UNIVERSITY OF CALIFORNIA

Medical Centers Report

22/23

University of California Health is committed to nothing less than the well-being of all Californians. As one of the nation's largest academic health systems, we deliver exceptional care, train the health professionals of tomorrow and accelerate the pace of scientific discovery — always keeping health access and equity in mind.

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HEALTH

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Medical Centers
22/23 Annual Financial Report

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Letter from the Executive Vice President

Welcome to the University of California Health's (UC Health) Annual Report for FY2022-2023. This year presented unparalleled challenges for health systems across the nation. We faced challenges from the pandemic, rising costs and staff shortages. Still, UC Health worked hard to help everyone in California stay healthy.

Meeting Demand for Quality Care – In 2022-2023, UC's academic health centers saw more patients than ever before; i.e., increased visits for emergency services, primary care and specialty care. Nearly all major care delivery metrics surpassed those of the preceding year. This includes the case mix index, which measures the severity of cases treated. Unfortunately, the fiscal condition of our academic health centers was impacted by increased costs for staff, supplies and medicines, especially in the first half of the year. As a system, we managed to balance our budget, but we know the road ahead might be tough.

Helping All Californians – UC Health has a big network with 12 hospitals and over 11,000 doctors. We have more than 9 million outpatient visits and provided 1 million in-hospital care days annually. Importantly, UC Health is a vital part of California's health care safety net. More than 70 percent of inpatient days were for Medi-Cal and Medicare enrollees. It is worth noting that our dedication to serve does not waver with financial challenges. We helped every patient, regardless of their financial capacities, even in the face of reimbursement deficits for Medi-Cal and Medicare care.

New Ways to Care – Innovation permeates every facet of UC Health and powers our intensive efforts to improve people's health. Here are some things we did:

- Experts across the UC academic health centers and data scientists from the UC Center for Data-driven Insights and Innovation worked on better diabetes care. Over a three-year span ending in June 2023, we witnessed a 14 percent improvement in A1c control among diabetes patients and a 73 percent improvement in the prescription of newer cardioprotective medications among high-risk patients.
- UC Health researchers run more than 4,600 clinical trials investigating treatments for more than 2,400 conditions. This includes our deep commitment to cancer care at our five NCI-designated comprehensive cancer centers where we host approximately 1,000 cancer-related clinical trials concurrently.
- COVID-19 continues to impact the health system, especially as we delve deeper into understanding and managing Long COVID. Last fall, we started a program to help providers understand and treat Long COVID.
- UC Health continues to identify ways to provide high-quality care, by being smart with our resources and costs. The Leveraging Scale for Value program allows us to gain systemwide economies of scale. The program has made an impact by working across UC Health locations to optimize our scarce human resources, reducing capital spending and lowering supply and equipment costs.

Investing in California's Healthcare Future – As the nation's leading academic health system, UC Health plays a critical role in educating the state's future health care workforce. We train many of the state's future doctors, nurses and other health professionals. We offer settings for training programs, and we provide financial support to UC's world-class medical schools. Across our 20 health professional schools, we train future health leaders from different backgrounds who are committed to health equity. We proudly train more than half of the state's medical residents. And, importantly, nearly 70 percent of the state's physicians are UC medical school graduates.

Supporting Our Communities and Economy – UC Health is an integral community and economic pillar. We are also one of California's big employers. Our academic health systems serve as community anchors, and we have more than 100,000 workers. We put $81 billion into the California economy, helping places from Davis to San Diego grow and thrive.

Our commitment to California is unwavering. Our main goal is to make sure everyone in the state has great, affordable healthcare. UC Health is here to lead the way, ensuring every Californian stays healthy.

Fiat lux,

TALMADGE E. KING, JR., MD
EXECUTIVE VICE PRESIDENT (INTERIM)
UC HEALTH, UNIVERSITY OF CALIFORNIA

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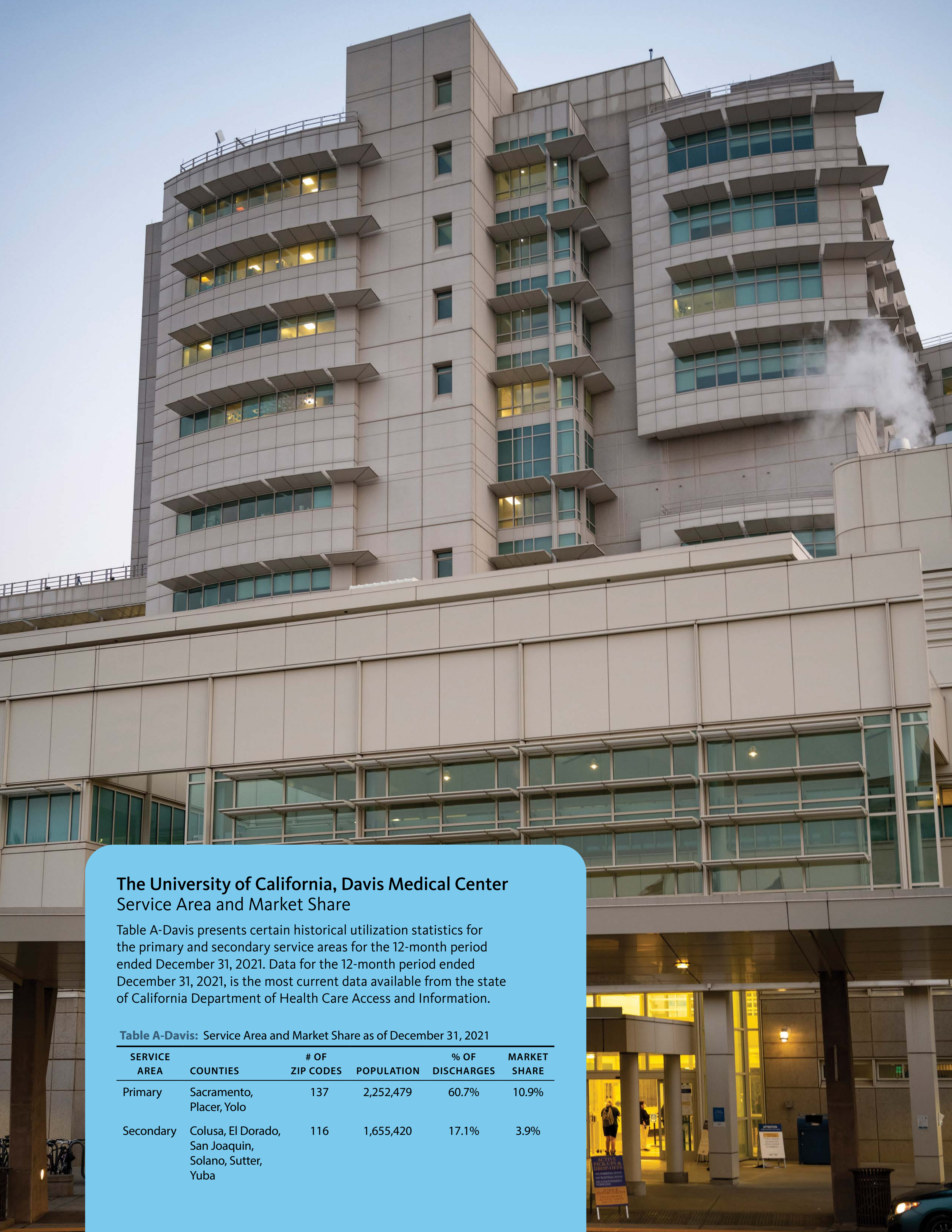

The University of California, Davis Medical Center
Service Area and Market Share

Table A-Davis presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2021. Data for the 12-month period ended December 31, 2021, is the most current data available from the state of California Department of Health Care Access and Information.

Table A-Davis: Service Area and Market Share as of December 31, 2021

SERVICE AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Sacramento, Placer, Yolo	137	2,252,479	60.7%	10.9%
Secondary	Colusa, El Dorado, San Joaquin, Solano, Sutter, Yuba	116	1,655,420	17.1%	3.9%

The University of California, Davis Medical Center

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

The acute care hospital has more than 640 beds and provides a full range of inpatient acute and intensive care, along with a full complement of ancillary, support and ambulatory services. Many services are located on approximately 144 acres in the city of Sacramento. Ambulatory care is provided at hospital-based and community clinics in Sacramento and the surrounding communities of Auburn, Carmichael, Davis, Elk Grove, Folsom, Marysville, Natomas, Rancho Cordova, Rocklin and Roseville.

UC Davis Medical Center serves as the major tertiary and quaternary care hospital for a 33-county area more than 350 miles wide and 400 miles long, with a population of more than 6 million. It is the only provider of most 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.

UC Davis Health leads multiple cooperative programs with regional providers to increase care access and quality in both urban and rural settings. The UC Davis Cancer Care Network is comprised of community-based cancer centers around Northern California, and nationally recognized clinical telemedicine and rural affiliation programs are paired with locally delivered care through partners such as regional community hospitals and Federally Qualified Health Centers (FQHCs).

Some significant events of the past year include:

UC Davis Health continues to maintain an outstanding local and national reputation for care delivery

- The UC Davis Medical Center is the top-ranking hospital in the Sacramento metropolitan area and among the top 10 in California, according to the U.S. News & World Report "Best Hospitals" 2023–24 survey.
- U.S. News also ranked UC Davis Medical Center one of the nation's best for 2023-24 in multiple adult specialties, including cancer care, cardiology & heart surgery, diabetes & endocrinology, ENT, geriatrics, neurology & neurosurgery, obstetrics & gynecology and pulmonology & lung surgery. It also ranked as high-performing in the gastroenterology & GI surgery and orthopedics specialties.
- In 2023–24 U.S. News ratings for adult procedures and conditions, UC Davis Medical Center ranked as high-performing in chronic obstructive pulmonary disease (COPD), colon cancer surgery, diabetes, heart attack, heart failure, hip fracture, hip replacement, kidney failure, leukemia, lymphoma and myeloma, lung cancer surgery, ovarian cancer surgery, pneumonia, prostate cancer surgery, stroke, transcatheter aortic valve replacement (TAVR) and uterine cancer surgery.
- U.S. News ranked the UC Davis Children's Hospital among the nation's best for 2023–24 in diabetes & endocrinology, nephrology and — together with Shriners Children's Northern California — orthopedics.

- The UC Davis School of Medicine ranked No. 3 in America for diversity, No. 5 for family medicine and No. 6 for primary care in U.S. News 2023–24 graduate school rankings. The Betty Irene Moore School of Nursing at UC Davis ranked No. 23 among best graduate schools for master's degree nursing programs, and the Master of Health Services — Physician Assistant Studies Degree Program ranked 40th.

Regional outreach, strategic initiatives and major capital projects

UC Davis Health continues to enhance its ability to provide the right care, at the right time, in the right place to support both our academic and social missions through our operational and financial performance.

We continue to partner with remote regional providers to ensure greater access to our tertiary and quaternary services, as well as to provide care through telemedicine at local hospitals closer to patients' homes. We are increasing partnerships with FQHCs as convenient destinations for transportation-challenged populations who utilize wrap-around social services. We are also increasing access by providing more care at non-UC Davis hospitals through affiliations and contractual agreements that increase local care quality and expertise in Northern California's rural areas.

Planning and construction for several major capital projects continues on the medical center's Sacramento campus and at satellite locations, and two projects opened in FY 2022-23:

- UC Davis Health opened a 52-bed rehabilitation hospital on the Sacramento medical center campus, developed by Lifepoint Rehabilitation and staffed by UC Davis Health. The 58,000-square-foot facility more than doubles the inpatient rehabilitation capacity formerly available at UC Davis Medical Center.
- UC Davis Health welcomed patients to the new Ernest E. Tschannen Eye Institute Building, which will significantly increase the UC Davis Eye Center's capacity for patient care and clinical trials.
- Construction is starting on a large new ambulatory surgery center on the Sacramento medical center campus, intended to ease OR crowding, reduce wait times and expand services. The center will include 12 major operating rooms plus procedure rooms, recovery bays, ancillary services and specialty clinics, and is slated to open to its first patients in spring 2025.
- Construction activities continue for the new California Tower, a replacement for areas of UC Davis Medical Center slated to close due to seismic laws. The new 14-story tower and five-story pavilion will add approximately one million square feet of additional space, with operating rooms and about 400 single-patient rooms to replace others being taken out of service. The medical center will have a total of 675–700 inpatient beds upon project completion in 2030, including more than 250 rooms with adaptability for critical-care surges.
- UC Davis Health has purchased a 34.5-acre parcel in Folsom and is planning a large-scale expansion of health services in the fast-growing city, with new medical facilities and high-tech housing. Initial plans call for an outpatient medical office building slated to open in 2025, and in the future, a micro-hospital, ambulatory surgery center and hotel.
- UC Davis Health also announced plans for expansion of health services in Elk Grove and the purchase of 20 acres there. Officials want to expand current clinics to offer additional primary and specialty care.

Patient-centered focus on digital transformation

UC Davis Health also continued to launch and grow initiatives and partnerships that aim to improve care and access via technology. Examples:

- UC Davis Health and General Catalyst announced a collaboration to develop a digital transformation strategy, using the General Catalyst ecosystem of companies to drive artificial intelligence (AI) and digital health innovations in areas such as care delivery, research, education and public service, and in medical center operations, care and outcomes.
- UC Davis Health and AI software company Illuminate developed an abdominal aortic aneurysm surveillance program that identifies at-risk patients who may have been lost to follow up due to the pandemic or other factors.
- UC Davis Health created the Sacramento region's first remote patient monitoring program for high-risk patients with Chronic Obstructive Pulmonary Disease (COPD).


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

Table A-Irvine presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2021. Data for the 12-month period ended December 31, 2021, is the most current data available from the state of California Department of Health Care Access and Information.

Table A-Irvine: Service Area and Market Share as of December 31, 2021

SERVICE AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Orange	43	1,644,579	67.0%	12.4%
Secondary	Orange, Los Angeles, Riverside, San Bernardino	88	3,005,445	33.0%	3.2%

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, the UCI Health Neuropsychiatric Center, the Chao Family Comprehensive Cancer Center and the H. H. Chao Comprehensive Digestive Disease Center. In 2009, UCI Health Douglas Hospital became the main inpatient facility, designed to anticipate the needs of a world-class 21st century teaching hospital and deliver an exceptional patient experience.

As Orange County's only academic medical center, UCI Medical Center is licensed to operate 459 beds and offers extensive specialty inpatient care, outpatient specialty/primary care services, clinical trials and research.

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

UCI Health provides inpatient and outpatient services through a clinical practice group of more than 400 faculty physicians and surgeons. Primary care and specialty outpatient services are offered at many locations throughout the county. UCI Health also operates two Federally Qualified Health Centers (FQHCs) in Santa Ana and Anaheim to meet the needs of Orange County's underserved populations. These sites, the first established in Orange County, enable UCI Health to provide the full spectrum of high-quality patient services to the community and attract the broad and diverse patient population required to fulfill the education and research mission of the UCI School of Medicine.

Significant events during the year are highlighted below:

Local and national recognitions

- Vizient ranked UCI Health 14th out of 107 Vizient members in the Comprehensive Academic Medical Center cohort.
- Vizient recognized UCI Health as a Top Performer in the 2022 Ambulatory Quality and Accountability Ranking, one of only four facilities in the U.S.
- UCI Health was recognized as a national leader in environmental sustainability by Practice Greenhealth, earning two Circle of Excellence Awards and the Greenhealth Emerald Award for a second time, and honored for the first time with a Greening the OR Award Recognition.

- UCI Health was recognized as one of the best U.S. hospitals for maternity care by Newsweek for the third consecutive year and one of the nation's best hospitals for maternity care for 2022–23, earning a "high-performing" rating, the highest available, by U.S. News & World Report.
- The American College of Emergency Physicians (ACEP) recognized the UCI Health emergency department and its geriatric emergency team with accreditation as a Gold Level 1 Geriatric ED, the only emergency department in Orange County to receive this top-level designation.
- The Chao Family Comprehensive Cancer Center, the only National Cancer Institute-designated comprehensive center based in Orange County, once again received the highest recognition for clinical care, the ASCO Quality Oncology Practice Initiative (QOPI) certification.
- The UCI Health Hematopoietic Stem Cell Transplantation (HSCT) and Cellular Therapy Program treated its 100th patient with this critically important therapy. Launched in 2020, the program provides the only place for adults with blood-borne malignancies, solid tumors and, increasingly, autoimmune disease to seek treatment in Orange County.

Development of new medical campus

UCI Health — Irvine, a new medical campus under construction at the north end of the UC Irvine campus, will bring unparalleled expertise and the finest evidence-based care that only an academic medical system can offer to the communities of coastal and south Orange County. The new 800,000-square-foot campus will be the nation's first all-electric, carbon-neutral medical center and will offer key clinical programs in oncology, digestive health, neurology, neurosurgery, orthopedics and spine surgery. UCI Health — Irvine will be home to:

- The Joe C. Wen & Family UCI Health Center for Advanced Care, a five-story, 168,000-square-foot medical facility offering the full range of multidisciplinary specialty care for children and adults under a single roof, urgent care services, the Center for Children's Health and the UCI Health Center for Autism & Neurodevelopmental Disorders — Opening spring 2024.
- The Chao Family Comprehensive Cancer Center and Ambulatory Care building, a five-story, 225,000-square-foot tower with 36 private exam rooms, numerous infusion bays and operating rooms — Opening summer 2024.
- A seven-story, 350,000-square-foot acute care hospital with 144 inpatient beds, 10 operating suites and a 24-hour emergency department with 20 treatment rooms — Opening late 2025.

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

Table A-Los Angeles presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2021. Data for the 12-month period ended December 31, 2021, is the most current data available from the state of California Department of Health Care Access and Information.

Table A-Los Angeles: Service Area and Market Share as of December 31, 2021

SERVICE AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	Los Angeles, Kern, Ventura	404	7,250,455	67.4%	4.4%
Secondary	Los Angeles, Kern, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, Ventura	836	12,970,712	26.0%	0.9%

The University of California, Los Angeles Medical Center

UCLA Health is a self-sustaining enterprise that must generate sufficient revenues to support its operations, including meeting the growing community demand for care, training physicians and other health professionals, supporting medical research, providing care to medically and financially underserved patients, and building and maintaining facilities to serve the diverse needs of patients. These activities are fundamental to the success of the David Geffen School of Medicine at UCLA (DGSOM) and all missions.

UCLA Health includes four hospitals and over 260 community clinics. The Westwood campus is home to the 446-bed Ronald Reagan UCLA Medical Center (RRUCLA) including the UCLA Mattel Children's Hospital (UMCH), and the 74-bed Resnick Neuropsychiatric Hospital (RNPH). UCLA Medical Center Santa Monica (SMUCLA) has 281 beds. Additionally, UCLA Tiverton House provides accommodations for patients and families.

UCLA Health operates primary and specialty care clinics throughout Southern California, including new clinics on the Central Coast. Last year, all clinics reported over 2.7 million patient visits.

UCLA Health is the primary teaching site for the DGSOM. The Westwood campus offers comprehensive care, including tertiary and quaternary care, Level I trauma care, neonatal and pediatric intensive care units, neurosurgery/neurology, comprehensive stroke center, cancer care and organ transplantation. SMUCLA serves teaching, research and community health care needs. RNPH is a leading center for inpatient psychiatric patient care and behavioral and developmental disabilities research and education.

UCLA Health's services support its educational, clinical, research and community missions.

Significant events during the year are highlighted below:

Maintains outstanding national reputation

- UCLA Health consistently ranks among the top five medical centers in the nation on the Best Hospital Honor Roll by U.S. News & World Report. It has been on the honor roll for 33 consecutive years, with 11 specialties in the top 10.
- UCLA Mattel Children's Hospital was recognized among the Best Children's Hospitals in the nation by U.S. News & World Report for 2023–24, with nine top-ranked specialties.
- Both SMUCLA and RRUCLA were named among the World's Best Hospitals 2023 by Newsweek, with RRUCLA ranked No. 10.
- Both SMUCLA and RRUCLA received an "A" rating on the spring 2023 Leapfrog Hospital Safety Grade.
- UCLA Health received the "Excellence in Healthcare Award" from the Integrated Healthcare Association (IHA) based on the 2021 measurement year of IHA's AMP (Align. Measure. Perform.) Commercial HMO Program. Only 27 out of nearly 200 eligible provider organizations received this award.
- UCLA Health was listed in Forbes' America's Best Large Employers 2023, including Best Employers for Diversity and Best Employers for New Grads.
- RRUCLA, SMUCLA and RNPH hold American Nurses Credentialing Center (ANCC) Magnet® designation, the highest recognition for nursing excellence in the U.S. This year, they also received nine American Association of Critical-Care Nurses (AACN) Beacon Awards for Excellence and one Emergency Nurses Association (ENA) Lantern Award for exceptional performance in leadership, practice, education, advocacy and research.

- UCLA Health Nursing received its first ANCC Practice Transition Accreditation Program® (PTAP) redesignation with distinction, the highest recognition for transitioning newly licensed nurses into practice.
- UCLA Nursing made 46 unique podium presentations at national conferences and received a certificate of recognition from the state of California Legislature Assembly for "Unity and Kindness Day."

Continues strengthening strategic activities and community initiatives

- UCLA Health's ambulatory access strategy effectively leveraged technology, with telehealth visits accounting for 12% of all visits.
- Partnered with the LA County Department of Health Services (DHS) for specialty services, focusing on primary, secondary and tertiary care for indigent patients (uninsured and Medi-Cal).
- Expanded advisory practice to include clinical research and best practices in Europe, Asia, South America and the Middle East, alongside ongoing hospital affiliations.
- Developed and offered state-of-the-art therapies like Theranostics and novel CAR T Immune modulators to patients in LA County and beyond.
- Provided clinical services and community support at 35+ events in Los Angeles, including a community family care village with nursing exams, dental and vision screenings at three major events attended by over 15,000 people.
- Supported the Homeless Healthcare Collaborative with a staff volunteer effort, assembling over 4,000 hygiene kits for distribution on Giving Tuesday in November 2022.
- Provided international humanitarian aid after the 7.8 magnitude earthquake in Turkey and Syria in February 2023.
- Participated in Care Harbor Healthcare for the Unhoused Focused Care Program by offering free medical, dental and vision services to unhoused Los Angeles residents, led by UCLA Health's Homeless Healthcare Collaborative.
- Formed new collaborations with key organizations like the American Red Cross and the Karsh Center.
- Continued supporting community efforts, including LA Pride, American Heart Association's Heart Walk, Leukemia and Lymphoma Society's Light the Night Walk and multiple Relay for Life events with the American Cancer Society.

Advancing health justice through strategic efforts

At UCLA Health, we prioritize achieving optimal health and wellbeing for our staff, patients and community, upholding principles of equity and justice throughout our organization.

Our Health Equity, Diversity and Inclusion (HEDI) efforts focus on three main objectives:

- Build new structures and practices to promote anti-racism, inclusive excellence and equity.
- Improve the clinical outcomes and experience of our patients through accessibility, cultural humility and affirming care.
- Invest in our community through partnership, education, service and advocacy.

UCLA Health's progress in advancing health equity and justice includes:

- Conducting an organization-wide Equity, Diversity and Inclusion climate survey to assess staff and faculty perceptions and experiences.
- Establishing the Equitable Care Committee to oversee the health care equity strategy.
- Identifying four healthcare equity priorities and initiating improvement plans in areas of: patient experience, readmissions, psychiatric restraint use and maternal morbidity.
- The Homeless Healthcare Collaborative had over 9,000 patient encounters and performed over 6,000 comprehensive medical exams in its first year of operation.
- Sponsoring community events like Care Harbor and LA Mission Music Fest, focused on providing free clinical services and health education, and celebrating diverse cultures during National Hispanic Heritage Month and Juneteenth.
- Finalizing the Anchor Institution Mission (AIM) and strategic plan to address economic and racial inequities.

Planning for future growth

UCLA Health is committed to providing comprehensive behavioral health care access to patients. The construction of the Mid-Wilshire campus, following the acquisition of the former Olympia Medical Center, is a significant investment in the community. RNPH will be relocated to this campus, offering inpatient and crisis stabilization services for adult, geriatric, pediatric and adolescent patients, with 119 inpatient beds, a 60% increase from the current facility. Outpatient psychiatry programs for all ages will be moved to an adjacent medical office building, creating an integrated behavioral health campus.

The new facility will meet or exceed UC standards for environmental sustainability, utilizing eco-friendly building materials, energy and water use practices, waste management and reducing fossil fuel use. It will also be an all-electric facility and aims to achieve a Gold rating for Leadership in Energy and Environmental Design (LEED).


PHILIPS
UCLA
Registered Nurse

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

Table A-San Diego presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2021. Data for the 12-month period ended December 31, 2021, is the most current data available from the state of California Department of Health Care Access and Information.

Table A-San Diego: Service Area and Market Share as of December 31, 2021

SERVICE AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Diego	77	1,484,584	45.4%	17.0%
Secondary	San Diego	95	1,830,820	33.0%	8.1%

The University of California, San Diego Medical Center

UC San Diego Health is the region's only academic medical center nationally ranked and recognized for groundbreaking research, inspired education and the commitment to providing the highest quality of care to the San Diego community. The 799-bed academic health system includes UC San Diego Medical Center in Hillcrest and Jacobs Medical Center in La Jolla. Each medical complex supports acute inpatient care, emergency services and a spectrum of advanced specialty outpatient programs.

UC San Diego Medical Center in Hillcrest (381 beds) is a 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, one of only two adult Level 1 Trauma Centers in San Diego County, the state's only chronic kidney disease program certified by the Joint Commission and an accredited geriatric emergency department. Its Stroke Center is widely recognized for excellence in patient care and was one of the first five certified Comprehensive Stroke Centers in the nation. The campus also includes the Owen Clinic, which is the largest most comprehensive primary care center in San Diego for individuals living with HIV and is among the nation's top HIV care programs for adults and children. Psychiatric services are also offered in Hillcrest, including adult inpatient psychiatric care, intensive outpatient psychiatric care for seniors and a first-episode psychosis program for teens and young adults.

The La Jolla campus (418 beds), located on the eastern portion of the UC San Diego campus, has experienced substantial growth in the last decade. Its major facilities include:

- Jacobs Medical Center (364 beds), a state-of-the-art hospital with advanced surgery, oncology, comprehensive stroke care and high-risk obstetrics and gynecology. It is also home to the region's highest-volume Blood and Bone Marrow Transplant unit, a Level III Neonatal Intensive Care Unit and an intraoperative imaging suite for complex brain surgeries. Its ER is California's first accredited geriatric emergency department and holds the highest Level 1 gold accreditation.
- Moores Cancer Center, the region's only National Cancer Institute-designated Comprehensive Cancer Center, the highest rating possible for a U.S. cancer center.
- Shiley Eye Institute, a multi-specialty vision center that includes an outpatient surgical center, a glaucoma center, a retina research center and the region's only facility dedicated to children.
- Sulpizio Cardiovascular Center (54 beds), the inpatient facility for our renowned Cardiovascular Institute.
- Koman Family Outpatient Pavilion, 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.

- Altman Clinical and Translational Research Institute, which supports most clinical trials at UC San Diego Health.

Excellence in Clinical Care and Community Health

Hospitals and doctors are not all alike. Across the nation and within California, there are significant variations in the training and expertise of health care providers. UC San Diego Health is proud to deliver expert care to every patient, while addressing issues of health equity in the community.

- Best Hospital in San Diego — UC San Diego Health was ranked the No. 1 hospital system in San Diego, for 2023–24 by U.S. News and World Report.
- National Honor Roll — UC San Diego Health made the U.S. News & World Report's Best Hospitals National Honor Roll for 2023–24, placing it among the nation's top 22 hospitals for outstanding quality of patient care.
- More Top Ranked Specialties — Ranked among the nation's best in 10 adult medical and surgical specialties for 2023–24 by U.S. News and World Report — more than any hospital system in San Diego: Cancer (No. 20), Cardiology, Heart and Vascular Surgery (No. 23), Diabetes and Endocrinology (No. 39), Ear, Nose and Throat (No. 14), Gastroenterology & GI Surgery (No. 18), Geriatrics (No. 17), Neurology & Neurosurgery (No. 21), Obstetrics & Gynecology (No. 15), Pulmonology and Lung Surgery (No. 9) and Urology (No. 32).
- Among the Nation's Top Academic Medical Centers for Patient Care — For the fifth straight year, UC San Diego Health was named a top performer in the Bernard A. Birnbaum, MD, Quality Leadership annual ranking by Vizient. The 2023 recognition reflects the superior quality of its patient care areas.
- "A's" for Hospital Safety — UC San Diego Health's hospitals in La Jolla and Hillcrest earned top marks from The Leapfrog Group in the spring of 2023 for keeping patients safe from preventable harm and medical errors.
- 5-Star CMS Rating — In 2022, UC San Diego Health received a five-star rating from the Centers for Medicare & Medicaid Services for the quality of its hospital care to Medicare Advantage patients. Only approximately 16 percent of hospitals earned this highest rating.
- Nursing Excellence — It maintains Magnet® status from the ANCC, considered among the highest recognitions for nursing excellence and innovation in nursing practice.
- Outstanding Stroke and Diabetes Care — UC San Diego Health earned the 2023 American Heart Association's / American Stroke Association's Get With The Guidelines — Stroke Gold Plus Quality Achievement Award and is listed on their honor rolls for Stroke Elite Plus, Stroke Advanced Therapy and Type 2 Diabetes.
- Excellence in Maternity Care — In 2022, UC San Diego Health was one of only two health care systems in the county to meet all the maternity care standards identified by The Leapfrog Group as indicative of quality maternity and neonate care.
- Information Technology to Enhance Patient Care and Comfort – UC San Diego Health was named a Level 9 "most wired" hospital in both the acute and ambulatory categories by the College of Healthcare Information Management Executives (CHIME).
- LGBTQ Leader — Scored a perfect 100 on the Human Rights Campaign Foundation's LGBTQ Healthcare Equality rating in 2022. It has earned this distinction every year since 2012.
- Environmental Sustainability Leader — UC San Diego Health holds Practice Greenhealth's highest honor for hospitals, which is awarded to industry leaders in all-around sustainability performance.

Redevelopment of Hillcrest Hospital Campus

Plans are underway to redevelop and modernize the Hillcrest Medical Center into a vibrant, walkable and environmentally sustainable medical campus. The $3 billion UC San Diego Hillcrest Redevelopment Project will transform 62 acres through multiple phases, which include a new hospital and workforce housing, improved wayfinding and additional community resources and educational opportunities.

Phase one includes a 1,850-space parking structure and a new 251,000 square-foot outpatient pavilion with specialty clinical programs including oncology, neurosurgery, urology, otolaryngology, orthopedics, as well as ambulatory surgery operating rooms, gastroenterology procedure rooms, advanced imaging, infusion and radiation oncology.

The outpatient pavilion, scheduled to open in 2025, will address the growing demands for specialized diagnostic treatment and surgical services. New and significant space for multispecialty cancer clinics and infusion centers will allow UC San Diego Health and Moores Cancer Center to greatly increase access to cancer care for patients throughout the region.

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

Service Area and Market Share

Table A-San Francisco presents certain historical utilization statistics for the primary and secondary service areas for the 12-month period ended December 31, 2021. Data for the 12-month period ended December 31, 2021, is the most current data available from the state of California Department of Health Care Access and Information.

Table A-San Francisco: Service Area and Market Share as of December 31, 2021

SERVICE AREA	COUNTIES	# OF ZIP CODES	POPULATION	% OF DISCHARGES	MARKET SHARE
Primary	San Francisco, Alameda, Contra Costa, San Mateo	142	4,421,176	58.2%	9.6%
Secondary	Marin, Napa, Santa Clara, Solano, Sonoma	138	3,205,478	13.8%	3.0%

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

UCSF Health is internationally renowned for providing highly specialized and innovative care. Our family of care includes UCSF Helen Diller Medical Center at Parnassus Heights, UCSF Medical Center at Mount Zion and UCSF Medical Center at Mission Bay, UCSF Benioff Children's Hospitals in Oakland and San Francisco, Langley Porter Psychiatric Hospital and Clinics, UCSF Benioff Children's Physicians and the UCSF Faculty Clinical Practices. UCSF Health serves as the principal clinical teaching site for the UCSF School of Medicine.

UCSF Health's financial statements include the activities of the UCSF Faculty Clinical Practices. Revenues include professional fees earned by the faculty physicians practicing as the UCSF Faculty Clinical Practices and operating expenses include corresponding physician professional services along with the direct expenses of non-physician staff and non-labor expenses.

In 2014, UCSF affiliated with Children's Hospital & Research Center Oakland and the University of California became its sole corporate and voting member. UCSF Benioff Children's Hospital Oakland retained its status as a private, not-for-profit 501(c)(3) medical center. UCSF Benioff Children's Hospital San Francisco and Children's Hospital Oakland have together created Northern California's largest network of pediatric providers and are the only hospitals in San Francisco and the East Bay dedicated solely to children. UCSF Benioff Children's Hospital Oakland is one of only six American College of Surgeons (ACS) Pediatric Level I trauma centers in the state.

UCSF Health continues to maintain an outstanding local and national reputation

- U.S. News & World Report 2023-24 survey ranked UCSF Medical Center (UCSFMC) the best in California and the West in neurology/neurosurgery and rheumatology. UCSFMC ranked among the nation's top 10 hospitals in seven areas: neurology/neurosurgery, geriatric care, psychiatry, cancer, rheumatology, pulmonology/lung surgery and ophthalmology.
- UCSF Benioff Children's Hospitals are ranked ninth nationwide in neonatology, best in Northern California in three pediatric specialties and nationally recognized by U.S. News & World Report in all 10 specialties for 2023–24.
- The UCSF School of Medicine was ranked second in the nation for surgery training and third for primary care, internal and family medicine training by U.S. News & World Report for 2023–24.
- UCSFMC hospitals at Mission Bay and Parnassus Heights have received an "A" Leapfrog Hospital Safety Grade for spring 2023 — a national distinction that signifies excellence in protecting patients from harm and error in the hospitals.

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 underserved and building and operating facilities to serve the diverse needs of its patients.
- UCSF Health is continuing implementation of its current strategic plan, Vision 2025, which calls for UCSF to expand its commitment to providing the most advanced complex care services throughout the nine-county Bay Area.
- Canopy Health, a Bay Area-wide health care network developed by UCSF Health, John Muir and physician groups, has grown to include nearly 50,000 members, 6,000 physicians, several care centers and numerous renowned local hospitals spanning the nine-county Bay Area.
- In June 2018, UCSF Health and John Muir Health opened the Berkeley Outpatient Center (BOPC), which provides primary and specialty care services to the Berkeley, Oakland and Emeryville communities. BOPC is home to the UCSF-John Muir Health Cancer Center which, in 2022, expanded medical and sub-specialty oncology services, tripled its infusion capacity and provided advanced diagnostic imaging. Ambulatory surgery center and radiation oncology projects are on track for targeted opening in July 2024 and September 2024, respectively.
- In September 2018, UCSF Health signed an alliance agreement with MarinHealth to expand clinical collaborations in Marin County with the goal of improving patient care and strengthening clinical practices for the community. UCSF Health has added 35 active clinics and 199 providers in its clinical network providing nearly 257,000 visits.
- In June 2019, UCSF Health opened the Bakar Precision Cancer Medicine Building (PCMB), an integrated 170,000-square-foot outpatient center in San Francisco dedicated to bringing together researchers, clinicians and supportive care in one building.
- In January 2020, UCSF Health expanded its operations to San Mateo by opening a new primary care and specialty care clinic and operating a cancer center, providing a convenient option for patients who live or work on the Peninsula.
- In March 2020, UCSF Health and Washington Hospital Healthcare System (WHHS) jointly purchased a parcel and building in the Warm Springs Innovation District, south of WHHS' main campus in Fremont. UCSF and WHHS have redeveloped the building to provide a range of outpatient primary, specialty, surgical and diagnostic services to the community. In 2023, UCSF Health and WHHS signed a joint venture agreement to provide radiation oncology services and plan to continue to work together on integrative cancer programs.
- In 2021, UCSF Health and John Muir Health announced plans to develop a new cancer center in Walnut Creek. Services include medical oncology, infusion, advanced diagnostic, radiation oncology and more.
- In July 2023, UCSF received approval to move forward with negotiations to acquire Dignity Health's clinical presence in San Francisco, including St. Mary's Medical Center (SMMC), Saint Francis Memorial Hospital (SFMH) and associated outpatient and urgent care clinics. This potential acquisition would allow UCSF to access immediate, cost-effective bed capacity that will assist the health system in meeting patient demand for its services, affirm continuity of critical community programs in San Francisco, and manage disruption to its Parnassus campus during the next six years of construction.

Major Construction Projects

- UCSF is constructing a new clinical facility and parking garage in Mission Bay. The five-story clinical building will include an ambulatory surgery center, adult primary and secondary multi-specialty clinics and pharmacy. Construction is scheduled to continue through August 2024.
- In May 2022, UCSF received approval to build a state-of-the-art hospital at UCSF Helen Diller Medical Center at Parnassus Heights. The new hospital is scheduled to open in 2030 and will incorporate the latest innovations in technology, including advanced diagnostics and robotics, to drive new therapies and treatments that are backed by UCSF's scientific research. The new hospital has been designed with the patient at the center, with rooms designed for privacy and safety and communal spaces connected to nature.


UCSF

Management's Discussion and Analysis *(Unaudited)*

INTRODUCTION

The objective of this Management's Discussion and Analysis is to help readers better understand the University of California Medical Centers' (the Medical Centers) financial position and operating activities for the year ended June 30, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2021, 2022, 2023, etc.) in this discussion refer to the fiscal years ended June 30.

OVERVIEW

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 is 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. The President of the University has delegated certain administrative authority to the Chancellor of each applicable campus. At each campus, direct management authority has been further delegated by the Chancellor as follows: for the UC Davis Medical Center, to the Vice Chancellor of Human Health Sciences and CEO; for the UC Irvine Medical Center and the UCSF Medical Center, to the respective Health System CEOs; and for the UCLA Medical Center, to the Vice Chancellor, Health Sciences and CEO; and the UC San Diego Medical Center, to the Vice Chancellor, Health Sciences.

OPERATING STATISTICS

Table MDA.1 presents utilization statistics for the Medical Centers.

Table MDA.1: Operating Statistics

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Licensed beds						
2023	646	459	801	799	1,199	3,904
2022	646	459	801	799	1,250	3,955
2021	646	418	801	799	1,290	3,954
Admissions						
2023	33,123	22,609	38,436	36,156	44,309	174,633
2022	31,953	22,147	37,742	35,701	42,776	170,319
2021	29,953	21,885	35,691	34,311	40,895	162,735
Average daily census						
2023	620	411	787	671	877	3,366
2022	591	380	745	647	827	3,190
2021	560	364	698	594	774	2,990
Discharges						
2023	33,193	22,573	38,458	36,130	44,342	174,696
2022	31,888	22,136	37,689	35,704	42,852	170,269
2021	29,916	21,885	35,617	34,103	40,761	162,282
Average length of stay (days)						
2023	7.0	6.6	7.5	6.8	7.2	7.0
2022	6.8	6.3	7.2	6.6	7.0	6.8
2021	7.0	6.1	7.2	6.4	6.9	6.7
Patient days						
2023	226,330	150,025	287,335	244,896	320,130	1,228,716
2022	215,542	138,608	271,855	236,020	301,788	1,163,813
2021	204,367	132,746	254,777	216,667	282,401	1,090,958
Case mix index						
2023	2.16	2.14	2.32	2.18	2.42	N/A[1]
2022	2.18	2.07	2.29	2.13	2.38	N/A[1]
2021	2.22	2.14	2.36	2.12	2.35	N/A[1]
Outpatient visits						
2023	1,034,377	1,155,587	868,652	495,621	2,726,144	6,280,381
2022	955,001	1,087,806	872,507	472,945	2,519,605	5,907,864
2021	894,463	1,075,474	821,898	430,364	2,517,592	5,739,791

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

Licensed Beds

Table MDA.2 presents changes in licensed beds in 2022 and 2023.

Table MDA.2: Licensed Beds

Increased (decreased)

	2023	2022	
Irvine		41	Increase in 2022 due to additional beds opened for med surgery telemetry unit.
San Francisco	(51)	(40)	Decrease of 51 licensed beds for CHRCO. Decrease in 2022 due to removal of beds in suspense offset by opening new beds. Although the total number of licensed beds declined, the number of active beds increased.

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.

Display 1 illustrates patient days for each Medical Center.

Display 1: Patient Days by Location

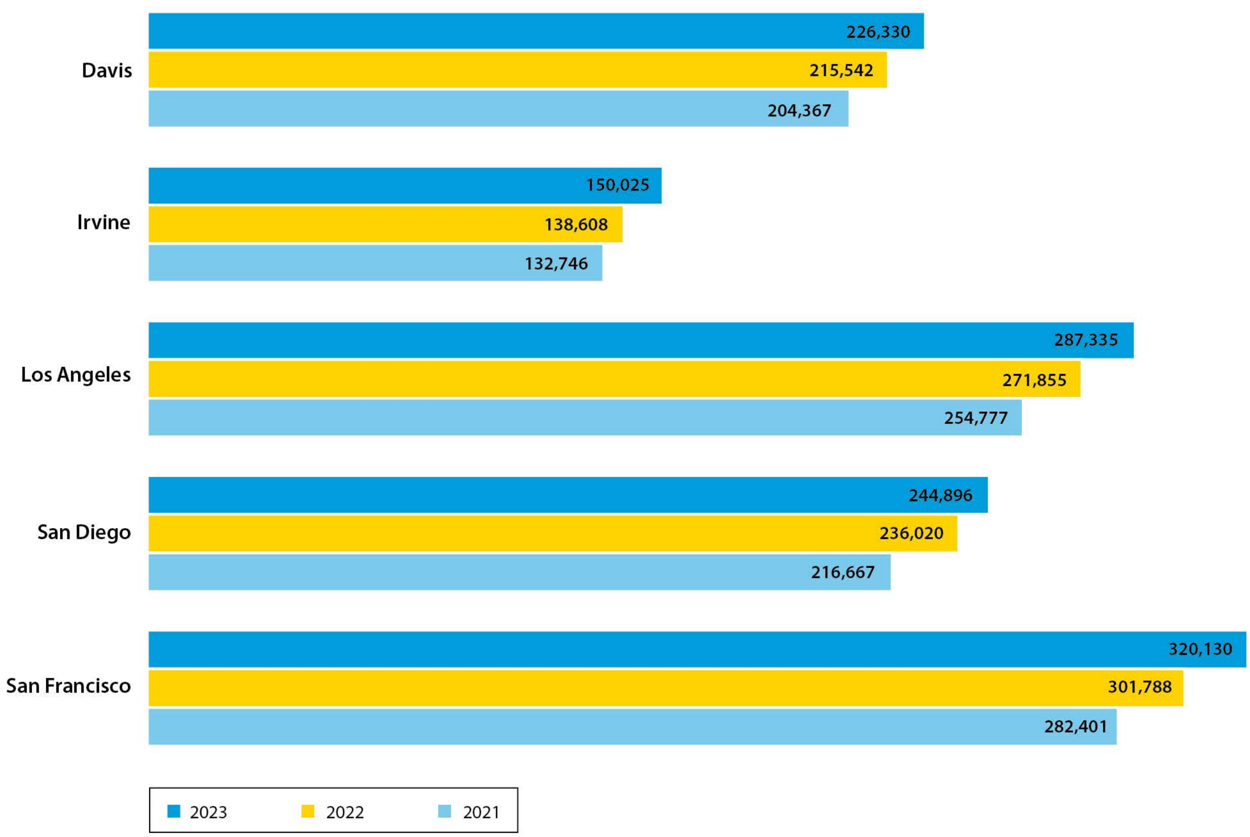

Table MDA.3a presents admissions and patient days increases in 2023.

Table MDA.3a: Admissions and Patient Days Increases in the Current Year

	ADMISSIONS		PATIENT DAYS		
Davis	1,170	3.7%	10,788	5.0%	Admissions and patient days increased due to emergency room volume and longer length of stay.
Irvine	462	2.1	11,417	8.2	Increase in admissions was primarily driven by increase in emergency department admissions, while length of stay increased patient days.
Los Angeles	694	1.8	15,480	5.7	Admissions and patient days increased due to emergency room volume and longer length of stay.
San Diego	455	1.3	8,876	3.8	Increase driven by emergency department and labor & delivery.
San Francisco	1,533	3.6	18,342	6.1	Increase in admissions was primarily driven by the continued recovery in emergency department visits. The increase in patient days was also driven by a higher average length of stay due to an increase in acuity and Medicare cases.

Table MDA.3b presents admissions and patient days increases in 2022.

Table MDA.3b: Admissions and Patient Days Increases in the Prior Year

	ADMISSIONS		PATIENT DAYS		
Davis	2,000	6.7%	11,175	5.5%	Admissions and patient days were higher due to increased volume including emergency room visits and admissions.
Irvine	262	1.2	5,862	4.4	Increase in admissions was driven by additional bed capacity and longer length of stay increased patient days.
Los Angeles	2,051	5.7	17,078	6.7	Patient admissions and patient days increased due to higher patient acuity.
San Diego	1,390	4.1	19,353	8.9	Increase driven by service lines of cancer, trauma and OB deliveries.
San Francisco	1,881	4.6	19,387	6.9	Increase in admissions was primarily driven by a recovery in emergency department visits and admissions. The increase in patient days was driven by an increase in acuity.

Outpatient Visits

Outpatient services provided by the Medical Centers include clinic visits, home health and hospice and emergency visits.

Tables MDA.4a, MDA.4b and MDA.4c present outpatient services volume for the Medical Centers in 2023, 2022 and 2021, respectively.

Table MDA.4a: Outpatient Services Volume in 2023

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Hospital clinics	495,926	1,094,063	789,124	408,709	2,626,630	5,414,452
Community clinics	445,400					445,400
Home health and hospice	26,727					26,727
Emergency visits	66,324	61,524	79,528	86,912	99,514	393,802
Total Medical Center outpatient visits	**1,034,377**	**1,155,587**	**868,652**	**495,621**	**2,726,144**	**6,280,381**
School of Medicine and other non-hospital clinic visits[1]	31,245	125,853	2,766,143	857,263		3,780,504

Table MDA.4b: Outpatient Services Volume in 2022

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Hospital clinics	489,328	1,030,108	798,793	387,650	2,428,937	5,134,816
Community clinics	378,313					378,313
Home health and hospice	24,451					24,451
Emergency visits	62,909	57,698	73,714	85,295	90,668	370,284
Total Medical Center outpatient visits	**955,001**	**1,087,806**	**872,507**	**472,945**	**2,519,605**	**5,907,864**
School of Medicine and other non-hospital clinic visits[1]	35,512	132,114	2,604,422	805,357		3,577,405

Table MDA.4c: Outpatient Services Volume in 2021

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Hospital clinics	463,398	1,025,131	760,969	352,402	2,450,086	5,051,986
Community clinics	356,145					356,145
Home health and hospice	24,151					24,151
Emergency visits	50,769	50,343	60,929	77,962	67,506	307,509
Total Medical Center outpatient visits	**894,463**	**1,075,474**	**821,898**	**430,364**	**2,517,592**	**5,739,791**
School of Medicine and other non-hospital clinic visits[1]	36,050	149,617	2,345,231	682,202		3,213,100

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

Display 2 illustrates outpatient visits volume for each Medical Center.

Display 2: Outpatient Visits Volume by Medical Center

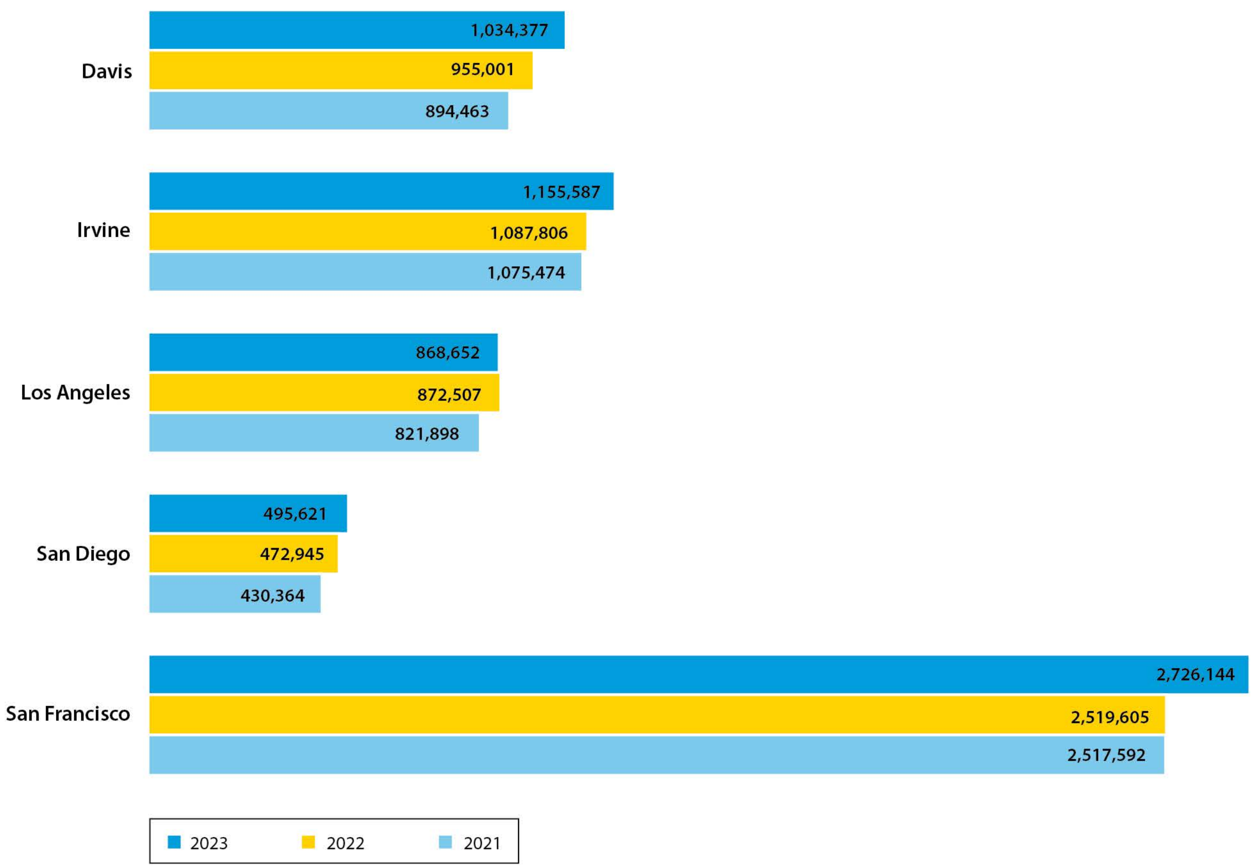

Table MDA.5a presents outpatient visits changes in 2023.

Table MDA.5a: Outpatient Visits Increases (Decreases) in 2023

Davis	79,376	8.3%	Continued growth in primary and specialty care visits contributed to the increase.
Irvine	67,781	6.2	New offsite clinics gained traction as well as more patients seen with increased demand for primary and specialty care services.
Los Angeles	(3,855)	(0.4)	Outpatient visits decreased slightly due to a reduction in volume in the following areas: radiology imaging, labs, and clinics.
San Diego	22,676	4.8	Increase in hospital-based clinic visits from growth in primary and specialty care.
San Francisco	206,539	8.2	Increases were driven by the continued recovery in emergency department visits and growth in primary care and specialty care outpatient programs.

Table MDA.5b presents outpatient visits increases in 2022.

Table MDA.5b: Outpatient Visits Increases in 2022

Davis	60,538	6.8%	Growth is due to increased demand and the ability to see more patients.
Irvine	12,332	1.1	Outpatient visits increased slightly due to continued growth in primary and specialty care services.
Los Angeles	50,609	6.2	Outpatient visits increased due to continued growth in primary and specialty care outpatient programs.
San Diego	42,581	9.9	Increase in hospital-based clinic visits from growth in primary and specialty care.
San Francisco	2,013	0.1	Increases were driven by a recovery in emergency department visits and growth in primary care and specialty care outpatient programs. These increases were offset by declines in COVID-related visits.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Medical Centers implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) in 2023. As a result, financial information for 2022 has been restated to retroactively apply the new accounting standard. Tables MDA.6a, MDA.6b and MDA.6c summarize the results for the Medical Centers for fiscal years 2023, 2022 and 2021.

Table MDA.6a: Condensed Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Net patient service revenue	$3,277,414	$1,825,214	$3,522,636	$3,058,233	$6,434,135	$18,117,632
Other operating revenue	152,023	156,123	261,382	198,155	384,976	1,152,659
Total operating revenue	3,429,437	1,981,337	3,784,018	3,256,388	6,819,111	19,270,291
Total operating expenses	3,583,540	1,871,097	3,515,403	3,244,275	6,926,147	19,140,462
Income (loss) from operations	(154,103)	110,240	268,615	12,113	(107,036)	129,829
Net nonoperating revenues (expenses)	54,640	20,918	65,503	(11,743)	(8,897)	120,421
Income (loss) before other changes in net position	(99,463)	131,158	334,118	370	(115,933)	250,250
Other changes in net position	(173,289)	(63,760)	(258,418)	(276,730)	(161,635)	(933,832)
Change in net position	(272,752)	67,398	75,700	(276,360)	(277,568)	(683,582)
Net position - beginning of year	(969,460)	(379,332)	(541,866)	(1,021,574)	(404,777)	(3,317,009)
Net position - end of year	**($1,242,212)**	**($311,934)**	**($466,166)**	**($1,297,934)**	**($682,345)**	**($4,000,591)**

Table MDA.6b: Condensed Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Net patient service revenue	$2,965,455	$1,608,981	$3,141,828	$2,877,781	$5,909,588	$16,503,633
Other operating revenue	120,751	141,883	212,091	183,944	357,673	1,016,342
Total operating revenue	3,086,206	1,750,864	3,353,919	3,061,725	6,267,261	17,519,975
Total operating expenses	3,142,997	1,705,940	3,249,563	2,902,014	6,183,404	17,183,918
Income (loss) from operations	(56,791)	44,924	104,356	159,711	83,857	336,057
Net nonoperating expenses	(36,202)	(16,329)	(83,193)	(9,999)	(54,413)	(200,136)
Income (loss) before other changes in net position	(92,993)	28,595	21,163	149,712	29,444	135,921
Other changes in net position	(182,890)	(76,797)	(263,777)	(284,438)	(171,237)	(979,139)
Change in net position	(275,883)	(48,202)	(242,614)	(134,726)	(141,793)	(843,218)
Net position - beginning of year	(693,577)	(331,130)	(299,252)	(886,848)	(262,984)	(2,473,791)
Net position - end of year	**($969,460)**	**($379,332)**	**($541,866)**	**($1,021,574)**	**($404,777)**	**($3,317,009)**

Table MDA.6c: Condensed Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2021
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Net patient service revenue	$2,683,029	$1,400,408	$2,977,106	$2,476,193	$5,239,018	$14,775,754
Other operating revenue	103,917	151,510	198,023	169,126	328,730	951,306
Total operating revenue	2,786,946	1,551,918	3,175,129	2,645,319	5,567,748	15,727,060
Total operating expenses	2,756,471	1,486,624	2,822,004	2,506,957	5,450,906	15,022,962
Income from operations	30,475	65,294	353,125	138,362	116,842	704,098
Net nonoperating revenues (expenses)	85,289	87,171	57,737	(39,361)	397,454	588,290
Income before other changes in net position	115,764	152,465	410,862	99,001	514,296	1,292,388
Other changes in net position	(56,313)	(105,367)	(240,738)	(251,692)	(114,019)	(768,129)
Change in net position	59,451	47,098	170,124	(152,691)	400,277	524,259
Net position - beginning of year	(753,028)	(378,228)	(469,376)	(734,157)	(663,261)	(2,998,050)
Net position - end of year	**($693,577)**	**($331,130)**	**($299,252)**	**($886,848)**	**($262,984)**	**($2,473,791)**

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 revenue is net of allowance for bad debt and estimated allowances from contractual arrangements with Medicare, Medi-Cal and other third-party commercial payors and has been estimated based on the terms of reimbursement for contracts currently in effect. Other operating revenue consisted primarily of clinical teaching support funds, grants and contracts and other non-patient services such as contributions, pharmacy rebate programs and cafeteria revenues.

Display 3 illustrates trends in net patient service revenue and other operating revenue.

Display 3: Net Patient Service Revenue and Other Operating Revenue

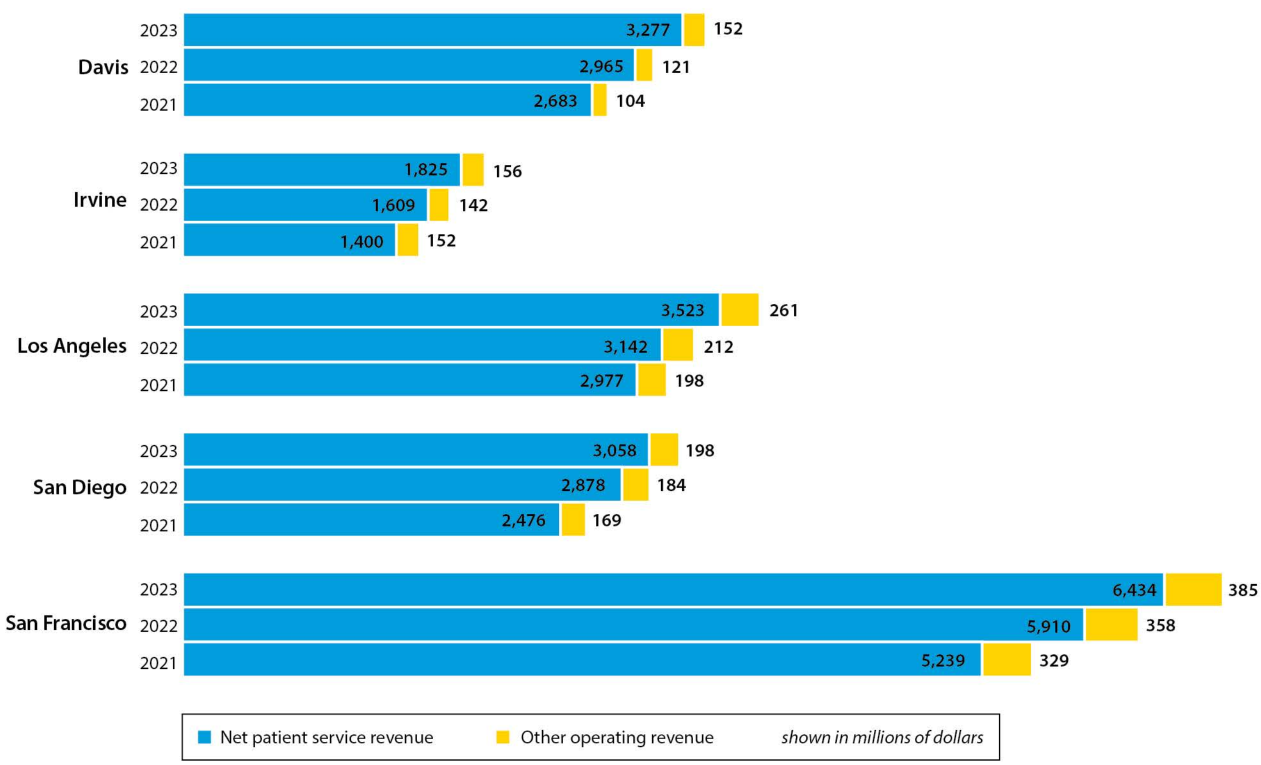

Table MDA.7a presents revenue increases in 2023.

Table MDA.7a: Revenue Increases in 2023
(in millions of dollars)

	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$343.2	11.1%	$312.0	10.5%	Increase is attributable to higher patient volume and growth in pharmaceutical revenue.
Irvine	230.5	13.2	216.2	13.4	Increase due to growth in patient volume, improvements in reimbursement rate and third party supplemental payments, and growth in specialty retail pharmacy.
Los Angeles	430.1	12.8	380.8	12.1	Increase due to growth in inpatient and outpatient volume, third-party supplemental payments and growth in pharmacy revenue.
San Diego	194.7	6.4	180.5	6.3	Increase is due to growth in average daily census and surgical cases.
San Francisco	551.9	8.8	524.5	8.9	Increase due to growth in volumes, contract rate increases, high case mix index and growth in specialty pharmacy revenue.

Table MDA.7b presents revenue increases in 2022.

Table MDA.7b: Revenue Increases in 2022

(in millions of dollars)

	TOTAL OPERATING REVENUE		NET PATIENT SERVICE REVENUE		
Davis	$299.3	10.7%	$282.4	10.5%	Increase is attributable to higher volume, third party settlements and growth in pharmaceutical revenue.
Irvine	198.9	12.8	208.6	14.9	Increase is attributed to higher patient volume, third-party supplemental payments and growth in specialty retail pharmacy.
Los Angeles	178.8	5.6	164.7	5.5	Increase due to growth in patient volume, higher patient and census days, third-party supplemental payments and growth in pharmacy revenue.
San Diego	416.4	15.7	401.6	16.2	Increase is due to growth in average daily census and surgeries, as well as third-party supplemental revenues.
San Francisco	699.5	12.6	670.6	12.8	Increase due to growth in volumes, contract rate increases, high case mix index, third-party supplemental revenues and growth in specialty pharmacy revenue.

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. Display 4 illustrates the percentage of net patient service revenue by payor.

Display 4: Net Patient Service Revenue by Payor Composition

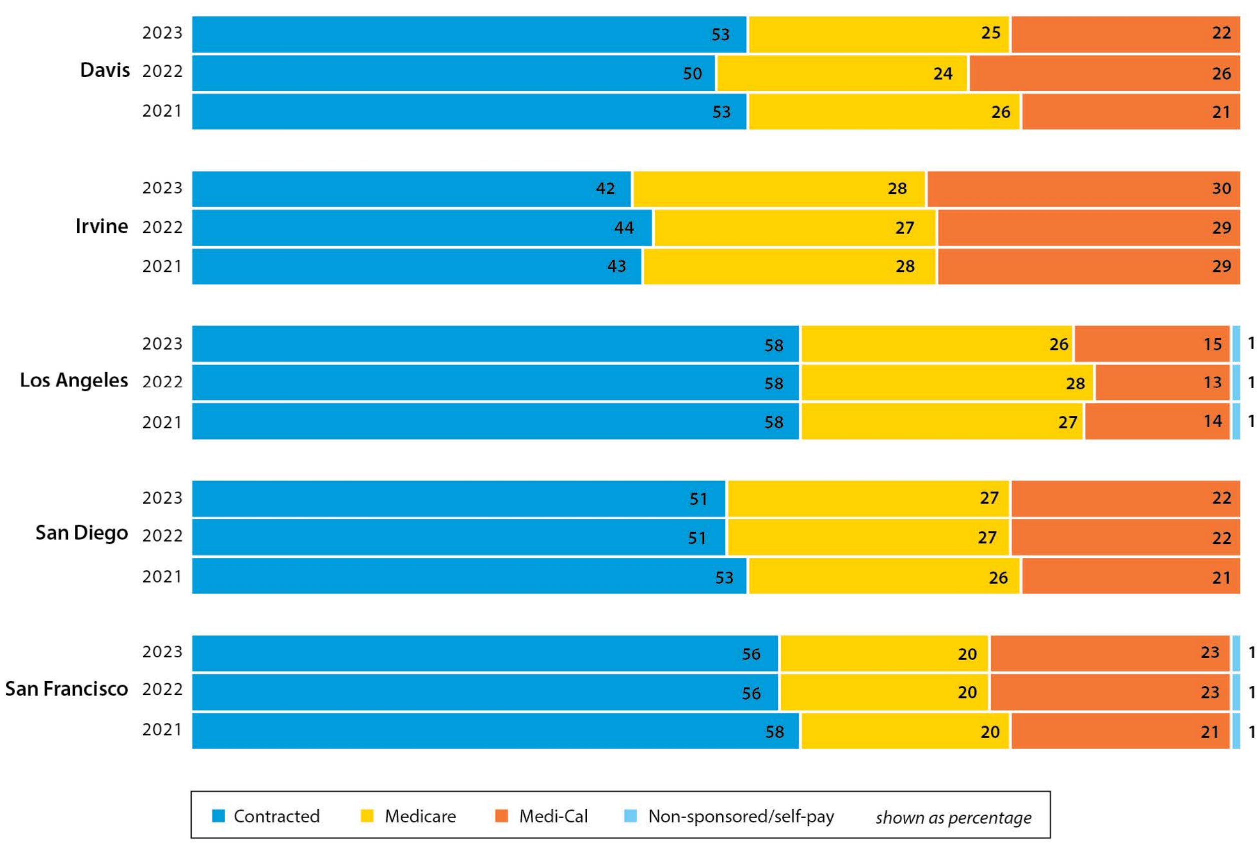

Table MDA.8a presents payor mix changes in 2023.

Table MDA.8a: Payor Mix Changes in 2023

Davis	Payor mix shifted slightly from governmental payors to contracts.
Irvine	Payor mix changed due to a shift from contracted payors to government payors.
Los Angeles	Payor mix shifted from contracted payors to government payors.
San Diego	Payor mix is consistent with prior year.
San Francisco	Payor mix changed due to a shift from contracted payors to government payors. Medicare patient days have continued to increase as the local population ages.

Table MDA.8b presents payor mix changes in 2022.

Table MDA.8b: Payor Mix Changed in 2022

Davis	Utilization for contracts increased slightly; however, was outpaced by Medi-Cal inpatient and outpatient utilization. Medicare's utilization remained constant yet was impacted by a decrease in case mix index.
Irvine	Payor mix changed with an increase in contracts offsetting a decrease in Medicare.
Los Angeles	Payor mix changed with a slight increase in Medicare revenue offset by a decrease in Medi-Cal revenue.
San Diego	Payor mix changed due to a shift from contracted payors to government payors.
San Francisco	Payor mix changed due a shift from contracted payors to government payors. Medi-Cal net patient revenue increased partly due to a large increase in supplemental revenues compared to the prior year.

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. Pension expenses have caused significant fluctuations in total operating expenses due to the performance of the financial markets.

Table MDA.9a summarizes the operating expenses for the Medical Centers in 2023, Table MDA.9b summarizes the operating expenses for the Medical Centers in 2022 and Table MDA.9c summarizes the operating expenses for the Medical Centers in 2021.

Table MDA.9a: Operating Expenses in 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Salaries and wages	$1,491,541	$730,192	$1,456,678	$1,217,545	$2,505,214	$7,401,170
Pension benefits	413,722	175,667	347,961	285,089	627,522	1,849,961
Retiree health benefits	106,942	37,439	56,102	84,758	175,423	460,664
Other employee benefits	332,811	146,092	258,705	242,012	453,408	1,433,028
Professional services	141,366	12,962	37,975	89,155	1,155,658	1,437,116
Medical supplies	601,503	414,506	644,761	841,223	1,148,671	3,650,664
Other supplies and purchased services	236,270	202,961	483,253	258,238	526,467	1,707,189
Depreciation and amortization	164,256	110,465	159,035	125,768	222,045	781,569
Insurance and other	95,129	40,813	70,933	100,487	111,739	419,101
Total	**$3,583,540**	**$1,871,097**	**$3,515,403**	**$3,244,275**	**$6,926,147**	**$19,140,462**

Table MDA.9b: Operating Expenses in 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Salaries and wages	$1,312,882	$660,781	$1,272,830	$1,092,459	$2,214,701	$6,553,653
Pension benefits	346,531	143,503	306,290	255,515	549,714	1,601,553
Retiree health benefits	109,615	39,446	71,057	92,589	177,417	490,124
Other employee benefits	283,077	130,009	235,819	216,064	410,599	1,275,568
Professional services	125,497	16,759	36,621	74,492	1,032,575	1,285,944
Medical supplies	518,349	366,471	576,988	737,599	971,049	3,170,456
Other supplies and purchased services	217,097	215,305	439,232	218,927	505,742	1,596,303
Depreciation and amortization	150,454	107,507	147,958	128,748	218,213	752,880
Insurance and other	79,495	26,159	162,768	85,621	103,394	457,437
Total	**$3,142,997**	**$1,705,940**	**$3,249,563**	**$2,902,014**	**$6,183,404**	**$17,183,918**

Table MDA.9c: Operating Expenses in 2021
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Salaries and wages	$1,157,396	$583,338	$1,200,325	$899,131	$2,009,655	$5,849,845
Pension benefits	134,006	55,030	130,944	111,765	243,783	675,528
Retiree health benefits	145,268	61,057	128,710	126,709	239,668	701,412
Other employee benefits	263,644	119,869	232,255	247,504	383,763	1,247,035
Professional services	167,648	11,884	35,142	64,885	946,884	1,226,443
Medical supplies	481,357	332,083	517,546	648,705	881,676	2,861,367
Other supplies and purchased services	201,131	209,491	425,847	189,876	451,763	1,478,108
Depreciation and amortization	131,754	99,226	119,837	130,470	222,729	704,016
Insurance and other	74,267	14,646	31,398	87,912	70,985	279,208
Total	**$2,756,471**	**$1,486,624**	**$2,822,004**	**$2,506,957**	**$5,450,906**	**$15,022,962**

Display 5 illustrates the percentage of operating expenses by type.

Display 5: Operating Expenses by Type Composition

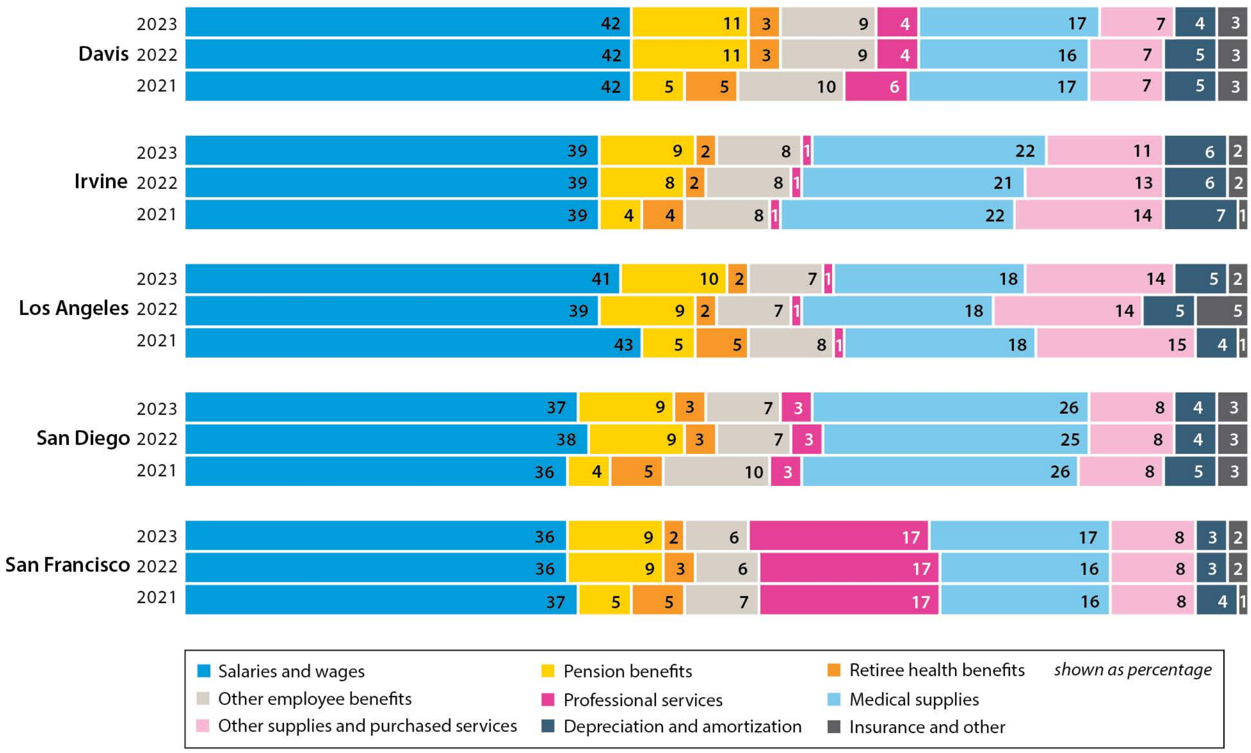

Table MDA.10a presents increases in total operating expense in 2023.

Table MDA.10a: Increases in Operating Expense in 2023

(in millions of dollars)

Davis	$440.5	14.0%	Increase in salaries and benefits, professional services and medical supplies is related to volume increases, annual rate increases and inflationary factors, as well as the State's worker retention payment program.
Irvine	165.2	9.7	Increase in labor and non-labor costs, primarily pharmaceuticals and other medical supplies, due to higher patient volume and inflationary pressure.
Los Angeles	265.8	8.2	Increase primarily driven by higher salary and benefits costs due to growth in FTEs and rate increases. In addition, there were increases in medical supplies due to increased volume and costs, other supplies and purchased services.
San Diego	342.3	11.8	Increase due to salaries & wages from higher patient volumes and premiums for contract labor. In addition, increases in pharmaceuticals, medical supplies and purchased services are driven by increased patient volumes and general inflationary pressures.
San Francisco	742.7	12.0	Overall increase due to higher volumes and inflationary pressure on both labor and non-labor costs.

Table MDA.10b presents increases in total operating expense in 2022.

Table MDA.10b: Increases in Operating Expense in 2022

(in millions of dollars)

Davis	$386.5	14.0%	Increase primarily due to higher pension expense due to unfavorable market returns on pension assets, as well as higher salary cost due to slight growth in number of employees and rate increases. Higher volumes also contributed to increased supply costs.
Irvine	219.3	14.8	Increase in salaries, professional fees, medical supplies, other supplies and purchased services due to growth in patient service revenue and annual cost inflation. Increase in pension costs was driven by unfavorable market returns on pension assets.
Los Angeles	427.6	15.2	Increase primarily driven by higher pension expense due to unfavorable market returns on pension assets and higher salary costs due to growth in FTEs and rate increases. In addition, there were increases in medical supplies due to increased volume and costs, other supplies, purchased services, insurance expense and depreciation due to adoption of GASB 87.
San Diego	395.1	15.8	Increase in salaries/wages due to increased volumes as well as an increase in actual pension expense due to decreased market returns.
San Francisco	732.5	13.4	Overall increase due to higher volumes and inflationary pressure on both labor and non-labor costs. Pension expense increased significantly due to unfavorable market performance on pension assets.

Salaries and Benefits

Salary and employee benefits expense includes wages paid to employees, vacation, holiday and sick pay, payroll taxes, workers' compensation insurance premiums, health insurance, pension and retiree health benefits expense and other employee benefits. Salaries and benefits as a percentage of total operating revenue have changed primarily due to changes in pension and retiree health benefits expense.

Table MDA.11a presents salaries and benefits expense changes as a percentage of total operating revenue in 2023.

Table MDA.11a: Salaries and Benefits Expense Changes as a Percentage of Total Operating Revenue in 2023

	2023	2022	
Davis	68.4%	66.5%	Rate increases from collective bargaining negotiations, higher benefit costs, including pension expense, higher contract labor and employee retention payments contributed to the growth.
Irvine	55.0	55.6	Salaries and benefits as a percentage of total operating revenue is relatively stable year-on-year.
Los Angeles	56.0	56.2	Salaries and benefits as a percentage of total operating revenue is relatively stable year-on-year.
San Diego	56.2	54.1	Increased salaries and wages due to labor market pressures and increased premiums for contract labor.
San Francisco	55.2	53.5	Increase due to higher FTEs, rate increases for both non-contract and contract labor, and lump sum payouts associated with the ratification of collective bargaining agreements and COVID-19 worker retention.

Table MDA.11b presents salaries and benefits expense changes as a percentage of total operating revenue in 2022.

Table MDA.11b: Salaries and Benefits Expense Changes as a Percentage of Total Operating Revenue in 2022

	2022	2021	
Davis	66.5%	61.0%	Unfavorable market returns on pension assets increased salary and benefits costs, along with higher contract labor costs.
Irvine	55.6	52.8	Increase was driven by the need for contract labor and additional pension expense due to unfavorable market returns.
Los Angeles	56.2	53.3	Pension expense was higher due to unfavorable market returns on pension assets.
San Diego	54.1	52.4	Increase in pension expense due to unfavorable market returns and also increased need for contract labor.
San Francisco	53.5	51.7	Pension expense was higher due to unfavorable market performance on pension assets. This was partially offset by declines in retiree health benefits and improvements in FTE efficiency.

Approximately one-half of the Medical Centers' workforce, including nurses and employees providing ancillary services, expand and contract with patient volumes.

Table MDA.12a presents increases in salaries and wages, full-time equivalents and salaries and wages rates in 2023.

Table MDA.12a: Increases in Salaries and Wages, Full-time Equivalents and Salaries and Wages Rates in 2023
(in millions of dollars)

	SALARIES AND WAGES	% CHANGE	FULL-TIME EQUIVALENTS	% CHANGE	RATE CHANGES	% CHANGE
Davis	$178.7	13.6%	739	6.9%	$88.5	6.3%
Irvine	69.4	10.5	345	6.1	27.7	4.2
Los Angeles	183.8	14.4	526	5.2	112.0	8.8
San Diego	125.1	11.4	425	4.9	67.7	6.2
San Francisco	290.5	13.1	918	6.2	152.8	6.9

Table MDA.12b presents increases (decreases) in salaries and wages, full-time equivalents and salaries and wages rates in 2022.

Table MDA.12b: Increases (Decreases) in Salaries and Wages, Full-time Equivalents and Salaries and Wages Rates in 2022
(in millions of dollars)

	SALARIES AND WAGES	% CHANGE	FULL-TIME EQUIVALENTS	% CHANGE	RATE CHANGES	% CHANGE
Davis	$155.5	13.4%	891	9.0%	$51.0	4.0%
Irvine	77.4	13.3	330	6.2	39.1	6.7
Los Angeles	72.5	6.0	195	2.0	48.0	4.0
San Diego	193.3	21.5	(88)	(1.0)	205.9	22.9
San Francisco	205.0	10.2	795	5.7	90.2	4.5

Table MDA.13a presents increases (decreases) in employee benefits in 2023.

Table MDA.13a: Increases (Decreases) in Employee Benefits in 2023
(in millions of dollars)

	PENSION	% CHANGE	RETIREE HEALTH BENEFITS	% CHANGE	OTHER EMPLOYEE BENEFITS	% CHANGE
Davis	$67.2	19.4%	($2.7)	(2.4%)	$49.7	17.6%
Irvine	32.2	22.4	(2.0)	(5.1)	16.1	12.4
Los Angeles	41.7	13.6	(15.0)	(21.0)	22.9	9.7
San Diego	29.6	11.6	(7.8)	(8.5)	25.9	12.0
San Francisco	77.8	14.2	(2.0)	(1.1)	42.8	10.4

Table MDA.13b presents increases (decreases) in employee benefits expense in 2022.

Table MDA.13b: Increases (Decreases) in Employee Benefits in 2022
(in millions of dollars)

	PENSION	% CHANGE	RETIREE HEALTH BENEFITS	% CHANGE	OTHER EMPLOYEE BENEFITS	% CHANGE
Davis	$212.5	158.6%	($35.7)	(24.5%)	$19.4	7.4%
Irvine	88.5	160.8	(21.6)	(35.4)	10.1	8.5
Los Angeles	175.3	133.9	(57.7)	(44.8)	3.6	1.5
San Diego	143.8	128.6	(34.1)	(26.9)	(31.4)	(12.7)
San Francisco	305.9	125.5	(62.3)	(26.0)	26.8	7.0

Substantially all full-time employees of the Medical Centers participate in the University of California Retirement Plan (UCRP).

Table MDA.14 presents pension expense and contributions for the Medical Centers related to UCRP.

Table MDA.14: UCRP Pension Expense and Contributions in 2023, 2022 and 2021

(In thousands of dollars)

	PENSION EXPENSE 2023	PENSION CONTRIBUTIONS 2023	PENSION EXPENSE 2022	PENSION CONTRIBUTIONS 2022	PENSION EXPENSE 2021	PENSION CONTRIBUTIONS 2021
Davis	$413,722	$168,790	$346,531	$160,044	$134,006	$137,465
Irvine	174,601	73,635	144,035	70,274	54,791	62,658
Los Angeles	347,961	151,748	306,290	149,801	130,944	139,305
San Diego	285,089	119,008	255,515	116,082	111,765	102,795
San Francisco	583,286	238,919	500,630	227,868	214,977	200,260
Total	**$1,804,659**	**$752,100**	**$1,553,001**	**$724,069**	**$646,483**	**$642,483**

The University has 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. The University contribution rate for active members was 14.0 percent, 15.0 percent and 14.5 percent of covered payroll for the years ended June 30, 2023, 2022 and 2021, respectively. The University contribution rate was 14.0 percent effective July 1, 2023 and will increase to 15.5 percent starting on July 1, 2025 with 0.5 percent increases per year until reaching 17.0 percent on July 1, 2028.

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 2023 primarily due to assumption changes based on a required experience study. Pension expenses were higher in 2022 due to significantly lower than expected investment returns. The discount rate used to estimate the net pension liability was 6.75 percent in 2021, 2022 and 2023.

Table MDA.15 presents retiree health benefits expense and contributions for the Medical Centers.

Table MDA.15: Retiree Health Benefits Expense and Contributions in 2023, 2022 and 2021

(In thousands of dollars)

	RETIREE HEALTH EXPENSE 2023	RETIREE HEALTH CONTRIBUTIONS 2023	RETIREE HEALTH EXPENSE 2022	RETIREE HEALTH CONTRIBUTIONS 2022	RETIREE HEALTH EXPENSE 2021	RETIREE HEALTH CONTRIBUTIONS 2021
Davis	$106,942	$27,804	$109,615	$25,938	$145,268	$24,708
Irvine	37,439	12,048	39,446	11,315	61,057	11,234
Los Angeles	56,102	24,842	71,057	24,287	128,710	24,967
San Diego	84,758	19,449	92,589	18,670	126,709	18,422
San Francisco	175,423	39,876	177,417	37,037	239,668	36,137
Total	**$460,664**	**$124,019**	**$490,124**	**$117,247**	**$701,412**	**$115,468**

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 benefits expenses decreased in 2022 and 2023 due to changes in the discount rate. The discount rates as of June 30, 2023, 2022 and 2021 were 3.65 percent, 3.54 percent and 2.16 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 laboratory fees, organ acquisition fees, transcription fees and legal fees.

Table MDA.16a presents increases (decreases) in professional services expense in 2023.

Table MDA.16a: Increases (Decreases) in Professional Services Expense in 2023

(in millions of dollars)

Davis	$15.9	12.6%	Increase due to professional network cost for physician services.
Irvine	(3.8)	(22.7)	Decrease mainly due to lower consulting and legal fees.
Los Angeles	1.4	3.7	Slight increase in administrative expenses.
San Diego	14.7	19.7	Increase in administrative service component expenses.
San Francisco	123.1	11.9	Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance. Increase in professional fees is primarily driven by higher physician fees due to a significant increase in physician work relative value units.

Table MDA.16b presents increases (decreases) in professional services expense in 2022.

Table MDA.16b: Increases (Decreases) in Professional Services Expense in 2022

(in millions of dollars)

Davis	($42.2)	(25.1%)	Decrease is due to a change in the clinical integration model implemented during the current year.
Irvine	4.9	41.0	Increase due to consulting fees for new Medi-Cal programs and legal fees.
Los Angeles	1.5	4.2	Increase due to medical and legal fees.
San Diego	9.6	14.8	Increase in administrative service component expenses.
San Francisco	85.7	9.0	Professional services include the UCSF Faculty Clinical Practices, while other UC Health entities only reflect hospital performance. Increase in professional fees is primarily driven by higher physician fees due to a significant increase in physician work relative value units.

Medical Supplies

Medical supplies expense fluctuates 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 utilization and to negotiate competitive pricing.

Table MDA.17a presents increases in medical supplies expense, including pharmaceuticals in 2023.

Table MDA.17a: Increases in Medical Supplies Expense in 2023

(in millions of dollars)

Davis	$83.2	16.0%	Continued growth in volume and inflationary costs for supplies drove the increase.
Irvine	48.0	13.1	Increase due to higher patient volumes, supply chain pricing inflation and growth in specialty pharmacy.
Los Angeles	67.8	11.7	Increase in pharmacy expense due to growth in specialty pharmacy and retail prescription volume as well as patient acuity. In addition, price increases for pharmaceuticals and medical supplies.
San Diego	103.6	14.0	Increase driven by pharmaceutical expenses related to increased volumes and general pharmaceutical price increases.
San Francisco	177.6	18.3	Increase due to higher patient volumes, supply chain pricing inflation and growth in specialty pharmacy.

Table MDA.17b presents increases in medical supplies expense, including pharmaceuticals in 2022.

Table MDA.17b: Increases in Medical Supplies Expense in 2022

(in millions of dollars)

Davis	$37.0	7.7%	Higher patient volumes, inflation costs for supplies and growth in pharmacy services contributed to the increase.
Irvine	34.4	10.4	Increase correlates to patient volume growth, supply chain pricing inflation and continuing growth in pharmacy business.
Los Angeles	59.4	11.5	Increase in pharmacy expense due to growth in specialty pharmacy and retail prescription volume as well as patient acuity and drug shortages, which in turn caused the Medical Center to purchase medications from secondary distributors at higher prices.
San Diego	88.9	13.7	Increase driven by pharmaceutical expenses related to increased infusion revenue and general pharmaceutical price increases.
San Francisco	89.4	10.1	Increase due to growth of the specialty pharmacy business and price increases for pharmaceuticals and supplies.

Other Supplies and Purchased Services

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

Table MDA.18a presents increases (decreases) in other supplies and purchased services expense in 2023.

Table MDA.18a: Increases (Decreases) in Other Supplies and Purchased Services Expense in 2023

(in millions of dollars)

Davis	$19.2	8.8%	Increase is driven by volume related laboratory costs and increased costs related to deferred maintenance.
Irvine	(12.3)	(5.7)	Decrease primarily due to lower non-medical purchased services resulting from improvements in operational efficiency.
Los Angeles	44.0	10.0	Supplies and purchased services increased as a result of higher inpatient volume, higher surgical volumes, higher organ acquisition costs, laboratory supply costs, an increase in maintenance service contracts and inflation.
San Diego	39.3	18.0	Increase driven by higher patient volumes and general inflationary price pressures.
San Francisco	20.7	4.1	Increase due to higher volumes and increases in supply costs.

Table MDA.18b presents increases in other supplies and purchased services in 2022.

Table MDA.18b: Increases in Other Supplies and Purchased Services Expense in 2022

(in millions of dollars)

Davis	$16.0	7.9%	Increase is due to higher software and maintenance contracts, as well as supply costs related to higher volume.
Irvine	5.8	2.8	Increase is the result of growth in patient volumes and impacts of inflation.
Los Angeles	13.4	3.1	Supplies increased as a result of outpatient growth, higher surgical volumes, laboratory supply costs, higher operating cost per case, inflation and COVID-19 related purchases.
San Diego	29.1	15.3	Increase driven by higher overall patient volumes.
San Francisco	54.0	11.9	Increase due to higher volumes and increases in supply costs.

Depreciation and Amortization

Table MDA.19a presents increases (decreases) in depreciation and amortization expense in 2023.

Table MDA.19a: Increases (Decreases) in Depreciation and Amortization in 2023

(in millions of dollars)

Davis	$13.8	9.2%	Increase due to amortization expense related to GASB 96 subscription-based information technology arrangements and completion of construction projects during the year.
Irvine	3.0	2.8	Increase due to amortization expense related to GASB 96 subscription-based information technology arrangements.
Los Angeles	11.1	7.5	Increase due to amortization expense related to GASB 96 subscription-based information technology arrangements.
San Diego	(3.0)	(2.3)	Decrease due to certain assets becoming fully depreciated in FY23 and partially offset by increased amortization expense related to GASB 96 subscription-based information technology arrangements.
San Francisco	3.8	1.8	Increase due to amortization expense related to GASB 96 subscription-based information technology arrangements.

Table MDA.19b presents increases (decreases) in depreciation and amortization expense in 2022.

Table MDA.19b: Increases (Decreases) in Depreciation and Amortization in 2022

(in millions of dollars)

Davis	$18.7	14.2%	Increase is driven by major asset acquisition and completion of construction projects during the year.
Irvine	8.3	8.3	Increase due to new equipment depreciation and additional right-of-use equipment requiring amortization during the year.
Los Angeles	28.1	23.5	Increase due to new finance lease asset depreciation as a result of the adoption of GASB 87.
San Diego	(1.7)	(1.3)	Decrease due to several assets becoming fully depreciated during FY22.
San Francisco	(4.5)	(2.0)	Decrease due to more fully depreciated assets and major construction projects that are still in progress.

Income (Loss) Before Other Changes in Net Position

Income (loss) before other changes in net position generally fluctuates consistent with operating results; however, as designated public hospitals, grants from the CARES Act and the State, which are intended to mitigate operating losses, are reported as nonoperating revenues.

Table MDA.20 presents income (loss) before other changes in net position for the Medical Centers.

Table MDA.20: Income (Loss) Before Other Changes in Net Position

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2023	($99,463)	$131,158	$334,118	$370	($115,933)	$250,250
2022	(92,993)	28,595	21,163	149,712	29,444	135,921
2021	115,764	152,465	410,862	99,001	514,296	1,292,388

Table MDA.21a presents increases (decreases) in income (loss) before other changes in net position in 2023.

Table MDA.21a: Increases (Decreases) in Income (Loss) Before Other Changes in Net Position in 2023

(in millions of dollars)

Davis	($6.5)	(7.0%)	Decrease is primarily due to higher operating expenses, higher borrowing costs, lower Provider Relief Fund income offset by higher interest income and appreciation in fair value of investments.
Irvine	102.6	358.7	Increase mainly due to growth in net patient revenue outpacing the increase in operating costs, as well as investment income due to favorable market condition.
Los Angeles	313.0	1,478.8	The increase was primarily driven by an increase in patient volumes, favorable third-party settlements, net appreciation of investments and an increase in investment income.
San Diego	(149.3)	(99.8)	Decrease due to lower operating margin from increase in labor and non-labor expenses exceeding growth in revenue from higher patient volumes.
San Francisco	(145.4)	(493.7)	Decrease due to a decline in operating margin as the growth in both labor and non-labor expenses outpaced the growth in revenues. FTE growth outpaced volume growth as the recovery was slowed by the continued impact of COVID-19.

Table MDA.21b presents increases (decreases) in income (loss) before other changes in net position in 2022.

Table MDA.21b: Increases (Decreases) in Income (Loss) Before Other Changes in Net Position in 2022

(in millions of dollars)

Davis	($208.8)	(180.3%)	Decrease primarily due to higher salaries and wages, increased cost of supplies and unfavorable market performance resulting in large pension expense and unrealized losses on investments.
Irvine	(123.9)	(81.2)	Decrease due to a decline in COVID-19 CARES Act Provider Relief Fund payments and unfavorable market performance resulting in unrealized losses on investments and a large increase in pension expense.
Los Angeles	(389.7)	(94.8)	Decrease due to significant increases in salaries and pension expense due to unfavorable market performance. In addition, increases in the following expense categories: medical supplies, other supplies, purchased services, depreciation and other. Along with the significant expense increases, there was a significant decrease in the net appreciation of the fair value of long-term investments.
San Diego	50.7	51.2	Increase driven by a state grant received in FY22 as well as additional resident recovery fees and higher contract pharmacy revenue.
San Francisco	(484.9)	(94.3)	Decrease due to a decline in COVID-19 CARES Act Provider Relief Fund payments and unfavorable market performance resulting in unrealized losses on investments and a large increase in pension expense.

Other Changes in Net Position

The most significant line item in other changes in net position is health system support. 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.

Table MDA.22 presents other changes in net position.

Table MDA.22: Other Changes in Net Position

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2023	($173,289)	($63,760)	($258,418)	($276,730)	($161,635)	($933,832)
2022	(182,890)	(76,797)	(263,777)	(284,438)	(171,237)	(979,139)
2021	(56,313)	(105,367)	(240,738)	(251,692)	(114,019)	(768,129)

Table MDA.23a presents increases in other changes in net position in 2023.

Table MDA.23a: Increases in Other Changes in Net Position in 2023

(in millions of dollars)

Davis	$9.6	5.2%	Change is due to contributions for building program offset by change in pension allocation and higher payments for health system support.
Irvine	13.0	17.0	Increase was mainly due to additional Medi-Cal Managed Care supplemental funding.
Los Angeles	5.4	2.0	Increase due to higher market returns on pension assets resulting in a decrease in the pension payable to University partially offset by higher payments for health system support.
San Diego	7.7	2.7	Increase driven by higher market returns on pension assets resulting in a decrease to the pension payable to the University, which was partially offset by lower health system support.
San Francisco	9.6	5.6	Increase due to favorable changes in the pension payable to the University compared to prior year.

Table MDA.23b presents increases (decreases) in other changes in net position in 2022.

Table MDA.23b: Increases (Decreases) in Other Changes in Net Position in 2022

(in millions of dollars)

Davis	($126.6)	(224.8%)	Change mainly due to change in pension allocation and higher payments for health system support.
Irvine	28.6	27.1	Improvement was mainly due to reduction in the health system support through clinical integration efficiencies and recognition of professional Medi-Cal supplemental income by the School of Medicine.
Los Angeles	(23.0)	(9.6)	Change mainly due to change in pension allocation and payments for health system support.
San Diego	(32.7)	(13.0)	Change due to lower market returns on pension assets resulting in an increase to the pension payable to the University.
San Francisco	(57.2)	(50.2)	Decrease due to unfavorable changes in the pension payable to the University driven by unfavorable market performance on pension assets.

CONDENSED STATEMENTS OF NET POSITION

The statements of net position for 2022 have been restated for an accounting change related to the implementation of GASB 96 for subscription-based information technology arrangements in 2023. This accounting change requires the Medical Centers to recognize a right-to-use intangible asset and a corresponding subscription liability.

Tables MDA.24a, MDA.24b and MDA.24c present condensed statements of net position at June 30 in 2023, 2022 and 2021, respectively.

Table MDA.24a: Condensed Statements of Net Position as of June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Current assets:						
Cash and cash equivalents	$640,919	$833,231	$1,753,150	$416,246	$2,290,279	$5,933,825
Net patient accounts receivable	594,466	208,260	522,964	455,539	1,016,082	2,797,311
Short-term investments and other current assets	345,826	169,676	481,154	179,814	249,981	1,426,451
Current assets	**1,581,211**	**1,211,167**	**2,757,268**	**1,051,599**	**3,556,342**	**10,157,587**
Restricted assets	801,935	399,194	574,604	221,248	1,261,161	3,258,142
Capital assets, net	2,239,609	1,459,968	1,863,368	1,564,699	3,463,186	10,590,830
Investments and other noncurrent assets	184,531	18,595	451,518	83,193	323,909	1,061,746
Noncurrent assets	**3,226,075**	**1,877,757**	**2,889,490**	**1,869,140**	**5,048,256**	**14,910,718**
Total assets	**4,807,286**	**3,088,924**	**5,646,758**	**2,920,739**	**8,604,598**	**25,068,305**
Deferred outflows of resources	**816,326**	**313,091**	**561,896**	**551,023**	**1,203,947**	**3,446,283**
Liabilities:						
Current liabilities	751,507	492,330	748,198	481,115	1,606,151	4,079,301
Long-term debt, net of current portion	1,747,986	1,334,947	1,927,562	1,113,312	2,618,781	8,742,588
Net pension liability	1,529,126	681,741	1,374,737	1,078,132	2,215,442	6,879,178
Net retiree health benefits liability	1,621,188	702,471	1,448,495	1,133,878	2,324,959	7,230,991
Other noncurrent liabilities	552,481	225,915	486,869	489,729	764,359	2,519,353
Total liabilities	**6,202,288**	**3,437,404**	**5,985,861**	**4,296,166**	**9,529,692**	**29,451,411**
Deferred inflows of resources	**663,536**	**276,545**	**688,959**	**473,530**	**961,198**	**3,063,768**
Net position:						
Net investment in capital assets	1,169,717	496,518	454,045	617,509	1,920,804	4,658,593
Restricted		33	25,282	168	134,022	159,505
Unrestricted	(2,411,929)	(808,485)	(945,493)	(1,915,611)	(2,737,171)	(8,818,689)
Total net position	**($1,242,212)**	**($311,934)**	**($466,166)**	**($1,297,934)**	**($682,345)**	**($4,000,591)**

Table MDA.24b: Condensed Statements of Net Position as of June 30, 2022

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Current assets:						
Cash and cash equivalents	$668,276	$769,638	$1,631,612	$518,982	$2,346,629	$5,935,137
Net patient accounts receivable	434,784	157,553	484,003	421,080	943,743	2,441,163
Short-term investments and other current assets	334,433	100,391	447,540	158,543	242,006	1,282,913
Current assets	**1,437,493**	**1,027,582**	**2,563,155**	**1,098,605**	**3,532,378**	**9,659,213**
Restricted assets	1,152,866	677,534	543,441	252,881	1,389,458	4,016,180
Capital assets, net	1,939,788	1,140,143	1,852,673	1,600,665	3,104,406	9,637,675
Investments and other noncurrent assets	184,815	4,182	446,526	33,490	311,627	980,640
Noncurrent assets	**3,277,469**	**1,821,859**	**2,842,640**	**1,887,036**	**4,805,491**	**14,634,495**
Total assets	**4,714,962**	**2,849,441**	**5,405,795**	**2,985,641**	**8,337,869**	**24,293,708**
Deferred outflows of resources	**1,040,247**	**406,131**	**828,461**	**805,062**	**1,608,623**	**4,688,524**
Liabilities:						
Current liabilities	636,549	449,523	752,982	509,098	1,538,862	3,887,014
Long-term debt, net of current portion	1,795,527	1,332,575	1,952,922	1,154,278	2,624,493	8,859,795
Net pension liability	1,527,815	679,417	1,430,028	1,108,138	2,294,993	7,040,391
Net retiree health benefits liability	1,429,502	623,548	1,338,495	1,028,874	2,041,112	6,461,531
Other noncurrent liabilities	540,170	203,037	474,239	493,122	715,478	2,426,046
Total liabilities	**5,929,563**	**3,288,100**	**5,948,666**	**4,293,510**	**9,214,938**	**28,674,777**
Deferred inflows of resources	795,106	346,804	827,456	518,767	1,136,331	3,624,464
Net position:						
Net investment in capital assets	1,175,760	465,796	388,487	654,170	1,685,399	4,369,612
Restricted	5,380	33	24,810	345	135,808	166,376
Unrestricted	(2,150,600)	(845,161)	(955,163)	(1,676,089)	(2,225,984)	(7,852,997)
Total net position	**($969,460)**	**($379,332)**	**($541,866)**	**($1,021,574)**	**($404,777)**	**($3,317,009)**

Table MDA.24c: Condensed Statements of Net Position as of June 30, 2021

(in thousands of dollars)

	DAVIS*	IRVINE*	LOS ANGELES*	SAN DIEGO*	SAN FRANCISCO*	TOTAL*
Current assets:						
Cash and cash equivalents	$1,137,044	$697,472	$1,706,524	$566,299	$2,146,459	$6,253,798
Net patient accounts receivable	391,200	164,214	431,409	368,815	798,862	2,154,500
Short-term investments and other current assets	335,664	135,976	538,061	147,286	240,598	1,397,585
Current assets	**1,863,908**	**997,662**	**2,675,994**	**1,082,400**	**3,185,919**	**9,805,883**
Restricted assets	388,001	215,191	337,525	307,016	587,663	1,835,396
Capital assets, net	1,709,233	895,540	1,850,446	1,587,655	2,877,749	8,920,623
Investments and other noncurrent assets	175,884	5,212	166,524	33,889	320,434	701,943
Noncurrent assets	**2,273,118**	**1,115,943**	**2,354,495**	**1,928,560**	**3,785,846**	**11,457,962**
Total assets	**4,137,026**	**2,113,605**	**5,030,489**	**3,010,960**	**6,971,765**	**21,263,845**
Deferred outflows of resources	**814,971**	**360,856**	**797,814**	**727,306**	**1,375,878**	**4,076,825**
Liabilities:						
Current liabilities	875,878	468,223	950,768	644,309	1,550,888	4,490,066
Long-term debt, net of current portion	1,018,961	634,304	1,337,223	1,147,727	1,569,766	5,707,981
Net pension liability	472,294	227,947	478,616	353,179	710,409	2,242,445
Net retiree health benefits liability	1,705,269	775,408	1,723,183	1,271,447	2,493,992	7,969,299
Other noncurrent liabilities	414,283	170,269	439,425	402,503	575,575	2,002,055
Total liabilities	**4,486,685**	**2,276,151**	**4,929,215**	**3,819,165**	**6,900,630**	**22,411,846**
Deferred inflows of resources	**1,158,889**	**529,440**	**1,198,340**	**805,949**	**1,709,997**	**5,402,615**
Net position:						
Net investment in capital assets	978,448	458,975	712,356	710,433	1,708,884	4,569,096
Restricted	7,604	2,043	25,745	345	136,694	172,431
Unrestricted	(1,679,629)	(792,148)	(1,037,353)	(1,597,626)	(2,108,562)	(7,215,318)
Total net position	**($693,577)**	**($331,130)**	**($299,252)**	**($886,848)**	**($262,984)**	**($2,473,791)**

**Does not reflect adoption of GASB 96*

Cash and Cash Equivalents

Table MDA.25a presents increases (decreases) in cash and cash equivalents in 2023.

Table MDA.25a: Increases (Decreases) in Cash and Cash Equivalents in 2023

(in millions of dollars)

Davis	($27.4)	(4.1%)	Decrease due to continued investment in capital.
Irvine	63.6	8.3	Increase due to cash provided from strong performance in both operations and revenue cycle.
Los Angeles	121.5	7.4	Increase due to cash provided by strong performance in operations.
San Diego	(102.7)	(19.8)	Decrease due to continued labor premiums from labor market conditions, general inflation increases on various operating expenses and pharmaceutical price increases.
San Francisco	(56.4)	(2.4)	Decrease due to repayment of short-term Medicare advances and increased investments in capital assets and joint ventures.

Table MDA.25b presents increases (decreases) in cash and cash equivalents in 2022.

Table MDA.25b: Increases (Decreases) in Cash and Cash Equivalents in 2022

(in millions of dollars)

Davis	($468.8)	(41.2%)	Decrease due to repayment of Medicare advances, increased investment in capital assets, lower cash from operations and increases in health system support.
Irvine	72.2	10.3	Increase due to cash provided from operations and strong revenue cycle reducing AR days.
Los Angeles	(74.9)	(4.4)	Decrease due to repayment of short-term Medicare advances and a reduction in cash provided from operations.
San Diego	(47.3)	(8.4)	Decrease driven by repayment of Medicare advances in FY22 partially offset by cash from increase in patient volumes in FY22.
San Francisco	200.2	9.3	Increase due to patient cash collections and receipt of supplemental payments partially offset by the repayment of short-term Medicare advances and capital additions.

Patient Accounts Receivable

Table MDA.26a presents increases in patient accounts receivable, net of estimated uncollectible accounts, in 2023.

Table MDA.26a: Increases in Net Patient Accounts Receivable in 2023

(in millions of dollars)

Davis	$159.7	36.7%	Increase due to higher patient volume and timing of payments from payors.
Irvine	50.7	32.2	Increase due to growth in patient service revenue and timing of payments from payors.
Los Angeles	39.0	8.0	Increase due to higher patient volume and timing of payments from payors.
San Diego	34.5	8.2	Increase due to growth in patient volumes from higher average daily census and increases in surgeries and clinic visits.
San Francisco	72.3	7.7	Increase due to higher patient volume and timing of payments from payors.

Table MDA.26b presents increases (decreases) in patient accounts receivable, net of estimated uncollectible accounts, in 2022.

Table MDA.26b: Increases (decreases) in Net Patient Accounts Receivable in 2022

(in millions of dollars)

Davis	$43.6	11.1%	Increase due to higher patient volume and timing of payments from payors.
Irvine	(6.7)	(4.1)	Decrease is the result of strong revenue cycle and the improvement in AR days.
Los Angeles	52.6	12.2	Increase due to higher patient volume and timing of payments from payors.
San Diego	52.3	14.2	Increase due to net patient revenue growth in FY22.
San Francisco	144.9	18.1	Increase due to higher patient volumes and net patient service revenues along with an increase in AR days.

Restricted Assets

Medical Center Pooled Revenue Bonds totaling $3.0 billion were issued in May 2022, primarily to finance future capital projects. Unspent proceeds and investment income earned on the proceeds from this issuance are invested in University investment pools.

Table MDA.27 presents restricted assets related to deposits held for hospital construction as of June 30, 2023, 2022 and 2021.

Table MDA.27: Restricted Assets Related to Deposits Held for Hospital Construction

(in thousands of dollars)

	2023	2022	2021
Davis	$801,935	$1,152,866	$388,001
Irvine	399,194	677,534	215,191
Los Angeles	563,787	532,551	325,633
San Diego	221,248	252,881	307,016
San Francisco	1,127,029	1,256,908	448,636
Total	**$3,113,193**	**$3,872,740**	**$1,684,477**

Capital Assets

Table MDA.28a presents increases (decreases) in net capital assets in 2023.

Table MDA.28a: Increases (Decreases) in Net Capital Assets in 2023

(in millions of dollars)

Davis	$299.8	15.5%	Increase due to significant ongoing construction projects.
Irvine	319.8	28.1	Increase due to the continuing construction of the Irvine Campus Medical Center complex.
Los Angeles	10.7	0.6	Increase due to the purchase of new assets which approximated annual depreciation.
San Diego	(36.0)	(2.2)	Annual depreciation expense exceeded capital expenditures for the year.
San Francisco	358.8	11.6	Increase due to major ongoing construction projects, including the new hospital at Parnassus Heights and the new clinical facility at Block 34 Mission Bay, and the commencement of new long-term leases.

Table MDA.28b presents increases in net capital assets in 2022.

Table MDA.28b: Increases in Net Capital Assets in 2022

(in millions of dollars)

Davis	$230.6	13.5%	Increase due to significant ongoing construction projects and land acquisition.
Irvine	244.6	27.3	Increase due to the construction costs of the Irvine Campus Medical Center complex.
Los Angeles	2.2	0.1	Annual capital expenditures exceeded depreciation expense for the year.
San Diego	13.0	0.8	Increase due to ongoing construction projects.
San Francisco	226.7	7.9	Increase due to major ongoing construction projects, including the new hospital at Parnassus Heights and the new clinical facility at Block 34 Mission Bay, and the commencement of new long-term leases.

Current Liabilities

To minimize the impact of disruptions in claims processing as a result of COVID-19, the Centers for Medicare & Medicaid Services (CMS) modified an advance payment program for health care providers as part of the CARES Act in 2020.

Table MDA.29 presents outstanding liabilities at June 30 as a result of the Medical Centers receiving the following advance payments from this program.

Table MDA.29: Current Liabilities
(in thousands of dollars)

	2023	2022	2021
Davis			$163,212
Los Angeles		$45,997	246,874
San Diego			153,694
San Francisco	$3,955	42,372	242,661
Total	**$3,955**	**$88,369**	**$806,441**

Debt

In February 2023, General Revenue Bonds totaling $344.4 million of tax-exempt variable bonds were issued to refinance all or a portion of certain projects of the University through the refunding of certain bonds, including the outstanding Medical Center Pooled Revenue Bonds, 2013 Series J of $344.4 million. The bonds mature at various dates through 2048 and the interest rate resets each business day.

In May 2022, Medical Center Pooled Revenue Bonds totaling $3.0 billion, including $1.1 billion in taxable bonds, were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities at the Medical Centers. The bonds mature at various dates through 2054 and have a stated weighted average interest rate of 4.5 percent.

Table MDA.30a presents increases (decreases) in long-term debt, including the current portion, in 2023.

Table MDA.30a: Increases (Decreases) in Debt in 2023
(in millions of dollars)

Davis	($45.0)	(2.4%)
Irvine	4.8	0.4
Los Angeles	(23.5)	(1.2)
San Diego	(30.7)	(2.6)
San Francisco	(6.5)	(0.2)

Table MDA.30b presents increases in long-term debt, including the current portion, in 2022.

Table MDA.30b: Increases in Debt in 2022
(in millions of dollars)

Davis	$783.6	73.8%
Irvine	708.4	109.1
Los Angeles	534.1	36.5
San Diego	15.3	1.3
San Francisco	1,059.4	65.5

Net Pension Liability

The University has financial responsibility for the payment of 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.

Table MDA.31 presents the Medical Centers' proportionate share and net pension liability related to UCRP in 2023, 2022 and 2021.

Table MDA.31: UCRP Proportionate Share and Net Pension Liability in 2023, 2022 and 2021

(in thousands of dollars)

	PROPORTIONATE SHARE 2023	NET PENSION LIABILITY 2023	PROPORTIONATE SHARE 2022	NET PENSION LIABILITY 2022	PROPORTIONATE SHARE 2021	NET PENSION LIABILITY 2021
Davis	7.8%	$1,529,126	7.6%	$1,527,815	7.1%	$472,294
Irvine	3.4	667,084	3.3	670,850	3.2	215,278
Los Angeles	7.0	1,374,737	7.1	1,430,028	7.2	478,616
San Diego	5.5	1,078,132	5.5	1,108,138	5.3	353,179
San Francisco	11.1	2,164,448	10.8	2,175,275	10.3	688,043
Total	**34.8%**	**$6,813,527**	**34.3%**	**$6,912,106**	**33.1%**	**$2,207,410**

The changes in net pension liability are primarily driven by the investment performance of the UCRP investment portfolio. UCRP's total investment rate of return was 10.1 percent, (10.8) percent and 30.5 percent in 2023, 2022 and 2021, respectively. The discount rate used to estimate the net pension liability was 6.75 percent in 2023, 2022 and 2021.

The Irvine Medical Center's proportionate share of the net pension liability for the Orange County Employees Retirement System was $14.7 million, $8.6 million and $12.7 million as of June 30, 2023, 2022 and 2021, respectively.

CHRCO is the sponsor of a single employer defined benefit plan. The net pension liability for CHRCO was $51.0 million, $119.7 million and $22.4 million as of June 30, 2023, 2022 and 2021, respectively, and the liability is reported by San Francisco.

Net Retiree Health Benefits Liability

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

Table MDA.32 presents the Medical Centers' proportionate share and net retiree health benefits liability in 2023, 2022 and 2021.

Table MDA.32: Proportionate Share and Net Retiree Health Benefits Liability in 2023, 2022 and 2021

(in thousands of dollars)

	PROPORTIONATE SHARE 2023	NET RETIREE HEALTH BENEFITS LIABILITY 2023	PROPORTIONATE SHARE 2022	NET RETIREE HEALTH BENEFITS LIABILITY 2022	PROPORTIONATE SHARE 2021	NET RETIREE HEALTH BENEFITS LIABILITY 2021
Davis	7.5%	$1,621,188	7.3%	$1,429,502	7.0%	$1,705,269
Irvine	3.2	702,471	3.2	623,548	3.2	775,408
Los Angeles	6.7	1,448,495	6.8	1,338,495	7.1	1,723,183
San Diego	5.2	1,133,878	5.3	1,028,874	5.3	1,271,447
San Francisco	10.7	2,324,959	10.4	2,041,112	10.3	2,493,992
Total	**33.3%**	**$7,230,991**	**33.0%**	**$6,461,531**	**32.9%**	**$7,969,299**

The changes in the net retiree health benefits liability in 2023 were primarily driven by an actuarial loss from higher than projected healthcare premium rates. The changes in the net retiree health benefits liability in 2022 were primarily driven by the changes in the discount rates used to estimate the net retiree health benefits liability. The discount rate used to estimate the net retiree health benefits liability as of June 30, 2023, 2022 and 2021 was 3.65 percent, 3.54 percent and 2.16 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 projected 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's Office of the President, is a minimum of 60 days cash on hand. The days cash on hand includes Medicare short-term advances and is adjusted for non-cash OPEB and UCRP expenses. Table MDA.33 presents days cash on hand.

Table MDA.33: Days Cash on Hand

	2023	2022	2021
Davis	94	108	203
Irvine	186	188	189
Los Angeles	237	236	278
San Diego	53	74	91
San Francisco	149	171	176

Debt Service Coverage

The debt service coverage ratio measures the funds available to cover the principal and interest on long-term debt. Debt service coverage decreases as new debt is issued and fluctuates based on operating results. Table MDA.34 presents debt service coverage ratios.

Table MDA.34: Debt Service Coverage Ratios

	2023	2022	2021
Davis	3.9	3.9	7.4
Irvine	5.1	4.9	8.2
Los Angeles	6.9	4.0	6.9
San Diego	4.3	5.5	4.1
San Francisco	4.1	5.9	8.3

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. 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.

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

Opinions

We have audited the accompanying 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 (hereafter 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 statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, including the related notes, which comprise the basic financial statements of each of the University of California Medical Centers.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of each of the University of California Medical Centers as of June 30, 2023 and 2022, and the changes in each of their financial positions and each of their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of each 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 respective University of California Medical Center. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 24 through 52 and the required supplementary information on pages 130 through 139 be presented to supplement the basic financial statements of the corresponding University of California Medical Center. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises pages 3 through 22, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

San Francisco, California
November 17, 2023

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2023

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
ASSETS						
Cash and cash equivalents	$640,919	$833,231	$1,753,150	$416,246	$2,290,279	$5,933,825
Short-term investments	153,611		290,328			443,939
Net patient accounts receivable	594,466	208,260	522,964	455,539	1,016,082	2,797,311
Other receivables	26,510	9,448	37,791	26,018	38,144	137,911
Third-party payor settlements, net	28,239	93,729	33,432	65,164	3,410	223,974
Inventory	59,252	27,018	63,545	57,761	80,836	288,412
Prepaid expenses and other assets	78,214	39,481	56,058	30,871	127,591	332,215
Current assets	**1,581,211**	**1,211,167**	**2,757,268**	**1,051,599**	**3,556,342**	**10,157,587**
Restricted assets:						
Deposits held for hospital construction	801,935	399,194	563,787	221,248	1,127,029	3,113,193
Donor funds			10,817		134,132	144,949
Capital assets, net	2,239,609	1,459,968	1,863,368	1,564,699	3,463,186	10,590,830
Investments in joint ventures	24,040	432	13,085	28,786	56,456	122,799
Investments		15,311	96,271		248,743	360,325
Other assets	160,491	2,852	342,162	54,407	18,710	578,622
Noncurrent assets	**3,226,075**	**1,877,757**	**2,889,490**	**1,869,140**	**5,048,256**	**14,910,718**
Total assets	**4,807,286**	**3,088,924**	**5,646,758**	**2,920,739**	**8,604,598**	**25,068,305**
DEFERRED OUTFLOWS OF RESOURCES	**816,326**	**313,091**	**561,896**	**551,023**	**1,203,947**	**3,446,283**
LIABILITIES						
Accounts payable and accrued expenses	158,791	119,684	333,725	168,811	380,838	1,161,849
Accrued salaries and benefits	209,212	117,619	283,414	148,601	424,461	1,183,307
Third-party payor settlements, net	138,105	169,197	69,541	44,110	607,280	1,028,233
Current portion of long-term debt	52,154	27,665	45,547	54,958	50,630	230,954
Short-term advances					3,955	3,955
Other current liabilities	193,245	58,165	15,971	64,635	138,987	471,003
Current liabilities	**751,507**	**492,330**	**748,198**	**481,115**	**1,606,151**	**4,079,301**
Long-term debt, net of current portion	1,747,986	1,334,947	1,927,562	1,113,312	2,618,781	8,742,588
Net pension liability	1,529,126	681,741	1,374,737	1,078,132	2,215,442	6,879,178
Net retiree health benefits liability	1,621,188	702,471	1,448,495	1,133,878	2,324,959	7,230,991
Notes payable to campus				90,660		90,660
Pension payable to University	517,810	225,896	465,530	365,090	732,951	2,307,277
Interest rate swap agreements			21,339		1,408	22,747
Self-insurance					19,504	19,504
Other noncurrent liabilities	34,671	19		33,979	10,496	79,165
Noncurrent liabilities	**5,450,781**	**2,945,074**	**5,237,663**	**3,815,051**	**7,923,541**	**25,372,110**
Total liabilities	**6,202,288**	**3,437,404**	**5,985,861**	**4,296,166**	**9,529,692**	**29,451,411**
DEFERRED INFLOWS OF RESOURCES	**663,536**	**276,545**	**688,959**	**473,530**	**961,198**	**3,063,768**
NET POSITION						
Net investment in capital assets	1,169,717	496,518	454,045	617,509	1,920,804	4,658,593
Restricted: Nonexpendable endowments and gifts			599		34,344	34,943
Restricted: Nonexpendable for minority interest			14,466			14,466
Restricted: Expendable		33	10,217	168	99,678	110,096
Unrestricted	(2,411,929)	(808,485)	(945,493)	(1,915,611)	(2,737,171)	(8,818,689)
Total net position	**($1,242,212)**	**($311,934)**	**($466,166)**	**($1,297,934)**	**($682,345)**	**($4,000,591)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF NET POSITION

At June 30, 2022

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
ASSETS						
Cash and cash equivalents	$668,276	$769,638	$1,631,612	$518,982	$2,346,629	$5,935,137
Short-term investments	141,528		253,891			395,419
Net patient accounts receivable	434,784	157,553	484,003	421,080	943,743	2,441,163
Other receivables	28,238	12,163	47,342	36,122	44,481	168,346
Third-party payor settlements, net	37,630	27,875	29,671	40,599	3,198	138,973
Inventory	52,707	28,352	63,686	51,919	81,274	277,938
Prepaid expenses and other assets	74,330	32,001	52,950	29,903	113,053	302,237
Current assets	**1,437,493**	**1,027,582**	**2,563,155**	**1,098,605**	**3,532,378**	**9,659,213**
Restricted assets:						
Deposits held for hospital construction	1,152,866	677,534	532,551	252,881	1,256,908	3,872,740
Donor funds			10,890		132,550	143,440
Capital assets, net	1,939,788	1,140,143	1,852,673	1,600,665	3,104,406	9,637,675
Investments in joint ventures	24,052	400	11,359	32,160	38,851	106,822
Investments			88,979		251,150	340,129
Other assets	160,763	3,782	346,188	1,330	21,626	533,689
Noncurrent assets	**3,277,469**	**1,821,859**	**2,842,640**	**1,887,036**	**4,805,491**	**14,634,495**
Total assets	**4,714,962**	**2,849,441**	**5,405,795**	**2,985,641**	**8,337,869**	**24,293,708**
DEFERRED OUTFLOWS OF RESOURCES	**1,040,247**	**406,131**	**828,461**	**805,062**	**1,608,623**	**4,688,524**
LIABILITIES						
Accounts payable and accrued expenses	144,865	73,567	260,194	198,868	371,992	1,049,486
Accrued salaries and benefits	234,822	113,645	289,895	154,550	380,990	1,173,902
Third-party payor settlements, net	63,540	166,721	96,658	41,363	551,477	919,759
Current portion of long-term debt	49,643	25,189	43,638	44,680	51,396	214,546
Short-term advances			45,997		42,372	88,369
Other current liabilities	143,679	70,401	16,600	69,637	140,635	440,952
Current liabilities	**636,549**	**449,523**	**752,982**	**509,098**	**1,538,862**	**3,887,014**
Long-term debt, net of current portion	1,795,527	1,332,575	1,952,922	1,154,278	2,624,493	8,859,795
Net pension liability	1,527,815	679,417	1,430,028	1,108,138	2,294,993	7,040,391
Net retiree health benefits liability	1,429,502	623,548	1,338,495	1,028,874	2,041,112	6,461,531
Notes payable to campus				92,482		92,482
Pension payable to University	466,317	202,480	435,638	337,466	662,661	2,104,562
Interest rate swap agreements	450	102	35,601	34,160	3,405	73,718
Self-insurance					17,553	17,553
Other noncurrent liabilities	73,403	455	3,000	29,014	31,859	137,731
Noncurrent liabilities	**5,293,014**	**2,838,577**	**5,195,684**	**3,784,412**	**7,676,076**	**24,787,763**
Total liabilities	**5,929,563**	**3,288,100**	**5,948,666**	**4,293,510**	**9,214,938**	**28,674,777**
DEFERRED INFLOWS OF RESOURCES	**795,106**	**346,804**	**827,456**	**518,767**	**1,136,331**	**3,624,464**
NET POSITION						
Net investment in capital assets	1,175,760	465,796	388,487	654,170	1,685,399	4,369,612
Restricted: Nonexpendable endowments and gifts			571		33,006	33,577
Restricted: Nonexpendable for minority interest			13,920			13,920
Restricted: Expendable	5,380	33	10,319	345	102,802	118,879
Unrestricted	(2,150,600)	(845,161)	(955,163)	(1,676,089)	(2,225,984)	(7,852,997)
Total net position	**($969,460)**	**($379,332)**	**($541,866)**	**($1,021,574)**	**($404,777)**	**($3,317,009)**

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, 2023

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Net patient service revenue	$3,277,414	$1,825,214	$3,522,636	$3,058,233	$6,434,135	$18,117,632
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					4,085	4,085
Other	152,023	148,241	247,915	198,155	380,891	1,127,225
Total other operating revenue	**152,023**	**156,123**	**261,382**	**198,155**	**384,976**	**1,152,659**
Total operating revenue	**3,429,437**	**1,981,337**	**3,784,018**	**3,256,388**	**6,819,111**	**19,270,291**
Operating expenses:						
Salaries and wages	1,491,541	730,192	1,456,678	1,217,545	2,505,214	7,401,170
Pension benefits	413,722	175,667	347,961	285,089	627,522	1,849,961
Retiree health benefits	106,942	37,439	56,102	84,758	175,423	460,664
Other employee benefits	332,811	146,092	258,705	242,012	453,408	1,433,028
Professional services	141,366	12,962	37,975	89,155	1,155,658	1,437,116
Medical supplies	601,503	414,506	644,761	841,223	1,148,671	3,650,664
Other supplies and purchased services	236,270	202,961	483,253	258,238	526,467	1,707,189
Depreciation and amortization	164,256	110,465	159,035	125,768	222,045	781,569
Insurance and other	95,129	40,813	70,933	100,487	111,739	419,101
Total operating expenses	**3,583,540**	**1,871,097**	**3,515,403**	**3,244,275**	**6,926,147**	**19,140,462**
Income (loss) from operations	**(154,103)**	**110,240**	**268,615**	**12,113**	**(107,036)**	**129,829**
Nonoperating revenues (expenses):						
Direct government grants	33,780	21,618	1,607		299	57,304
Hospital fee program grants	8,809	6,184	5,804	10,241	10,845	41,883
Investment income	51,870	35,434	64,170	13,754	58,076	223,304
Build America Bonds federal interest subsidies		3,380	3,004	2,418	15,052	23,854
Private gifts, net					24,569	24,569
Net appreciation in fair value of investments	31,353	8,332	56,313		35,278	131,276
Interest expense	(69,258)	(55,713)	(71,041)	(44,308)	(123,364)	(363,684)
Loss on disposal of capital assets	(1,236)	(39)	(134)	(362)	(2,498)	(4,269)
Other	(678)	1,722	5,780	6,514	(27,154)	(13,816)
Net nonoperating revenues (expenses)	**54,640**	**20,918**	**65,503**	**(11,743)**	**(8,897)**	**120,421**
Income (loss) before other changes in net position	**(99,463)**	**131,158**	**334,118**	**370**	**(115,933)**	**250,250**
Other changes in net position:						
Donated assets		8,420	362	1,131	(7,886)	2,027
Contributions (distributions) for building programs	20,875	128		(248)	(1,654)	19,101
Transfers from (to) University, net	(30,952)	52,735	11,570	(11,700)		21,653
Changes in allocation for pension payable to University	(12,400)	(6,361)	5,255	(60)	(14,954)	(28,520)
Health system support	(150,812)	(118,682)	(275,605)	(265,853)	(137,141)	(948,093)
Other changes in net position	**(173,289)**	**(63,760)**	**(258,418)**	**(276,730)**	**(161,635)**	**(933,832)**
Change in net position	**(272,752)**	**67,398**	**75,700**	**(276,360)**	**(277,568)**	**(683,582)**
Net position:						
Beginning of year	(969,460)	(379,332)	(541,866)	(1,021,574)	(404,777)	(3,317,009)
End of year	**($1,242,212)**	**($311,934)**	**($466,166)**	**($1,297,934)**	**($682,345)**	**($4,000,591)**

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, 2022

(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL *(memorandum only)*
Net patient service revenue	$2,965,455	$1,608,981	$3,141,828	$2,877,781	$5,909,588	$16,503,633
Other operating revenue:						
Clinical teaching support		7,882	13,467			21,349
Grants and contracts					12,566	12,566
Other	120,751	134,001	198,624	183,944	345,107	982,427
Total other operating revenue	**120,751**	**141,883**	**212,091**	**183,944**	**357,673**	**1,016,342**
Total operating revenue	**3,086,206**	**1,750,864**	**3,353,919**	**3,061,725**	**6,267,261**	**17,519,975**
Operating expenses:						
Salaries and wages	1,312,882	660,781	1,272,830	1,092,459	2,214,701	6,553,653
Pension benefits	346,531	143,503	306,290	255,515	549,714	1,601,553
Retiree health benefits	109,615	39,446	71,057	92,589	177,417	490,124
Other employee benefits	283,077	130,009	235,819	216,064	410,599	1,275,568
Professional services	125,497	16,759	36,621	74,492	1,032,575	1,285,944
Medical supplies	518,349	366,471	576,988	737,599	971,049	3,170,456
Other supplies and purchased services	217,097	215,305	439,232	218,927	505,742	1,596,303
Depreciation and amortization	150,454	107,507	147,958	128,748	218,213	752,880
Insurance and other	79,495	26,159	162,768	85,621	103,394	457,437
Total operating expenses	**3,142,997**	**1,705,940**	**3,249,563**	**2,902,014**	**6,183,404**	**17,183,918**
Income (loss) from operations	**(56,791)**	**44,924**	**104,356**	**159,711**	**83,857**	**336,057**
Nonoperating revenues (expenses):						
Direct government grants	59,883	20,146	32,358	36,541	51,706	200,634
Hospital fee program grants	9,380	4,590	7,787	6,153	11,070	38,980
Investment income	17,567	5,627	16,386	1,318	23,414	64,312
Build America Bonds federal interest subsidies		3,371	3,030	2,375	14,955	23,731
Private gifts, net					24,373	24,373
Net depreciation in fair value of investments	(66,912)	(17,772)	(91,163)		(80,337)	(256,184)
Interest expense	(42,916)	(33,395)	(53,686)	(54,023)	(88,058)	(272,078)
Loss on disposal of capital assets	(38)	(244)	(460)	(596)	(7,026)	(8,364)
Other	(13,166)	1,348	2,555	(1,767)	(4,510)	(15,540)
Net nonoperating expenses	**(36,202)**	**(16,329)**	**(83,193)**	**(9,999)**	**(54,413)**	**(200,136)**
Income (loss) before other changes in net position	**(92,993)**	**28,595**	**21,163**	**149,712**	**29,444**	**135,921**
Other changes in net position:						
Donated assets		11,273	1,174	125	11,733	24,305
Contributions (distributions) for building programs	800	92	428	(529)	(760)	31
Transfers from (to) University, net	(29,674)	23,940	2,402	(8,284)		(11,616)
Changes in allocation for pension payable to University	(49,106)	(15,055)	(16,682)	(27,147)	(58,835)	(166,825)
Health system support	(104,910)	(97,047)	(251,099)	(248,603)	(123,375)	(825,034)
Other changes in net position	**(182,890)**	**(76,797)**	**(263,777)**	**(284,438)**	**(171,237)**	**(979,139)**
Change in net position	**(275,883)**	**(48,202)**	**(242,614)**	**(134,726)**	**(141,793)**	**(843,218)**
Net position:						
Beginning of year	(693,577)	(331,130)	(299,252)	(886,848)	(262,984)	(2,473,791)
End of year	**($969,460)**	**($379,332)**	**($541,866)**	**($1,021,574)**	**($404,777)**	**($3,317,009)**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2023

(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	$3,183,019	$1,695,578	$3,407,071	$3,001,958	$6,356,389	$17,644,015
Payments to employees	(1,509,962)	(726,218)	(1,439,675)	(1,223,494)	(2,431,620)	(7,330,969)
Payments to suppliers	(1,092,200)	(622,468)	(1,089,532)	(1,326,187)	(2,859,020)	(6,989,407)
Payments for benefits	(536,895)	(254,339)	(483,754)	(386,855)	(814,010)	(2,475,853)
Other receipts	188,175	125,855	195,477	202,461	297,954	1,009,922
Net cash provided by operating activities	**232,137**	**218,408**	**589,587**	**267,883**	**549,693**	**1,857,708**
Cash flows from noncapital financing activities:						
Health system support	(150,812)	(118,682)	(275,605)	(265,853)	(137,141)	(948,093)
Direct government grants	33,780	21,618	1,607		299	57,304
Hospital fee program grants	9,110	6,184	5,804	10,240	10,845	42,183
Transfers from (to) University, net	(30,952)	69,790	9,168	(11,700)		36,306
Gifts received for other than capital purposes					25,470	25,470
Repayment of notes payable to campus		(5,158)				(5,158)
Net cash used by noncapital financing activities	**(138,874)**	**(26,248)**	**(259,026)**	**(267,313)**	**(100,527)**	**(791,988)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for building programs	20,875	128		(248)		20,755
Proceeds from financing obligations and other borrowings	3,975	755	43,345	297,683	525	346,283
Build America Bonds federal interest subsidies		3,380	4,527	2,418	22,581	32,906
Proceeds from the sale of capital assets	426			689		1,115
Purchases of capital assets	(459,013)	(365,657)	(141,240)	(71,842)	(523,057)	(1,560,809)
Refinancing or prepayment of outstanding debt	(3,975)	(755)	(43,345)	(296,435)	(525)	(345,035)
Principal paid on long-term debt	(42,183)	(25,669)	(45,873)	(44,049)	(49,129)	(206,903)
Interest paid on long-term debt	(73,657)	(57,752)	(75,977)	(50,100)	(124,114)	(381,600)
Gifts and donated funds		8,420	362	1,130	(9,539)	373
Other nonoperating receipts (payments)	(1,358)	1,874	(626)	8,687	(5,690)	2,887
Net cash used by capital and related financing activities	**(554,910)**	**(435,276)**	**(258,827)**	**(152,067)**	**(688,948)**	**(2,090,028)**
Cash flows from investing activities:						
Investment income received	51,047	32,718	64,170	13,754	58,076	219,765
Distributions from (contributions to) investments in joint ventures, net	4,751		5,433	3,374	(29,483)	(15,925)
Purchase of investments	(2,682)	(15,000)	(11,799)		(2,643)	(32,124)
Proceeds from sales and maturities of investments					1,555	1,555
Change in restricted assets	372,883	289,045	(12,191)	31,633	155,927	837,297
Other nonoperating receipts (payments)	8,291	(54)	4,191			12,428
Net cash provided by investing activities	**434,290**	**306,709**	**49,804**	**48,761**	**183,432**	**1,022,996**
Net change in cash and cash equivalents	**(27,357)**	**63,593**	**121,538**	**(102,736)**	**(56,350)**	**(1,312)**
Cash and cash equivalents - beginning of year	668,276	769,638	1,631,612	518,982	2,346,629	5,935,137
Cash and cash equivalents - end of year	**$640,919**	**$833,231**	**$1,753,150**	**$416,246**	**$2,290,279**	**$5,933,825**

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS *Continued*

For the year ended June 30, 2023

(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	($154,103)	$110,240	$268,615	$12,113	($107,036)	$129,829
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:						
Depreciation and amortization expense	164,256	110,465	159,035	125,768	222,045	781,569
Allowance for uncollectible accounts	76,819	73,537	82,944	28,056	90,096	351,452
Changes in operating assets and liabilities:						
Patient accounts receivable	(236,501)	(124,244)	(121,905)	(62,514)	(162,435)	(707,599)
Other receivables	1,427	2,769	8,028	10,104	9,050	31,378
Inventory	(6,545)	1,334	141	(5,842)	(10,144)	(21,056)
Prepaid expenses and other assets	(3,884)	(7,480)	(56)	(968)	(14,539)	(26,927)
Other assets	1,548	(156)			14,442	15,834
Accounts payable and accrued expenses	8,698	14,107	77,092	(29,011)	(5,433)	65,453
Accrued salaries and benefits	(25,610)	3,974	(6,481)	(5,949)	43,471	9,405
Third-party payor settlements, net	83,956	(63,378)	(30,878)	(21,817)	55,591	23,474
Short-term advances			(45,997)		(38,415)	(84,412)
Other liabilities	10,707	(7,619)	(3,453)	(7,060)	(17,515)	(24,940)
Pension benefits	241,363	83,426	179,399	166,081	348,069	1,018,338
Retiree health benefits	70,006	21,433	23,103	58,922	122,446	295,910
Net cash provided by operating activities	**$232,137**	**$218,408**	**$589,587**	**$267,883**	**$549,693**	**$1,857,708**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$71,057	$32,961	$20,339	$1,882	$37,621	$163,860
Capital assets acquired through leases	33,186	37,469	17,296	16,201	46,137	150,289
Capital assets acquired through subscription-based information technology arrangements (SBITAs)	7,782	990	22,275	1,043	1,221	33,311
Amortization of bond premium	4,241	2,299	6,041	3,534	2,285	18,400
Capital asset transfers from the University		128				128
Change in fair value of interest rate swaps	1,148	257	8,162	87,237	1,889	98,693
Amortization of borrowing for off-the-market interest rate swap			(1,043)			(1,043)
Beneficial interests in irrevocable split-interest agreements					15,588	15,588

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

For the year ended June 30, 2022

(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	$2,601,883	$1,649,624	$2,917,876	$2,705,789	$5,668,582	$15,543,754
Payments to employees	(1,294,824)	(667,569)	(1,268,194)	(1,099,605)	(2,237,664)	(6,567,856)
Payments to suppliers	(959,910)	(580,557)	(1,297,867)	(1,122,476)	(2,439,169)	(6,399,979)
Payments for benefits	(418,204)	(216,867)	(428,129)	(356,430)	(713,816)	(2,133,446)
Other receipts	101,778	78,572	34,094	161,378	276,388	652,210
Net cash provided (used) by operating activities	**30,723**	**263,203**	**(42,220)**	**288,656**	**554,321**	**1,094,683**
Cash flows from noncapital financing activities:						
Health system support	(104,910)	(97,047)	(251,099)	(248,603)	(123,375)	(825,034)
Direct government grants	31,249	20,146	32,358	36,541	51,706	172,000
Hospital fee program grants	9,273	4,590	7,787	6,153	11,070	38,873
Transfers from (to) University, net	(29,674)	23,940	2,402	(8,284)		(11,616)
Gifts received for other than capital purposes					21,662	21,662
Repayment of notes payable to campus		(5,158)				(5,158)
Proceeds from debt issuance			400,000			400,000
Net cash provided (used) by noncapital financing activities	**(94,062)**	**(53,529)**	**191,448**	**(214,193)**	**(38,937)**	**(209,273)**
Cash flows from capital and related financing activities:						
Contributions (distributions) for building programs	800	92		(529)		363
Proceeds from financing obligations and other borrowings	810,064	674,388	243,021		972,025	2,699,498
Build America Bonds federal interest subsidies		3,371	3,030	2,375	7,494	16,270
Purchases of capital assets	(324,403)	(296,137)	(195,998)	(82,270)	(308,701)	(1,207,509)
Principal paid on long-term debt	(54,422)	(23,548)	(44,759)	(42,285)	(48,864)	(213,878)
Interest paid on long-term debt	(40,789)	(31,884)	(58,118)	(55,359)	(79,643)	(265,793)
Gifts and donated funds		11,273	1,174	125	10,973	23,545
Other nonoperating receipts (payments)	(2,044)	1,206	57,698	219	(1,018)	56,061
Net cash provided (used) by capital and related financing activities	**389,206**	**338,761**	**6,048**	**(177,724)**	**552,266**	**1,108,557**
Cash flows from investing activities:						
Investment income received	17,329	5,685	16,386	1,410	23,341	64,151
Distributions from (contributions to) investments in joint ventures, net			4,623	399	(29,189)	(24,167)
Purchase of investments	(2,113)		(8,775)		(2,306)	(13,194)
Proceeds from sales and maturities of investments					3,298	3,298
Change in restricted assets	(811,709)	(481,954)	(246,351)	54,135	(862,624)	(2,348,503)
Other nonoperating receipts	1,858		3,929			5,787
Net cash provided (used) by investing activities	**(794,635)**	**(476,269)**	**(230,188)**	**55,944**	**(867,480)**	**(2,312,628)**
Net change in cash and cash equivalents	**(468,768)**	**72,166**	**(74,912)**	**(47,317)**	**200,170**	**(318,661)**
Cash and cash equivalents - beginning of year	1,137,044	697,472	1,706,524	566,299	2,146,459	6,253,798
Cash and cash equivalents - end of year	**$668,276**	**$769,638**	**$1,631,612**	**$518,982**	**$2,346,629**	**$5,935,137**

UNIVERSITY OF CALIFORNIA MEDICAL CENTERS

STATEMENTS OF CASH FLOWS *Continued*

For the year ended June 30, 2022

(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 (used) by operating activities:						
Income (loss) from operations	($56,791)	$44,924	$104,356	$159,711	$83,857	$336,057
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation and amortization expense	150,454	107,507	147,958	128,748	218,213	752,880
Allowance for uncollectible accounts	94,835	55,903	40,169	27,537	54,437	272,881
Changes in operating assets and liabilities:						
Patient accounts receivable	(138,419)	(49,242)	(92,763)	(79,802)	(199,318)	(559,544)
Other receivables	3,877	(3,745)	(6,666)	(7,447)	13,267	(714)
Inventory	(7,308)	1,277	(2,809)	(9,830)	(8,079)	(26,749)
Prepaid expenses and other assets	(6,110)	(4,562)	(294,176)	(6,592)	(6,076)	(317,516)
Other assets	(7,481)				16,124	8,643
Accounts payable and accrued expenses	1,951	14,112	35,357	46,486	88,677	186,583
Accrued salaries and benefits	30,541	(6,788)	9,299	(6,911)	(12,511)	13,630
Third-party payor settlements, net	(177,589)	33,982	29,585	33,967	123,590	43,535
Short-term advances	(163,212)		(200,877)	(153,694)	(200,289)	(718,072)
Other liabilities	46,544	(26,256)	7,973	(51,253)	(31,363)	(54,355)
Pension benefits	184,016	71,561	141,338	139,763	285,207	821,885
Retiree health benefits	75,415	24,530	39,036	67,973	128,585	335,539
Net cash provided (used) by operating activities	**$30,723**	**$263,203**	**($42,220)**	**$288,656**	**$554,321**	**$1,094,683**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION						
Payables for property and equipment	$65,829	$951	$23,900	$84	$23,342	$114,106
Capital assets acquired through leases	5,639	27,948	835	22,029	133,307	189,758
Capital assets acquired through subscription-based information technology arrangements (SBITAs)	29,405	45,761	29,133	40,105	6,033	150,437
Amortization of bond premium	2,874	1,281	5,732	3,440	903	14,230
Capital asset transfers from the University	5,639	92				5,731
Change in fair value of interest rate swaps	(350)	(72)	34,388	(26,081)	4,225	12,110
Amortization of borrowing for off-the-market interest rate swap			(1,046)			(1,046)
Beneficial interests in irrevocable split-interest agreements					15,970	15,970

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2023 and 2022

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 is 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, the San Francisco Medical Center's financial statements include CHRCO, combined with its foundation, a blended component unit of the University of California.

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. The Medical Centers are not legally separate entities from the University and therefore, under GASB requirements, a going concern evaluation at the level of the respective Medical Centers is not required and has not been performed by management.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the Medical Centers' fiscal year beginning July 1, 2022. Under this Statement, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability.

The following tables (1.1, 1.2, 1.3, 1.4, 1.5 and 1.6) present the effects of adopting GASB 96 in the Medical Centers' financial statements for the year ended June 30, 2022.

Table 1.1: Restated Financial Statements at Davis as of and for the Year Ended June 30, 2022
(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$83,864	($9,534)	$74,330
Current assets	**1,447,027**	**(9,534)**	**1,437,493**
Capital assets, net	1,919,052	20,736	1,939,788
Noncurrent assets	**3,256,733**	**20,736**	**3,277,469**
Total assets	**4,703,760**	**11,202**	**4,714,962**
LIABILITIES			
Current portion of long-term debt	44,078	5,565	49,643
Other current liabilities	143,562	117	143,679
Current liabilities	**630,867**	**5,682**	**636,549**
Long-term debt, net of current portion	1,789,627	5,900	1,795,527
Noncurrent liabilities	**5,287,114**	**5,900**	**5,293,014**
Total liabilities	**5,917,981**	**11,582**	**5,929,563**
NET POSITION			
Net investment in capital assets	1,166,606	9,154	1,175,760
Unrestricted	(2,141,066)	(9,534)	(2,150,600)
Total net position	**($969,080)**	**($380)**	**($969,460)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$141,785	$8,669	$150,454
Insurance and other	88,116	(8,621)	79,495
Total operating expenses	**3,142,949**	**48**	**3,142,997**
Loss from operations	**(56,743)**	**(48)**	**(56,791)**
Interest expense	(42,584)	(332)	(42,916)
Net nonoperating expenses	**(35,870)**	**(332)**	**(36,202)**
Loss before other changes in net position	**(92,613)**	**(380)**	**(92,993)**
Change in net position	**(275,503)**	**(380)**	**(275,883)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($968,531)	$8,621	($959,910)
Net cash provided by operating activities	**22,102**	**8,621**	**30,723**
Purchases of capital assets	(333,937)	9,534	(324,403)
Principal paid on long-term debt	(36,482)	(17,940)	(54,422)
Interest paid on long-term debt	(40,574)	(215)	(40,789)
Net cash provided by capital and related financing activities	**397,827**	**(8,621)**	**389,206**
Reconciliation of loss from operations to net cash provided by operating activities:			
Loss from operations	($56,743)	($48)	($56,791)
Adjustments to reconcile loss from operations to net cash provided by operating activities:			
Depreciation and amortization expense	141,785	8,669	150,454
Net cash provided by operating activities	**$22,102**	**$8,621**	**$30,723**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$29,405	$29,405

Table 1.2: Restated Financial Statements at Irvine as of and for the Year Ended June 30, 2022
(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$33,911	($1,910)	$32,001
Current assets	**1,029,492**	**(1,910)**	**1,027,582**
Capital assets, net	1,101,184	38,959	1,140,143
Noncurrent assets	**1,782,900**	**38,959**	**1,821,859**
Total assets	**2,812,392**	**37,049**	**2,849,441**
LIABILITIES			
Current portion of long-term debt	18,297	6,892	25,189
Other current liabilities	70,208	193	70,401
Current liabilities	**442,438**	**7,085**	**449,523**
Long-term debt, net of current portion	1,302,462	30,113	1,332,575
Noncurrent liabilities	**2,808,464**	**30,113**	**2,838,577**
Total liabilities	**3,250,902**	**37,198**	**3,288,100**
NET POSITION			
Net investment in capital assets	464,035	1,761	465,796
Unrestricted	(843,251)	(1,910)	(845,161)
Total net position	**($379,183)**	**($149)**	**($379,332)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$100,953	$6,554	$107,507
Insurance and other	33,310	(7,151)	26,159
Total operating expenses	**1,706,537**	**(597)**	**1,705,940**
Income from operations	**44,327**	**597**	**44,924**
Interest expense	(32,649)	(746)	(33,395)
Net nonoperating expenses	**(15,583)**	**(746)**	**(16,329)**
Income before other changes in net position	**28,744**	**(149)**	**28,595**
Change in net position	**(48,053)**	**(149)**	**(48,202)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($587,708)	$7,151	($580,557)
Net cash provided by operating activities	**256,052**	**7,151**	**263,203**
Purchases of capital assets	(298,019)	1,882	(296,137)
Principal paid on long-term debt	(15,067)	(8,481)	(23,548)
Interest paid on long-term debt	(31,332)	(552)	(31,884)
Net cash provided by capital and related financing activities	**345,912**	**(7,151)**	**338,761**
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$44,327	$597	$44,924
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization expense	100,953	6,554	107,507
Net cash provided by operating activities	**$256,052**	**$7,151**	**$263,203**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$45,761	$45,761

Table 1.3: Restated Financial Statements at Los Angeles as of and for the Year Ended June 30, 2022

(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$55,051	($2,101)	$52,950
Current assets	**2,565,256**	**(2,101)**	**2,563,155**
Capital assets, net	1,832,436	20,237	1,852,673
Noncurrent assets	**2,822,403**	**20,237**	**2,842,640**
Total assets	**5,387,659**	**18,136**	**5,405,795**
LIABILITIES			
Current portion of long-term debt	33,987	9,651	43,638
Other current liabilities	16,424	176	16,600
Current liabilities	**743,155**	**9,827**	**752,982**
Long-term debt, net of current portion	1,946,980	5,942	1,952,922
Noncurrent liabilities	**5,189,742**	**5,942**	**5,195,684**
Total liabilities	**5,932,897**	**15,769**	**5,948,666**
NET POSITION			
Net investment in capital assets	384,019	4,468	388,487
Unrestricted	(953,062)	(2,101)	(955,163)
Total net position	**($544,233)**	**$2,367**	**($541,866)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$139,062	$8,896	$147,958
Insurance and other	174,331	(11,563)	162,768
Total operating expenses	**3,252,230**	**(2,667)**	**3,249,563**
Income from operations	**101,689**	**2,667**	**104,356**
Interest expense	(53,386)	(300)	(53,686)
Net nonoperating expenses	**(82,893)**	**(300)**	**(83,193)**
Income before other changes in net position	**18,796**	**2,367**	**21,163**
Change in net position	**(244,981)**	**2,367**	**(242,614)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($1,309,430)	$11,563	($1,297,867)
Net cash used by operating activities	**(53,783)**	**11,563**	**(42,220)**
Purchases of capital assets	(198,099)	2,101	(195,998)
Principal paid on long-term debt	(31,219)	(13,540)	(44,759)
Interest paid on long-term debt	(57,994)	(124)	(58,118)
Net cash provided by capital and related financing activities	**17,611**	**(11,563)**	**6,048**
Reconciliation of income from operations to net cash used by operating activities:			
Income from operations	$101,689	$2,667	$104,356
Adjustments to reconcile income from operations to net cash used by operating activities:			
Depreciation and amortization expense	139,062	8,896	147,958
Net cash used by operating activities	**($53,783)**	**$11,563**	**($42,220)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$29,133	$29,133

Table 1.4: Restated Financial Statements at San Diego as of and for the Year Ended June 30, 2022

(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$30,723	($820)	$29,903
Current assets	**1,099,425**	**(820)**	**1,098,605**
Capital assets, net	1,567,485	33,180	1,600,665
Noncurrent assets	**1,853,856**	**33,180**	**1,887,036**
Total assets	**2,953,281**	**32,360**	**2,985,641**
LIABILITIES			
Current portion of long-term debt	35,891	8,789	44,680
Other current liabilities	69,564	73	69,637
Current liabilities	**500,236**	**8,862**	**509,098**
Long-term debt, net of current portion	1,131,865	22,413	1,154,278
Noncurrent liabilities	**3,761,999**	**22,413**	**3,784,412**
Total liabilities	**4,262,235**	**31,275**	**4,293,510**
NET POSITION			
Net investment in capital assets	652,265	1,905	654,170
Unrestricted	(1,675,269)	(820)	(1,676,089)
Total net position	**($1,022,659)**	**$1,085**	**($1,021,574)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$122,649	$6,099	$128,748
Insurance and other	93,274	(7,653)	85,621
Total operating expenses	**2,903,568**	**(1,554)**	**2,902,014**
Income from operations	**158,157**	**1,554**	**159,711**
Interest expense	(53,554)	(469)	(54,023)
Net nonoperating expenses	**(9,530)**	**(469)**	**(9,999)**
Income before other changes in net position	**148,627**	**1,085**	**149,712**
Change in net position	**(135,811)**	**1,085**	**(134,726)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($1,130,129)	$7,653	($1,122,476)
Net cash provided by operating activities	**281,003**	**7,653**	**288,656**
Purchases of capital assets	(83,090)	820	(82,270)
Principal paid on long-term debt	(34,208)	(8,077)	(42,285)
Interest paid on long-term debt	(54,963)	(396)	(55,359)
Net cash used by capital and related financing activities	**(170,071)**	**(7,653)**	**(177,724)**
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$158,157	$1,554	$159,711
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization expense	122,649	6,099	128,748
Net cash provided by operating activities	**$281,003**	**$7,653**	**$288,656**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$40,105	$40,105

Table 1.5: Restated Financial Statements at San Francisco as of and for the Year Ended June 30, 2022

(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$115,004	($1,951)	$113,053
Current assets	**3,534,329**	**(1,951)**	**3,532,378**
Capital assets, net	3,099,391	5,015	3,104,406
Noncurrent assets	**4,800,476**	**5,015**	**4,805,491**
Total assets	**8,334,805**	**3,064**	**8,337,869**
LIABILITIES			
Current portion of long-term debt	49,133	2,263	51,396
Other current liabilities	140,609	26	140,635
Current liabilities	**1,536,573**	**2,289**	**1,538,862**
Long-term debt, net of current portion	2,623,038	1,455	2,624,493
Noncurrent liabilities	**7,674,621**	**1,455**	**7,676,076**
Total liabilities	**9,211,194**	**3,744**	**9,214,938**
NET POSITION			
Net investment in capital assets	1,684,128	1,271	1,685,399
Unrestricted	(2,224,033)	(1,951)	(2,225,984)
Total net position	**($404,097)**	**($680)**	**($404,777)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$217,195	$1,018	$218,213
Insurance and other	103,770	(376)	103,394
Total operating expenses	**6,182,762**	**642**	**6,183,404**
Income from operations	**84,499**	**(642)**	**83,857**
Interest expense	(88,020)	(38)	(88,058)
Net nonoperating expenses	**(54,375)**	**(38)**	**(54,413)**
Income before other changes in net position	**30,124**	**(680)**	**29,444**
Change in net position	**(141,113)**	**(680)**	**(141,793)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($2,439,545)	$376	($2,439,169)
Net cash provided by operating activities	**553,945**	**376**	**554,321**
Purchases of capital assets	(310,333)	1,632	(308,701)
Principal paid on long-term debt	(46,869)	(1,995)	(48,864)
Interest paid on long-term debt	(79,630)	(13)	(79,643)
Net cash provided by capital and related financing activities	**552,642**	**(376)**	**552,266**
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$84,499	($642)	$83,857
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization expense	217,195	1,018	218,213
Net cash provided by operating activities	**$553,945**	**$376**	**$554,321**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$6,033	$6,033

Table 1.6: Restated Financial Statements Total (memorandum only) as of and for the Year Ended June 30, 2022

(in thousands of dollars)

	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF GASB 96	AS RESTATED
STATEMENT OF NET POSITION			
ASSETS			
Prepaid expenses and other assets	$318,553	($16,316)	$302,237
Current assets	**9,675,529**	**(16,316)**	**9,659,213**
Capital assets, net	9,519,548	118,127	9,637,675
Noncurrent assets	**14,516,368**	**118,127**	**14,634,495**
Total assets	**24,191,897**	**101,811**	**24,293,708**
LIABILITIES			
Current portion of long-term debt	181,386	33,160	214,546
Other current liabilities	440,367	585	440,952
Current liabilities	**3,853,269**	**33,745**	**3,887,014**
Long-term debt, net of current portion	8,793,972	65,823	8,859,795
Noncurrent liabilities	**24,721,940**	**65,823**	**24,787,763**
Total liabilities	**28,575,209**	**99,568**	**28,674,777**
NET POSITION			
Net investment in capital assets	4,351,053	18,559	4,369,612
Unrestricted	(7,836,681)	(16,316)	(7,852,997)
Total net position	**($3,319,252)**	**$2,243**	**($3,317,009)**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Depreciation and amortization	$721,644	$31,236	$752,880
Insurance and other	492,801	(35,364)	457,437
Total operating expenses	**17,188,046**	**(4,128)**	**17,183,918**
Income from operations	**331,929**	**4,128**	**336,057**
Interest expense	(270,193)	(1,885)	(272,078)
Net nonoperating expenses	**(198,251)**	**(1,885)**	**(200,136)**
Income before other changes in net position	**133,678**	**2,243**	**135,921**
Change in net position	**(845,461)**	**2,243**	**(843,218)**
STATEMENT OF CASH FLOWS			
Payments to suppliers	($6,435,343)	$35,364	($6,399,979)
Net cash provided by operating activities	**1,059,319**	**35,364**	**1,094,683**
Purchases of capital assets	(1,223,478)	15,969	(1,207,509)
Principal paid on long-term debt	(163,845)	(50,033)	(213,878)
Interest paid on long-term debt	(264,493)	(1,300)	(265,793)
Net cash provided by capital and related financing activities	**1,143,921**	**(35,364)**	**1,108,557**
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$331,929	$4,128	$336,057
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization expense	721,644	31,236	752,880
Net cash provided by operating activities	**$1,059,319**	**$35,364**	**$1,094,683**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through subscription-based information technology arrangements		$150,437	$150,437

Significant accounting policies of the Medical Centers are as follows:

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 Office of the Chief Investment Officer of the Regents. The Regents is responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Office of the Chief Investment Officer of the Regents.

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

The net asset value for 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 STIP (which are predominately held to maturity) and 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 2022-2023 annual financial 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 other investment securities, The Regents' Total Return Investment Pool (TRIP) 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 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 receivables from the University and 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, GEP and TRIP and are released to the Medical Centers when spent on qualifying expenditures for 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 other assets 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 for equipment is 2 to 20 years. University guidelines mandate that land purchased with the Medical Centers' funds is recorded as an asset of the Medical Centers, and land utilized by the Medical Centers but purchased with other sources of funds is recorded as an asset of the University. Intangible assets include right-to-use lease assets, right-to-use subscription-based information technology arrangement (SBITA) assets and similar arrangements. Leases and SBITAs are recorded at the estimated present value of future payments expected to be made during the term, net of amounts paid in advance and capitalizable implementation costs. Assets under leases and SBITAs are amortized over the shorter of the lease or subscription term or the estimated useful life of the asset. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized by the Medical Centers if the cost is equal to or greater than $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost equal to or greater than $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.

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. The 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 and UCLA Medical Center received an upfront payment based on the derived swap pricing. As such, the swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the upfront 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 related 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 independent insurers.

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's 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.

Leases where Medical Centers are lessors. The Medical Centers are lessors of buildings and equipment under agreements that extend through 2091. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 30 years. Leases may also include options to terminate the leases. Certain of the Medical Centers' lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. The Medical Centers measure the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

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, certain lease payments to be received and the net interest 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, certain asset retirement obligations and results from certain acquisitions 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. Lease revenues are recognized over the lease term.

Changes in net pension and retiree health benefits liabilities not included in expense, including proportionate shares of collective pension and retiree health benefits expenses from the University of California Retirement Plan (UCRP), 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 position until the resources are used for the specific purpose or for as long as the donor 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 position that is 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 position is 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 CHRCO 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 $16.8 million and $17.2 million as of June 30, 2023 and 2022, 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 an allowance 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 as operating revenue 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 direct government grants from the American Rescue Plan Act (ARPA), Coronavirus Aid, Relief, and Economic Security (CARES) Act, Hospital Fee Program grants, designated public hospital 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 revenues and expenses.

The Medical Centers received grants under the ARPA and CARES Act Provider Relief Fund (PRF) to minimize the impacts of lost revenues and increased expenses related to COVID-19. The Medical Centers recognized these direct grants as nonoperating revenues based on estimates of lost revenues and increased expenses following the information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services governing the funding, that was publicly available at June 30, 2023 and 2022, respectively. The Medical Centers received grants from the State as designated public hospitals in support of health care expenditures.

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. 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 consistently 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 has been determined based upon their proportionate share of 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 without charge or at amounts less than their established rates to patients who meet certain criteria under their charity care policies. 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 their 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, the payments 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.

New accounting pronouncements. In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62* (GASB 100), effective for the Medical Centers' fiscal year beginning July 1, 2023. The Statement requires disclosures of descriptive information about accounting changes and error corrections and addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. As GASB 100 is based on an unknown possible future event, materiality cannot be determined. The Medical Centers will continue to evaluate for any potential impact in the future.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101), effective for the Medical Centers' fiscal year beginning July 1, 2024. The Statement replaces Statement No. 16, *Accounting for Compensated Absences*, to align recognition and measurement guidance for all types of compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement also establishes guidance for measuring a liability for leave that has not been used. Under GASB 101, the Medical Centers' compensated absences liabilities are expected to increase. The Medical Centers are evaluating the effect these requirements will have on their financial statements.

2. INVESTMENTS

Tables 2a and 2b present the composition of investments, by investment type and fair value level at June 30, in 2023 and 2022:

Table 2a: Composition of Investments at June 30, 2023
(in thousands of dollars)

	FAIR VALUE LEVEL	DAVIS	IRVINE	LOS ANGELES	SAN FRANCISCO	TOTAL
Balanced funds	NAV	$153,611		$386,599	$315,156	$855,366
Other	2				1,070	1,070
Commingled funds		**153,611**		**386,599**	**316,226**	**856,436**
Other investments	3		$15,311		540	15,851
Total investments		**153,611**	**15,311**	**386,599**	**316,766**	**872,287**
Less: Current portion		(153,611)		(290,328)		(443,939)
Less: Reported as restricted assets in donor funds					(68,023)	(68,023)
Noncurrent portion			**$15,311**	**$96,271**	**$248,743**	**$360,325**

Table 2b: Composition of Investments at June 30, 2022
(in thousands of dollars)

	FAIR VALUE LEVEL	DAVIS	LOS ANGELES	SAN FRANCISCO	TOTAL
Balanced funds	NAV	$141,528	$342,870	$316,381	$800,779
Other	2			1,154	1,154
Commingled funds		**141,528**	**342,870**	**317,535**	**801,933**
Other investments	3			578	578
Total investments		**141,528**	**342,870**	**318,113**	**802,511**
Less: Current portion		(141,528)	(253,891)		(395,419)
Less: Reported as restricted assets in donor funds				(66,963)	(66,963)
Noncurrent portion			**$88,979**	**$251,150**	**$340,129**

The University-managed commingled funds (UC pooled funds) serve as the core investment vehicle for the Medical Centers. Additional information on the University's investments can be obtained from the 2022-2023 annual report of the University of California at https://www.ucop.edu/uc-controller/financial-reports/annual-financial-reports.html. A description of the funds used is as follows:

TRIP. 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. UC Davis Medical Center's and UCLA Medical Center's investments in TRIP are 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 UC Davis Medical Center's investment in TRIP was $153.6 million and $141.5 million at June 30, 2023 and 2022, respectively. The fair value of the UCLA Medical Center's investment in TRIP was $290.3 million and $253.9 million at June 30, 2023 and 2022, 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.

GEP. 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 $96.3 million and $89.0 million at June 30, 2023 and 2022, respectively.

EIP. UCSF Medical Center invests primarily in the UCSF Foundation's EIP, 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 additions and withdrawals, respectively.

Investments in EIP by the UCSF Foundation require at least 12 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 including pending trades and settlements within various pools 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. The Medical Centers 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 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.

UC Davis Medical Center's, UCLA Medical Center's and UCSF Medical Center's commingled funds (including GEP, 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. UC Davis Medical Center's, UC Irvine Medical Center's and 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.

UCSF Medical Center considers the effective duration for money market funds to be zero, and effective duration information for 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 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, 2023 and 2022, UCSF Medical Center is subject to foreign currency risk as a result of holding various currency denominations.

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 revenue includes 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, 2017 for UC Davis Medical Center; through June 30, 2011 for UC Irvine Medical Center; through June 30, 2018 for Ronald Reagan UCLA Medical Center; through June 30, 2019 for UCLA Santa Monica Medical Center; through June 30, 2021 for Resnick Neuropsychiatric Hospital; through June 30, 2017 for UC San Diego Medical Center; through June 30, 2011 for UCSF Medical Center; and through June 30, 2021 for CHRCO. The fiscal intermediary is in the process of conducting its 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. Historically, Medi-Cal fee-for-service (FFS) payments for inpatient hospital services were made in accordance with the terms and conditions of three consecutive five-year federal Medicaid hospital financing waivers and legislation enacted by the state of California: the first covering 2006 through 2010, the second covering 2011 through 2015 and the third covering 2016 through 2020 (collectively, the Waiver Program). 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 under the Quality Incentive Pool Program and Designated Public Hospital Enhanced Payment Program. Final approvals from the Centers for Medicare & Medicaid Services (CMS) were received in 2023 for these programs for the payment period July 1, 2019 to December 31, 2020 and in 2022 for the years ended June 30, 2019 and 2018. The Medical Centers have recognized revenues for the years ended June 30, 2023 and 2022, respectively, for such payments. In September 2023, final approval was received for calendar year 2021 payments. Revenues are recognized in the fiscal period in which final approvals have been received from CMS.

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 2010. 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.

Hospital Fee Program. State of California Assembly Bill 1383 of 2009, as amended by AB 1653 on September 8, 2010, and extended through 2013, and then through 2017 (SB 239), 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. In November 2016, the Hospital Fee Program was made permanent through the passage of the Medi-Cal Funding and Accountability Act (Proposition 52), which establishes the framework for all future hospital fee programs. Proposition 52 also makes permanent the limit on the amount the state can take out of the program for the General Fund; the construct of the fee program (both the fee side and the payment mechanisms); and the source of data and information used to develop the program, subject to CMS approval. CMS has approved the methodology and rates for the program for the period of July 1, 2019 through December 31, 2022. CMS approval of the methodology and rates for hospital services furnished January 1, 2023 through June 30, 2023 is still pending. The Hospital Fee Program makes supplemental payments to certain 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 receives supplemental payments under the Hospital Fee Program. CHRCO recognized $118.0 million and $102.8 million of patient service revenue under the Hospital Fee Program for the years ended June 30, 2023 and 2022, respectively. CHRCO paid $27.5 million and $19.6 million in Quality Assurance Fees for the years ended June 30, 2023 and 2022, respectively. The Medical Centers receive a grant funded by 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, 2023 and 2022, 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.

Table 3.1 presents amounts due from Medicare as a percentage of net patient accounts receivable at June 30.

Table 3.1: Amounts Due From Medicare as a Percentage of Net Patient Accounts Receivable
(shown as percentage)

	2023	2022
Davis	18.6%	16.6%
Irvine	23.6	24.4
Los Angeles	19.9	19.6
San Diego	27.7	28.1
San Francisco	15.1	14.3

Table 3.2 presents amounts due from Medi-Cal as a percentage of net patient accounts receivable at June 30.

Table 3.2: Amounts Due From Medi-Cal as a Percentage of Net Patient Accounts Receivable
(shown as percentage)

	2023	2022
Davis	14.1%	15.8%
Irvine	18.5	18.9
Los Angeles	17.2	12.1
San Diego	18.3	16.2
San Francisco	19.5	19.1

CHRCO receives Medi-Cal supplemental payments, which are comprised of both federal and non-federal components. CHRCO received $88.7 million and $107.6 million under these programs for the years ended June 30, 2023 and 2022, respectively. Included in the $88.7 million is $32.1 million approved in 2023 for prior periods. Included in the $107.6 million is $42.9 million approved in 2022 for prior periods.

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

Table 3.3 presents net change in settlement estimates.

Table 3.3: Net Change in Settlement Estimates
(in thousands of dollars)

	2023	2022
Davis	$78,905	$113,642
Irvine	67,670	52,974
Los Angeles	81,923	17,018
San Diego	4,952	37,928
San Francisco	73,848	77,805
Total	**$307,298**	**$299,367**

Net patient accounts receivable and net patient service revenue at June 30 are presented net of allowance for uncollectible accounts.

Table 3.4 presents patient accounts receivable allowance at June 30.

Table 3.4: Patient Accounts Receivable Allowance at June 30
(in thousands of dollars)

	2023	2022
Davis	$101,776	$97,896
Irvine	83,359	103,794
Los Angeles	121,867	89,611
San Diego	137,244	151,142
San Francisco	215,764	119,933
Total	**$660,010**	**$562,376**

Table 3.5 presents patient service revenue allowance for the years ended June 30.

Table 3.5: Patient Service Revenue Allowance for the Year Ended June 30
(in thousands of dollars)

	2023	2022
Davis	$76,819	$94,835
Irvine	73,537	55,903
Los Angeles	82,944	40,169
San Diego	28,056	27,537
San Francisco	90,096	54,437
Total	**$351,452**	**$272,881**

Tables 3.6 and 3.7 present net patient service revenue by major payor for the years ended June 30, 2023 and 2022, respectively.

Table 3.6: Net Patient Service Revenue by Major Payor for the Year Ended June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Medicare	$827,135	$510,852	$902,597	$833,022	$1,282,259	$4,355,865
Medi-Cal	706,364	541,368	561,697	662,291	1,532,504	4,004,224
Contract (discounted or per diem)	1,737,674	769,845	1,986,557	1,556,390	3,488,551	9,539,017
Contract (capitated)	1,184		44,088		85,916	131,188
Non-sponsored/self-pay	5,057	3,149	27,697	6,530	44,905	87,338
Total	**$3,277,414**	**$1,825,214**	**$3,522,636**	**$3,058,233**	**$6,434,135**	**$18,117,632**

Table 3.7: Net Patient Service Revenue by Major Payor for the Year Ended June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Medicare	$703,368	$435,226	$875,156	$783,259	$1,172,058	$3,969,067
Medi-Cal	766,885	454,910	414,890	609,106	1,384,996	3,630,787
Contract (discounted or per diem)	1,491,116	713,612	1,781,421	1,474,595	3,229,295	8,690,039
Contract (capitated)	1,556		45,981		79,201	126,738
Non-sponsored/self-pay	2,530	5,233	24,380	10,821	44,038	87,002
Total	**$2,965,455**	**$1,608,981**	**$3,141,828**	**$2,877,781**	**$5,909,588**	**$16,503,633**

4. CHARITY CARE

Tables 4a and 4b present information related to the Medical Centers' charity care for the years ended June 30, 2023 and 2022, respectively.

Table 4a: Charity Care for the Year Ended June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Charity care at established rates	$26,995	$58,448	$10,398	$74,370	$137,036	$307,247
Estimated cost of charity care	6,724	19,173	3,888	21,757	39,197	90,739
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	729,896	230,914	505,022	653,335	1,367,769	3,486,936

Table 4b: Charity Care for the Year Ended June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Charity care at established rates	$8,805	$98,310	$20,291	$106,214	$113,590	$347,210
Estimated cost of charity care	2,421	31,603	7,748	28,411	31,477	101,660
Estimated cost in excess of reimbursement for patients under publicly sponsored programs	591,011	250,996	521,760	468,042	1,047,766	2,879,575

5. CAPITAL ASSETS

Tables 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 present the Medical Centers' capital asset activity for the years ended June 30 2023 and 2022.

Table 5.1: Capital Assets at Davis
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$55,929	$38,021		$93,950	$19,451		$113,401
Buildings and improvements	1,583,589	185,053	($252)	1,768,390	91,413	($3,093)	1,856,710
Equipment and software	579,698	80,281	(59,599)	600,380	71,760	(37,350)	634,790
Leases	426,283	5,639	(5,434)	426,488	33,186	(40,667)	419,007
Subscription-based IT arrangements		29,405		29,405	7,782		37,187
Construction in progress	250,133	38,679		288,812	271,956		560,768
Capital assets, at original cost	**$2,895,632**	**$377,078**	**($65,285)**	**$3,207,425**	**$495,548**	**($81,110)**	**$3,621,863**
	2021	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2022**	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2023**
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$757,241	$53,385	($253)	$810,373	$58,501	($2,667)	$866,207
Equipment and software	371,694	56,397	(63,529)	364,562	64,125	(36,329)	392,358
Leases	57,464	32,003	(5,434)	84,033	30,725	(10,643)	104,115
Subscription-based IT arrangements		8,669		8,669	10,905		19,574
Accumulated depreciation and amortization	1,186,399	$150,454	($69,216)	1,267,637	$164,256	($49,639)	1,382,254
Capital assets, net	**$1,709,233**			**$1,939,788**			**$2,239,609**

Table 5.2: Capital Assets at Irvine
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$36,709			$36,709			$36,709
Buildings and improvements	1,037,474	$47,077		1,084,551	$24,797	($2,224)	1,107,124
Equipment and software	546,809	30,740	($4,892)	572,657	43,298	(3,015)	612,940
Leases	106,323	27,948	(15,636)	118,635	37,469	(12,461)	143,643
Subscription-based IT arrangements		45,761		45,761	990	(872)	45,879
Construction in progress	84,018	216,067		300,085	329,820		629,905
Capital assets, at original cost	**$1,811,333**	**$367,593**	**($20,528)**	**$2,158,398**	**$436,374**	**($18,572)**	**$2,576,200**
	2021	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2022**	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2023**
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$494,995	$43,982		$538,977	$45,256	($2,224)	$582,009
Equipment and software	401,332	44,527	($4,648)	441,211	42,597	(2,976)	480,832
Leases	19,466	12,444	(397)	31,513	14,426	(6,416)	39,523
Subscription-based IT arrangements		6,554		6,554	8,186	(872)	13,868
Accumulated depreciation and amortization	915,793	$107,507	($5,045)	1,018,255	$110,465	($12,488)	1,116,232
Capital assets, net	**$895,540**			**$1,140,143**			**$1,459,968**

Table 5.3: Capital Assets at Los Angeles
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$65,256	$26,760		$92,016			$92,016
Buildings and improvements	2,050,214	133,750		2,183,964	$21,328		2,205,292
Equipment and software	639,601	63,963	($45,388)	658,176	56,696	($70,433)	644,439
Leases	243,840	835	(97,904)	146,771	17,296	(17,097)	146,970
Subscription-based IT arrangements		29,133		29,133	22,275	(2,412)	48,996
Construction in progress	141,151	(15,741)		125,410	60,420		185,830
Capital assets, at original cost	**$3,140,062**	**$238,700**	**($143,292)**	**$3,235,470**	**$178,015**	**($89,942)**	**$3,323,543**
	2021	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2022**	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2023**
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$763,435	$90,032	($731)	$852,736	$64,032	($4,780)	$911,988
Equipment and software	490,158	31,523	(44,197)	477,484	66,606	(65,522)	478,568
Leases	36,023	17,507	(9,849)	43,681	14,077	(8,943)	48,815
Subscription-based IT arrangements		8,896		8,896	14,320	(2,412)	20,804
Accumulated depreciation and amortization	1,289,616	$147,958	($54,777)	1,382,797	$159,035	($81,657)	1,460,175
Capital assets, net	**$1,850,446**			**$1,852,673**			**$1,863,368**

Table 5.4: Capital Assets at San Diego
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$8,641			$8,641			$8,641
Buildings and improvements	1,921,011	$10,847		1,931,858	$21,400		1,953,258
Equipment and software	450,279	22,067	($29,133)	443,213	30,578	($32,235)	441,556
Leases	137,973	22,029	(14,614)	145,388	16,201	(6,123)	155,466
Subscription-based IT arrangements		40,105		40,105	1,043		41,148
Construction in progress	45,704	47,358		93,062	21,631		114,693
Capital assets, at original cost	**$2,563,608**	**$142,406**	**($43,747)**	**$2,662,267**	**$90,853**	**($38,358)**	**$2,714,762**
	2021	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2022**	**DEPRECIATION/ AMORTIZATION**	**DISPOSALS**	**2023**
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$619,723	$63,098		$682,821	$61,106		$743,927
Equipment and software	309,472	35,748	($28,538)	316,682	30,046	($31,786)	314,942
Leases	46,758	23,803	(14,561)	56,000	25,308	(5,521)	75,787
Subscription-based IT arrangements		6,099		6,099	9,308		15,407
Accumulated depreciation and amortization	975,953	$128,748	($43,099)	1,061,602	$125,768	($37,307)	1,150,063
Capital assets, net	**$1,587,655**			**$1,600,665**			**$1,564,699**

Table 5.5: Capital Assets at San Francisco
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$146,327			$146,327			$146,327
Buildings and improvements	3,226,091	$156,772	($2,874)	3,379,989	$77,111	($10,517)	3,446,583
Equipment and software	1,284,832	50,390	(137,586)	1,197,636	92,062	(61,455)	1,228,243
Leases	363,092	133,307	(12,590)	483,809	46,137	(17,273)	512,673
Subscription-based IT arrangements		6,033		6,033	1,221		7,254
Construction in progress	359,451	105,815	(4,627)	460,639	369,055		829,694
Capital assets, at original cost	**$5,379,793**	**$452,317**	**($157,677)**	**$5,674,433**	**$585,586**	**($89,245)**	**$6,170,774**

	2021	DEPRECIATION/ AMORTIZATION	DISPOSALS	2022	DEPRECIATION/ AMORTIZATION	DISPOSALS	2023
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$1,407,519	$107,081	($2,188)	$1,512,412	$100,893	($8,811)	$1,604,494
Equipment and software	1,030,150	73,979	(137,324)	966,805	79,916	(60,547)	986,174
Leases	64,375	36,135	(10,718)	89,792	38,753	(15,126)	113,419
Subscription-based IT arrangements		1,018		1,018	2,483		3,501
Accumulated depreciation and amortization	2,502,044	$218,213	($150,230)	2,570,027	$222,045	($84,484)	2,707,588
Capital assets, net	**$2,877,749**			**$3,104,406**			**$3,463,186**

Table 5.6: Total Capital Assets
(in thousands of dollars)

	2021	ADDITIONS/ TRANSFERS	DISPOSALS	2022	ADDITIONS/ TRANSFERS	DISPOSALS	2023
ORIGINAL COST							
Land	$312,862	$64,781		$377,643	$19,451		$397,094
Buildings and improvements	9,818,379	533,499	($3,126)	10,348,752	236,049	($15,834)	10,568,967
Equipment and software	3,501,219	247,441	(276,598)	3,472,062	294,394	(204,488)	3,561,968
Leases	1,277,511	189,758	(146,178)	1,321,091	150,289	(93,621)	1,377,759
Subscription-based IT arrangements		150,437		150,437	33,311	(3,284)	180,464
Construction in progress	880,457	392,178	(4,627)	1,268,008	1,052,882		2,320,890
Capital assets, at original cost	**$15,790,428**	**$1,578,094**	**($430,529)**	**$16,937,993**	**$1,786,376**	**($317,227)**	**$18,407,142**

	2021	DEPRECIATION/ AMORTIZATION	DISPOSALS	2022	DEPRECIATION/ AMORTIZATION	DISPOSALS	2023
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$4,042,913	$357,578	($3,172)	$4,397,319	$329,788	($18,482)	$4,708,625
Equipment and software	2,602,806	242,174	(278,236)	2,566,744	283,290	(197,160)	2,652,874
Leases	224,086	121,892	(40,959)	305,019	123,289	(46,649)	381,659
Subscription-based IT arrangements		31,236		31,236	45,202	(3,284)	73,154
Accumulated depreciation and amortization	6,869,805	$752,880	($322,367)	7,300,318	$781,569	($265,575)	7,816,312
Capital assets, net	**$8,920,623**			**$9,637,675**			**$10,590,830**

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.

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. 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, San Diego and San Francisco plan to demolish certain existing facilities to comply with SB 1953. Davis recognized asset retirement obligations of $71.7 million and $86.8 million, and expenses of $13.7 million and $15.6 million at June 30, 2023 and 2022, respectively. San Diego recognized asset retirement obligations of $31.8 million and $26.6 million, and expenses of $2.2 million and $2.0 million at June 30, 2023 and 2022, respectively. San Francisco recognized asset retirement obligations of $27.9 million and $32.9 million, and expenses of $16.7 million and $5.7 million at June 30, 2023 and 2022, respectively. The estimated remaining useful lives of these assets range from 1 to 8 years.

6. NOTES PAYABLE TO CAMPUS

The UC Irvine Medical Center had an outstanding internal note payable of $5.2 million to the Irvine campus as of June 30, 2022. The note was repaid in annual installments with the final payment made in May 2023.

The UC San Diego Medical Center has an internal loan 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, 2023 and 2022, balances of $90.7 million and $92.5 million, respectively, were outstanding and are reported as a note payable to the campus on the statements of net position. Interest payments of $4.6 million and $5.2 million were made on the loan during the years ended June 30, 2023 and 2022, respectively.

7. INTEREST RATE SWAP AGREEMENTS

As a means to lower the Medical Centers' borrowing costs when compared against fixed-rate bonds at the time of issuance, the 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 one 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. Two of the UCLA Medical Center interest rate swaps are partial hedges. The first has a swap notional amount of $25.8 million, which is less than the amount of bonds outstanding of $31.3 million. The other partial hedge has a swap notional amount of $145.7 million, while the amount of the bonds outstanding is $145.8 million.

In December 2020, the Medical Centers entered into two forward starting interest rate swaps. Under these forward starting interest rate swap agreements, the Medical Centers pay the swap counterparty a fixed interest rate payment and receive a variable-rate interest payment. Cash flows commenced in 2023 for these interest rate swaps, which hedge variable-rate General Revenue Bonds 2023 Series BP that refunded the Medical Center Pooled Revenue Bonds 2013 Series J in 2023. The notional amount of the swap matches the principal amount of the variable-rate General Revenue Bonds.

The UCLA Medical Center commenced hedge accounting for certain interest rate swap agreements either upon refinancing the variable-rate debt or amending the interest rate swap agreements. At the time of the transactions, the fixed rate on each of the interest rate swaps was off-market such that the UCLA Medical Center received an upfront payment. The swaps consist of an at-the-market interest rate swap derivative instrument and a borrowing, represented by the market value of the swap at the time of the transaction. To commence hedge accounting, an additional borrowing for the off-the-market interest rate swap was recognized. The unamortized amount of the borrowing was $66.2 million and $69.2 million at June 30, 2023 and 2022, respectively.

Tables 7.1a and 7.1b present the notional amounts, fair value of the interest rate swaps outstanding and the changes in fair value at

Table 7.1a: Notional Amount and Fair Value at June 30, 2023
(in thousands of dollars)

	NOTIONAL AMOUNT	CLASSIFICATION	FAIR VALUE	CLASSIFICATION	CHANGE IN FAIR VALUE
Davis	$3,975	Other noncurrent assets	$698	Deferred inflows	$1,148
Irvine	755	Other noncurrent assets	155	Deferred inflows	257
Los Angeles	214,755	Other noncurrent liabilities	(21,339)	Deferred outflows	14,262
San Diego	295,780	Other noncurrent assets	53,077	Deferred inflows	87,237
San Francisco	45,285	Other noncurrent liabilities	(1,408)	Deferred outflows	1,997

Table 7.1b: Notional Amount and Fair Value at June 30, 2022
(in thousands of dollars)

	NOTIONAL AMOUNT	CLASSIFICATION	FAIR VALUE	CLASSIFICATION	CHANGE IN FAIR VALUE
Davis	$3,975	Other noncurrent liabilities	($450)	Deferred outflows	($350)
Irvine	755	Other noncurrent liabilities	(102)	Deferred outflows	(72)
Los Angeles	218,120	Other noncurrent liabilities	(35,601)	Deferred outflows	34,388
San Diego	295,780	Other noncurrent liabilities	(34,160)	Deferred outflows	(26,081)
San Francisco	49,430	Other noncurrent liabilities	(3,405)	Deferred outflows	4,225

Because interest rates have changed since the execution of the swaps, the estimated fair value of the swaps has been determined 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 swaps is the estimated amount the Medical Centers would have either (paid) or received if the swap agreements were terminated on June 30, 2023 or 2022.

Table 7.2 presents additional terms with respect to the outstanding interest rate swaps that are classified as hedging derivatives, along with the credit rating of the counterparty.

Table 7.2: Hedging derivatives
(in thousands of dollars)

TERMS	COUNTERPARTY CREDIT RATING	MEDICAL CENTER	NOTIONAL AMOUNT 2023	NOTIONAL AMOUNT 2022	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED
Pay fixed 0.926 percent and 1.238 percent; receive 70 percent of Federal Funds Rate - H.15	A2/A+ A2/A	Davis	$3,975	$3,975	2023	2047	None
		Irvine	755	755	2023	2047	None
		Los Angeles	43,345	43,345	2023	2048	None
		San Diego	295,780	295,780	2023	2048	None
		San Francisco	525	525	2023	2047	None
Pay fixed 4.550 percent to 4.741 percent; receive 67 percent of Federal Funds Rate + 0.760 percent to 0.902 percent	Aa2/A+	Los Angeles	171,410	174,775	2020	2030 to 2047	None
Pay fixed 3.590 percent; receive 58 percent of Federal Funds Rate + 0.564 percent	Aa2/A+	San Francisco	44,760	48,905	2020	2032	None

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.

Certain UCLA Medical Center swaps and the swaps with the counterparties rated A2/A and A2/A+ have collateral requirements. Depending on the fair value and the counterparty credit rating for certain of the UCLA Medical Center swaps, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million as of June 30, 2023. At June 30, 2023 and 2022, there was no collateral required. Depending on the fair value and the counterparty credit ratings for the swaps that are currently rated A2/A+ and A2/A, the Medical Centers may be entitled to receive collateral based on a positive value threshold. At June 30, 2023 and 2022, 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 a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the Medical Centers to basis risk whenever the interest rates on the bonds are reset. Interest rates on the bonds are tax-exempt, 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 Federal Funds rate due to factors affecting the tax-exempt market, which do not have a similar effect on the taxable market.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties 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 expiring in 2032, 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 certain 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. For the swaps with the counterparties rated A2/A+ and A2/A, the termination threshold is reached when either the credit quality rating for the Medical Center Pooled Revenue Bonds or the 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.

8. DEBT

Tables 8.1a and 8.1b present the Medical Centers' outstanding debt at June 30 2023 and 2022, respectively.

Table 8.1a: Outstanding Debt at June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$44,760	$44,760
2009 Series F Build America Bonds		$154,195	$135,020	$110,355	18,480	418,050
2010 Series H Build America Bonds					656,515	656,515
2010 Series I			1,665			1,665
2013 Series K*			31,300			31,300
2016 Series L	$180,555	108,480	234,285	71,820	104,275	699,415
2016 Series M	38,515	31,250	30,750		17,685	118,200
2020 Series N	373,701	233,970	457,898	332,768	401,665	1,800,002
2020 Series O*			145,845			145,845
2022 Series P	570,010	475,010	171,005		683,975	1,900,000
2022 Series Q	210,000	175,010	463,000		251,990	1,100,000
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
2023 Series BP*	3,975	755	43,345	295,780	525	344,380
Financing obligations				23,858	1,008	24,866
Subscription-based IT arrangements	9,758	30,765	21,154	23,099	2,390	87,166
Leases	351,921	112,299	108,095	86,318	438,258	1,096,891
Other borrowings			66,180			66,180
Total outstanding debt	**1,742,960**	**1,323,499**	**1,929,907**	**1,136,783**	**2,621,526**	**8,754,675**
Unamortized bond premium	57,180	39,113	43,202	31,487	47,885	218,867
Total debt	**1,800,140**	**1,362,612**	**1,973,109**	**1,168,270**	**2,669,411**	**8,973,542**
Less: Current portion	(52,154)	(27,665)	(45,547)	(54,958)	(50,630)	(230,954)
Noncurrent portion of debt	**$1,747,986**	**$1,334,947**	**$1,927,562**	**$1,113,312**	**$2,618,781**	**$8,742,588**

** Variable-rate bonds*

Table 8.1b: Outstanding Debt at June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
University of California Medical Center Pooled Revenue Bonds:						
2007 Series B*					$48,905	$48,905
2009 Series F Build America Bonds		$154,920	$137,900	$110,355	18,875	422,050
2010 Series H Build America Bonds					671,490	671,490
2010 Series I			2,430			2,430
2013 Series J	$5,240	1,080	46,740	296,870	525	350,455
2013 Series K*			31,300			31,300
2016 Series L	194,585	111,440	237,865	76,330	104,925	725,145
2016 Series M	42,275	32,240	32,985		17,915	125,415
2020 Series N	373,701	233,970	457,898	332,768	401,665	1,800,002
2020 Series O*			149,210			149,210
2022 Series P	570,010	475,010	171,005		683,975	1,900,000
2022 Series Q	210,000	175,010	463,000		251,990	1,100,000
University of California General Revenue Bonds:						
2017 Series AY	4,525	1,765	20,365	192,785		219,440
Financing obligations				28,089	1,089	29,178
Subscription-based IT arrangements	11,465	37,005	15,593	31,202	3,718	98,983
Leases	371,948	93,912	113,670	95,538	420,648	1,095,716
Other borrowings			69,188			69,188
Total outstanding debt	**1,783,749**	**1,316,352**	**1,949,149**	**1,163,937**	**2,625,720**	**8,838,907**
Unamortized bond premium	61,421	41,412	47,411	35,021	50,169	235,434
Total debt	**1,845,170**	**1,357,764**	**1,996,560**	**1,198,958**	**2,675,889**	**9,074,341**
Less: Current portion	(49,643)	(25,189)	(43,638)	(44,680)	(51,396)	(214,546)
Noncurrent portion of debt	**$1,795,527**	**$1,332,575**	**$1,952,922**	**$1,154,278**	**$2,624,493**	**$8,859,795**

** Variable-rate bonds*

Table 8.2 presents significant terms of the Medical Centers' outstanding debt.

Table 8.2: Significant Terms of Outstanding Debt

	INTEREST RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL PAYMENT TERMS
University of California Medical Center Pooled Revenue Bonds:			
2007 Series B*	3.0 percent to 3.2 percent	Monthly	Through 2032
2009 Series F Build America Bonds	4.3 percent to 4.4 percent, after net 33.0 percent federal subsidy	Semi-annually	Through 2049
2010 Series H Build America Bonds	3.8 percent to 4.4 percent, after net 33.0 percent federal subsidy	Semi-annually	Through 2048
2010 Series I	5.8 percent	Semi-annually	Through 2025
2013 Series K*	3.2 percent	Monthly	Beginning 2045 through 2047
2016 Series L	2.5 percent to 5.0 percent	Semi-annually	Through 2047
2016 Series M	2.3 percent to 3.5 percent	Semi-annually	Through 2047
2020 Series N	3.0 percent to 3.7 percent	Semi-annually	Beginning 2050 through 2120
2020 Series O*	3.0 percent to 3.2 percent	Monthly	Through 2045
2022 Series P	3.5 percent to 5.0 percent	Semi-annually	Beginning 2033 through 2054
2022 Series Q	4.1 percent to 4.6 percent	Semi-annually	Beginning 2032 through 2053
University of California General Revenue Bonds:			
2017 Series AY	3.0 percent to 5.0 percent	Semi-annually	Through 2041
2023 Series BP*	3.0 percent to 3.1 percent	Monthly	Beginning 2024 through 2048
Financing obligations, subscription-based IT arrangements (primarily for computer and medical equipment, collateralized by underlying equipment) and leases	Fixed interest rates of 1.1 percent to 6.0 percent	Monthly, quarterly	Through 2063

**Variable-rate bonds*

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

Tables 8.3a and 8.3b present debt activity at Davis in 2023 and 2022, respectively.

Table 8.3a: Debt Activity at Davis for the Year Ended June 30, 2023

(in thousands of dollars)	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2022	$1,461,757	$383,413	$1,845,170
New obligations	3,975	1,394	5,369
Refinancing or prepayment of outstanding debt	(3,975)		(3,975)
Principal payments and debt retirements	(19,055)	(23,128)	(42,183)
Amortization of bond premium	(4,241)		(4,241)
Long-term debt at June 30, 2023	**1,438,461**	**361,679**	**1,800,140**
Less: Current portion	(22,048)	(30,106)	(52,154)
Noncurrent portion of long-term debt at June 30, 2023	**$1,416,413**	**$331,573**	**$1,747,986**

Table 8.3b: Debt Activity at Davis for the Year Ended June 30, 2022

(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2021	$673,277	$388,261	$1,061,538
New obligations	780,010	30,864	810,874
Bond premium, net	30,054		30,054
Principal payments and debt retirements	(18,710)	(35,712)	(54,422)
Amortization of bond premium	(2,874)		(2,874)
Long-term debt at June 30, 2022	**1,461,757**	**383,413**	**1,845,170**
Less: Current portion	(21,498)	(28,145)	(49,643)
Noncurrent portion of long-term debt at June 30, 2022	**$1,440,259**	**$355,268**	**$1,795,527**

Tables 8.4a and 8.4b present debt at Irvine in 2023 and 2022, respectively.

Table 8.4a: Debt Activity at Irvine for the Year Ended June 30, 2023

(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2022	$1,226,847	$130,917	$1,357,764
New obligations	755	37,996	38,751
Refinancing or prepayment of outstanding debt	(755)	(5,180)	(5,935)
Principal payments and debt retirements	(5,000)	(20,669)	(25,669)
Amortization of bond premium	(2,299)		(2,299)
Long-term debt at June 30, 2023	**1,219,548**	**143,064**	**1,362,612**
Less: Current portion	(7,376)	(20,289)	(27,665)
Noncurrent portion of long-term debt at June 30, 2023	**$1,212,172**	**$122,775**	**$1,334,947**

Table 8.4b: Debt Activity at Irvine for the Year Ended June 30, 2022

(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2021	$557,853	$91,481	$649,334
New obligations	650,020	70,499	720,519
Bond premium, net	25,045		25,045
Refinancing or prepayment of outstanding debt		(12,306)	(12,306)
Principal payments and debt retirements	(4,790)	(18,757)	(23,547)
Amortization of bond premium	(1,281)		(1,281)
Long-term debt at June 30, 2022	**1,226,847**	**130,917**	**1,357,764**
Less: Current portion	(7,213)	(17,976)	(25,189)
Noncurrent portion of long-term debt at June 30, 2022	**$1,219,634**	**$112,941**	**$1,332,575**

Tables 8.5a and 8.5b present debt at Los Angeles in 2023 and 2022, respectively.

Table 8.5a: Debt Activity at Los Angeles for the Year Ended June 30, 2023
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	OTHER BORROWINGS	TOTAL
Long-term debt at June 30, 2022	$1,798,109	$129,263	$69,188	$1,996,560
New obligations	43,345	39,573		82,918
Refinancing or prepayment of outstanding debt	(43,345)	(9,934)		(53,279)
Principal payments and debt retirements	(16,220)	(29,653)		(45,873)
Amortization of bond premium	(4,209)		(3,008)	(7,217)
Long-term debt at June 30, 2023	**1,777,680**	**129,249**	**66,180**	**1,973,109**
Less: Current portion	(19,431)	(23,108)	(3,008)	(45,547)
Noncurrent portion of long-term debt at June 30, 2023	**$1,758,249**	**$106,141**	**$63,172**	**$1,927,562**

Table 8.5b: Debt Activity at Los Angeles for the Year Ended June 30, 2022
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	OTHER BORROWINGS	TOTAL
Long-term debt at June 30, 2021	$1,173,251	$217,058	$72,197	$1,462,506
New obligations	634,005	30,998		665,003
Bond premium, net	9,016			9,016
Refinancing or prepayment of outstanding debt		(89,474)		(89,474)
Principal payments and debt retirements	(15,440)	(29,319)		(44,759)
Amortization of bond premium	(2,723)		(3,009)	(5,732)
Long-term debt at June 30, 2022	**1,798,109**	**129,263**	**69,188**	**1,996,560**
Less: Current portion	(19,219)	(21,410)	(3,009)	(43,638)
Noncurrent portion of long-term debt at June 30, 2022	**$1,778,890**	**$107,853**	**$66,179**	**$1,952,922**

Tables 8.6a and 8.6b present debt at San Diego in 2023 and 2022, respectively.

Table 8.6a: Debt Activity at San Diego for the Year Ended June 30, 2023
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2022	$1,044,129	$154,829	$1,198,958
New obligations	295,780	17,550	313,330
Refinancing or prepayment of outstanding debt	(295,780)	(655)	(296,435)
Principal payments and debt retirements	(5,600)	(38,449)	(44,049)
Amortization of bond premium	(3,534)		(3,534)
Long-term debt at June 30, 2023	**1,034,995**	**133,275**	**1,168,270**
Less: Current portion	(19,970)	(34,988)	(54,958)
Noncurrent portion of long-term debt at June 30, 2023	**$1,015,025**	**$98,287**	**$1,113,312**

Table 8.6b: Debt Activity at San Diego for the Year Ended June 30, 2022
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2021	$1,052,915	$130,771	$1,183,686
New obligations		61,052	61,052
Refinancing or prepayment of outstanding debt		(55)	(55)
Principal payments and debt retirements	(5,346)	(36,939)	(42,285)
Amortization of bond premium	(3,440)		(3,440)
Long-term debt at June 30, 2022	**1,044,129**	**154,829**	**1,198,958**
Less: Current portion	(9,038)	(35,642)	(44,680)
Noncurrent portion of long-term debt at June 30, 2022	**$1,035,091**	**$119,187**	**$1,154,278**

Tables 8.7a and 8.7b present debt at San Francisco in 2023 and 2022, respectively.

Table 8.7a: Debt Activity at San Francisco for the Year Ended June 30, 2023
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2022	$2,250,434	$425,455	$2,675,889
New obligations	525	48,302	48,827
Refinancing or prepayment of outstanding debt	(525)	(3,367)	(3,892)
Principal payments and debt retirements	(20,395)	(28,734)	(49,129)
Amortization of bond premium	(2,284)		(2,284)
Long-term debt at June 30, 2023	**2,227,755**	**441,656**	**2,669,411**
Less: Current portion	(23,400)	(27,230)	(50,630)
Noncurrent portion of long-term debt at June 30, 2023	**$2,204,355**	**$414,426**	**$2,618,781**

Table 8.7b: Debt Activity at San Francisco for the Year Ended June 30, 2022
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	TOTAL
Long-term debt at June 30, 2021	$1,299,005	$317,492	$1,616,497
New obligations	935,965	139,020	1,074,985
Bond premium, net	36,061		36,061
Refinancing or prepayment of outstanding debt		(1,887)	(1,887)
Principal payments and debt retirements	(19,694)	(29,170)	(48,864)
Amortization of bond premium	(903)		(903)
Long-term debt at June 30, 2022	**2,250,434**	**425,455**	**2,675,889**
Less: Current portion	(22,680)	(28,716)	(51,396)
Noncurrent portion of long-term debt at June 30, 2022	**$2,227,754**	**$396,739**	**$2,624,493**

Tables 8.8a and 8.8b present total debt activity for the years ended 2023 and 2022, respectively.

Table 8.8a: Total Debt Activity for the Year Ended June 30, 2023
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	OTHER BORROWINGS	TOTAL
Long-term debt at June 30, 2022	$7,781,276	$1,223,877	$69,188	$9,074,341
New obligations	344,380	144,815		489,195
Refinancing or prepayment of outstanding debt	(344,380)	(19,136)		(363,516)
Principal payments and debt retirements	(66,270)	(140,633)		(206,903)
Amortization of bond premium	(16,567)		(3,008)	(19,575)
Long-term debt at June 30, 2023	**7,698,439**	**1,208,923**	**66,180**	**8,973,542**
Less: Current portion	(92,225)	(135,721)	(3,008)	(230,954)
Noncurrent portion of long-term debt at June 30, 2023	**$7,606,214**	**$1,073,202**	**$63,172**	**$8,742,588**

Table 8.8b: Total Debt Activity for the Year Ended June 30, 2022
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS, SUBSCRIPTION-BASED IT ARRANGEMENTS AND LEASES	OTHER BORROWINGS	TOTAL
Long-term debt at June 30, 2021	$4,756,301	$1,145,063	$72,197	$5,973,561
New obligations	3,000,000	332,433		3,332,433
Bond premium, net	100,176			100,176
Refinancing or prepayment of outstanding debt		(103,722)		(103,722)
Principal payments and debt retirements	(63,980)	(149,897)		(213,877)
Amortization of bond premium	(11,221)		(3,009)	(14,230)
Long-term debt at June 30, 2022	**7,781,276**	**1,223,877**	**69,188**	**9,074,341**
Less: Current portion	(79,648)	(131,889)	(3,009)	(214,546)
Noncurrent portion of long-term debt at June 30, 2022	**$7,701,628**	**$1,091,988**	**$66,179**	**$8,859,795**

In February 2023, General Revenue Bonds totaling $2.2 billion were issued to refinance all or a portion of certain projects of the University through the refunding of certain bonds and the outstanding Medical Center Pooled Revenue Bonds, 2013 Series J of $344.4 million. The bonds mature at various dates through 2048 and the interest rate resets each business day. The refunding of the outstanding Medical Center Pooled Revenue Bonds resulted in a loss of $3.5 million, recorded as a deferred outflow of resources that will be amortized as interest expense over the term of the refunded bonds.

In May 2022, Medical Center Pooled Revenue Bonds totaling $3.0 billion, including $1.1 billion in taxable bonds were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities at the University's Medical Centers. The bonds mature at various dates through 2054 and have a stated weighted average interest rate of 4.5 percent. Table 8.9 presents the Medical Center Pooled Revenue Bonds distributed across the Medical Centers.

Table 8.9: Medical Center Pooled Revenue Bonds - May 2022 Issuance
(in thousands of dollars)

	TAX-EXEMPT	TAXABLE	TOTAL
Davis	$570,010	$210,000	$780,010
Irvine	475,010	175,010	650,020
Los Angeles	171,005	463,000	634,005
San Francisco	683,975	251,990	935,965
Total	**$1,900,000**	**$1,100,000**	**$3,000,000**

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, 2023 and 2022 were $19.5 billion and $17.6 billion, respectively.

The Medical Center Pooled Revenue Bonds 2007 Series B, 2013 Series K and 2020 Series O, and General Revenue Bonds 2023 Series BP totaling $44.8 million, $31.3 million, $145.8 million and $344.4 million at June 30, 2023, respectively, are variable-rate demand obligations subject to daily remarketing. The 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 bondholders.

The Medical Centers' revenues are not pledged for any purpose other than those 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 Medical Centers' revenues are not pledged to the General Revenue Bonds 2017 Series AY and variable-rate General Revenue Bonds 2023 Series BP but the payments are obligations of the Medical Centers.

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 STIP. Repayment of advances made to the Medical Centers under the working capital program is not collateralized by a pledge of revenues. At June 30, 2023 there were no outstanding 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, 2023, CHRCO had no amount outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility was 5.2 percent as of June 30, 2023 and the facility expires on August 31, 2025.

Leases

The Medical Centers have leases for land, buildings and equipment under agreements that extend through 2063. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 21 years. Leases may also include options to terminate the leases.

Certain of the Medical Center's lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. The Medical Centers also sublease certain real estate to third parties.

The Medical Centers measure the lease liability at the present value of payments expected to be made during the lease term. Leases with an initial term of 12 months or less, real estate leases with undiscounted payments of less than $300,000 (including option periods) or equipment leases with undiscounted payments of less than $100,000 (including option periods) are recognized as operating expense on a straight-line basis over the lease term. If the interest rate cannot be readily determined, the Medical Centers use an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Future minimum payments on leases with an initial or remaining non-cancelable term in excess of one year are described in tables 8.10 through 8.15.

Table 8.10: Future Minimum Payments on Leases at Davis
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$23,034	$13,149	$36,183
2025	24,384	12,270	36,654
2026	22,487	11,406	33,893
2027	19,066	10,655	29,721
2028	19,940	9,928	29,868
2029 - 2033	106,583	37,632	144,215
2034 - 2038	91,029	17,518	108,547
2039 - 2043	42,512	3,188	45,700
2044 - 2048	2,886	128	3,014
Total	**$351,921**	**$115,874**	**$467,795**

Table 8.11: Future Minimum Payments on Leases at Irvine
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$12,821	$3,461	$16,282
2025	10,511	3,322	13,833
2026	9,533	3,566	13,099
2027	8,422	3,332	11,754
2028	7,910	3,112	11,022
2029 - 2033	29,385	8,977	38,362
2034 - 2038	22,592	4,040	26,632
2039 - 2043	11,081	706	11,787
Total	**$112,255**	**$30,516**	**$142,771**

Table 8.12: Future Minimum Payments on Leases at Los Angeles
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$12,850	$3,969	$16,819
2025	12,043	3,508	15,551
2026	11,610	3,057	14,667
2027	10,658	2,625	13,283
2028	10,250	2,220	12,470
2029 - 2033	31,614	6,510	38,124
2034 - 2038	11,081	2,377	13,458
2039 - 2043	6,292	894	7,186
2044 - 2045	1,534	55	1,589
Total	**$107,932**	**$25,215**	**$133,147**

Table 8.13: Future Minimum Payments on Leases at San Diego
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$21,045	$2,292	$23,337
2025	17,146	1,707	18,853
2026	13,484	1,253	14,737
2027	9,952	911	10,863
2028	6,995	655	7,650
2029 - 2032	17,696	778	18,474
Total	**$86,318**	**$7,596**	**$93,914**

Table 8.14: Future Minimum Payments on Leases at San Francisco
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$25,529	$16,296	$41,825
2025	25,316	15,490	40,806
2026	21,966	14,779	36,745
2027	21,630	12,894	34,524
2028	18,582	11,770	30,352
2029 - 2033	87,991	49,118	137,109
2034 - 2038	88,407	32,218	120,625
2039 - 2043	56,082	17,455	73,537
2044 - 2048	28,756	10,862	39,618
2049 - 2053	19,885	7,268	27,153
2054 - 2058	22,722	4,431	27,153
2059 - 2063	21,392	1,236	22,628
Total	**$438,258**	**$193,817**	**$632,075**

Table 8.15: Total Future Minimum Payments on Leases
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$95,279	$39,167	$134,446
2025	89,400	36,297	125,697
2026	79,080	34,061	113,141
2027	69,728	30,417	100,145
2028	63,677	27,685	91,362
2029 - 2033	273,269	103,015	376,284
2034 - 2038	213,109	56,153	269,262
2039 - 2043	115,967	22,243	138,210
2044 - 2048	33,176	11,045	44,221
2049 - 2053	19,885	7,268	27,153
2054 - 2058	22,722	4,431	27,153
2059 - 2063	21,392	1,236	22,628
Total	**$1,096,684**	**$373,018**	**$1,469,702**

Subscription-based Information Technology Arrangements

The Medical Centers have subscription-based information technology arrangements (SBITAs) under agreements that extend through 2034. Some SBITAs include one or more options to renew, with renewal terms that can extend the subscription term from one to three years. SBITAs may also include options to terminate the subscription. SBITAs do not contain any material incentive received, material restrictive covenants or material termination penalties.

The Medical Centers measure the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less or those with cumulative undiscounted payments of less than $500,000 (including option periods) are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the University uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

Future minimum payments on SBITAs with an initial or remaining non-cancelable term in excess of one year are described in tables 8.16 through 8.21.

Table 8.16: Future Minimum Payments on SBITAs at Davis
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$7,072	$213	$7,285
2025	2,671	59	2,730
2026	15		15
Total	**$9,758**	**$272**	**$10,030**

Table 8.17: Future Minimum Payments on SBITAs at Irvine
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$7,467	$657	$8,124
2025	6,772	492	7,264
2026	4,861	353	5,214
2027	4,050	259	4,309
2028	2,760	170	2,930
2029 - 2033	4,398	295	4,693
2034 - 2038	457	6	463
Total	**$30,765**	**$2,232**	**$32,997**

Table 8.18: Future Minimum Payments on SBITAs at Los Angeles
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$10,258	$438	$10,696
2025	6,877	235	7,112
2026	2,352	97	2,449
2027	1,667	41	1,708
Total	**$21,154**	**$811**	**$21,965**

Table 8.19: Future Minimum Payments on SBITAs at San Diego
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$9,257	$446	$9,703
2025	7,857	245	8,102
2026	4,136	94	4,230
2027	669	34	703
2028	665	20	685
2029 - 2033	515	6	521
Total	**$23,099**	**$845**	**$23,944**

Table 8.20: Future Minimum Payments on SBITAs at San Francisco
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$1,577	$50	$1,627
2025	340	18	358
2026	239	12	251
2027	234	6	240
Total	**$2,390**	**$86**	**$2,476**

Table 8.21: Total Future Minimum Payments on SBITAs
(in thousands of dollars)

	PRINCIPAL	INTEREST	TOTAL
Year ending June 30			
2024	$35,631	$1,804	$37,435
2025	24,517	1,049	25,566
2026	11,603	556	12,159
2027	6,620	340	6,960
2028	3,425	190	3,615
2029 - 2033	4,913	301	5,214
2034 - 2038	457	6	463
Total	**$87,166**	**$4,246**	**$91,412**

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, 2023, and thereafter, are shown in tables 8.22 through 8.27. 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.

Table 8.22: Future Debt Service Payments at Davis
(in thousands of dollars)

	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2024	$75,652	$18,355	$57,297
2025	75,194	18,710	56,484
2026	74,705	18,910	55,795
2027	74,203	19,110	55,093
2028	59,714	5,485	54,229
2029 - 2033	313,492	45,250	268,242
2034 - 2038	373,162	123,705	249,457
2039 - 2043	391,724	177,075	214,649
2044 - 2048	391,643	223,225	168,418
2049 - 2053	557,621	455,203	102,418
2054 - 2120	472,438	276,253	196,185
Total future debt service	**2,859,548**	**$1,381,281**	**$1,478,267**
Less: Interest component of future payments	(1,478,267)		
Principal portion of future payments	1,381,281		
Adjusted by:			
Unamortized bond premium	57,180		
Total debt	**$1,438,461**		

Table 8.23: Future Debt Service Payments at Irvine
(in thousands of dollars)

	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2024	$58,634	$5,205	$53,429
2025	58,620	5,440	53,180
2026	58,594	5,645	52,949
2027	60,689	7,980	52,709
2028	60,675	8,305	52,370
2029 - 2033	314,138	57,990	256,148
2034 - 2038	361,917	128,900	233,017
2039 - 2043	374,371	180,185	194,186
2044 - 2048	379,565	237,195	142,370
2049 - 2053	438,938	362,859	76,079
2054 - 2120	303,832	180,731	123,101
Total future debt service	**2,469,973**	**$1,180,435**	**$1,289,538**
Less: Interest component of future payments	(1,289,538)		
Principal portion of future payments	1,180,435		
Adjusted by:			
Unamortized bond premium	39,113		
Total debt	**$1,219,548**		

Table 8.24: Future Debt Service Payments at Los Angeles
(in thousands of dollars)

	REVENUE BONDS	PRINCIPAL	INTEREST
Year ending June 30			
2024	$86,844	$16,640	$70,204
2025	86,868	17,275	69,593
2026	85,910	17,005	68,905
2027	85,840	17,610	68,230
2028	85,828	18,340	67,488
2029 - 2033	816,283	508,250	308,033
2034 - 2038	367,486	154,780	212,706
2039 - 2043	374,926	200,985	173,941
2044 - 2048	337,243	210,135	127,108
2049 - 2053	345,700	269,663	76,037
2054 - 2120	542,968	303,795	239,173
Total future debt service	**3,215,896**	**$1,734,478**	**$1,481,418**
Less: Interest component of future payments	(1,481,418)		
Principal portion of future payments	1,734,478		
Adjusted by:			
Unamortized bond premium	43,202		
Other borrowings	66,180		
Total debt	**$1,843,860**		

Table 8.25: Future Debt Service Payments at San Diego
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2024	$55,975	$5,472	$61,447	$21,346	$40,101
2025	56,354	4,708	61,062	21,765	39,297
2026	56,380	3,455	59,835	21,531	38,304
2027	56,268	2,488	58,756	21,474	37,282
2028	56,145	2,490	58,635	22,413	36,222
2029 - 2033	278,594	8,710	287,304	124,035	163,269
2034 - 2038	275,284		275,284	142,755	132,529
2039 - 2043	269,090		269,090	169,705	99,385
2044 - 2048	217,399		217,399	149,575	67,824
2049 - 2053	163,250		163,250	120,166	43,084
2054 - 2120	386,127		386,127	212,601	173,526
Total future debt service	**1,870,866**	**27,323**	**1,898,189**	**$1,027,366**	**$870,823**
Less: Interest component of future payments	(867,358)	(3,465)	(870,823)		
Principal portion of future payments	1,003,508	23,858	1,027,366		
Adjusted by:					
Unamortized bond premium	31,487		31,487		
Total debt	**$1,034,995**	**$23,858**	**$1,058,853**		

Table 8.26: Future Debt Service Payments at San Francisco
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2024	$127,328	$156	$127,484	$21,239	$106,245
2025	126,919	180	127,099	21,916	105,183
2026	126,613	180	126,793	22,736	104,057
2027	126,259	180	126,439	23,651	102,788
2028	125,883	195	126,078	24,622	101,456
2029 - 2033	639,999	242	640,241	154,934	485,307
2034 - 2038	694,659		694,659	267,040	427,619
2039 - 2043	700,743		700,743	358,070	342,673
2044 - 2048	687,884		687,884	454,580	233,304
2049 - 2053	647,389		647,389	530,471	116,918
2054 - 2120	512,649		512,649	301,619	211,030
Total future debt service	**4,516,325**	**1,133**	**4,517,458**	**$2,180,878**	**$2,336,580**
Less: Interest component of future payments	(2,336,455)	(125)	(2,336,580)		
Principal portion of future payments	2,179,870	1,008	2,180,878		
Adjusted by:					
Unamortized bond premium	47,885		47,885		
Total debt	**$2,227,755**	**$1,008**	**$2,228,763**		

Table 8.27: Total Future Debt Service Payments
(in thousands of dollars)

	REVENUE BONDS	FINANCING OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30					
2024	$404,433	$5,628	$410,061	$82,785	$327,276
2025	403,955	4,888	408,843	85,106	323,737
2026	402,202	3,635	405,837	85,827	320,010
2027	403,259	2,668	405,927	89,825	316,102
2028	388,245	2,685	390,930	79,165	311,765
2029 - 2033	2,362,506	8,952	2,371,458	890,459	1,480,999
2034 - 2038	2,072,508		2,072,508	817,180	1,255,328
2039 - 2043	2,110,854		2,110,854	1,086,020	1,024,834
2044 - 2048	2,013,734		2,013,734	1,274,710	739,024
2049 - 2053	2,152,898		2,152,898	1,738,362	414,536
2054 - 2120	2,218,014		2,218,014	1,274,999	943,015
Total future debt service	**14,932,608**	**28,456**	**14,961,064**	**$7,504,438**	**$7,456,626**
Less: Interest component of future payments	(7,453,036)	(3,590)	(7,456,626)		
Principal portion of future payments	7,479,572	24,866	7,504,438		
Adjusted by:					
Unamortized bond premium	218,867		218,867		
Other borrowings	66,180		66,180		
Total debt	**$7,764,619**	**$24,866**	**$7,789,485**		

Additional information on the revenue bonds can be obtained from the 2022-2023 annual financial 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, 2023, and thereafter are shown in tables 8.28 through 8.33. 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, 2023, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

Table 8.28: Future Debt Service Payments - Interest Rate Swaps at Davis
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024	$15	$119	($99)	$35
2025	15	120	(98)	37
2026	20	120	(98)	42
2027	20	119	(97)	42
2028	20	119	(97)	42
2029 - 2033	100	583	(475)	208
2034 - 2038	570	567	(462)	675
2039 - 2043	2,540	332	(270)	2,602
2044 - 2048	675	81	(63)	693
Total future debt service	**$3,975**	**$2,160**	**($1,759)**	**$4,376**

Table 8.29: Future Debt Service Payments - Interest Rate Swaps at Irvine
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024		$23	($19)	$4
2025		23	(19)	4
2026		23	(19)	4
2027		23	(19)	4
2028		23	(19)	4
2029 - 2033		115	(93)	22
2034 - 2038		115	(93)	22
2039 - 2043		115	(93)	22
2044 - 2048	$755	91	(63)	783
Total future debt service	**$755**	**$551**	**($437)**	**$869**

Table 8.30: Future Debt Service Payments - Interest Rate Swaps at Los Angeles
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024	$5,740	$6,666	($367)	$12,039
2025	5,915	6,587	(283)	12,219
2026	6,110	6,418	(254)	12,274
2027	6,315	6,234	(213)	12,336
2028	6,550	6,051	(184)	12,417
2029 - 2033	29,245	27,260	(355)	56,150
2034 - 2038	32,970	22,898	(632)	55,236
2039 - 2043	66,790	15,911	(577)	82,124
2044 - 2048	60,855	4,897	256	66,008
Total future debt service	**$220,490**	**$102,922**	**($2,609)**	**$320,803**

Table 8.31: Future Debt Service Payments - Interest Rate Swaps at San Diego
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024	$1,800	$8,851	($7,334)	$3,317
2025	1,830	8,903	(7,252)	3,481
2026	1,850	8,864	(7,225)	3,489
2027	1,875	8,808	(7,180)	3,503
2028	1,895	8,767	(7,152)	3,510
2029 - 2033	14,125	42,850	(34,920)	22,055
2034 - 2038	30,370	40,697	(33,168)	37,899
2039 - 2043	117,065	29,548	(24,075)	122,538
2044 - 2048	124,970	11,308	(9,209)	127,069
Total future debt service	**$295,780**	**$168,596**	**($137,515)**	**$326,861**

Table 8.32: Future Debt Service Payments - Interest Rate Swaps at San Francisco
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024	$4,290	$1,368	$136	$5,794
2025	4,450	1,248	113	5,811
2026	4,615	1,114	98	5,827
2027	4,780	976	84	5,840
2028	4,955	829	67	5,851
2029 - 2033	21,670	1,744	(74)	23,340
2034 - 2038		80	(65)	15
2039 - 2043		80	(65)	15
2044 - 2048	525	63	(46)	542
Total future debt service	**$45,285**	**$7,502**	**$248**	**$53,035**

Table 8.33: Total Future Debt Service Payments - Interest Rate Swaps
(in thousands of dollars)

	VARIABLE-RATE BOND PRINCIPAL	VARIABLE-RATE BOND INTEREST	INTEREST RATE SWAP, NET	TOTAL
Year ending June 30				
2024	$11,845	$17,027	($7,683)	$21,189
2025	12,210	16,881	(7,539)	21,552
2026	12,595	16,539	(7,498)	21,636
2027	12,990	16,160	(7,425)	21,725
2028	13,420	15,789	(7,385)	21,824
2029 - 2033	65,140	72,552	(35,917)	101,775
2034 - 2038	63,910	64,357	(34,420)	93,847
2039 - 2043	186,395	45,986	(25,080)	207,301
2044 - 2048	187,780	16,440	(9,125)	195,095
Total future debt service	**$566,285**	**$281,731**	**($142,072)**	**$705,944**

9. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Tables 9a and 9b present the composition of deferred outflows and inflows of resources at June 30, 2023 and 2022, respectively.

Table 9a: Deferred Outflows and Inflows of Resources at June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$315,549	$129,578	$213,210	$194,187	$485,433	$1,337,957
Net retiree health benefits liability	483,515	183,513	327,347	318,231	710,351	2,022,957
Debt refunding	6,981			17,495	278	24,754
Interest rate swap agreements			21,339		1,408	22,747
Asset retirement obligations	10,281			21,110	5,569	36,960
Acquisitions					908	908
Total	**$816,326**	**$313,091**	**$561,896**	**$551,023**	**$1,203,947**	**$3,446,283**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$4,188	$2,098	$19,995	$2,953	$45,854	$75,088
Net retiree health benefits liability	594,898	270,763	666,609	417,500	895,293	2,845,063
Debt refunding			2,355			2,355
Interest rate swap agreements	698	155		53,077		53,930
Irrevocable split-interest agreements					16,845	16,845
Leases	63,752	3,529			3,206	70,487
Total	**$663,536**	**$276,545**	**$688,959**	**$473,530**	**$961,198**	**$3,063,768**

Table 9b: Deferred Outflows and Inflows of Resources at June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Net pension liability	$522,717	$219,168	$421,211	$365,919	$850,464	$2,379,479
Net retiree health benefits liability	486,291	186,861	371,649	367,254	729,457	2,141,512
Debt refunding	7,339			19,649	340	27,328
Interest rate swap agreements	450	102	35,601	34,160	3,405	73,718
Asset retirement obligations	23,450			18,080	22,234	63,764
Acquisitions					2,723	2,723
Total	**$1,040,247**	**$406,131**	**$828,461**	**$805,062**	**$1,608,623**	**$4,688,524**
DEFERRED INFLOWS OF RESOURCES						
Net pension liability	$10,396	$10,585	$28,453	$6,162	$38,600	$94,196
Net retiree health benefits liability	719,354	331,601	797,808	512,605	1,075,800	3,437,168
Debt refunding			1,195			1,195
Irrevocable split-interest agreements					17,195	17,195
Leases	65,356	4,618			4,736	74,710
Total	**$795,106**	**$346,804**	**$827,456**	**$518,767**	**$1,136,331**	**$3,624,464**

10. RETIREMENT PLANS

University of California Retirement System (UCRS)

Substantially all full-time employees of the Medical Centers participate in the UCRS, 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 retirement 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 2022-2023 annual report of the UCRS at http://reportingtransparency.universityofcalifornia.edu/.

UCRP provides lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University, and its affiliates. Additional information on UCRP can be obtained from the 2022-2023 annual report of the University of California Retirement System.

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 a consulting actuary. The Regents determines 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 contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate on behalf of all UCRP active members. The contribution rates were 14.0 percent and 15.0 percent for the years ended June 30, 2023 and 2022, respectively. The University contribution rate will remain at 14.0 percent for the fiscal year ending June 30, 2024, increase to 15.0 percent for the fiscal year ending June 30, 2025 and then will be increased by 0.5 percent per year, on July 1st, until reaching 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.

Tables 10.1a and 10.1b present contributions to the UCRP during the years ended June 30, 2023 and 2022.

Table 10.1a: UCRP Contributions in 2023
(in thousands of dollars)

	MEDICAL CENTER	EMPLOYEES	TOTAL
Davis	$168,790	$101,240	$270,030
Irvine	73,635	44,885	118,520
Los Angeles	151,748	93,809	245,557
San Diego	119,008	72,960	191,968
San Francisco	238,919	140,832	379,751
Total	**$752,100**	**$453,726**	**$1,205,826**

Table 10.1b: UCRP Contributions in 2022
(in thousands of dollars)

	MEDICAL CENTER	EMPLOYEES	TOTAL
Davis	$160,044	$89,713	$249,757
Irvine	70,274	39,851	110,125
Los Angeles	149,801	86,282	236,083
San Diego	116,082	66,012	182,094
San Francisco	227,868	125,532	353,400
Total	**$724,069**	**$407,390**	**$1,131,459**

Additional deposits of $500.0 million and $700.0 million were made by the University to UCRP for fiscal years ended June 30, 2023 and 2022, respectively. The Medical Centers' reported pension expense and 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 presented in table 10.2.

Table 10.2: Medical Centers' Portion of Additional Deposits to UCRP
(in thousands of dollars)

	2023	2022
Davis	$39,094	$52,906
Irvine	17,055	23,231
Los Angeles	35,147	49,520
San Diego	27,564	38,373
San Francisco	55,336	75,327
Total	**$174,196**	**$239,357**

Net Pension Liability

Tables 10.3a and 10.3b present the Medical Centers' proportional percentage and proportionate share of the net pension liability for UCRP as of June 30.

Table 10.3a: Proportionate Share of the Net Pension Liability as of June 30, 2023
(in thousands of dollars)

	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Davis	7.8%	$1,529,126
Irvine	3.4	667,084
Los Angeles	7.0	1,374,737
San Diego	5.5	1,078,132
San Francisco	11.1	2,164,448
Total	**34.8%**	**$6,813,527**

Table 10.3b: Proportionate Share of the Net Pension Liability as of June 30, 2022
(in thousands of dollars)

	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Davis	7.6%	$1,527,815
Irvine	3.3	670,850
Los Angeles	7.1	1,430,028
San Diego	5.5	1,108,138
San Francisco	10.8	2,175,275
Total	**34.3%**	**$6,912,106**

The Medical Centers' net pension liability was measured as of June 30 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, 2022 and 2021, 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. 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 used as of June 30, 2023 were based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022. The actuarial assumptions used as of June 30, 2022 were based upon the results of an experience study conducted for the period July 1, 2014 through June 30, 2018.

Table 10.4 presents methods and assumptions used in calculating the Medical Centers' net pension liability.

Table 10.4: UCRP Actuarial Assumptions

	2023	2022
Discount rate	6.75%	6.75%
Inflation	2.50	2.50
Investment rate of return	6.75	6.75
Projected salary increases	3.65 - 5.95	3.65 - 5.95
Cost-of-living adjustments	FYE 6/30/2023:2.90%. Future years: 2.00%	FYE 6/30/2022: 4.41% for those who retired 7/2/2019 - 7/1/2020; 3.69% for all others eligible for COLA. Future years: 2.00%

Discount Rate

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, 2023 and 2022.

Investment Rate of Return

The long-term expected investment rate of return assumption for UCRP was determined 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 to derive the long-term expected investment rate of return assumption can be obtained from the 2022-2023 annual report of the UCRS.

Mortality Rates

Table 10.5 presents mortality rates used to calculate the Medical Centers' net pension liability.

Table 10.5: UCRP Mortality Rates

	2023	2022
Preretirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for males and 95 percent for females	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table
Postretirement Healthy Members	Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 85 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 105 percent for other female members	Pub-2010 Teacher Healthy Retiree 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
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table multiplied by 100 percent for males and 95 percent for females	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table
Beneficiaries of Retired Members	In Pay Status as of Valuation: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Not in Pay Status as of Valuation: Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females
Projection scale for all mortality tables	Generationally with the two-dimensional mortality improvement scale MP-2021.	Generationally with the two-dimensional mortality improvement scale MP-2018.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Table 10.6 presents the June 30, 2023 net pension liability of the Medical Centers calculated using the June 30, 2023 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 1% lower and 1% higher than the current assumption.

Table 10.6: UCRP Sensitivity of the Net Pension Liability to Changes in the Discount Rate

(in thousands of dollars)

	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
Davis	$2,594,485	$1,529,126	$656,668
Irvine	1,131,849	667,084	286,472
Los Angeles	2,332,532	1,374,737	590,367
San Diego	1,829,279	1,078,132	462,993
San Francisco	3,672,443	2,164,448	929,500
Total	**$11,560,588**	**$6,813,527**	**$2,926,000**

Deferred Outflows of Resources and Deferred Inflows of Resources

Tables 10.7a and 10.7b present the composition of deferred outflows of resources and deferred inflows of resources for pensions at June 30, 2023 and 2022, respectively.

Table 10.7a: UCRP Deferred Outflows of Resources and Deferred Inflows of Resources at June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$102,523	$33,765	$21,693	$43,991	$116,886	$318,858
Changes of assumptions or other inputs	32,548	14,199	29,261	22,948	46,069	145,025
Net difference between projected and actual earnings on pension plan investments	131,330	57,293	118,071	92,596	185,896	585,186
Difference between expected and actual experience	49,148	21,441	44,185	34,652	69,567	218,993
Total	**$315,549**	**$126,698**	**$213,210**	**$194,187**	**$418,418**	**$1,268,062**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions			$16,230			$16,230
Difference between expected and actual experience	$4,188	$1,827	3,765	$2,953	$5,928	18,661
Total	**$4,188**	**$1,827**	**$19,995**	**$2,953**	**$5,928**	**$34,891**

Table 10.7b: UCRP Deferred Outflows of Resources and Deferred Inflows of Resources at June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$94,267	$30,009	$20,182	$55,159	$115,289	$314,906
Changes of assumptions or other inputs	92,803	40,749	86,863	67,311	132,131	419,857
Net difference between projected and actual earnings on pension plan investments	296,267	130,089	277,306	214,886	421,822	1,340,370
Difference between expected and actual experience	39,380	17,292	36,860	28,563	56,069	178,164
Total	**$522,717**	**$218,139**	**$421,211**	**$365,919**	**$725,311**	**$2,253,297**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$1,900	$1,860	$20,500			$24,260
Difference between expected and actual experience	8,496	3,731	7,953	$6,162	$12,097	38,439
Total	**$10,396**	**$5,591**	**$28,453**	**$6,162**	**$12,097**	**$62,699**

Table 10.8 presents net deferred outflows and inflows of resources related to pensions that will be recognized in pension expense during the years ended June 30 in future years.

Table 10.8: UCRP Net Deferred Outflows of Resources and Deferred Inflows of Resources in Future Years
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2024	$69,520	$27,277	$30,132	$42,455	$92,640	$262,024
2025	24,609	6,203	(7,199)	6,247	21,992	51,852
2026	230,381	97,482	187,713	154,869	318,181	988,626
2027	(13,149)	(6,091)	(17,431)	(12,337)	(20,323)	(69,331)
Total	**$311,361**	**$124,871**	**$193,215**	**$191,234**	**$412,490**	**$1,233,171**

The UCRSP (Defined Contribution (DC) Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provides savings incentives and additional retirement security for all eligible employees.

Additional information on the UCRSP plans can be obtained from the 2022-2023 annual report of the UCRS.

Orange County Employees Retirement System

Orange County Employees Retirement System (OCERS) administers a cost-sharing multiemployer 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 2022-2023 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, 2022: 20,678 retired members and beneficiaries, 7,894 inactive members and 22,061 active members.

Contributions

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

Net Pension Liability

The Irvine Medical Center's proportionate share of the net pension liability was $14.7 million and $8.6 million as of June 30, 2023 and 2022, respectively. Irvine Medical Center's net pension liability for OCERS was measured as of June 30, 2023 and 2022, and the total pension liability was determined by an actuarial valuation as of December 31, 2022 and 2021 rolled forward to June 30, 2023 and 2022, respectively. The actuarial assumptions used in 2023 and 2022 were based on the results of an experience study for the period from January 1, 2017 through December 31, 2019.

Table 10.9 presents the assumptions used to calculate the net pension liability for the Plan as of June 30, 2023 and 2022:

Table 10.9: OCERS Actuarial Assumptions

	2023	2022
Discount rate	7.0%	7.0%
Inflation	2.5	2.5
Investment rate of return	7.0	7.0
Projected salary increases	General: 4.0% to 11.0% and Safety: 4.6% to 15.0%	General: 4.0% to 11.0% and Safety: 4.6% to 15.0%
Cost-of-living adjustments	2.75	2.75

Discount Rate

The projection of cash flows used to determine the discount rate assumes 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.

Investment Rate of Return

Table 10.10 presents 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 OCERS Plan.

Table 10.10: OCERS Investment Rate of Return

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
Large Cap Equity	23.1%	5.4%
Small Cap Equity	1.9	6.2
International Developed Equity	13.0	6.7
Emerging Markets Equity	9.0	8.6
Core Bonds	9.0	1.1
High Yield Bonds	1.5	2.9
TIPS	2.0	0.7
Emerging Market Debt	2.0	3.3
Corporate Credit	1.0	0.5
Long Duration Fixed Income	2.5	1.4
Real Estate	3.0	4.4
Private Equity	13.0	9.4
Value Added Real Estate	3.0	7.4
Opportunistic Real Estate	1.0	10.2
Energy	2.0	9.7
Infrastructure (Core Private)	1.5	5.1
Infrastructure (Non-Core Private)	1.5	8.9
CTA - Trend Following	2.5	2.4
Global Macro	2.5	2.1
Private Credit	2.5	5.5
Alternative Risk Premia	2.5	2.5
Total	**100.0%**	

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Table 10.11 presents the net pension liability calculated using the June 30, 2023 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 1% lower and 1% higher than the current assumption.

Table 10.11: OCERS Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(in thousands of dollars)

	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability	$21,359	$14,657	$9,191

Deferred Outflows of Resources and Deferred Inflows of Resources

Table 10.12 presents the composition of deferred outflows of resources and deferred inflows of resources as of June 30.

Table 10.12: OCERS Deferred Outflows of Resources and Deferred Inflows of Resources
(in thousands of dollars)

	2023	2022
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$943	$790
Changes of assumptions or other inputs	3	239
Net difference between projected and actual earnings on pension plan investments	1,934	
Total	**$2,880**	**$1,029**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$4	$400
Changes of assumptions or other inputs	267	361
Net difference between projected and actual earnings on pension plan investments		4,233
Total	**$271**	**$4,994**

Table 10.13 presents the net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense for OCERS during the next five years.

Table 10.13: OCERS Net Deferred Outflows of Resources and Deferred Inflows of Resources in Future Years
(in thousands of dollars)

Year ending June 30	
2024	($43)
2025	448
2026	746
2027	1,419
2028	39
Total	**$2,609**

Children’s Hospital and Research Center Oakland Pension Plan

CHRCO administers the CHRCO Pension Plan as the sponsor and plan assets are held by State Street Bank and Trust Company (the Trustee), which is the successor trustee to U.S. Bank effective December 1, 2021. 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.

Table 10.14 presents assumptions used to calculate the net pension liability for the CHRCO Pension Plan.

Table 10.14: CHRCO Actuarial Assumptions

	2023	2022
Inflation	3.00%	3.00%
Investment rate of return	7.00%	6.75%
Projected salary increases:		
Represented employees	4.00 percent for FYE 2023, 4.10 percent for FYE 2024, 4.30 percent for FYE 2025, and 3.50 percent for FYE 2026 annually thereafter	3.75 percent for FYE 2022, 4.00 percent for FYE 2023 and FYE 2024, and 3.75 percent for FYE 2025 annually thereafter
Unrepresented employees	4.00 percent for FYE 2023, 4.50 percent for FYE 2024, 4.00 percent for FYE 2025, and 3.50 percent for FYE 2026 annually thereafter	3.00 percent for FYE 2022, 4.00 percent for FYE 2023 and 2024, and 3.00 percent for FYE 2025 annually thereafter
Cost-of-living adjustments	N/A	N/A

CHRCO recognized pension expense of $44.2 million and $49.1 million for the years ended June 30, 2023 and 2022, respectively.

The actuarial assumptions used in the June 30, 2023 and 2022 valuations were based on the results of an experience study conducted during 2019. The mortality rates were based on the Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2021.

Additional information on the CHRCO Pension Plan can be obtained from Children’s Hospital Oakland, Finance Department, 747 52nd Street, Oakland, California 94609.

Table 10.15 presents condensed financial information for the CHRCO Pension Plan as of and for the years ended June 30, 2023 and 2022.

Table 10.15: Children's Hospital and Research Center Oakland Pension Plan Condensed Financial Information
(in thousands of dollars)

	2023	2022
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION		
Investments at fair value	$623,856	$534,917
Other assets		3,300
Total assets	**623,856**	**538,217**
Net position held in trust	**$623,856**	**$538,217**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION		
Contributions	$41,400	$37,452
Investment and other income, net	73,339	(94,275)
Total additions, net	**114,739**	**(56,823)**
Benefit payment and participant withdrawals	25,027	22,683
Plan expense	4,073	4,062
Total deductions	**29,100**	**26,745**
Change in net position held in trust	**85,639**	**(83,568)**
Net position held in trust		
Beginning of year	538,217	621,785
End of year	**$623,856**	**$538,217**
CHANGES IN TOTAL PENSION LIABILITY		
Service cost	$14,159	$15,775
Interest	44,522	42,159
Difference between expected and actual experience	6,851	1,058
Changes of assumptions and other inputs	(23,590)	(22,525)
Benefits paid, including refunds of employee contributions	(25,027)	(22,683)
Net change in total pension liability	**16,915**	**13,784**
Total pension liability		
Beginning of year	657,935	644,151
End of year	**674,850**	**657,935**
Net pension liability, end of year	**$50,994**	**$119,718**

Table 10.16 presents membership in the CHRCO Pension Plan at June 30, 2023.

Table 10.16: CHRCO Pension Plan Membership

Retirees and beneficiaries receiving benefits	1,380
Inactive members entitled to, but not yet receiving benefits	1,174
Active members	1,885
Total membership	**4,439**

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 the CHRCO Pension Plan 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.

Discount Rate

The discount rate used to estimate the net pension liability was 7.00 percent and 6.75 percent for June 30, 2023 and 2022, respectively. 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 5 and 7 years for its unrepresented and represented employees, respectively, 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.

Investment Rate of Return

Table 10.17 presents 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.

Table 10.17: CHRCO Pension Plan Investment Rate of Return

	TOTAL ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class:		
U.S. equity large cap	41.4%	4.7%
U.S. equity small cap	16.3	4.9
Developed international equity	20.4	5.4
Emerging market equity	7.9	6.4
Core fixed income	10.2	0.8
Cash	3.8	
Total	**100.0%**	

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Table 10.18 presents the current-period net pension liability calculated using the June 30, 2023 discount rate assumption of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate 1% lower and 1% higher than the current assumption.

Table 10.18: CHRCO Pension Plan Sensitivity of the Net Pension Liability to the Discount Rate Assumption
(in thousands of dollars)

	1% DECREASE (6%)	CURRENT DISCOUNT (7%)	1% INCREASE (8%)
Net pension liability	$140,157	$50,994	($23,042)

Deferred Outflows of Resources and Deferred Inflows of Resources

Table 10.19 presents the components of deferred outflows of resources and deferred inflows of resources as of June 30.

Table 10.19: CHRCO Pension Plan Deferred Outflows of Resources and Deferred Inflows of Resources
(in thousands of dollars)

	2023	2022
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$27,689	$30,774
Changes of benefit terms		11
Changes of assumptions	10,675	15,236
Net difference between projected and actual earnings on pension plan investments	28,651	79,132
Total	**$67,015**	**$125,153**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$2,091	$2,579
Changes of assumptions	37,835	23,925
Total	**$39,926**	**$26,504**

Table 10.20 presents the net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense for the CHRCO Pension Plan during the years ended June 30.

Table 10.20: CHRCO Pension Plan Net Deferred Outflows of Resources and Deferred Inflows of Resources in Future Years
(in thousands of dollars)

Year ending June 30	
2024	$16,350
2025	8,217
2026	18,839
2027	(11,869)
2028	(3,720)
Thereafter	(728)
Total	**$27,089**

11. 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 the University of California Retiree Health Benefit Program. The Regents has the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled 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 2022-2023 annual report of the University.

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. Contributions toward benefits are shared with the retiree. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. 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.

The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.23 and $2.36 per $100 of UCRP covered payroll effective July 1, 2022 and 2021, respectively.

Table 11.1 presents the Medical Centers' cash contributions to the UCRHBT for the years ended June 30, 2023 and 2022.

Table 11.1: Cash Contributions to UCRHBT
(in thousands of dollars)

	2023	2022
Davis	$27,804	$25,938
Irvine	12,048	11,315
Los Angeles	24,842	24,287
San Diego	19,449	18,670
San Francisco	39,876	37,037
Total	**$124,019**	**$117,247**

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. Table 11.2 presents the Medical Centers' implicit subsidy contributions for the years ended June 30, 2023 and 2022.

Table 11.2: Implicit Subsidy Contributions
(in thousands of dollars)

	2023	2022
Davis	$9,132	$8,262
Irvine	3,958	3,601
Los Angeles	8,157	7,734
San Diego	6,387	5,946
San Francisco	13,101	11,795
Total	**$40,735**	**$37,338**

Net Retiree Health Benefits Liability

Tables 11.3a and 11.3b present the Medical Centers' proportionate share of the net retiree health benefits liability at June 30, 2023 and 2022, respectively.

Table 11.3a: Net Retiree Health Benefits Liability at June 30, 2023
(in thousands of dollars)

	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY
Davis	7.5%	$1,621,188
Irvine	3.2	702,471
Los Angeles	6.7	1,448,495
San Diego	5.2	1,133,878
San Francisco	10.7	2,324,959
Total	**33.3%**	**$7,230,991**

Table 11.3b: Net Retiree Health Benefits Liability at June 30, 2022
(in thousands of dollars)

	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY
Davis	7.3%	$1,429,502
Irvine	3.2	623,548
Los Angeles	6.8	1,338,495
San Diego	5.3	1,028,874
San Francisco	10.4	2,041,112
Total	**33.0%**	**$6,461,531**

The Medical Centers' net retiree health benefits liability was measured at June 30, 2023 and 2022 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 at March 1, 2022 and 2021, 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. Table 11.4 presents significant actuarial methods and assumptions used to calculate the Medical Centers' net retiree health benefits liability.

Table 11.4: Net Retiree Health Benefits Actuarial Assumptions

	2023	2022
Discount rate[1]	3.65%	3.54%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Health care cost trend rates	Initially ranges from -3.1 to 29.1 decreasing to an ultimate rate of 3.9 for 2075 and later years.	Initially ranges from 1.4 to 14.6 decreasing to an ultimate rate of 3.9 for 2075 and later years.

[1]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.

Mortality Rates

Table 11.5 presents the mortality rates used to calculate the Medical Centers' net retiree health benefits liability.

Table 11.5: Mortality Rates

	2023	2022
Preretirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table.
Postretirement Healthy Members	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 110 percent and 105 percent for other male and female members, respectively.	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively.
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table multiplied by 85 percent.	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table.
Beneficiaries of Retired Members	After the expected (and actual) death of the retired member: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 95 percent for females. While retired member is alive: rates for healthy retired members.	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table.
Projection scale for all mortality tables	Generationally with the two-dimensional mortality improvement scale MP-2021.	Generationally with the two-dimensional mortality improvement scale MP-2018.

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 used at June 30, 2023 were based upon the results of the most recent experience study covering the period of July 1, 2018 through June 30, 2022. The actuarial assumptions used at June 30, 2022 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018.

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

Table 11.6 presents the June 30, 2023 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2023 health care cost trend rate assumption with initial trend ranging from (3.1) percent to 29.1 percent grading down to an ultimate trend of 3.9 percent over 52 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate 1% lower and 1% higher than the current assumption:

Table 11.6: Sensitivity to the Health Care Cost Trend Rate
(in thousands of dollars)

	1% DECREASE (-4.1% to 28.1%) DECREASING TO (2.9%)	CURRENT TREND (-3.1% to 29.1%) DECREASING TO (3.9%)	1% INCREASE (-2.1% to 30.1%) DECREASING TO (4.9%)
Davis	$1,357,678	$1,621,188	$1,964,204
Irvine	588,291	702,471	851,103
Los Angeles	1,213,055	1,448,495	1,754,972
San Diego	949,576	1,133,878	1,373,788
San Francisco	1,947,057	2,324,959	2,816,882
Total	**$6,055,657**	**$7,230,991**	**$8,760,949**

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

Table 11.7 presents the June 30, 2023 net retiree health benefits liability of the Medical Centers calculated using the June 30, 2023 discount rate assumption of 3.65 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1% lower and 1% higher than the current assumption.

Table 11.7: Sensitivity to the Discount Rate Assumption
(in thousands of dollars)

	1% DECREASE (2.65%)	CURRENT DISCOUNT (3.65%)	1% INCREASE (4.65%)
Davis	$1,911,952	$1,621,188	$1,388,407
Irvine	828,462	702,471	601,606
Los Angeles	1,708,287	1,448,495	1,240,511
San Diego	1,337,242	1,133,878	971,069
San Francisco	2,741,947	2,324,959	1,991,127
Total	**$8,527,890**	**$7,230,991**	**$6,192,720**

Deferred Outflows of Resources and Deferred Inflows of Resources

Tables 11.8a and 11.8b present the components of deferred outflows of resources and deferred inflows of resources for retiree health benefits at June 30, 2023 and 2022, respectively.

Table 11.8a: Components of Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits at June 30, 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$157,445	$42,224	$36,011	$90,174	$242,731	$568,585
Changes of assumptions or other inputs	257,120	111,412	229,731	179,833	368,738	1,146,834
Net difference between projected and actual earnings on plan investments	155	68	139	108	223	693
Difference between expected and actual experience	68,628	29,737	61,317	47,999	98,420	306,101
Total	**$483,348**	**$183,441**	**$327,198**	**$318,114**	**$710,112**	**$2,022,213**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$5,446	$15,350	$139,947	$5,230	$49,956	$215,929
Changes of assumptions or other inputs	429,838	186,252	384,051	300,634	616,434	1,917,209
Difference between expected and actual experience	159,447	69,089	142,462	111,519	228,664	711,181
Total	**$594,731**	**$270,691**	**$666,460**	**$417,383**	**$895,054**	**$2,844,319**

Table 11.8b: Components of Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits at June 30, 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
DEFERRED OUTFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$140,868	$36,188	$48,217	$118,639	$236,246	$580,158
Changes of assumptions or other inputs	333,545	145,492	312,310	240,066	476,251	1,507,664
Net difference between projected and actual earnings on plan investments	470	205	440	338	671	2,124
Difference between expected and actual experience	11,408	4,976	10,682	8,211	16,289	51,566
Total	**$486,291**	**$186,861**	**$371,649**	**$367,254**	**$729,457**	**$2,141,512**
DEFERRED INFLOWS OF RESOURCES						
Changes in proportion and differences between location's contributions and proportionate share of contributions	$7,147	$20,936	$130,943		$58,876	$217,902
Changes of assumptions or other inputs	504,261	219,959	472,158	$362,938	720,009	2,279,325
Difference between expected and actual experience	207,946	90,706	194,707	149,667	296,915	939,941
Total	**$719,354**	**$331,601**	**$797,808**	**$512,605**	**$1,075,800**	**$3,437,168**

Table 11.9 presents the net amount of deferred outflows and inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ended June 30.

Table 11.9: Net Deferred Outflows and Inflows of Resources for Retiree Health Benefits
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
2024	($22,695)	($18,732)	($59,725)	($5,911)	($10,493)	($117,556)
2025	(36,504)	(24,654)	(71,852)	(16,870)	(35,869)	(185,749)
2026	(11,922)	(9,988)	(54,691)	(8,949)	(18,902)	(104,452)
2027	1,000	(3,059)	(33,865)	(5,655)	(14,582)	(56,161)
2028	(11,064)	(9,402)	(40,796)	(18,289)	(39,833)	(119,384)
Thereafter	(30,198)	(21,415)	(78,333)	(43,595)	(65,263)	(238,804)
Total	**($111,383)**	**($87,250)**	**($339,262)**	**($99,269)**	**($184,942)**	**($822,106)**

12. 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, including the Medical Centers, are charged premiums to finance the workers' compensation and health and welfare programs. The Medical Centers are also 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.

Tables 12a and 12b present CHRCO's self-insurance activity.

Table 12a: CHRCO Self-Insurance Activity in 2023
(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
Liabilities at June 30, 2022	$5,683	$9,900	$1,970	$17,553
Claims incurred and changes in estimates	172	5,308	11,487	16,967
Claim payments	(233)	(3,255)	(11,528)	(15,016)
Liabilities at June 30, 2023	**$5,622**	**$11,953**	**$1,929**	**$19,504**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

Table 12b: CHRCO Self-Insurance Activity in 2022
(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
Liabilities at June 30, 2021	$5,526	$10,523	$1,834	$17,883
Claims incurred and changes in estimates	(204)	2,548	11,489	13,833
Claim payments	361	(3,171)	(11,353)	(14,163)
Liabilities at June 30, 2022	**$5,683**	**$9,900**	**$1,970**	**$17,553**
Discount rate	**Undiscounted**	**5.0%**	**Undiscounted**	

CHRCO has two irrevocable letters of credit with a bank totaling $5.7 million as of June 30, 2023, 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, 2023.

13. 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 in the statements of revenues, expenses and changes in net position for the years ended June 30 as follows:

Table 13.1a: Transactions with Other University Entities in 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Other employee benefits	$12,372	$6,191	$26,247	$13,212	$1,417	$59,439
Professional services	10,555	5,187	877	86,143	1,053,336	1,156,098
Other supplies and purchased services	(15,313)	88,797	93,957	35,864	103,408	306,713
Insurance and other	21,344	11,228	32,597	17,381	16,849	99,399
Interest income, net	(49,072)	(35,434)	(64,170)	(12,559)	(68,273)	(229,508)
Total	**($20,114)**	**$75,969**	**$89,508**	**$140,041**	**$1,106,737**	**$1,392,141**

Table 13.1b: Transactions with Other University Entities in 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Other employee benefits	$10,585	$5,838	$25,417	$11,224	$2,232	$55,296
Professional services	22,276	5,449	440	72,405	936,939	1,037,509
Other supplies and purchased services	(11,632)	81,736	162,017	41,639	96,519	370,279
Insurance and other	18,098	10,024	28,771	16,341	14,289	87,523
Interest income, net	(14,516)	(5,627)	(16,386)	(1,054)	(34,425)	(72,008)
Total	**$24,811**	**$97,420**	**$200,259**	**$140,555**	**$1,015,554**	**$1,478,599**

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, net of interest income, 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.

Tables 13.2a and 13.2b present payments made by the Medical Centers for the years ended June 30, 2023 and 2022.

Table 13.2a: Payments to (from) the University in 2023
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Reported as operating expenses, net of interest income	($20,114)	$75,969	$89,508	$140,041	$1,106,737	$1,392,141
Reported as health system support	150,812	118,682	275,605	265,853	137,141	948,093
Total payments to the University	**$130,698**	**$194,651**	**$365,113**	**$405,894**	**$1,243,878**	**$2,340,234**

Table 13.2b: Payments to the University in 2022
(in thousands of dollars)

	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	TOTAL
Reported as operating expenses, net of interest income	$24,811	$97,420	$200,259	$140,555	$1,015,554	$1,478,599
Reported as health system support	104,910	97,047	251,099	248,603	123,375	825,034
Total payments to the University	**$129,721**	**$194,467**	**$451,358**	**$389,158**	**$1,138,929**	**$2,303,633**

14. COMPONENT UNIT INFORMATION

Condensed combining financial statement information related to San Francisco for the year ended June 30, 2023 is as follows:

Table 14.1a: Condensed Statement of Net Position at June 30, 2023

(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Current assets	$3,225,267	$331,357	($282)	$3,556,342
Capital assets, net	3,004,945	458,692	(451)	3,463,186
Other assets	1,211,991	373,326	(247)	1,585,070
Total assets	**7,442,203**	**1,163,375**	**(980)**	**8,604,598**
Total deferred outflows of resources	**1,136,932**	**67,015**		**1,203,947**
Current liabilities	1,397,947	208,486	(282)	1,606,151
Long-term debt, net of current portion	2,505,990	113,038	(247)	2,618,781
Other noncurrent liabilities	5,223,766	80,994		5,304,760
Total liabilities	**9,127,703**	**402,518**	**(529)**	**9,529,692**
Total deferred inflows of resources	**901,816**	**59,833**	**(451)**	**961,198**
Net investment in capital assets	1,578,576	342,152	76	1,920,804
Restricted: Nonexpendable endowments and gifts		34,344		34,344
Restricted: Expendable capital projects and other	27,233	72,445		99,678
Unrestricted	(3,056,193)	319,098	(76)	(2,737,171)
Total net position	**($1,450,384)**	**$768,039**		**($682,345)**

Table 14.2a: Condensed Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2023

(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Net patient service revenue	$5,769,261	$687,912	($23,038)	$6,434,135
Grants and contracts		4,085		4,085
Other operating revenue	348,265	32,626		380,891
Operating expenses before depreciation	(5,997,911)	(706,191)		(6,704,102)
Depreciation expense	(188,654)	(33,637)	246	(222,045)
Operating loss	**(69,039)**	**(15,205)**	**(22,792)**	**(107,036)**
Nonoperating revenues (expenses), net	(40,411)	31,760	(246)	(8,897)
Income (loss) before other changes in net position	**(109,450)**	**16,555**	**(23,038)**	**(115,933)**
Other, including donated assets	(187,041)	2,368	23,038	(161,635)
Change in net position	**(296,491)**	**18,923**		**(277,568)**
Net position - beginning of year	(1,153,893)	749,116		(404,777)
Net position - end of year	**($1,450,384)**	**$768,039**		**($682,345)**

Table 14.3a: Condensed Statement of Cash Flows for the Year Ended June 30, 2023

(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Net cash provided (used) by:				
Operating activities	$546,045	$26,950	($23,302)	$549,693
Noncapital financing activities	(144,404)	20,840	23,037	(100,527)
Capital and related financing activities	(631,046)	(58,167)	265	(688,948)
Investing activities	179,960	3,472		183,432
Net change in cash and cash equivalents	**(49,445)**	**(6,905)**		**(56,350)**
Cash and cash equivalents – beginning of year	2,143,108	203,521		2,346,629
Cash and cash equivalents – end of year	**$2,093,663**	**$196,616**		**$2,290,279**

Condensed combining financial statement information related to San Francisco for the year ended June 30, 2022 is as follows:

Table 14.1b: Condensed Statement of Net Position at June 30, 2022
(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Current assets	$3,200,282	$332,360	($264)	$3,532,378
Capital assets, net	2,665,731	439,373	(698)	3,104,406
Other assets	1,325,618	375,995	(528)	1,701,085
Total assets	**7,191,631**	**1,147,728**	**(1,490)**	**8,337,869**
Total deferred outflows of resources	**1,483,471**	**125,152**		**1,608,623**
Current liabilities	1,325,944	213,183	(265)	1,538,862
Long-term debt, net of current portion	2,510,227	114,794	(528)	2,624,493
Other noncurrent liabilities	4,903,840	147,743		5,051,583
Total liabilities	**8,740,011**	**475,720**	**(793)**	**9,214,938**
Total deferred inflows of resources	**1,088,984**	**48,044**	**(697)**	**1,136,331**
Net investment in capital assets	1,365,610	319,697	92	1,685,399
Restricted: Nonexpendable endowments and gifts		33,006		33,006
Restricted: Expendable capital projects and other	29,164	73,638		102,802
Unrestricted	(2,548,667)	322,775	(92)	(2,225,984)
Total net position	**($1,153,893)**	**$749,116**		**($404,777)**

Table 14.2b: Condensed Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2022
(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Net patient service revenue	$5,300,600	$641,439	($32,451)	$5,909,588
Grants and contracts		12,566		12,566
Other operating revenue	319,956	25,151		345,107
Operating expenses before depreciation	(5,330,184)	(635,007)		(5,965,191)
Depreciation expense	(180,037)	(38,422)	246	(218,213)
Operating income (loss)	**110,335**	**5,727**	**(32,205)**	**83,857**
Nonoperating expenses, net	(53,434)	(733)	(246)	(54,413)
Income (loss) before other changes in net position	**56,901**	**4,994**	**(32,451)**	**29,444**
Other, including donated assets	(227,026)	23,338	32,451	(171,237)
Change in net position	**(170,125)**	**28,332**		**(141,793)**
Net position - beginning of year	(983,768)	720,784		(262,984)
Net position - end of year	**($1,153,893)**	**$749,116**		**($404,777)**

Table 14.3b: Condensed Statement of Cash Flows for the Year Ended June 30, 2022
(in thousands of dollars)

	UCSF (Primary Government)	CHRCO	Eliminations	SAN FRANCISCO TOTAL
Net cash provided (used) by:				
Operating activities	$572,734	$14,284	($32,697)	$554,321
Noncapital financing activities	(95,938)	24,551	32,450	(38,937)
Capital and related financing activities	583,463	(31,444)	247	552,266
Investing activities	(870,848)	3,368		(867,480)
Net change in cash and cash equivalents	189,411	**10,759**		**200,170**
Cash and cash equivalents – beginning of year	1,953,697	192,762		2,146,459
Cash and cash equivalents – end of year	**$2,143,108**	**$203,521**		**$2,346,629**

15. 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 their 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 estimated remaining costs of the Medical Center projects, excluding interest, at June 30, 2023 are presented in Table 15.

Table 15: Construction Contracts

(in thousands of dollars)

Davis	$2,850,542
Irvine	245,636
Los Angeles	256,084
San Diego	202,245
San Francisco	425,629
Total	**$3,980,136**

Under an agreement with a private, nonprofit 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. At June 30, 2023, 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 nonprofit hospital.

16. SUBSEQUENT EVENT

On October 9, 2023, the UCSD Medical Center entered into an agreement to acquire two medical towers and a parking garage for approximately $200.0 million. The transaction is expected to close in December 2023.

Required Supplementary Information *(Unaudited)*

UCRP

UCRP RSI Table 1 presents the Medical Centers' proportionate share of UCRP's net pension liability for the past 10 years.

UCRP RSI Table 1

(in thousands of dollars)

AT 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					
2023	7.8%	$1,529,126	$1,159,655	131.9%	81.2%
2022	7.6	1,527,815	1,026,636	148.8	79.3
2021	7.1	472,294	914,099	51.7	93.9
2020	6.7	1,368,556	854,960	160.1	76.6
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	85.2
2016	6.6	895,967	682,784	131.2	78.3
2015	6.5	627,561	635,120	98.8	83.8
2014	6.6	468,810	603,824	77.6	87.2
IRVINE					
2023	3.4%	$667,084	$505,902	131.9%	81.2%
2022	3.3	670,850	450,787	148.8	79.3
2021	3.2	215,278	416,658	51.7	93.9
2020	3.1	632,665	395,237	160.1	76.6
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	85.2
2016	3.2	438,524	334,184	131.2	78.3
2015	3.2	308,211	311,924	98.8	83.8
2014	3.3	235,813	303,726	77.6	87.2
LOS ANGELES					
2023	7.0%	$1,374,737	$1,042,570	131.9%	81.2%
2022	7.1	1,430,028	960,926	148.8	79.3
2021	7.2	478,616	926,335	51.7	93.9
2020	7.1	1,451,711	906,908	160.1	76.6
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	85.2
2016	7.3	990,520	754,840	131.2	78.3
2015	7.2	697,260	705,659	98.8	83.8
2014	7.3	513,936	661,946	77.6	87.2

UCRP RSI Table 1 (Continued)

(in thousands of dollars)

AT 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
SAN DIEGO					
2023	5.5%	$1,078,132	$817,631	131.9%	81.2%
2022	5.5	1,108,138	744,628	148.8	79.3
2021	5.3	353,179	683,559	51.7	93.9
2020	5.1	1,048,715	655,150	160.1	76.6
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	85.2
2016	4.1	564,996	430,563	131.2	78.3
2015	4.0	385,387	390,029	98.8	83.8
2014	3.9	271,458	349,636	77.6	87.2
SAN FRANCISCO					
2023	11.1%	$2,164,448	$1,641,469	131.9%	81.2%
2022	10.8	2,175,275	1,461,705	148.8	79.3
2021	10.3	688,043	1,331,669	51.7	93.9
2020	9.9	2,022,619	1,263,564	160.1	76.6
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	85.2
2016	8.6	1,171,002	892,379	131.2	78.3
2015	8.1	777,948	787,319	98.8	83.8
2014	7.4	523,452	674,202	77.6	87.2
TOTAL					
2023	34.8%	$6,813,527	$5,167,227	131.9%	81.2%
2022	34.3	6,912,106	4,644,682	148.8	79.3
2021	33.1	2,207,410	4,272,320	51.7	93.9
2020	31.9	6,524,266	4,075,819	160.1	76.6
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	85.2
2016	29.8	4,061,009	3,094,750	131.2	78.3
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

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Changes of benefit terms. UCRP was amended during the fiscal year ended June 30, 2023 to provide a one-time cost-of-living adjustment (ad-hoc COLA) to a cohort of retirees. There were no changes to the size or composition of the covered population in any of the fiscal years in the ten-year period which ended June 30, 2023, that significantly affected the total pension liability.

Changes of assumptions. Actuarial assumptions were changed three times during the ten-year period ended June 30, 2023, each time coinciding with an experience study. Amounts reported in 2023 include an adjustment to the mortality assumption reflecting longer life expectancy. Amounts reported in 2019 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.25 percent to 6.75 percent. Amounts reported in 2015 include
an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.50 percent to 7.25 percent.

CHRCO PENSION PLAN

CHRCO RSI Table 1 shows the schedule of changes in the net pension liability for the CHRCO Pension Plan for the past 10 years.

CHRCO RSI Table 1

(in thousands of dollars)

	2023	2022	2021	2020	2019
TOTAL PENSION LIABILITY					
Service cost	$14,159	$15,775	$14,873	$12,648	$11,430
Interest on the total pension liability	44,522	42,159	38,932	36,005	34,165
Difference between expected and actual experience	6,851	1,058	18,527	23,581	5,214
Changes of assumptions or other inputs	(23,590)	(22,525)	(2,413)	28,609	(9,540)
Benefits paid, including refunds of employee contributions	(25,027)	(22,683)	(19,684)	(17,262)	(15,143)
Net change in total pension liability	**16,915**	**13,784**	**50,235**	**83,581**	**26,126**
Total pension liability - beginning of year	657,935	644,151	593,916	510,335	484,209
Total pension liability - end of year	**674,850**	**657,935**	**644,151**	**593,916**	**510,335**
PLAN NET POSITION					
Contributions - employer	41,400	37,452	31,752	31,200	31,200
Net investment income	73,339	(94,275)	111,835	(7,468)	25,203
Benefits paid, including refunds of employee contributions	(25,027)	(22,683)	(19,684)	(17,262)	(15,143)
Administrative expense	(4,073)	(4,062)	(3,600)	(3,598)	(2,711)
Net change in plan net position	**85,639**	**(83,568)**	**120,303**	**2,872**	**38,549**
Total plan net position - beginning of year	538,217	621,785	501,482	498,610	460,061
Total plan net position - end of year	**623,856**	**538,217**	**621,785**	**501,482**	**498,610**
Net pension liability - end of year	**$50,994**	**$119,718**	**$22,366**	**$92,434**	**$11,725**

CHRCO RSI Table 1 *Continued*

(in thousands of dollars)

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	$11,304	$9,910	$10,410	$9,448	$9,274
Interest on the total pension liability	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	3,609	2,442	(3,690)	762	2,487
Changes of assumptions or other inputs			3,613	33,105	
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Net change in total pension liability	**34,057**	**30,290**	**28,630**	**59,956**	**27,362**
Total pension liability - beginning of year	450,152	419,862	391,232	331,276	303,914
Total pension liability - end of year	**484,209**	**450,152**	**419,862**	**391,232**	**331,276**
PLAN NET POSITION					
Contributions - employer	33,600	28,800	24,000	18,000	14,500
Net investment income	33,269	41,256	214	11,797	48,704
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Administrative expense	(3,014)	(2,727)	(1,816)	(1,222)	(718)
Net change in plan net position	**51,053**	**55,562**	**12,889**	**20,493**	**55,492**
Total plan net position - beginning of year	409,008	353,446	340,557	320,064	264,572
Total plan net position - end of year	**460,061**	**409,008**	**353,446**	**340,557**	**320,064**
Net pension liability - end of year	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**

CHRCO RSI Table 2 shows the schedule of net pension liability for the CHRCO Pension Plan for the past 10 years.

CHRCO RSI Table 2

(in thousands of dollars)

	2023	2022	2021	2020	2019
Total pension liability	$674,850	$657,935	$644,151	$593,916	$510,335
Plan net position	623,856	538,217	621,785	501,482	498,610
Net pension liability	**$50,994**	**$119,718**	**$22,366**	**$92,434**	**$11,725**
Ratio of plan net position to total pension liability	92.4%	81.8%	96.5%	84.4%	97.7%
Covered payroll	$224,898	$214,184	$220,208	$209,596	$190,599
Net pension liability as a percentage of covered payroll	22.7%	55.9%	10.2%	44.1%	6.2%

CHRCO RSI Table 2 *Continued*

(in thousands of dollars)

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

CHRCO RSI Table 3 shows the schedule of employer contributions for the CHRCO Pension Plan for the past 10 years.

CHRCO RSI Table 3

(in thousands of dollars)

	2023	2022	2021	2020	2019
Actuarially calculated employer contributions	$17,990	$11,050	$15,270	$22,070	$17,870
Contributions in relation to the actuarially calculated employer contribution	41,400	37,452	31,752	31,200	31,200
Annual contribution (excess) deficiency	**($23,410)**	**($26,402)**	**($16,482)**	**($9,130)**	**($13,330)**
Covered payroll	$224,898	$214,184	$220,208	$209,596	$190,599
Actual contributions as a percentage of covered payroll	18.4%	17.5%	14.4%	14.9%	16.4%

CHRCO RSI Table 3 *Continued*

(in thousands of dollars)

	2018	2017	2016	2015	2014
Actuarially calculated employer contributions	$7,710	$5,642	$7,823	$12,239	$21,282
Contributions in relation to the actuarially calculated employer contribution	33,600	28,800	24,000	18,000	14,500
Annual contribution (excess) deficiency	**($25,890)**	**($23,158)**	**($16,177)**	**($5,761)**	**$6,782**
Covered payroll	$187,639	$184,083	$165,672	$177,986	$175,189
Actual contributions as a percentage of covered payroll	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 fiscal year (for the Rep Plan) and as of July 1 of the beginning of the fiscal year (for the Unrep Plan) 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 to June 30, 2015, and after includes HATFA. The contribution for July 1, 2020 and after reflects the American Rescue Plan Act of 2021 (ARPA) and Infrastructure Investment and Jobs Act ("IIJA") of 2021. For the Rep Plan, the actuarially determined contribution represents half of the prior plan year and half of the current plan year required minimum contribution amounts.
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 over a 15-year period from the valuation date as specified under PPA.
Remaining amortization period	15 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% for the Rep Plan and Unrep Plan.
Investment rate of return	7.0% for the Rep Plan and Unrep Plan.
Projected salary increases	Represented employees: 4.0% for FYE23, 4.10% for FYE24, 4.3% for FYE25, 3.5% for FYE26 and thereafter; Unrepresented employees: 4.0% for FYE23, 4.5% for FYE24, 4.0% for FYE25 and 3.5% for FYE26 and thereafter.
Cost-of-living adjustments	N/A.
Mortality	IRS generational mortality table prescribed for the valuation year. Pri-2012 total dataset mortality table for males or females, as appropriate, with MP-2021 generational for mortality improvements.

OCERS

OCERS RSI Table 1 shows Irvine's proportionate share of OCERS' net pension liability for the last eight years for which data is available:

OCERS RSI Table 1

(in thousands of dollars)

AT 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
2023	0.3%	$14,657			69.6%
2022	0.4	8,567			82.7
2021	0.3	12,669			75.3
2020	0.3	15,107			71.6
2019	0.3	17,404			67.9
2018	0.3	13,822	$15	92,146.7%	75.1
2017	0.3	18,057	44	41,038.6	69.0
2016	0.3	18,092	285	6,347.5	69.5

RETIREE HEALTH BENEFITS

Retiree Health Benefits RSI Table 1 shows the Medical Centers' proportionate share of UCRHBT's net retiree health benefits liability.

Retiree Health Benefits RSI Table 1

(in thousands of dollars)

AT 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					
2023	7.5%	$1,621,188	$1,246,816	130.0%	0.9%
2022	7.3	1,429,502	1,099,068	130.1	0.9
2021	7.0	1,705,269	957,674	178.1	0.7
2020	6.6	1,534,830	868,923	176.6	0.7
2019	6.6	1,268,189	816,000	155.4	0.8
2018	6.7	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					
2023	3.2%	$702,471	$540,269	130.0%	0.9%
2022	3.2	623,548	479,449	130.1	0.9
2021	3.2	775,408	435,426	178.1	0.7
2020	3.1	713,600	404,077	176.6	0.7
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					
2023	6.7%	$1,448,495	$1,113,991	130.0%	0.9%
2022	6.8	1,338,495	1,029,110	130.1	0.9
2021	7.1	1,723,183	967,713	178.1	0.7
2020	7.0	1,623,943	919,462	176.6	0.7
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

Retiree Health Benefits RSI Table 1 *Continued*

(in thousands of dollars)

AT 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
SAN DIEGO					
2023	5.2%	$1,133,878	$872,152	130.0%	0.9%
2022	5.3	1,028,874	791,102	130.1	0.9
2021	5.3	1,271,447	714,031	178.1	0.7
2020	5.2	1,193,191	675,577	176.6	0.7
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					
2023	10.7%	$2,324,959	$1,788,161	130.0%	0.9%
2022	10.4	2,041,112	1,569,364	130.1	0.9
2021	10.3	2,493,992	1,400,659	178.1	0.7
2020	10.6	2,463,690	1,394,885	176.6	0.7
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					
2023	33.3%	$7,230,991	$5,561,389	130.0%	0.9%
2022	33.0	6,461,531	4,968,093	130.1	0.9
2021	32.9	7,969,299	4,475,503	178.1	0.7
2020	32.5	7,529,254	4,262,924	176.6	0.7
2019	31.6	6,077,301	3,910,148	155.4	0.8
2018	32.0	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

Retiree Health Benefits RSI Table 2

Notes to schedule	
Changes of benefit terms	In 2019, University contributions for retirees age 65 and older not eligible for Medicare were reduced to levels comparable to Medicare-eligible retirees over a three-year period.
Changes of assumptions or other inputs	Changes of assumptions or other inputs primarily reflect the effects of changes in the discount rate and health care cost trend rate in each period. The following are the health care cost trend assumptions used in each period:

As of June 30	Health Care Cost Trend Rate
2023	(3.1%) to 29.1% decreasing to 3.9% in 2075
2022	1.4% to 14.6% decreasing to 3.9% in 2075
2021	2.7% to 7.5% decreasing to 4.0% in 2075
2020	2.7% to 9.0% decreasing to 4.0% in 2076
2019	4.4% to 9.4% decreasing to 4.0% in 2077
2018	5.0% to 9.3% decreasing to 5.0% in 2033
2017	5.0% to 9.5% decreasing to 5.0% in 2032
2016	6.3% to 9.0% decreasing to 5.0% in 2031
2015	6.6% to 10.0% decreasing to 5.0% in 2030

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