(25,862)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$739,900**	**$52,529**	**$792,429**

(in thousands of dollars)

SAN FRANCISCO	REVENUE BONDS
Year ended June 30, 2019	
Long-term debt and financing obligations at June 30, 2018	$927,726
Principal payments and debt retirements	(4,355)
Amortization of bond premium	(705)
Long-term debt and financing obligations at June 30, 2019	**922,666**
Less: Current portion	(5,570)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$917,096**
Year ended June 30, 2018	
Long-term debt and financing obligations at June 30, 2017	$933,133
Principal payments and debt retirements	(4,210)
Amortization of bond premium	(1,197)
Long-term debt and financing obligations at June 30, 2018	**927,726**
Less: Current portion	(5,060)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$922,666**

(in thousands of dollars)

TOTAL	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year ended June 30, 2019				
Long-term debt and financing obligations at June 30, 2018	$3,147,131	$162,255	$75,244	$3,384,630
New obligations		6,482		6,482
Principal payments and debt retirements	(43,285)	(25,135)		(68,420)
Amortization of bond premium	(12,163)		(3,803)	(15,966)
Long-term debt and financing obligations at June 30, 2019	**3,091,683**	**143,602**	**71,441**	**3,306,726**
Less: Current portion	(62,385)	(24,840)	(3,803)	(91,028)
Noncurrent portion of long-term debt and financing obligations at June 30, 2019	**$3,029,298**	**$118,762**	**$67,638**	**$3,215,698**
Year ended June 30, 2018				
Long-term debt and financing obligations at June 30, 2017	$3,166,333	$148,829	$79,048	$3,394,210
New obligations	219,440	35,674		255,114
Bond premium, net	38,112			38,112
Principal payments and debt retirements	(264,940)	(22,248)		(287,188)
Amortization of bond premium	(11,814)		(3,804)	(15,618)
Long-term debt and financing obligations at June 30, 2018	**3,147,131**	**162,255**	**75,244**	**3,384,630**
Less: Current portion	(55,452)	(24,104)	(3,803)	(83,359)
Noncurrent portion of long-term debt and financing obligations at June 30, 2018	**$3,091,679**	**$138,151**	**$71,441**	**$3,301,271**

In December 2017, General Revenue Bonds totaling $625.5 million of tax-exempt bonds were issued to refinance all or a portion of certain projects of the University through the advance refunding of certain bonds, including most of the outstanding Medical Center Pooled Revenue Bonds, 2013 Series J of $223.4 million. The bonds mature at various dates through 2041. The tax-exempt bonds have a stated weighted average interest rate of 4.7 percent. The refunding of the outstanding Medical Center Pooled Revenue Bonds resulted in a loss of $32.4 million, recorded as a deferred outflow of resources that is amortized as interest expense over the term of the refunded bonds. The bond premium of $39.7 million is amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Pooled Revenue Bonds resulted in cash flow savings of $22.2 million and an economic gain of $17.7 million.

The Medical Centers' Pooled Revenue Bonds are issued to finance capital projects and other needs at the University's Medical Centers and are collateralized by joint and several pledges of certain operating and nonoperating revenues, as defined in the indentures, of all five of the University's Medical Centers. The Medical Center Pooled Revenue Bond Indenture requires the Medical Centers to set rates, charges and fees each year sufficient for the Medical Centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and sets forth certain other covenants. Pledged revenues for the Medical Centers for the years ended June 30, 2019 and 2018 were $13.4 billion and $12.2 billion.

The Medical Center Pooled Revenue Bonds 2007 Series B and 2013 Series K totaling $60.5 million and $31.3 million at June 30, 2019, respectively, are variable-rate demand obligations subject to daily remarketing. The University has not entered into a standby bond purchase agreement for the 2013 Series K bonds. The UCLA and UCSF Medical Centers have access to the hospital working capital program from the University described below for any amounts that would be obligated for repayment to the University.

The Medical Centers' revenues are not pledged for any other purpose than under the indentures for the Medical Center Pooled Revenue Bonds. The pledge of the Medical Centers' revenues under the Medical Center Pooled Revenue Bonds is on parity with interest rate swap agreements.

The University has an internal working capital program that allows each Medical Center to receive internal advances. Advances may not exceed 60 percent of a Medical Center's accounts receivable for any working capital needs. Interest on any such advance is based upon the earnings rate on the STIP. Repayment of advances made to the Medical Centers under the working capital program is not collateralized by a pledge of revenues. Currently, there are no advances to the Medical Centers. The University may cancel or change the terms of the working capital program at its sole discretion. However, the University has historically provided working capital advances under formal or informal programs for the Medical Centers.

As of June 30, 2019, CHRCO had no amount outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility is 3.5 percent as of June 30, 2019 and the facility expires on August 31, 2020.

Future Debt Service and Interest Rate Swaps

Future debt service payments for the Medical Centers' fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2019, and thereafter, are shown below. Although not a prediction by the Medical Centers of the future interest rate cost of the variable-rate bonds or the impact of the interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net interest rate swap payments will change.

(in thousands of dollars)

DAVIS	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2020	$30,796	$18,125	$12,671
2021	30,370	18,325	12,045
2022	29,967	18,710	11,257
2023	29,504	19,055	10,449
2024	27,947	18,340	9,607
2025 - 2029	104,992	67,795	37,197
2030 - 2034	60,034	31,310	28,724
2035 - 2039	60,041	38,680	21,361
2040 - 2044	59,493	47,680	11,813
2045 - 2049	25,774	23,765	2,009
Total future debt service	**458,918**	**$301,785**	**$157,133**
Less: Interest component of future payments	(157,133)		
Principal portion of future payments	301,785		
Adjusted by:			
Unamortized bond premium	40,245		
Total debt	**$342,030**		

(in thousands of dollars)

IRVINE	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2020	$21,390	$4,465	$16,925
2021	21,402	4,620	16,782
2022	21,374	4,790	16,584
2023	21,376	5,000	16,376
2024	21,349	5,205	16,144
2025 - 2029	112,388	35,590	76,798
2030 - 2034	115,253	47,735	67,518
2035 - 2039	112,844	59,360	53,484
2040 - 2044	109,244	74,010	35,234
2045 - 2049	87,436	74,545	12,891
Total future debt service	**644,056**	**$315,320**	**$328,736**
Less: Interest component of future payments	(328,736)		
Principal portion of future payments	315,320		
Adjusted by:			
Unamortized bond premium	20,016		
Total debt	**$335,336**		

(in thousands of dollars)

LOS ANGELES	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2020	$50,076	$13,717	$63,793	$25,176	$38,617
2021	48,767	13,867	62,634	24,805	37,829
2022	48,399	4,052	52,451	15,498	36,953
2023	48,480	4,214	52,694	16,448	36,246
2024	47,531	4,383	51,914	16,450	35,464
2025 - 2029	232,870	24,687	257,557	92,808	164,749
2030 - 2034	229,942	30,036	259,978	121,164	138,814
2035 - 2039	227,465	36,543	264,008	159,905	104,103
2040 - 2044	227,250	22,290	249,540	190,598	58,942
2045 - 2049	143,525		143,525	127,760	15,765
Total future debt service	**1,304,305**	**153,789**	**1,458,094**	**$790,612**	**$667,482**
Less: Interest component of future payments	(599,315)	(68,167)	(667,482)		
Principal portion of future payments	704,990	85,622	790,612		
Adjusted by:					
Unamortized bond premium	46,758		46,758		
Other borrowings	71,441		71,441		
Total debt	**$823,189**	**$85,622**	**$908,811**		

(in thousands of dollars)

SAN DIEGO	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2020	$42,836	$17,026	$59,862	$22,775	$37,087
2021	40,396	13,141	53,537	17,028	36,509
2022	40,386	7,145	47,531	11,481	36,050
2023	40,384	5,602	45,986	10,350	35,636
2024	49,364	3,876	53,240	18,015	35,225
2025 - 2029	247,945	13,115	261,060	98,795	162,265
2030 - 2034	245,477	5,943	251,420	116,586	134,834
2035 - 2039	244,180		244,180	139,840	104,340
2040 - 2044	243,140		243,140	179,795	63,345
2045 - 2049	154,593		154,593	137,350	17,243
Total future debt service	**1,348,701**	**65,848**	**1,414,549**	**$752,015**	**$662,534**
Less: Interest component of future payments	(654,666)	(7,868)	(662,534)		
Principal portion of future payments	694,035	57,980	752,015		
Adjusted by:					
Unamortized bond premium	45,868		45,868		
Total debt	**$739,903**	**$57,980**	**$797,883**		

(in thousands of dollars)

SAN FRANCISCO	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2020	$58,215	$4,865	$53,350
2021	72,270	19,050	53,220
2022	72,038	19,695	52,343
2023	71,799	20,395	51,404
2024	71,523	21,115	50,408
2025 - 2029	352,060	117,695	234,365
2030 - 2034	339,800	141,385	198,415
2035 - 2039	323,168	169,985	153,183
2040 - 2044	306,199	209,410	96,789
2045 - 2049	211,440	182,650	28,790
Total future debt service	**1,878,512**	**$906,245**	**$972,267**
Less: Interest component of future payments	(972,267)		
Principal portion of future payments	906,245		
Adjusted by:			
Unamortized bond premium	16,421		
Total debt	**$922,666**		

(in thousands of dollars)

TOTAL	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2020	$203,313	$30,743	$234,056	$75,406	$158,650
2021	213,205	27,008	240,213	83,828	156,385
2022	212,164	11,197	223,361	70,174	153,187
2023	211,543	9,816	221,359	71,248	150,111
2024	217,714	8,259	225,973	79,125	146,848
2025 - 2029	1,050,255	37,802	1,088,057	412,683	675,374
2030 - 2034	990,506	35,979	1,026,485	458,180	568,305
2035 - 2039	967,698	36,543	1,004,241	567,770	436,471
2040 - 2044	945,326	22,290	967,616	701,493	266,123
2045 - 2049	622,768		622,768	546,070	76,698
Total future debt service	**5,634,492**	**219,637**	**5,854,129**	**$3,065,977**	**$2,788,152**
Less: Interest component of future payments	(2,712,117)	(76,035)	(2,788,152)		
Principal portion of future payments	2,922,375	143,602	3,065,977		
Adjusted by:					
Unamortized bond premium	169,308		169,308		
Other borrowings	71,441		71,441		
Total debt	**$3,163,124**	**$143,602**	**$3,306,726**		

Additional information on the revenue bonds can be obtained from the 2018-2019 annual report of the University of California.

For the Medical Centers' cash flow hedges, future debt service payments for the Medical Centers' variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2019, and thereafter are as presented below. Although not a prediction by the Medical Centers of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2019, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

LOS ANGELES	VARIABLE-RATE BOND		INTEREST RATE SWAP, NET	TOTAL
	PRINCIPAL	INTEREST		
Year ending June 30				
2020		$3,876	$3,949	$7,825
2021		3,881	3,964	7,845
2022		3,860	3,956	7,816
2023	$3,365	3,860	3,956	11,181
2024	3,515	3,802	3,873	11,190
2025 - 2029	20,135	17,667	18,146	55,948
2030 - 2034	25,185	15,125	15,650	55,960
2035 - 2039	31,580	11,873	12,518	55,971
2040 - 2044	61,605	6,665	7,639	75,909
2045 - 2047	29,390	720	1,301	31,411
Total future debt service	**$174,775**	**$71,329**	**$74,952**	**$321,056**

(in thousands of dollars)

SAN FRANCISCO	VARIABLE-RATE BOND			
	PRINCIPAL	INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2020	$3,725	$801	$998	$5,524
2021	3,860	754	945	5,559
2022	3,995	704	879	5,578
2023	4,145	650	813	5,608
2024	4,290	599	745	5,634
2025 - 2029	23,930	2,067	2,584	28,581
2030 - 2032	16,540	437	547	17,524
Total future debt service	**$60,485**	**$6,012**	**$7,511**	**$74,008**

(in thousands of dollars)

TOTAL	VARIABLE-RATE BOND			
	PRINCIPAL	INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2020	$3,725	$4,677	$4,947	$13,349
2021	3,860	4,635	4,909	13,404
2022	3,995	4,564	4,835	13,394
2023	7,510	4,510	4,769	16,789
2024	7,805	4,401	4,618	16,824
2025 - 2029	44,065	19,734	20,730	84,529
2030 - 2034	41,725	15,562	16,197	73,484
2035 - 2039	31,580	11,873	12,518	55,971
2040 - 2044	61,605	6,665	7,639	75,909
2045 - 2047	29,390	720	1,301	31,411
Total future debt service	**$235,260**	**$77,341**	**$82,463**	**$395,064**

10. OPERATING LEASES

The Medical Centers lease certain buildings and equipment under agreements recorded as operating leases. The terms of the operating leases extend through the year 2042. Operating lease expense for the years ended June 30 are as follows:

(in thousands of dollars)

	2019	2018
Davis	$20,603	$21,396
Irvine	7,919	5,018
Los Angeles	14,604	14,219
San Diego	30,300	17,318
San Francisco	58,857	49,578
Total	**$132,283**	**$107,529**

Future minimum payments on operating leases with an initial or non-cancellable term in excess of one year are as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Year ending June 30						
2020	$25,690	$8,476	$13,568	$30,403	$46,645	$124,782
2021	22,977	7,188	10,712	25,707	42,198	108,782
2022	20,633	6,452	9,405	20,304	30,257	87,051
2023	16,899	6,337	5,493	16,041	22,559	67,329
2024	11,544	4,091	2,430	11,556	16,711	46,332
2025 – 2042	48,674	4,924	9,286	14,939	91,148	168,971
Total	**$146,417**	**$37,468**	**$50,894**	**$118,950**	**$249,518**	**$603,247**

11. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 is summarized as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$435,934	$196,707	$465,376	$354,038	$695,563	$2,147,618
Net retiree health benefits liability	270,190	115,406	328,395	297,257	647,998	1,659,246
Debt refunding	8,415			26,106	553	35,074
Interest rate swap agreements			65,166		8,320	73,486
Asset retirement obligations	31,882			24,134		56,016
Total	**$746,421**	**$312,113**	**$858,937**	**$701,535**	**$1,352,434**	**$3,971,440**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$17,748	$22,662	$27,002	$5,831	$20,398	$93,641
Net retiree health benefits liability	391,069	203,771	519,022	278,510	581,048	1,973,420
Debt refunding			1,340			1,340
Irrevocable split-interest agreements					15,950	15,950
Total	**$408,817**	**$226,433**	**$547,364**	**$284,341**	**$617,396**	**$2,084,351**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2018						
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$72,255	$23,834	$72,974	$98,624	$190,224	$457,911
Net retiree health benefits liability	249,969	105,120	331,973	274,684	578,571	1,540,317
Debt refunding	8,773			28,259	633	37,665
Interest rate swap agreements			49,068		6,435	55,503
Total	**$330,997**	**$128,954**	**$454,015**	**$401,567**	**$775,863**	**$2,091,396**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$22,198	$37,351	$22,632	$13,291	$30,618	$126,090
Net retiree health benefits liability	366,244	197,227	423,225	261,470	539,275	1,787,441
Debt refunding			1,388			1,388
Irrevocable split-interest agreements					13,966	13,966
Total	**$388,442**	**$234,578**	**$447,245**	**$274,761**	**$583,859**	**$1,928,885**

12. RETIREMENT PLANS

University of California Retirement Plan

Substantially all full-time employees of the Medical Centers participate in the University of California Retirement System (UCRS) that is administered by the University. UCRS consists of The University of California Retirement Plan (UCRP), a single-employer defined benefit pension plan, and the University of California Retirement Savings Program (UCRSP) that includes four defined contribution pension plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the UCRS plans. Additional information on the retirement plans can be obtained from the 2018-2019 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University and its affiliates. Effective July 1, 2016, new employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more, or those who complete 1,000 hours within a 12-month period have a choice to participate in UCRP or the University of California Defined Contribution Plan. Prior to that date, membership in UCRP is required for all eligible employees. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments (COLA's) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLA's may be granted subject to funding availability.

Contributions

Contributions to the UCRP may be made by the Medical Centers and the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of the consulting actuary. The Regents determine the portion of the total contribution to be made by the Medical Centers and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Employee member contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. The University contribution rate will be increased starting July 1, 2020 by 0.5 percent per year, on July 1st, for six years to 17.0 percent.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or, if they are a member of certain tiers, a lump sum equal to the present value of their accrued benefits.

Contributions during the years ended June 30 are as follows:

(in thousands of dollars)

	2019			2018		
	MEDICAL CENTER	**EMPLOYEE**	**TOTAL**	**MEDICAL CENTER**	**EMPLOYEE**	**TOTAL**
Davis	$112,545	$63,619	$176,164	$111,593	$63,612	$175,205
Irvine	50,761	28,365	79,126	48,153	27,090	75,243
Los Angeles	121,724	67,351	189,075	122,001	68,520	190,521
San Diego	82,496	46,266	128,762	79,580	45,038	124,618
San Francisco	160,627	91,376	252,003	153,693	88,405	242,098
Total	**$528,153**	**$296,977**	**$825,130**	**$515,020**	**$292,665**	**$807,685**

Additional deposits were made by the University to UCRP of $500.0 million and $391.8 million for the fiscal years ended June 30, 2019 and 2018, respectively. The Medical Centers reported pension expense and an increase in the pension payable to the University for its portion of these additional deposits based upon their proportionate share of covered compensation for the year ended June 30 is as follows:

(in thousands of dollars)

	2019	2018
Davis	$33,434	$26,678
Irvine	15,079	11,567
Los Angeles	36,160	29,279
San Diego	24,507	19,093
San Francisco	47,717	36,746
Total	**$156,897**	**$123,363**

Net Pension Liability

The Medical Centers' proportionate share of the net pension liability for UCRP as of June 30 is as follows:

(in thousands of dollars)

	2019		2018	
	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Davis	6.7%	$1,151,862	6.8%	$643,552
Irvine	3.0	519,523	3.0	279,015
Los Angeles	7.2	1,245,807	7.5	706,286
San Diego	4.9	844,319	4.9	460,577
San Francisco	9.6	1,643,970	9.4	886,410
Total	**31.4%**	**$5,405,481**	**31.6%**	**$2,975,840**

The Medical Centers' net pension liability was measured as of June 30, 2019 and 2018 and calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, 2018 and 2017, respectively. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. The Medical Centers' net pension liability was calculated using the following methods and assumptions:

(shown as percentage)

	2019	2018
Inflation	2.5%	3.0 %
Investment rate of return	6.75	7.25
Projected salary increases	3.65 - 5.95	3.75 - 6.15
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions were changed in 2019 based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. In 2019, for preretirement mortality rates, the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table was used. For post-retirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for male Faculty members, 95 percent for female Faculty members, 100 percent for other male members and 110 percent for other female members. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables above were projected generationally with the two-dimensional mortality improvement scale MP-2018.

The actuarial assumptions used in 2018 were based upon the results of an experience study conducted for the period July 1, 2010 through June 30, 2014. In 2018, for preretirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate tables for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement,

healthy mortality rates were based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates were based on the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

(shown as percentage)

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
U.S. equity	27.6%	5.6%
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High yield bonds	2.5	3.7
Treasury inflation-protected securities (TIPS)	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
Total	**100.0%**	**5.4%**

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2019 and 2018 was 6.75 percent and 7.25 percent, respectively. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, Medical Center contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected Medical Center and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2019 and 2018.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2019 net pension liability of the Medical Center calculated using the June 30, 2019 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
Davis	$1,883,071	$1,151,862	$550,076
Irvine	849,320	519,523	248,100
Los Angeles	2,036,653	1,245,807	594,940
San Diego	1,380,298	844,319	403,208
San Francisco	2,687,573	1,643,970	785,084
Total	**$8,836,915**	**$5,405,481**	**$2,581,408**

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions are related to the following sources as of the years ended June 30:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$18,100	$5,236	$13,466	$47,765	$78,965	$163,532
Changes of assumptions or other inputs	387,622	174,829	419,235	284,128	553,224	1,819,038
Difference between expected and actual experience	30,212	13,626	32,675	22,145	43,118	141,776
Total	**$435,934**	**$193,691**	**$465,376**	**$354,038**	**$675,307**	**$2,124,346**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$9,793	$17,061	$18,397			$45,251
Net difference between projected and actual earnings on pension plan investments	7,446	3,359	8,054	$5,458	$10,628	34,945
Difference between expected and actual experience	509	230	551	373	727	2,390
Total	**$17,748**	**$20,650**	**$27,002**	**$5,831**	**$11,355**	**$82,586**
2018						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$24,416	$1,534	$20,474	$64,388	$102,784	$213,596
Changes of assumptions or other inputs	31,212	13,531	34,252	22,336	42,987	144,318
Difference between expected and actual experience	16,627	7,209	18,248	11,900	22,902	76,886
Total	**$72,255**	**$22,274**	**$72,974**	**$98,624**	**$168,673**	**$434,800**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$3,697	$24,675	$2,327	$50	$3,159	$33,908
Net difference between projected and actual earnings on pension plan investments	14,727	6,385	16,163	10,540	20,285	68,100
Difference between expected and actual experience	3,774	1,636	4,142	2,701	5,198	17,451
Total	**$22,198**	**$32,696**	**$22,632**	**$13,291**	**$28,642**	**$119,459**

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

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020	$137,843	$56,430	$145,002	$116,574	$225,739	$681,588
2021	71,467	27,245	72,879	65,481	121,864	358,936
2022	112,895	46,780	118,768	92,196	173,190	543,829
2023	95,981	42,586	101,725	73,956	143,159	457,407
Total	**$418,186**	**$173,041**	**$438,374**	**$348,207**	**$663,952**	**$2,041,760**

The University of California Retirement Savings Program (UCRSP) plans (Defined Contribution (DC) Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pretax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pretax employee contributions and the Medical Centers may also make contributions on behalf of certain members of management. Benefits from the UCRSP plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Orange County Employees Retirement System

Orange County Employees Retirement System (OCERS) administers a cost-sharing multi-employer governmental defined benefit pension plan for the county of Orange, city of San Juan Capistrano and 13 special districts. Certain employees of the University of California, Irvine Medical Center were eligible to continue to participate in OCERS at the time the hospital was acquired.

OCERS provides retirement, disability and death benefits. Retirement benefits are tiered based upon date of OCERS membership. Participation in OCERS for UC Irvine Medical Center employees is closed. UC Irvine Medical Center's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its specific actuarial accrued liability and a share of assets allocated in accordance with a formula set forth in OCERS' policy. The fiduciary net position and changes in net position have been measured consistent with the accounting policies used by OCERS. Pursuant to an agreement between the University and the county of Orange (OC), the University and OC will equally split the contributions and net pension liability. The amounts reported in the financial statements reflect the University's share of the net pension liability, deferred inflows and outflows and pension expense.

Additional information on OCERS can be obtained from the 2018-2019 annual reports of the Orange County Employees Retirement System at https://www.ocers.org.

Membership in the OCERS Plan consisted of the following at December 31, 2018: 17,674 retired members and beneficiaries, 6,026 inactive members and 21,929 active members.

Contributions

Contribution rates for OCERS are set by the Board of Trustees.

Net Pension Liability

The Irvine Medical Center's proportionate share of the net pension liability was $17.4 million and $13.8 million as of June 30, 2019 and 2018, respectively. Irvine Medical Center's net pension liability for OCERS was measured as of June 30, 2019 and 2018, and the total pension liability was determined by an actuarial valuation as of December 31, 2018 and 2017 rolled forward to June 30, 2019 and 2018, respectively. The actuarial assumptions used in 2019 and 2018 were based on the results of an experience study for the period from January 1, 2014 through December 31, 2016. The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2019 and 2018: 2.8 percent inflation, 7.0 percent investment rate of return, 4.25 to 12.25 percent projected salary increases for general members and 2.8 percent cost-of-living adjustments.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for OCERS Plan are as follows:

(shown as percentage)

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
Global equity	35.0%	6.4%
Core bonds	13.0	1.0
High yield bonds	4.0	3.5
Bank loan	2.0	2.9
Treasury inflation-protected securities (TIPS)	4.0	1.0
Emerging market debt	4.0	3.8
Real estate	10.0	4.3
Core infrastructure	2.0	5.5
Natural resources	10.0	7.9
Risk mitigation	5.0	4.7
Mezzanine/distressed debts	3.0	6.5
Private equity	8.0	9.5
Total	**100.0%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent for June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rate. For this purpose, only employer contributions will be made at rates equal to the actuarially determined contribution rates.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the June 30, 2019 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability	$25,314	$17,404	$10,975

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resource and deferred inflows of resources are as follows:

(in thousands of dollars)

	2019	2018
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$542	$374
Changes of assumptions or other inputs	949	1,186
Net difference between projected and actual earnings on pension plan investments	1,525	
Total	**$3,016**	**$1,560**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$1,751	$2,286
Changes of assumptions or other inputs	261	482
Net difference between projected and actual earnings on pension plan investments		1,887
Total	**$2,012**	**$4,655**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years is as follows:

(in thousands of dollars)	
Year Ending June 30	
2020	$288
2021	(56)
2022	80
2023	641
2024	51
Total	**$1,004**

Children's Hospital and Research Center Oakland Pension Plan

CHRCO administers the CHRCO Pension Plan as the sponsor and plan assets are held by U.S. Bank (the Trustee). The CHRCO Pension Plan is a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that covers active and retired employees. The CHRCO Pension Plan was amended effective January 1, 2012 to exclude unrepresented employees hired or rehired on or after January 1, 2012. The CHRCO Pension Plan provides retirement, disability and death benefits to plan participants. Benefits are based on a participant's length of service, age at retirement and average compensation as defined by the CHRCO Pension Plan.

The net pension liability for the CHRCO Pension Plan was calculated based upon the following assumptions as of June 30, 2019 and 2018: 3.0 percent inflation, 7.0 percent investment rate of return, 4.0 percent projected salary increases and no cost-of-living adjustments. CHRCO recognized pension expense of $27.1 million and $22.3 million for the years ended June 30, 2019 and 2018, respectively.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience review conducted during 2019. In 2019, mortality rates were based on the RP-2014 mortality (base year 2006) with fully generational projected mortality improvements using projection scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an experience review conducted during 2017. In 2018, mortality rates were based on the RP-2016 mortality with fully generational projected mortality improvements using modified scale MP-2016. The MP-2016 projection scale was modified for this valuation to utilize the Social Security Administration's intermediate cost projection scale and a 15-year convergence period.

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by writing to Children's Hospital Oakland, Finance Department, 747 52nd Street, Oakland, California 94609.

Condensed financial information for the CHRCO Pension Plan as of and for the years ended June 30, 2019 and 2018 is as follows:

(in thousands of dollars)

	CHILDREN'S HOSPITAL & RESEARCH CENTER OAKLAND PENSION PLAN	
	2019	**2018**
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION		
Investments at fair value	$501,110	$460,061
Total assets	**501,110**	**460,061**
Other liabilities	2,500	
Total liabilities	**2,500**	
Net position held in trust	**$498,610**	**$460,061**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION		
Contributions	$31,200	$33,600
Investment and other income, net	25,203	33,269
Total additions	**56,403**	**66,869**
Benefit payment and participant withdrawals	15,143	12,802
Plan expense	2,711	3,014
Total deductions	**17,854**	**15,816**
Increase in net position held in trust	**38,549**	**51,053**
Net position held in trust		
Beginning of year	460,061	409,008
End of year	**$498,610**	**$460,061**
CHANGES IN TOTAL PENSION LIABILITY		
Service cost	$11,430	$11,304
Interest	34,165	31,854
Changes of benefit terms	5,214	92
Difference between expected and actual experience		3,609
Changes of assumptions and other inputs	(9,540)	
Benefits paid, including refunds of employee contributions	(15,143)	(12,802)
Net change in total pension liability	**26,126**	**34,057**
Total pension liability		
Beginning of year	484,209	450,152
End of year	**510,335**	**484,209**
Net pension liability, end of year	**$11,725**	**$24,148**

Membership in the CHRCO Pension Plan consisted of the following at June 30, 2019:

Retirees and beneficiaries receiving benefits	1,031
Inactive members entitled to, but not yet receiving benefits	1,152
Active members	1,856
Total membership	**4,039**

Contributions

Employer contributions for the CHRCO Pension Plan are determined under IRC Section 430. Employees are not required or permitted to contribute to the CHRCO Pension Plan.

Net Pension Liability

The net pension liability for CHRCO was measured as of June 30 and the total pension liability was determined by an actuarial valuation as of January 1, rolled forward to June 30. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for the CHRCO Pension Plan are as follows for June 30, 2019:

(shown as percentage)

	TOTAL ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
Domestic equity	49.3%	4.3%
Developed international equity	11.6	5.9
Emerging market equity	1.5	8.4
Core fixed income	37.6	2.2
Total	**100.0%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent for June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the plan under IRC Section 430's minimum requirements for a period of eight years, and that all future assumptions are met. Based on these assumptions, the CHRCO Pension Plan fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the June 30, 2019 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability	$84,367	$11,725	($48,305)

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources are as follows:

(in thousands of dollars)

	2019	2018
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$8,106	$5,714
Changes of benefit terms	94	178
Changes of assumptions	9,550	15,659
Net difference between projected and actual earnings on pension plan investments	2,506	
Total	**$20,256**	**$21,551**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$1,050	$1,709
Changes of assumptions	7,993	
Net difference between projected and actual earnings on pension plan investments		267
Total	**$9,043**	**$1,976**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

(in thousands of dollars)	
Year Ending June 30	
2020	$9,044
2021	959
2022	965
2023	1,239
2024	(633)
Thereafter	(361)
Total	**$11,213**

13. RETIREE HEALTH PLANS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through UCRHBT. The Regents has the authority to establish and amend the plan. While retiree health benefits are not a legal obligation of the University and can be cancelled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits. Additional information on the retiree health plans can be obtained from the 2018-2019 annual reports of the University of California.

The contribution requirements of the eligible retirees and the participating University locations, such as the Medical Centers, are established and may be amended by the University. Membership in a defined benefit plan to which the University contributes or participation in the DC Plan as a result of a Savings Choice election is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service, increasing to 100 percent after 20 years of service.

Contributions

Campus and Medical Center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University also remits these retiree contributions to UCRHBT. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at a campus or Medical Center. UCRHBT reimburses the University for these amounts.

Participating University locations, such as the Medical Centers, are required to contribute at a rate assessed each year by the University. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.70 and $2.80 per $100 of UCRP covered payroll effective July 1, 2018 and 2017, respectively.

The Medical Centers' cash contributions for the years ended June 30 are as follows:

(in thousands of dollars)

	2019	2018
Davis	$22,032	$22,535
Irvine	9,948	10,170
Los Angeles	23,606	26,042
San Diego	16,196	16,088
San Francisco	33,792	33,182
Total	**$105,574**	**$108,017**

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. The effect is the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

The Medical Centers' implicit subsidy contributions for the years ended June 30 are as follows:

(in thousands of dollars)

	2019	2018
Davis	$6,539	$6,479
Irvine	2,954	2,923
Los Angeles	7,007	7,485
San Diego	4,807	4,622
San Francisco	10,032	9,535
Total	**$31,339**	**$31,044**

Net Retiree Health Benefits Liability

The Medical Centers' proportionate share of the net retiree health benefits liability as of June 30 is as follows:

(in thousands of dollars)

	2019		2018	
	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY
Davis	6.6%	$1,268,189	6.6%	$1,215,567
Irvine	3.0	572,706	3.0	548,548
Los Angeles	7.1	1,358,829	7.7	1,404,685
San Diego	4.8	932,379	4.8	867,819
San Francisco	10.1	1,945,198	9.8	1,789,855
Total	**31.6%**	**$6,077,301**	**31.9%**	**$5,826,474**

The Medical Centers' net retiree health benefits liability was measured as of June 30, 2019 and 2018 and calculated using the plan net position valued as of the measurement date and total retiree health benefits liability based upon rolling forward the results of the actuarial valuations as of July 1, 2018 and 2017, respectively. Actuarial valuations represent a long-term perspective and include estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

Significant actuarial methods and assumptions used to calculate the Medical Centers' net retiree health benefits liability are:

(shown as percentage)

	2019	2018
Discount rate	3.50%	3.87%
Inflation	2.5	3.0
Investment rate of return	2.5	3.0
Health care cost trend rates	Initially ranges from 4.4 to 9.4 decreasing to an ultimate rate of 4.0 for 2077 and later years.	Initially ranges from 5.0 to 9.3 decreasing to an ultimate rate of 5.0 for 2033 and later years.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions were changed in 2019 based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018. For pre-retirement mortality rates, the Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table were used. For post-retirement, healthy mortality rates were based on the Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table and multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively. For beneficiaries of retired members, rates were based on the Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table. For disabled members, rates were based on the Pub-2010 Non-Safety Disabled Retiree-Headcount Weighted Mortality Table. All mortality rates are projected generationally with the two-dimensional mortality improvement scale MP-2018.

The actuarial assumptions used in 2018 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For pre-retirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate table for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement, healthy mortality rates are based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 and with ages then set back one year for males and set forward five years for females.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

The following presents the June 30, 2019 net retiree health benefits liability of the Medical Center calculated using the June 30, 2019 health care cost trend rate assumption with initial trend ranging from 4.4 percent to 9.4 percent grading down to an ultimate trend of 4.0 percent over 58 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (3.4% to 8.4%) DECREASING TO (3.0%)	CURRENT TREND (4.4% to 9.4%) DECREASING TO (4.0%)	1% INCREASE (5.4% to 10.4%) DECREASING TO (5.0%)
Davis	$1,044,832	$1,268,189	$1,564,296
Irvine	471,839	572,706	706,426
Los Angeles	1,119,508	1,358,829	1,676,099
San Diego	768,165	932,379	1,150,078
San Francisco	1,602,603	1,945,198	2,399,378
Total	**$5,006,947**	**$6,077,301**	**$7,496,277**

Discount Rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2019 and 2018 was 3.50 percent and 3.87 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

The following presents the June 30, 2019 net retiree health benefits liability of the Medical Center calculated using the June 30, 2019 discount rate assumption of 3.5 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (2.5%)	CURRENT DISCOUNT (3.5%)	1% INCREASE (4.5%)
Davis	$1,518,521	$1,268,189	$1,071,399
Irvine	685,754	572,706	483,837
Los Angeles	1,627,053	1,358,829	1,147,974
San Diego	1,116,424	932,379	787,698
San Francisco	2,329,167	1,945,198	1,643,354
Total	**$7,276,919**	**$6,077,301**	**$5,134,262**

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits are related to the following sources as of the years ended June 30:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$19,042	$1,989	$59,296	$112,612	$262,776	$455,715
Changes of assumptions or other inputs	246,684	111,401	264,315	181,363	378,374	1,182,137
Net difference between projected and actual earnings on plan investments	212	96	228	156	326	1,018
Difference between expected and actual experience	4,252	1,920	4,556	3,126	6,522	20,376
Total	**$270,190**	**$115,406**	**$328,395**	**$297,257**	**$647,998**	**$1,659,246**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$12,250	$32,699	$113,127			$158,076
Changes of assumptions or other inputs	183,143	82,706	196,233	$134,648	$280,912	877,642
Difference between expected and actual experience	195,676	88,366	209,662	143,862	300,136	937,702
Total	**$391,069**	**$203,771**	**$519,022**	**$278,510**	**$581,048**	**$1,973,420**

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2018						
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$22,265	$2,364	$68,842	$112,121	$243,289	$448,881
Changes of assumptions or other inputs	222,471	100,394	257,083	158,827	327,577	1,066,352
Net difference between projected and actual earnings on plan investments	254	115	294	181	374	1,218
Difference between expected and actual experience	4,979	2,247	5,754	3,555	7,331	23,866
Total	**$249,969**	**$105,120**	**$331,973**	**$274,684**	**$578,571**	**$1,540,317**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions		$31,952				$31,952
Changes of assumptions or other inputs	$214,481	96,789	$247,850	$153,123	$315,812	1,028,055
Difference between expected and actual experience	151,763	68,486	175,375	108,347	223,463	727,434
Total	**$366,244**	**$197,227**	**$423,225**	**$261,470**	**$539,275**	**$1,787,441**

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ended June 30 is as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2020	($13,375)	($11,468)	($22,128)	$7,118	$19,400	($20,453)
2021	(13,398)	(11,478)	(22,152)	7,102	19,365	(20,561)
2022	(13,425)	(11,490)	(22,181)	7,082	19,323	(20,691)
2023	(13,451)	(11,502)	(22,209)	7,063	19,285	(20,814)
2024	(21,251)	(15,024)	(30,567)	1,328	7,319	(58,195)
Thereafter	(45,979)	(27,403)	(71,390)	(10,946)	(17,742)	(173,460)
Total	**($120,879)**	**($88,365)**	**($190,627)**	**$18,747**	**$66,950**	**($314,174)**

14. SELF-INSURANCE

The Medical Centers are insured through the University's and its captive's malpractice, general liability, workers' compensation, and health and welfare programs. All operating departments of the University are charged premiums to finance the workers' compensation and health and welfare programs. The University's Medical Centers are charged premiums to finance the malpractice insurance. All claims and related expenses are paid from the University's self-insurance funds or the University's wholly owned captive insurance company. Such risks are subject to various per claim and aggregate limits, with excess liability coverage provided by independent insurers.

Malpractice and general liability premiums are recorded as insurance and other expense in the statements of revenues, expenses and changes in net position. Workers' compensation premiums, net of refunds, are included as other employee benefits in the statements of revenues, expenses and changes in net position.

CHRCO's liabilities for medical malpractice, workers' compensation and health care claims changed as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
2019				
Liabilities at June 30, 2018	$5,050	$11,678	$1,685	$18,413
Claims incurred and changes in estimates	(204)	3,245	9,998	13,039
Claim payments	463	(2,822)	(10,039)	(12,398)
Liabilities at June 30, 2019	**$5,309**	**$12,101**	**$1,644**	**$19,054**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	
2018				
Liabilities at June 30, 2017	$4,563	$12,221	$1,675	$18,459
Claims incurred and changes in estimates	(1,943)	2,411	10,104	10,572
Claim payments	2,430	(2,954)	(10,094)	(10,618)
Liabilities at June 30, 2018	**$5,050**	**$11,678**	**$1,685**	**$18,413**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	
2017				
Liabilities at June 30, 2016	$4,425	$12,540	$1,864	$18,829
Claims incurred and changes in estimates	730	2,469	7,965	11,164
Claim payments	(592)	(2,788)	(8,154)	(11,534)
Liabilities at June 30, 2017	**$4,563**	**$12,221**	**$1,675**	**$18,459**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

CHRCO has three irrevocable letters of credit with a bank totaling $13.8 million as of June 30, 2019, which is mostly security for the workers' compensation large dollar insurance deductible. No amounts were drawn on the letter of credit as of June 30, 2019.

15. TRANSACTIONS WITH OTHER UNIVERSITY ENTITIES

Services purchased from the University include office and medical supplies, building maintenance, repairs and maintenance, administrative, treasury, medical services and insurance. Services provided to the University include physician office rentals, pharmaceuticals, billing services, medical supplies and cafeteria services. Such amounts are netted and reported as operating expenses in the statements of revenues, expenses and changes in net position for the years ended June 30 as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Other employee benefits	$12,574	($19,167)	$26,376	($1,927)	$16,750	$34,606
Professional services	94,634	5,871	2,237	67,010	678,724	848,476
Other supplies and purchased services	(9,716)	52,743	87,672	3,804	44,147	178,650
Insurance and other	16,584	8,132	9,915	11,957	12,261	58,849
Interest expenses (income), net	(19,774)	(9,059)	(30,449)	(7,506)	(23,262)	(90,050)
Total	**$94,302**	**$38,520**	**$95,751**	**$73,338**	**$728,620**	**$1,030,531**
2018						
Other employee benefits	$10,012	$6,052	$22,963	$11,417	$18,456	$68,900
Professional services	89,524	4,463	2,079	59,812	601,395	757,273
Other supplies and purchased services	(6,784)	42,983	83,616	12,444	39,073	171,332
Insurance and other	13,526	6,639	7,179	11,197	11,322	49,863
Interest expenses (income), net	(11,888)	(5,573)	(21,720)	(4,866)	(15,498)	(59,545)
Total	**$94,390**	**$54,564**	**$94,117**	**$90,004**	**$654,748**	**$987,823**

Additionally, the Medical Centers make payments to the Schools of Medicine. Services purchased from the Schools of Medicine include physician services that benefit the Medical Centers, such as emergency room coverage, physicians providing medical direction to the Medical Centers and the Medical Centers' allocation of malpractice insurance. Such expenses are reported as operating expenses in the statements of revenue, expenses and changes in net position. Health system support includes amounts paid to the Schools of Medicine by the Medical Centers to fund the operating activities, clinical research and faculty practice plans, as well as other payments made to support various programs.

The payments made by the Medical Centers for the years ended June 30 are as follows:

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2019						
Reported as operating expenses	$94,302	$38,520	$95,751	$73,338	$728,620	$1,030,531
Reported as health system support	29,033	85,051	218,228	127,684	146,232	606,228
Total payments to the University	**$123,335**	**$123,571**	**$313,979**	**$201,022**	**$874,852**	**$1,636,759**
2018						
Reported as operating expenses	$94,390	$54,564	$94,117	$90,004	$654,748	$987,823
Reported as health system support	30,285	48,173	212,827	124,055	116,286	531,626
Total payments to the University	**$124,675**	**$102,737**	**$306,944**	**$214,059**	**$771,034**	**$1,519,449**

16. COMPONENT UNIT INFORMATION

Condensed financial statement information related to CHRCO for the years ended June 30 is as follows:

(in thousands of dollars)

	2019	2018
CONDENSED STATEMENT OF NET POSITION		
Current assets	$328,387	$311,603
Capital assets, net	330,502	325,396
Other assets	296,882	269,174
Total assets	**955,771**	**906,173**
Total deferred outflows of resources	**20,256**	**21,551**
Current liabilities	197,066	193,228
Long-term debt	101,980	102,518
Other noncurrent liabilities	41,911	53,506
Total liabilities	**340,957**	**349,252**
Total deferred inflows of resources	**24,994**	**15,942**
Net investment in capital assets	227,984	222,341
Restricted	83,004	66,759
Unrestricted	299,088	273,430
Total net position	**$610,076**	**$562,530**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Net patient service revenue	$586,930	$525,401
Grants and contracts	43,134	43,766
Other operating revenue	23,611	22,441
Operating expenses	(619,035)	(582,955)
Depreciation expense	(35,887)	(35,946)
Operating income (loss)	**(1,247)**	**(27,293)**
Nonoperating revenues, net	44,063	44,428
Income before other changes in net position	**42,816**	**17,135**
Other, including donated assets	4,730	2,014
Increase in net position	**47,546**	**19,149**
Net position - beginning of year	562,530	543,381
Net position - end of year	**$610,076**	**$562,530**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$48,781	$37,520
Noncapital financing activities	31,735	23,462
Capital and related financing activities	(48,572)	(56,953)
Investing activities	(12,945)	18,657
Net increase in cash and cash equivalents	**18,999**	**22,686**
Cash and cash equivalents – beginning of year	141,548	118,862
Cash and cash equivalents – end of year	**$160,547**	**$141,548**

17. COMMITMENTS AND CONTINGENCIES

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to periodic governmental review, interpretation and audits, as well as regulatory actions unknown and unasserted at this time.

The Medical Centers are contingently liable in connection with certain claims and contracts, including those currently in litigation, arising out of the normal course of its activities. Management and General Counsel are of the opinion that the outcome of such matters will not have a material effect on the Medical Centers' financial position.

The Medical Centers have entered into various construction contracts. The remaining costs of the Medical Center projects, excluding interest, as of June 30, 2019 are estimated to be approximately:

(in thousands of dollars)	
Davis	$24,782
Irvine	125,625
Los Angeles	17,517
San Diego	13,039
San Francisco	83,773
Total	**$264,736**

Under an agreement with a private, non-profit hospital, UCSF Medical Center committed to provide $90.0 million in aggregate capital investments through a series of newly formed joint ventures with the hospital over the course of the initial 10 years of the agreement. As of June 30, 2019, UCSF Medical Center deposited $30.0 million to a designated bank account for this purpose with the amount reported as prepaid expenses and other assets. An additional service agreement was signed for UCSF Medical Center to operate certain outpatient clinics whose sole corporate member is the same non-profit hospital.

Required Supplementary Information *(Unaudited)*

UCRP

The individual schedule of the Medical Centers' proportionate share of UCRP's net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
DAVIS					
2019	6.7%	$1,151,862	$793,442	145.2%	79.5%
2018	6.8	643,552	791,832	81.3	87.2
2017	6.7	675,141	732,307	92.2	85.3
2016	6.6	895,967	682,784	131.2	78.2
2015	6.5	627,561	635,120	98.8	83.8
2014	6.6	468,810	603,824	77.6	87.2
2013	6.5	690,989	563,695	122.6	78.6
2012	6.3	880,516	522,988	168.4	71.9
IRVINE					
2019	3.0%	$519,523	$357,866	145.2%	79.5%
2018	3.0	279,015	343,303	81.3	87.2
2017	3.2	321,946	349,207	92.2	85.3
2016	3.2	438,524	334,184	131.2	78.2
2015	3.2	308,211	311,924	98.8	83.8
2014	3.3	235,813	303,726	77.6	87.2
2013	3.3	345,341	281,722	122.6	78.6
2012	3.3	466,849	277,288	168.4	71.9
LOS ANGELES					
2019	7.2%	$1,245,807	$858,155	145.2%	79.5%
2018	7.5	706,286	869,020	81.3	87.2
2017	7.3	741,290	804,058	92.2	85.3
2016	7.3	990,520	754,840	131.2	78.2
2015	7.2	697,260	705,659	98.8	83.8
2014	7.3	513,936	661,946	77.6	87.2
2013	7.0	739,451	603,229	122.6	78.6
2012	6.6	928,298	551,368	168.4	71.9
SAN DIEGO					
2019	4.9%	$844,319	$581,596	145.2%	79.5%
2018	4.9	460,577	566,698	81.3	87.2
2017	4.5	459,781	498,712	92.2	85.3
2016	4.1	564,996	430,563	131.2	78.2
2015	4.0	385,387	390,029	98.8	83.8
2014	3.9	271,458	349,636	77.6	87.2
2013	3.8	405,012	330,401	122.6	78.6
2012	4.2	587,011	348,659	168.4	71.9
SAN FRANCISCO					
2019	9.6%	$1,643,970	$1,132,424	145.2%	79.5%
2018	9.4	886,409	1,090,645	81.3	87.2
2017	9.1	919,943	997,838	92.2	85.3
2016	8.6	1,171,002	892,379	131.2	78.2
2015	8.1	777,948	787,319	98.8	83.8
2014	7.4	523,452	674,202	77.6	87.2
2013	7.8	822,056	670,617	122.6	78.6
2012	7.5	1,044,811	620,572	168.4	71.9

The total schedule of the Medical Centers' proportionate share of UCRP's net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
TOTAL					
2019	31.4%	$5,405,481	$3,723,483	145.2%	79.5%
2018	31.6	2,975,839	3,661,498	81.3	87.2
2017	30.8	3,118,101	3,382,122	92.2	85.3
2016	29.8	4,061,009	3,094,750	131.2	78.2
2015	29.0	2,796,367	2,830,051	98.8	83.8
2014	28.5	2,013,469	2,593,334	77.6	87.2
2013	28.4	3,002,849	2,449,664	122.6	78.6
2012	27.9	3,907,485	2,320,875	168.4	71.9

CHRCO PENSION PLAN

The schedule of changes in the net pension liability for the CHRCO Pension Plan for the years ended June 30 is as follows:

(in thousands of dollars)

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
As of June 30						
Service cost	$11,430	$11,304	$9,910	$10,410	$9,448	$9,274
Interest on the total pension liability	34,165	31,854	29,672	27,782	24,683	22,453
Changes of benefit terms		92	33	24	40	142
Difference between expected and actual experience	5,214	3,609	2,442	(3,690)	762	2,487
Changes of assumptions or other inputs	(9,540)			3,613	33,105	
Benefits paid, including refunds of employee contributions	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Net change in total pension liability	**26,126**	**34,057**	**30,290**	**28,630**	**59,956**	**27,362**
Total pension liability - beginning of year	484,209	450,152	419,862	391,232	331,276	303,914
Total pension liability - end of year	**510,335**	**484,209**	**450,152**	**419,862**	**391,232**	**331,276**
PLAN NET POSITION						
Contributions - employer	31,200	33,600	28,800	24,000	18,000	14,500
Net investment income	25,203	33,269	41,256	214	11,797	48,704
Benefits paid, including refunds of employee contributions	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Administrative expense	(2,711)	(3,014)	(2,727)	(1,816)	(1,222)	(718)
Net change in plan net position	**38,549**	**51,053**	**55,562**	**12,889**	**20,493**	**55,492**
Total plan net position - beginning of year	460,061	409,008	353,446	340,557	320,064	264,572
Total plan net position - end of year	**498,610**	**460,061**	**409,008**	**353,446**	**340,557**	**320,064**
Net pension liability - end of year	**$11,725**	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**

The schedule of net pension liability for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)

	2019	2018	2017	2016	2015	2014
Total pension liability	$510,335	$484,209	$450,152	$419,862	$391,232	$331,276
Plan net position	498,610	460,061	409,008	353,446	340,557	320,064
Net pension liability	$11,725	$24,148	$41,144	$66,416	$50,675	$11,212
Ratio of plan net position to total pension liability	97.7%	95.0%	90.9%	84.2%	87.0%	96.6%
Covered payroll	$190,599	$187,639	$184,083	$165,672	$177,986	$175,189
Net pension liability as a percentage of covered payroll	6.2%	12.9%	22.4%	40.1%	28.5%	6.4%

The schedule of employer contributions for the CHRCO Pension Plan for the years ended June 30 is:

(in thousands of dollars)

	2019	2018	2017	2016	2015	2014
Actuarially calculated employer contributions	$17,870	$7,710	$5,642	$7,823	$12,239	$21,282
Contributions in relation to the actuarially calculated employer contribution	31,200	33,600	28,800	24,000	18,000	14,500
Annual contribution (excess) deficiency	($13,330)	($25,890)	($23,158)	($16,177)	($5,761)	$6,782
Covered payroll	$190,599	$187,639	$184,083	$165,672	$177,986	$175,189
Actual contributions as a percentage of covered payroll	16.4%	17.9%	15.6%	14.5%	10.1%	8.3%

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially calculated contributions are calculated as of January 1 of the end of the fiscal year in which contributions are reported.
Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances prorated for the number of months in the fiscal year. For the period January 1, 2014 to June 30, 2014, the amount shown does not reflect changes in the Highway and Transportation Funding Act of 2014 (HATFA). The contribution for July 1, 2014 and thereafter includes HATFA.
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the Plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method.
Amortization method	Level dollar, closed amortization.
Remaining amortization period	7 years for changes in unfunded liabilities that occur each valuation date.
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The two-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	3.0%.
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation.
Projected salary increases	5.0%, including inflation through 2017, 4.0% afterward.
Cost-of-living adjustments	N/A.
Mortality	Adjusted RP-2014 Mortality Table for males or females with back up base table to 2006, as appropriate, with generational adjustments for mortality improvements based on Scale MP-2017.

OCERS

The schedule of Irvine's proportionate share of OCERS' net pension liability is presented below:

(in thousands of dollars)

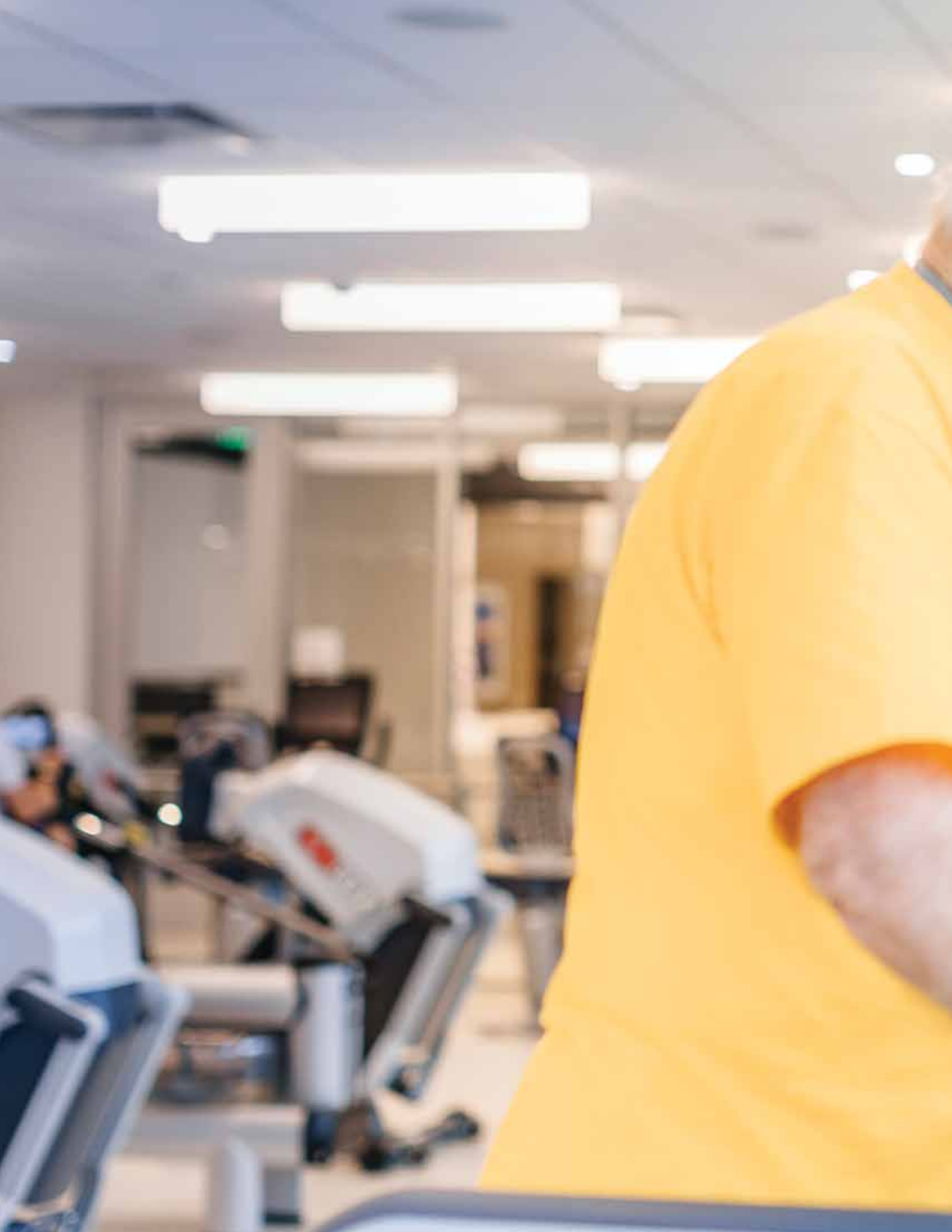
AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
2019	0.3%	$17,404			34.0%
2018	0.3	13,822	$15	92,146.7%	37.6
2017	0.3	18,057	44	41,038.6	34.5
2016	0.3	18,092	285	6,347.5	34.8

RETIREE HEALTH BENEFITS

The schedule of the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL RETIREE HEALTH BENEFITS LIABILITY
DAVIS					
2019	6.6%	$1,268,189	$816,000	155.4%	0.8%
2018	6.6	1,215,567	804,821	151.0	0.7
2017	6.6	1,227,803	735,904	166.8	0.6
2016	6.6	1,385,392	682,784	202.9	0.3
2015	6.5	1,174,370	635,120	184.9	0.3
IRVINE					
2019	3.0%	$572,706	$368,444	155.4%	0.8%
2018	3.0	548,548	363,214	151.0	0.7
2017	3.1	574,394	344,334	166.8	0.6
2016	3.2	678,034	334,184	202.9	0.3
2015	3.2	576,719	311,924	184.9	0.3
LOS ANGELES					
2019	7.1%	$1,358,829	$874,296	155.4%	0.8%
2018	7.7	1,404,685	930,071	151.0	0.7
2017	7.6	1,422,069	852,389	166.8	0.6
2016	7.3	1,531,589	754,840	202.9	0.3
2015	7.2	1,304,836	705,659	184.9	0.3
SAN DIEGO					
2019	4.8%	$932,379	$599,852	155.4%	0.8%
2018	4.8	867,819	574,571	151.0	0.7
2017	4.5	835,720	500,922	166.8	0.6
2016	4.1	873,597	430,563	202.9	0.3
2015	4.0	721,260	390,029	184.9	0.3
SAN FRANCISCO					
2019	10.1%	$1,945,198	$1,251,556	155.4%	0.8%
2018	9.8	1,789,855	1,185,071	151.0	0.7
2017	9.5	1,777,540	1,065,427	166.8	0.6
2016	8.6	1,810,693	892,379	202.9	0.3
2015	8.1	1,455,873	787,319	184.9	0.3
TOTAL					
2019	31.6%	$6,077,301	$3,910,148	155.4%	0.8%
2018	31.9	5,826,474	3,857,748	151.0	0.7
2017	31.3	5,837,526	3,498,976	166.8	0.6
2016	29.8	6,279,305	3,094,750	202.9	0.3
2015	29.0	5,233,058	2,830,051	184.9	0.3



UNIVERSITY OF CALIFORNIA

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Claire Holmes, *Senior Vice President-External Relations & Communications*
Charles F. Robinson, *General Counsel and Vice President-Legal Affairs*
Alexander Bustamante, *Senior Vice President-Chief Compliance and Audit Officer*
Jagdeep Singh Bachher, *Chief Investment Officer and Vice President-Investments*

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Bradley Simmons (Interim), *Davis*
Larry Austine (Interim), *Irvine*
Johnese Spisso, *Los Angeles*
Patty Maysent, *San Diego*
Mark Laret, *San Francisco*

MEDICAL CENTER CHIEF FINANCIAL OFFICERS

Timothy R. Maurice, *Davis*
Chad Lefteris,* *Irvine*
Paul Staton, *Los Angeles*
Lori Donaldson, *San Diego*
Raju Iyer, *San Francisco*

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