




**Bexar County Hospital District
d/b/a University Health
A Component Unit of Bexar
County, Texas**

**Independent Auditor's Report, Financial Statements,
and Required Supplementary Information**

December 31, 2025 and 2024



Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
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December 31, 2025 and 2024

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4502 Medical Drive
San Antonio, Texas 78229

Report of Management Responsibility

The management of University Health is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the management's discussion and analysis and required supplementary information in the report and is responsible for its accuracy and consistency with the financial statements.

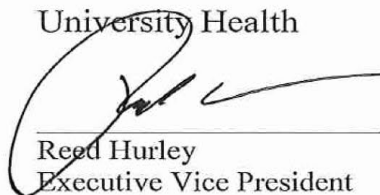
The basic financial statements have been audited by the independent accounting firm of Forvis Mazars LLP, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Managers. Pursuant to the Bylaws, the Board of Managers provides oversight by reviewing and approving annual budgets; fiscal policies and procedures; and monthly financial statements. The Audit Committee reviews and recommends external auditors to the Board of Managers.

University Health maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded, that assets are properly safeguarded, and also provides reasonable assurance to our management and the Board of Managers regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility;
- Established policies and procedures which are routinely reviewed by management, regularly communicated to staff and that demand highly ethical conduct from all employees.

University Health's Integrity Services Department monitors the operation of the internal control system and reports findings and recommendations to the management and the Board of Managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

University Health



Reed Hurley
Executive Vice President
/Chief Financial Officer



Edward Banos
President/Chief Executive Officer

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Introductory Information
Year Ended December 31, 2025

This introductory information of Bexar County Hospital District d/b/a University Health (University Health) provides an overview of University Health's highlights and accomplishments for the year ended December 31, 2025. It should be read in conjunction with the financial statements of University Health.

University Health continues to pursue its strategic vision to be the premier health system in south Texas, committed to delivering patient-centered, culturally competent, and high-quality healthcare, based on a strong foundation of outcomes-based research and innovative teaching. This vision guides decision-making and operational execution. The Triple-Aim Plus concepts continue to be the guiding principles of how University Health executes its strategy to serve the community. University Health continues to be successful in executing the aims of improving quality, safety, and outcomes; improving the patient experience; improving efficiency; and improving access to care. These principles are the foundation of healthcare transformation and all initiatives pursued are developed in the spirit of transforming care using the Triple-Aim Plus goals.

A host of significant accomplishments in 2025 are a testament to University Health's commitment to delivering high quality, compassionate care. Highlights of key initiatives and their outcomes relative to Triple-Aim Plus include:

- University Health earned a Leapfrog Safety Grade of "A" for the 5th straight cycle. This means University Health is among the elite group of hospitals across the country designated as "Straight 'A' for Patient Safety."
- University Health earned its fourth consecutive Magnet designation from the American Nurses Credentialing Center. This is the most prestigious designation in nursing and follows an extensive application and in-person survey process. Fewer than 10% of hospitals nationwide ever achieve this "Gold Standard" designation and just 2% have earned it at least four times. University Health is one of 20 hospitals in Texas – and the only in San Antonio – to achieve Magnet designation four times.
- University Health Transplant Institute was again awarded INTERLINK's Chairman's Award for top performing liver transplant program.
- In its 2025 Best Hospitals edition, U.S. News & World Report recognized University Health as high performing in one adult specialty and four procedures and conditions, including:
 - Gastroenterology and GI surgery
 - Leukemia, lymphoma, myeloma
 - Kidney failure
 - Maternity Care
 - Hip fractures
- University Health was recognized by Newsweek as one of America's Best-in-State Hospitals for 2025.
- For the 4th consecutive year, University Health was named to Newsweek's annual list of Best Maternity Hospitals.
- University Health was again recognized as a "Most Wired" health organization by the College of Healthcare Information Management Executives (CHIME). For 2025, University Health was one of 18 organizations to achieve Level 10 status in CHIME's annual Digital Health Most Wired Survey.
- The American College of Obstetrics and Gynecology, redesignated University Health as a Level IV (Comprehensive – the highest designation) Maternal Center by the Texas Department of State Health Services.
- The Texas Department of State Health Services redesignated University Hospital as a Comprehensive (Level I) Stroke Center.
- University Health once again earned the American Heart Association and American Stroke Association's "Get with the Guidelines – Stroke Gold Plus with Target: Stroke Honor Roll Elite with Target: Type 2 Diabetes" Honor Roll recognition.

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- The University Health Pediatric Respiratory Therapy department once again earned the American Association for Respiratory Care Apex Award. This designation, for 2025 and 2026, recognized the team for exemplifying best practices and for their dedication to patient safety and outcomes.
- University Health was recognized as a national leader for Hospital at Home, a program that provides hospital-level care in patient homes. America's Essential Hospitals, the leading association and champion for hospitals dedicated to high-quality care for all, presented University Health with the 2025 Gage Award for operational excellence at its annual meeting
- Community First Health Plans achieved certification as a HITRUST organization, demonstrating that it has implemented robust information security and privacy controls that meet the standards of the HITRUST Common Security Framework (CSF).
- University Health became the first and only hospital in San Antonio to receive Transcatheter Valve Center Certification from the American College of Cardiology. As of December 31, 2025, only 10 hospitals in Texas have achieved this distinction.
- The UT Health San Antonio/University Hospital heart and vascular team earned a distinguished three-star rating from the Society of Thoracic Surgeons (STS) for patient care and outcomes in isolated coronary artery bypass grafting (CABG) procedures. The three-star rating, the highest category of quality, places this program among the elite for heart bypass surgery in the U.S. and Canada.
- The University Health Cardiovascular Center's Adult Congenital Heart Disease Program was designated as an Adult Congenital Heart Association (ACHA) Comprehensive Care Center. This is the highest level of accreditation for congenital heart programs. The University Health program is the only ACHA Comprehensive Care Center in South Texas and one of less than 60 programs in the country.
- University Health earned a Platinum 2025 Chest Pain – MI Registry Performance Achievement Award from the American College of Cardiology.
- University Health earned an overall "B" in the 2025–26 Lown Hospitals Index for Social Responsibility. In this 6th annual index, University Health earned "A" grades in the following areas: Health Equity, Patient Outcomes, Clinical Outcomes, Patient Safety, Community Benefit, and Inclusivity. University Health is rated in the Top 5 in Texas for community benefit.
- University Health earned a place on the 2025 San Antonio Express-News' list of Top Workplaces in San Antonio.
- For the fourth year in a row, University Health was named to Energage's Healthcare Top Workplaces list. In 2025, University Health jumped up 40 spots and ranked in the Top 50 (at #41 of 234 participating health organizations). This recognition is based solely on a third-party, anonymous survey of all team members conducted in 2024. This survey also resulted in University Health being ranked #87 on the USA Today Top Workplaces list for 2025.
- University Health received its 15th BEST Award from the Association for Talent Development, the world's leading professional organization for learning and development. This award recognizes University Health's commitment to education and professional development.
- University Health's Trauma Nurse Fellowship program was awarded Practice Transition Accreditation Program (PTAP) with distinction by the American Nurses Credentialing Center (ANCC) of the American Nurses Association. University Health's Trauma Nurse Fellowship is a one-year program that supports the acquisition of knowledge, skills, and innovation in trauma care.
- The National Association of Epilepsy Centers re-accredited the University Health Epilepsy program as the only Level IV (highest designation) program in San Antonio for both adult and pediatric patients.
- Aetna recertified University Health as an Institute of Excellence network member for Adult Kidney, Adult Liver, Adult Lung, and Pediatric Kidney transplant services. This means Aetna members have access to highly specialized transplant care through University Health Transplant Institute, with potentially lower out-of-pocket costs.
- University Health again earned recognition from the American Orthopedic Association as a Star Performer through its Own the Bone program. For 2025, 93 U.S. hospitals were featured in U.S. News & World Report as Own the Bone Star Performers.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Introductory Information
Year Ended December 31, 2025

Economic Factors and Key Challenges

Since the DSRIP portion of the 1115 Waiver has concluded, University Health continued its effective work with focus on the Directed Payment Programs (DPPs) portion of that long-term waiver.

Staff and the Board of Managers continue to monitor and consider many factors that have a direct or indirect impact on future operations of University Health that include the following:

- Addressing the healthcare needs of the rapidly growing Bexar County population
- Ongoing workforce shortages
- Rising costs for equipment and services
- Growing activity and improving operating efficiencies in all places of care
- Navigating changes to reimbursement models including the Affordable Care Act, value-based care initiatives, and others

Strategic Plans to Meet These Challenges

- Strong, continuing focus on maintaining high quality of care and improving it in interdisciplinary teams where needed
- Continuing to maximize the Lean Management processes aimed at:
 - Enabling enhanced access to care in various places of care offered by the health system
 - Facilitating rapid improvements in key areas using lean management approaches
 - Assuring mechanisms are in place to develop, sustain and improve processes over time
- Continuing to optimize the Epic electronic medical record system for effective clinical work and in interoperability with referring and receiving providers in the community
- Regularly building interoperability with collaborating and referring provider organizations for secure, appropriate transmission of healthcare information on shared patients
- Enhancing access to such high volumes areas as ambulatory clinics, telemedicine, and dialysis
- Enhancing throughput in the inpatient and emergency department settings to meet growing demand
- Expanding the existing High Value Post-Acute Network (HVPAN) to include additional types of high quality and collaborative post-acute providers to support appropriate patient transfers and to enhance throughput
- Implementing and adapting strategic tactics to fulfill projected activity by:
 - Focusing on key service lines
 - Trauma
 - Transplant
 - Women's health services including perinatal and neonatal care
 - Heart and Vascular
 - Neurosciences
 - GI and advanced endoscopy
 - Children's health
 - Oncology
 - Growing the breadth and depth of University Medicine Associates to meet growing, current primary care and specialty care needs and to expand the group in advance of launching the community hospitals in 2027
 - Enhancing marketing, outreach, and referral development efforts locally and regionally

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Year Ended December 31, 2025

- Executing planned clinical integration and physician alignment initiatives with key service line physicians and selected community physicians
- Leveraging the capability and appeal of the new Women's and Children's Hospital and associated growth tactics to expand services and capacity available through that launch
- Leveraging current technology, data, and tools
- Enhancing human capital through recognition programs and continuous learning, with a special focus on retaining and recruiting key staff, considering post-pandemic changes to the labor market

Independent Auditor's Report

Board of Managers
Bexar County Hospital District d/b/a University Health
San Antonio, Texas

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Bexar County Hospital District d/b/a University Health (University Health), collectively a component unit of Bexar County, Texas, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise University Health's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of University Health as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of University Health 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the report of management responsibility and the introductory information but does not include the basic financial statements and our auditor's 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.

Forvis Mazars, LLP

Dallas, Texas
May 19, 2026

**Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Management's Discussion and Analysis
Years Ended December 31, 2025 and 2024**

This management's discussion and analysis of the financial performance of Bexar County Hospital District d/b/a University Health (University Health) provides an overview of University Health's financial activities for the years ended December 31, 2025 and 2024. It should be read in conjunction with the financial statements of University Health.

This financial report is designed to provide our citizens, customers, bond holders, and creditors with a general overview of University Health's finances and to demonstrate University Health's accountability for the money it receives. The report is available at www.universityhealth.com. If you have questions about this report or need additional financial information, contact University Health's Financial Offices at 4502 Medical Drive, San Antonio, Texas 78229.

Overview of the Financial Statements

University Health's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. University Health's financial statements and the financial statements of University Health's fiduciary fund, which is comprised of a statement of fiduciary net position and a statement of changes in fiduciary net position, provide information about the activities of University Health, including resources held by University Health but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. University Health is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The next section of this financial report contains notes to financial statements, which delve deeper into University Health's finances as reported in the financial statements. The information in the notes is as important to understanding University Health's finances as the information in the financial statements. University Health uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page 20.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Management's Discussion and Analysis
Years Ended December 31, 2025 and 2024

Analysis of University Health's Finances

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current and other assets	\$ 3,220,756	\$ 3,432,381	\$ 3,460,235
Capital assets, net	2,833,122	2,143,925	1,881,817
Total Assets	6,053,878	5,576,306	5,342,052
Deferred Outflows of Resources	162,280	156,253	193,561
Total Assets and Deferred Outflows of Resources	<u>\$ 6,216,158</u>	<u>\$ 5,732,559</u>	<u>\$ 5,535,613</u>
Liabilities			
Long-term debt	\$ 1,307,506	\$ 1,360,519	\$ 1,412,981
Net pension liability	188,407	184,840	209,400
Net other postemployment benefits liability	183,988	138,298	121,109
Other liabilities	695,323	576,475	678,868
Total Liabilities	2,375,224	2,260,132	2,422,358
Deferred Inflows of Resources	677,231	662,414	676,792
Net Position			
Net investment in capital assets	1,476,316	773,640	867,138
Restricted – expendable	70,825	70,242	76,411
Restricted – non-expendable	1,250	1,000	750
Unrestricted	1,615,312	1,965,131	1,492,164
Total Net Position	3,163,703	2,810,013	2,436,463
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,216,158</u>	<u>\$ 5,732,559</u>	<u>\$ 5,535,613</u>

As seen in Table 1, net position increased by \$353.7 million in 2025 to \$3.2 billion. The increase in net position results, in part, from an increase in patient service revenue attributable to increased patient volumes compared to the prior year. Premium revenue also increased significantly from prior year and is attributable to increase in rates paid for members. Net position increased by \$373.6 million in 2024 to \$2.8 billion. The increase in net position results, in part, from an increase in patient service revenue attributable to increased patient volumes compared to 2023. Property tax revenue, also increased significantly from 2023 and is attributable to higher property values in Bexar County as well as taxes on new property values.

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Table 2: Operating Results and Changes in University Health's Net Position (In Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues			
Net patient service revenue	\$ 2,076,643	\$ 1,817,137	\$ 1,613,889
Premium revenue	1,235,127	852,162	798,600
Other revenue	150,551	141,904	133,097
Total Operating Revenues	<u>3,462,321</u>	<u>2,811,203</u>	<u>2,545,586</u>
Operating Expenses			
Salaries and employee benefits	1,284,253	1,108,259	989,200
Medical claims expense	1,110,059	736,160	700,396
Purchased services, supplies, and other	1,301,948	1,209,776	1,082,861
Depreciation and amortization	167,386	154,738	132,754
Total Operating Expenses	<u>3,863,646</u>	<u>3,208,933</u>	<u>2,905,211</u>
Operating Loss	<u>(401,325)</u>	<u>(397,730)</u>	<u>(359,625)</u>
Noncapital Subsidies			
Property tax revenue, net	559,464	573,983	530,506
Total Noncapital Subsidies	<u>559,464</u>	<u>573,983</u>	<u>530,506</u>
Operating Loss and Noncapital Subsidies	<u>158,139</u>	<u>176,253</u>	<u>170,881</u>
Other Nonoperating Revenues (Expenses)			
Investment return	101,123	113,340	110,571
Interest expense	(44,631)	(44,084)	(41,631)
Other, net	14,037	11,920	8,621
Capital grants and gifts	25,983	11,637	-
Property tax revenue for debt service on bonds, net	99,039	104,484	89,244
Total Other Nonoperating Revenues, Net	<u>195,551</u>	<u>197,297</u>	<u>166,805</u>
Increase in Net Position	<u>353,690</u>	<u>373,550</u>	<u>337,686</u>
Net Position, Beginning of Year	<u>2,810,013</u>	<u>2,436,463</u>	<u>2,098,777</u>
Net Position, End of Year	<u>\$ 3,163,703</u>	<u>\$ 2,810,013</u>	<u>\$ 2,436,463</u>

Operating Losses

Overall activity of University Health, as measured by discharges, increased 12.3% to 44,358 in 2025 from 39,499 in 2024. In 2025, net patient service revenue increased by \$259.5 million to \$2.08 billion, or 14.3%, due primarily to increased patient volumes. Discharges increased 14.8% to 39,499 in 2024 from 34,406 in 2023. In 2024, net patient service revenue increased by \$203.2 million to \$1.82 billion, or 12.6%, due primarily to increased patient volumes.

**Bexar County Hospital District d/b/a University Health
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Management's Discussion and Analysis
Years Ended December 31, 2025 and 2024**

In 2025, premium revenue increased by \$383.0 million to \$1.2 billion, or 44.9%. This increase is primarily due to the addition of the STAR-PLUS program for the full year of 2025. Member months increased from 1,897,855 in 2024 to 2,088,381 in 2025, an increase of 10.0%. In 2024, premium revenue increased by \$53.6 million to \$852.2 million, or 6.7%. This increase primarily is due to an increase in rates paid for members driven by the new STAR-PLUS program. Member months decreased from 2,332,514 in 2023 to 1,897,855 in 2024, a decrease of 18.6% due to disenrollments related to unwinding COVID-19 membership policies.

Overall, total operating revenue of \$3.5 billion increased \$651.1 million, or 23.2%, in 2025 compared to the total of \$2.8 billion in 2024 that increased by \$265.6 million, or 10.4%, over 2023. The increase in both years is attributable to the increase in net patient service revenue and premium revenue discussed above.

Employee compensation increased by \$176.0 million, or 15.9%, in 2025 and \$119.1 million, or 12.0%, in 2024. The increases are attributed to increased staffing due to increased activity in the hospital and clinic expansion initiatives as well as increased labor market costs due to inflation.

Medical claims expense increased by \$373.9 million, or 50.8%, in 2025 and increased by \$35.8 million, or 5.1%, in 2024. The new STAR-PLUS program is the major driver for the increase in 2025 claims expense.

Purchased services, supplies, and other expenses had an overall increase of \$92.2 million, or 7.6%, in 2025 and an overall increase of \$126.9 million, or 11.7%, in 2024. The increases in both years are attributed to increased patient volumes, inflation, and related industry-wide supply chain challenges.

Depreciation and amortization expense increased by \$12.6 million, or 8.2%, and increased by \$22.0 million, or 16.6%, in 2025 and 2024, respectively. The increase is attributable to placing a large amount of capital assets into service in 2025 and 2024, including the Women's and Children's Hospital.

Overall, total operating expenses increased by \$654.7 million to \$3.9 billion, or 20.4%, in 2025 and by \$303.7 million to \$3.2 billion, or 10.5%, from 2024. These increases are primarily attributable to the factors discussed above.

Noncapital Subsidies

Noncapital subsidies consist of tax revenue from Bexar County to support operations of University Health, which decreased from 2024 to 2025. Overall property taxes to support operations of University Health decreased by \$14.5 million to \$559.5 million compared to the 2024 taxes of \$574.0 million.

Other Nonoperating Revenues and Expenses

Other nonoperating revenues (expenses) consists of investment income, proceeds from the tobacco settlement (the settlement of litigation between the State Attorney General and various tobacco companies), capital grants and gifts, property tax revenue for debt service on bonds, and interest expense. Overall, other nonoperating revenues (expenses) in 2025 of \$195.6 million decreased by \$1.7 million, or 0.9%, from 2024. This decrease is primarily attributable to the decrease in investment return due to lower average investment balances during the year compared to 2024. Other nonoperating revenues (expenses) in 2024 of \$197.3 million increased by \$30.5 million, or 18.3%, from 2023. This increase is primarily attributable to the increase in investment return due to earnings on investments.

Property tax revenue for debt service on bonds decreased by \$5.4 million to \$99.0 million compared to the 2024 taxes of \$104.5 million. This is primarily due to a decrease in the debt tax rates in 2025. The debt service property tax funds the payment of principal and interest (debt service) on the Certificates of Obligation and the Limited Tax Refunding Bonds discussed more fully in Note 8.

**Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Management's Discussion and Analysis
Years Ended December 31, 2025 and 2024**

Significant Capital Asset and Long-Term Financing Activity (In Thousands)

During 2025 and 2024, University Health invested \$790.2 million and \$364.2 million, respectively, in a broad range of capital assets.

Construction in progress increased by \$682.0 million from 2024 to 2025 due to ongoing facility expansion efforts, comprised of two new community hospitals (with planned openings in 2027) as well as a new community health center.

University Health's long-term debt is comprised of both limited tax refunding bonds and certificates of obligation. Long-term debt transactions are discussed more fully in Note 8.

At December 31, 2025 and 2024, University Health had \$28.9 million and \$27.3 million, respectively, invested in lease assets, net of accumulated amortization. Lease asset additions totaled \$7.7 million in 2025 and \$3.3 million in 2024.

At December 31, 2025 and 2024, University Health had \$70.0 million and \$55.6 million, respectively, invested in subscription assets, net of accumulated amortization. Subscription asset additions totaled \$54.0 million and \$22.6 million in 2025 and 2024, respectively.

See Note 5 for additional information on University Health's capital, lease, and subscription assets.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Balance Sheets
December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 246,806	\$ 430,143
Restricted cash equivalents – Local Provider Participation Fund	49,852	27,669
Short-term investments	294,547	249,507
Patient accounts receivable, net	257,179	216,540
Property taxes receivable, net	372,754	350,244
Estimated amounts due from third-party payors	67,744	88,998
Prepaid expenses and other current assets	227,283	197,952
Total Current Assets	<u>1,516,165</u>	<u>1,561,053</u>
Noncurrent Cash and Investments		
Noncurrent investments	165,658	119,834
Internally designated for capital acquisitions and improvements	797,747	1,099,118
Internally designated for contingencies	566,016	491,909
Internally designated for professional self-insurance	5,736	5,439
Externally restricted for capital acquisition and debt service	56,866	53,870
Total Noncurrent Cash and Investments	<u>1,592,023</u>	<u>1,770,170</u>
Capital Assets, Net	<u>2,833,122</u>	<u>2,143,925</u>
Lease Assets, Net	<u>28,877</u>	<u>27,349</u>
Subscription Assets, Net	<u>69,983</u>	<u>55,617</u>
Other Assets		
Long-term patient accounts receivable, net	2,680	4,430
Other	11,028	13,762
Total Other Assets	<u>13,708</u>	<u>18,192</u>
Total Assets	<u>6,053,878</u>	<u>5,576,306</u>
Deferred Outflows of Resources		
Loss on bond refunding	9,527	10,395
Consideration in excess of net position acquired	8,362	9,755
Other postemployment benefits	81,709	66,659
Pensions	62,682	69,444
Total Deferred Outflows of Resources	<u>162,280</u>	<u>156,253</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,216,158</u>	<u>\$ 5,732,559</u>

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Balance Sheets
December 31, 2025 and 2024
(In Thousands)

(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	\$ 44,140	\$ 41,955
Current maturities of lease liabilities	5,503	4,074
Current portion of subscription liabilities	23,970	23,734
Accounts payable and accrued expenses	429,144	358,760
Medical claims payable	151,419	120,136
Estimated amounts due to third-party payors	30,873	21,718
Total Current Liabilities	<u>685,049</u>	<u>570,377</u>
Estimated Self-insurance Costs	6,426	6,496
Lease Liabilities, Noncurrent	24,887	24,783
Subscription Liabilities, Noncurrent	23,101	16,774
Net Pension Liability	188,407	184,840
Net Other Postemployment Benefits Liability	183,988	138,298
Long-Term Debt	<u>1,263,366</u>	<u>1,318,564</u>
Total Liabilities	<u>2,375,224</u>	<u>2,260,132</u>
Deferred Inflows of Resources		
Property taxes	676,031	660,395
Other postemployment benefits	262	351
Pensions	938	1,668
Total Deferred Inflows of Resources	<u>677,231</u>	<u>662,414</u>
Net Position		
Net investment in capital assets	1,476,316	773,640
Restricted – expendable	70,825	70,242
Restricted – non-expendable	1,250	1,000
Unrestricted	1,615,312	1,965,131
Total Net Position	<u>3,163,703</u>	<u>2,810,013</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,216,158</u>	<u>\$ 5,732,559</u>

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Net patient service revenue	\$ 2,076,643	\$ 1,817,137
Premium revenue	1,235,127	852,162
Other revenue	150,551	141,904
Total Operating Revenues	<u>3,462,321</u>	<u>2,811,203</u>
Operating Expenses		
Salaries and employee benefits	1,284,253	1,108,259
Medical claims expense	1,110,059	736,160
Purchased services	385,168	367,635
Medical services	279,457	281,299
Supplies and other	637,323	560,842
Depreciation and amortization	167,386	154,738
Total Operating Expenses	<u>3,863,646</u>	<u>3,208,933</u>
Operating Loss	<u>(401,325)</u>	<u>(397,730)</u>
Noncapital Subsidies		
Property tax revenue, net	559,464	573,983
Total Noncapital Subsidies	<u>559,464</u>	<u>573,983</u>
Operating Loss and Noncapital Subsidies	<u>158,139</u>	<u>176,253</u>
Other Nonoperating Revenues (Expenses)		
Investment return	101,123	113,340
Interest expense	(44,631)	(44,084)
Other	14,037	11,920
Capital grants and gifts	25,983	11,637
Property tax revenue for debt service on bonds, net	99,039	104,484
Total Other Nonoperating Revenues, Net	<u>195,551</u>	<u>197,297</u>
Increase in Net Position	353,690	373,550
Net Position, Beginning of Year	<u>2,810,013</u>	<u>2,436,463</u>
Net Position, End of Year	<u>\$ 3,163,703</u>	<u>\$ 2,810,013</u>

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 2,032,060	\$1,786,715
Premiums collected, net of reinsurance	1,258,759	832,305
Payments to suppliers and contractors	(1,322,259)	(1,330,016)
Benefit and loss payments	(1,077,644)	(717,125)
Payments to or on behalf of employees	(1,230,289)	(1,061,272)
Other receipts, net	148,126	139,328
Net Cash Used in Operating Activities	(191,247)	(350,065)
Cash Flows From Noncapital Financing Activities		
Receipt of property taxes supporting operations	553,624	569,626
Other proceeds from noncapital financing activities	14,037	11,920
Net Cash Provided by Noncapital Financing Activities	567,661	581,546
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	25,983	11,637
Receipt of property taxes for debt service	98,005	103,690
Principal paid on long-term debt	(41,955)	(39,765)
Principal paid on leases payable	(6,159)	(5,766)
Principal paid on subscription liabilities	(47,744)	(35,530)
Interest paid on long-term debt, leases payable and subscription liabilities	(54,930)	(56,796)
Purchase of subscription assets	-	(4,600)
Purchase of capital assets	(767,466)	(391,420)
Net Cash Used in Capital and Related Financing Activities	(794,266)	(418,550)
Cash Flows From Investing Activities		
Interest received on investments	78,082	82,833
Purchase of investments	(1,271,208)	(1,610,733)
Proceeds from disposition of investments	1,427,641	1,714,790
Net Cash Provided by Investing Activities	234,515	186,890
Decrease in Cash and Cash Equivalents	(183,337)	(179)
Cash and Cash Equivalents, Beginning of Year	430,143	430,322
Cash and Cash Equivalents, End of Year	\$ 246,806	\$ 430,143

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Statements of Cash Flows
December 31, 2025 and 2024
(In Thousands)

(Continued)

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (401,325)	\$ (397,730)
Depreciation and amortization	167,386	154,738
Provision for uncollectible accounts	159,623	111,863
Changes in operating assets and liabilities		
Patient accounts receivable, net	(198,511)	(136,155)
Estimated third-party payer settlements	30,408	7,004
Accounts payable and accrued expenses	4,041	(96,605)
Net pension liability	3,567	(24,560)
Deferred outflows of resources – pensions	6,762	30,923
Deferred inflows of resources – pensions	(730)	(1,285)
Net OPEB liability	45,690	17,189
Deferred outflows of resources – OPEB	(15,050)	4,123
Deferred inflows of resources – OPEB	(89)	(89)
Other assets, deferred outflows of resources, liabilities and deferred inflows of resources	6,981	(19,481)
Net Cash Used in Operating Activities	<u>\$ (191,247)</u>	<u>\$ (350,065)</u>
Noncash Investing, Capital, and Financing Activities		
Capital asset acquisitions included in accounts payable, accrued expenses, and other long-term liabilities	\$ 80,227	\$ 35,685
Lease obligations incurred for lease assets	\$ 7,692	\$ 3,315
SBITA obligations incurred for SBITA assets	\$ 54,307	\$ 18,004
Unrealized gain on investments	\$ (23,305)	\$ (28,517)

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Fiduciary Activities – Statements of Fiduciary Net Position
December 31, 2025 and 2024
(In Thousands)

	Pension (and Other Employee Benefit)	
	Trust Funds	
	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 5,307	\$ 6,503
Employer Contributions Receivable	766	1,351
Investments		
Marketable securities		
Common stocks – mid capitalization	47,024	46,447
Mutual funds – common stocks – large capitalization	172,282	168,618
Mutual funds – common stocks – small capitalization	6,911	6,405
Mutual funds – fixed income securities	93,916	78,662
Equity trust	108,772	86,800
Fixed income trust	51,879	57,969
International equity trust	108,521	89,965
Total marketable securities	589,305	534,866
Alternative investments		
Investment in Arrowstreet Capital, Ltd.	138,886	98,378
Investment in Portfolio Advisors Private Equity Fund VI, VII, VIII, IX, and XI, XII L.P.	33,265	35,192
Investment in Real Estate Trusts	42,627	37,925
Investment in Standard Life Investments	-	23
Investment in Newton Investment Management	40,540	31,736
Investment in Pantheon Access Luxembourg	21,037	15,334
Total alternative investments	301,648	218,588
Total Investments, at Fair Value	890,953	753,454
Total Assets	897,026	761,308
LIABILITIES		
Accrued expenses	523	498
NET POSITION		
Restricted for		
Pensions	810,120	686,768
Postemployment benefits other than pensions	86,383	74,042
Total Net Position	\$ 896,503	\$ 760,810

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Fiduciary Activities – Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2025 and 2024
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	
	2025	2024
Additions		
Contributions		
Plan member	\$ 17,440	\$ 14,615
Employer	34,973	33,487
Total contributions	<u>52,413</u>	<u>48,102</u>
Investment income		
Interest income	868	461
Dividend income	8,051	7,690
Net appreciation in fair value of investments	124,945	54,931
Investment expenses	<u>(2,072)</u>	<u>(1,946)</u>
Net investment income	<u>131,792</u>	<u>61,136</u>
Total Net Additions	<u>184,205</u>	<u>109,238</u>
Deductions		
Benefits paid to plan members	47,193	42,944
Administrative expenses	<u>1,319</u>	<u>771</u>
Total Deductions	<u>48,512</u>	<u>43,715</u>
Increase in Fiduciary Net Position	135,693	65,523
Restricted Net Position, Beginning of Year	<u>760,810</u>	<u>695,287</u>
Restricted Net Position, End of Year	<u>\$ 896,503</u>	<u>\$ 760,810</u>

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Bexar County Hospital District d/b/a University Health (University Health) is a hospital district established under Article IX, Section 4 of the Texas Constitution and Chapter 281 of the Texas Health and Safety Code. It is a political subdivision of the state of Texas, created to provide medical and hospital care to the needy and indigent of Bexar County, and is a discrete component unit of Bexar County (legally separate from Bexar County, Texas). Its Board of Managers (Board) is composed of seven members appointed by the Commissioners Court of Bexar County for staggered terms of two years (or until a successor is appointed and qualified). Board members are “public officers” under the Texas Constitution who, as a body, exercise sovereign functions of government largely independent of the control of others, and serve without pay.

University Health is one of the largest public health systems in the state of Texas, with approximately 12,500 employees, and more than 900 resident physicians. It includes University Health, South Texas’ only Level I trauma center for both adults and children, Joint Commission accredited Comprehensive Stroke Center, and Level IV Epilepsy Center. It is also designated at Level IV, the highest level, for both its Maternity Center and Neonatal Intensive Care Unit. University Health includes more than three dozen outpatient primary, specialty, and preventive care centers, including the Robert B. Green Campus downtown; the Texas Diabetes Institute, dedicated to the prevention and treatment of diabetes; family health centers; neighborhood clinics, outpatient dialysis centers; outpatient surgery centers, adult, and pediatric urgent care centers; school-based health centers; and the operations of four nursing homes. University Health is the primary teaching partner of UT Health Science Center San Antonio d/b/a UT Health San Antonio (UT Health).

University Health has established various affiliated nonprofit, tax-exempt organizations to facilitate the funding, delivery, and management of its healthcare mission. The financial statements present University Health and its component units, entities for which University Health is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended units are appropriately presented as funds of the primary government.

Blended Component Units

Community First Health Plans (Community First), a nonprofit corporation, was established in 1994 to assist University Health with providing and arranging healthcare services in accordance with the *Texas Health Maintenance Organization Act* (Chapter 20A, Vernon’s Texas Insurance Code). Community First is organized as a health maintenance organization (HMO) licensed in Texas to provide comprehensive healthcare services to its members principally through its contractual relationships with physician groups, ancillary providers, and hospitals, including University Health. Community First is the sole corporate member of Community First Insurance Plan (CFIP), which was incorporated in 2001 and licensed by the State of Texas on August 3, 2001, to operate as a Group Hospital Service Corporation under Chapter 20 of the Texas Insurance Code. CFIP is a nonprofit company and provides hospital accident coverage and preferred provider organization medical insurance to policyholders through their employer. Because Community First is the sole corporate member of CFIP, CFIP is reported as a blended component unit of Community First. Because University Health is the sole corporate member of Community First, Community First is reported as a blended component unit of University Health. Separately issued financial reports are available for Community First and may be obtained by contacting Community First Health Plans, 12238 Silicon Drive, Suite 100, San Antonio, Texas 78249.

During 2025, CFHP held an investment in Community First Third-Party Administrator Services, Inc. (CFTPA), which was incorporated in 2025 to provide third-party administrative services in accordance with Texas law and applicable federal regulations. At December 31, 2025, CFTPA had no assets and did not have any operations during the year then ended.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

University Health Foundation (Foundation) was formed in 1984 under the *Texas Development Facility Act* as a nonprofit organization to solicit, receive, and maintain funds for the benefit of University Health. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a legally separate entity from University Health. In 2023, the Foundation's articles of incorporation were amended through the filing of Certificates of Formation and Conversion with the Texas Secretary of State converting its structure to a nonprofit public corporation under the Texas Business Organizations Code. As converted, University Health became the sole member of the Foundation with reserve powers and the Foundation is now reported as a blended component unit of University Health. No change was made to the appointment process to the Foundation board. The Bexar County Hospital District Board of Managers continues to appoint the Foundation's Board of Directors. Separately issued financial reports are available for the Foundation and may be obtained by contacting University Health's administrative offices.

Community Medicine Associates d/b/a University Medicine Associates (UMA) is a Texas nonprofit health organization certified by the Texas State Board of Medical Examiners pursuant to Section 501(a) of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. UMA provides primary care physician services at University Health's Family Health Centers and specialty care physician services at various regional clinic locations and at University Health. Because University Health is the sole corporate member of UMA, UMA is presented as a blended component unit of University Health. UMA does not issue separate financial statements.

University Health System Services of Texas, Inc. (UHSST) was formed to establish membership in Central Texas Laundry, LLC (CTL). University Health's governing board is responsible for all financial decisions related to UHSST, there exists a financial benefit or burden relationship between University Health and UHSST and University Health's management has operational responsibility for UHSST. As such, the financial statements of UHSST are presented as a blended component unit of University Health. Separately issued financial reports are available for UHSST. Owned by three regional healthcare organizations, CTL was formed to provide linen services to businesses and institutions in the region. UHSST holds a 24% interest in CTL, which is recorded using the equity method of accounting.

In prior years, UHSST acquired an interest in Post Acute Medical at San Antonio, LLC (PAM), which is accounted for using the equity method of accounting. PAM was formed to increase access to inpatient beds and to serve current inpatients with enhanced options for post-acute care. UHSST's ownership interest in PAM was approximately 31.03% at both December 31, 2025 and 2024. The difference between the consideration paid and the net position acquired is reflected as a deferred outflow of resources in the balance sheets and is being amortized over a period of 10 years.

Pension and Retiree Healthcare Trust Funds

The University Health System Pension Plan (Plan) is a single-employer defined benefit pension plan designated as a public retirement system as defined in and authorized by Section 810.001 of the Texas Government Code and a government plan within the meaning of the IRC Section 414(d). The Plan is administered by University Health and is fiscally dependent on University Health. The Plan is reported as a fiduciary component unit in the funds statements. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Separate financial statements of the Plan are available at www.universityhealth.com.

University Health also sponsors a Match Savings Plan, a defined contribution plan, which is described in more detail in Note 11. The Match Savings Plan is also reported as a fiduciary component unit.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

The University Health System Retiree Health Trust (OPEB Trust) is a single-employer defined benefit OPEB established and administered by University Health and is fiscally dependent on University Health. The OPEB Trust is reported as a fiduciary component unit in the funds statements. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB's fiduciary net position have been determined on the same basis as they are reported by the OPEB. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Separate financial statements of the OPEB Trust are available at www.universityhealth.com.

Other Significant Relationships

In 1994, UT Health established a Texas nonprofit corporation organized under Section 501(a) of Article 4495b of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. This corporation serves as a contracting vehicle for physician services with University Health and other payors, including managed care organizations.

Effective June 6, 2000, University Health and Bexar County became the sole sponsors for the Center for Health Care Services (CHCS). The terms of the relationship are governed by a Sponsorship Agreement with Bexar County dated May 2, 2000. CHCS is a community center established under Chapter 534 of the Texas Health and Safety Code to provide a comprehensive array of services to improve the lives of people with mental health disorders, substance use challenges and intellectual and developmental disabilities (IDD) throughout Bexar County. CHCS was originally established by a coalition of 17 local taxing authorities in 1966.

The Department of Aging and Disability Services (DADS) required CHCS to divest its dual roles as a local authority and provider of IDD services, which it did by transferring its responsibility for IDD authority to the Alamo Area Council of Governments (AACOG) effective September 1, 2006. University Health entered into a memorandum of understanding with AACOG to connect the sponsorship obligations for IDD from CHCS to AACOG.

The balances and transactions of UT Medicine, CHCS and AACOG are not combined or otherwise included in the basic financial statements, but University Health's transactions with these organizations are included.

Unless otherwise noted, the following notes do not include the Plan or the OPEB Trust and the values reported in the tables are in thousands.

Basis of Accounting and Presentation

The financial statements of University Health have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. University Health first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

In accordance with Governmental Accounting Standards Board Statement (GASB) Statement No. 34, the assets and net position of the Plan and the OPEB Trust are presented separately from those of University Health. The Plan is used to account for assets held in trust for the benefit of the employees of University Health for the defined benefit pension plan and defined contribution plan. The OPEB Trust is used to account for assets held in trust related to the postretirement benefit program for employees of University Health. The financial statements of the Plan and the OPEB Trust are prepared using the accrual basis of accounting.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

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, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

University Health considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash and cash equivalents include demand deposits and money market mutual funds. University Health does not consider highly liquid investments that are designated as to use as cash equivalents.

Patient Accounts Receivable

University Health reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. University Health provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Investments and Investment Income

Investments in U.S. Treasury, agency, and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost.

Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, are carried at amortized cost per share. All other investments are carried at fair value as determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

State statutes and the Board of Managers authorize University Health to invest in a limited number of instruments, as further described in Note 3.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by University Health:

Land improvements	5–15 years
Buildings and leasehold improvements	10–30 years
Equipment	5–15 years

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. University Health recognizes lease assets related to lease arrangements with more than \$250 payments over the lease term.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. University Health recognizes subscription assets related to subscription arrangements with more than \$250 payments over the subscription term.

Capital, Lease, and Subscription Asset Impairment

University Health evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Compensated Absences

University Health's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Deferred Outflows

University Health reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Deferred Inflows of Resources

University Health reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Notes to Financial Statements
December 31, 2025 and 2024
(In Thousands)

Net Position

Net position of University Health is classified in four components on its balance sheets.

- Net investment in capital assets consists of capital, lease, and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, use, or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to University Health, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to University Health, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Classification of Revenues and Expenses

University Health has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Nonoperating revenues and expenses are any:

- Contributions to permanent and term endowments
- Finance-related revenues and expenses
- Gain and losses from disposals of capital assets and inventory
- Investment income and expenses, and
- Subsidies received and provided

A subsidy represents amounts received from or provided to another party. Amounts received from another party are considered a subsidy if it is unrelated to the services provided by University Health and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the party charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Risk Management

University Health is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, employee health, and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

University Health is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health, and workers' compensation claims. Annual estimated provisions are accrued for the self-insured portion of these risks and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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Net Patient Service Revenue

University Health has agreements with third-party payors that provide for payments to University Health at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

University Health provides charity care to residents of Bexar County who qualify on a financial basis for the CareLink Program and to all others who qualify based on University Health's charity care policy. University Health does not pursue collection of amounts in excess of the established guidelines for those patients who meet the charity criteria. Such excess is considered charity care and is not reported as revenue.

University Health's CareLink Program is used to discount gross charges for medical services received in University Health's facilities. Under this program, residents of Bexar County have an established maximum family liability rather than a discount of total gross charges. Key factors in establishing a family's maximum liability levels are: number of dependents, income, and the relationship of these factors to the current Poverty Index. University Health does not pursue collection of amounts in excess of the maximum family liability. Such excess amounts are considered charity care and are not reported as revenue.

Arrangements are made with residents of Bexar County to pay their reduced medical costs in installments. Any amounts designated as not being due prior to December 31 of the subsequent year are classified as long-term patient receivables and are presented net of applicable allowances.

Non-CareLink patients meeting the financial and medical indigency criteria established in the charity policy receive a discount from gross charges for emergency and catastrophic medical services received in University Health's facilities. Charges for financial indigency are discounted based on family income compared to the Poverty Index. Charges for medical indigency are discounted when charges exceed a certain income and asset level.

University Health maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The charges forgone, based on established rates, were approximately \$1,397,099 and \$1,252,030 for the years ended December 31, 2025 and 2024, respectively. The cost of charity care provided under University Health's charity care policy were approximately \$385,353 and \$363,938 for 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross charity care charges.

Premium Revenue

Community First has agreements with plan sponsors to arrange health service benefits for subscribing participants. Under these agreements, Community First receives monthly premium payments based on the number of each plan sponsor's participants. In addition, Community First receives supplementary delivery payments under the Medicaid program.

Medical Claims Expense

Community First arranges for the provision of comprehensive healthcare services to its members principally through its contractual relationships with physician groups, ancillary providers, and hospitals, including University

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Health. Physicians, ancillary providers, and hospitals are paid a contracted fee for service or a capitation rate, and Community First is responsible for any related payments to those providers.

The cost of healthcare services provided is accrued in the period it is rendered to the enrolled members, based in part on estimates for hospital and physician services rendered to enrolled members during the period that have not yet been reported.

Reserves for Incurred But Not Reported Medical Claims

Community First’s management estimates and provides reserves for incurred but not reported physician and hospital services rendered to enrolled members during the period. These reserves represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred during the reporting period. The estimate is based on actuarial projections of the historical development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the reporting period.

The estimate of the unpaid claims liability is based on the best data available to management; however, the estimates are subject to a significant degree of inherent variability. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known and such adjustments are included in current operations.

Although management believes the estimate of the unpaid liability is reasonable, it is possible that actual incurred claims expense will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of the claims may vary significantly from the estimate included in the financial statements.

Property Taxes

University Health received approximately 16% and 19% of its financial support from property taxes in 2025 and 2024, respectively. These funds were used as follows:

	<u>2025</u>	<u>2024</u>
Percentage used to support operations	85.0%	84.6%
Percentage used for debt service on bonds	<u>15.0%</u>	<u>15.4%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Property taxes are levied by University Health on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and University Health records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year. University Health recorded an allowance for uncollectible property taxes of approximately \$24,529 and \$22,932 at December 31, 2025 and 2024, respectively.

At December 31, 2025 and 2024, respectively, University Health had recorded approximately \$676,031 and \$660,395 of property taxes levied for services to be provided in 2026 and 2025, respectively. These amounts are reported as a deferred inflow of resources in the balance sheets and will be recognized as revenue in the period for which they were levied.

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University Health's property tax rate was \$0.234688 and \$0.233700 per \$100 valuation for 2025 and 2024, respectively, for the maintenance and operation fund. University Health's property tax rate was \$0.041547 and \$0.042535 per \$100 valuation for 2025 and 2024, respectively, for the interest and sinking fund.

Income Taxes

As an essential government function of the County, University Health is generally exempt from federal and state income taxes under Section 115 of the IRC and a similar provision of state law. University Health also has an exemption from income taxes under IRC Section 501(c)(3). UMA, Community First and the Foundation carry exemptions from income taxes under IRC Section 501 sections. University Health, UMA, Community First and the Foundation are subject to federal income tax on any unrelated business taxable income.

Adoption of GASB Statement No. 103, Financial Reporting Model Improvements

During the year ended December 31, 2025, University Health adopted GASB 103, which improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, definitions, and presentation of operating and nonoperating revenues and expenses. GASB 103 does not impact the timing of recognition and measurement of revenue. The adoption of GASB 103 did not have a material impact on University Health's financial statements. Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation. The reclassifications had no effect on the changes in financial position.

Note 2. Net Patient Service Revenue

University Health has agreements with third-party payors that provide for payments to University Health at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology.

University Health is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by University Health and audits thereof by the Medicare fiscal intermediary. University Health's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2019, excluding December 31, 2018.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Inpatient reimbursement is inclusive of an add-on for trauma care that is based on the Medicaid Standard Dollar Amount. Outpatient and physician services are reimbursed under a mixture of fee schedules and cost reimbursement. University Health is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by University Health and audits thereof by the Medicaid administrative contractor.

Approximately 60% and 50% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Supplemental Medicaid Funding Revenue

The Texas Medicaid Disproportionate Share Program (DSH Program) was designed to assist facilities, like University Health, who serve the majority of the indigent patients, by providing funds to support increased access to healthcare within the community. This program allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas.

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a Medicaid section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (Waiver) that allowed the state to expand Medicaid managed care while preserving hospital funding, provide incentive payments for healthcare improvements and direct more funding to hospitals that serve large numbers of uninsured patients. The Waiver established two pools, an Uncompensated Care Pool (UC Pool) to offset the cost of uncompensated care and a Delivery System Reform Initiative Payment Pool (DSRIP) as incentive payments for developing programs and strategies supporting hospitals’ efforts to improve access to healthcare; improve quality and outcomes of care; improve efficiencies of care provided; and to improve the patient experience by managing the health of patients and families served.

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the Texas Health and Human Services Commission (HHSC) and the Centers for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period. On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The DSRIP program ended on September 30, 2021 and was not extended under the Waiver extension.

CMS has also approved a number of directed payment programs. The directed payment programs University Health participates in are discussed more fully below.

- Comprehensive Hospital Increased Reimbursement Program (CHIRP) – CHIRP began on September 1, 2021. CHIRP provides for a uniform percentage rate increase to all hospitals within a particular class of hospitals as well as a quality component, which participating hospitals may opt into. The state’s share of CHIRP funding is funded through intergovernmental transfers from certain hospitals, including University Health. CHIRP will require annual approval by CMS and has been approved through August 31, 2026. Revenue from CHIRP is part of the claims payment from the Medicaid managed care organizations and is recognized as a component of net patient service revenue in the statements of changes in revenues, expenses, and changes in net position.
- Network Access Improvement Program (NAIP) – NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by the Health and Human Services Commission, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as University

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Health. Under federal law, pass-through payments to hospitals, like NAIP, must be phased out by July 1, 2027.

- Quality Improvement Payment Program (QIPP) – QIPP is designed to assist nursing facilities serving indigent patients by providing funding to support increased access to healthcare into the community. It is also designed to allow participating providers to receive additional reimbursement if they either reach a national benchmark level or they make quarterly improvements in up to four predetermined quality measures.
- Medicaid Graduate Medical Education (GME) supplemental payment program – The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals.
- Texas Incentives for Physicians and Professional Services Program (TIPPS) – TIPPS is a directed payment program for certain physician practice groups providing healthcare services to children and adults enrolled in the STAR, STAR+PLUS and STAR Kids Medicaid managed care programs. Eligible physician practice groups include health related institutions (HRIs), indirect medical education physician practice groups affiliated with hospitals and other physician practice groups.
- Public Hospital Augmented Reimbursement Program (HARP) – HARP is a statewide supplemental program that provides Medicaid payments to certain hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to participating hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.
- Beginning on September 1, 2024, HHSC provided for a third component to CHIRP, Alternative Participating Hospital Reimbursement for Improving Quality Award (APHRIQA) that provides an additional pay-for-performance component open to urban and children’s hospitals for state fiscal year 2025. Revenue from APHRIQA is primarily part of the claims payment from the Medicaid managed care organizations and is recognized as a component of net patient service revenue in the statements of changes in revenues, expenses, and changes in net position.

Revenue from these programs is recognized throughout the program year as services are rendered and the revenue is earned. Revenue recognized from all programs that are not components of claims payments is included as a component of net patient service revenue in the statements of revenues, expenses and changes in net position as follows:

	<u>2025</u>	<u>2024</u>
DSH Program	\$ 15,842	\$ 72,059
UC Pool	146,426	112,991
NAIP	27,615	28,090
GME	15,406	16,351
QIPP	1,700	1,562
TIPPS	4	18,736
HARP	39,715	40,896
	<u>\$ 246,708</u>	<u>\$ 290,685</u>

Accounts receivable under the programs listed above were \$67,744 and \$88,998 at December 31, 2025 and 2024, respectively, and are included in estimated amounts due from third-party payors. At December 31, 2025 and 2024, University Health recorded approximately \$70,767 and \$33,137, respectively, of prepaid intergovernmental transfers, which University Health is required to contribute as the state share of CHIRP and APHRIQA funding, which is included as prepaid expenses in the financial statements.

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University Health participates in a Local Provider Participant Fund (LPPF) in Bexar County. University Health acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Bexar County. These payments are to be used to fund intergovernmental transfers representing the state's share of supplemental Medicaid funding program. As University Health acts a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenues and expenses in the statements of revenues, expenses, and changes in net position. At December 31, 2025 and 2024, University Health held \$49,852 and \$27,669, respectively, in mandatory payments that will be transferred in 2026 and 2025.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding University Health has received is subject to audit and is not representative of funding to be received in future years.

Note 3. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. University Health's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits of University Health with federal depository insurance or other qualified investments. At December 31, 2025 and 2024, all of University Health's bank deposits were fully insured or collateralized.

Investments

University Health may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may to a limited extent in corporate bonds and equity securities.

University Health had the following investments and maturities at December 31:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
2025					
U.S. Treasury obligations	\$ 705,493	\$ 501,396	\$ 203,897	\$ 200	\$ -
U.S. agencies obligations	543,425	265,942	277,408	75	-
Municipal bonds	15,254	2,013	13,241	-	-
Commercial paper	123,799	123,799	-	-	-
Money market mutual funds	484,233	484,233	-	-	-
Investment pool	335,143	335,143	-	-	-
	<u>\$ 2,207,347</u>	<u>\$ 1,712,526</u>	<u>\$ 494,546</u>	<u>\$ 275</u>	<u>\$ -</u>

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Type	Fair Value	Maturities in Years			
		Less Than 1	1–5	6–10	More Than 10
2024					
U.S. Treasury obligations	\$ 689,916	\$ 351,545	\$ 338,371	\$ -	\$ -
U.S. agencies obligations	738,800	253,220	478,034	7,546	-
Municipal bonds	2,319	2,319	-	-	-
Commercial paper	192,736	192,736	-	-	-
Money market mutual funds	584,410	584,410	-	-	-
Investment pool	267,432	267,432	-	-	-
	<u>\$ 2,475,613</u>	<u>\$ 1,651,662</u>	<u>\$ 816,405</u>	<u>\$ 7,546</u>	<u>\$ -</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, University Health’s investment policy requires that total investments have a weighted-average maturity of five years or less. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the obligations decrease. Likewise, when interest rates decrease, the fair value of the obligations increase. The money market mutual funds are presented as an investment with a maturity of less than one-year because they are redeemable in full immediately. University Health’s investment policy limits the maturity periods of its investments by type to a maximum of 10 years.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). University Health and Community First each have formal investment policies adopted by the Board of Managers and Board of Directors, respectively, that limit investments in securities based on an NRSRO credit rating. University Health’s investments are also subject to the *Public Funds Investment Act (Act)*, at Government Code Chapter 2256, and Community First’s investments are also subject to regulations enumerated in Title 28, Chapter 11 of the Texas Administrative Code (TAC) and Chapter 20A of the Texas Insurance Code (TIC).

Investments authorized by the Act and University Health’s investment policy are limited to: obligations of the United States government or its agencies; municipal obligations, repurchase agreements collateralized by obligations of the United States government or its agencies; investment pools with at least an AA-m or better rating by one nationally recognized rating service; commercial paper with a stated maturity of 270 days or less, and a credit rating of A-1 or P-1 or its equivalent by at least two nationally recognized credit rating agencies; certificates of deposit issued by a state bank, national bank, or a savings and loan association domiciled in Texas, with FDIC insurance and collateralized by obligations of the U.S. government or its agencies, with market value of 102% of the insured principal amount; bankers’ acceptances of a bank organized and existing under the laws of the United States, whose short-term obligations are rated not less than A-1 or P-1 or its equivalent by at least one nationally recognized rating agency, and with a stated maturity of 270 days or less; and no-load money market mutual funds registered by the Securities and Exchange Commission with a dollar-weighted-average stated maturity of 90 days or less, and an investment objective of a stable net asset value of one dollar.

Investments authorized by the TAC, TIC and Community First’s investment policy are limited to obligations of the United States government or its agencies; certificates of deposit with a credit rating of Moody’s A2 or Standard & Poor’s (S&P) A; corporate obligations with a credit rating of Moody’s A1 or S&P A+; municipal notes and bonds with a credit rating of Moody’s Aaa or S&P AAA; auction-rate securities with a credit rating of Moody’s A2 or S&P A; and asset-backed securities with a credit rating of Moody’s Aaa or S&P AAA.

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University Health’s investments in U.S. Treasury obligations carry the explicit guarantee of the U.S. government. At December 31, 2025, the debt securities of the U.S. agencies are rated AA+ by S&P or Aaa by Moody’s. University Health’s investments in municipal bonds were rated AA- by S&P or Aa2 by Moody’s at December 31, 2025. University Health’s investments in commercial paper was rated A-1+ by S&P at December 31, 2025.

University Health also invests in TexPool, a state investment pool, which is considered an investment for financial reporting. The Texas State Comptroller of Public Accounts (Comptroller) oversees TexPool. Federated Investors provides asset management and participant services for TexPool’s operations under a contract with the Comptroller. The Comptroller has established an advisory board comprised of participants and others who do not have a business relationship with TexPool. The advisory board reviews the investment policy and management fee structure. TexPool is not registered with the Securities and Exchange Commission as an investment company. University Health has an undivided beneficial interest in the pool of assets held by TexPool. Investments must be in compliance with the *Texas Public Fund Investment Act* and include obligations of the United States or its agencies, direct obligation of the state of Texas or its agencies, certificates of deposit and repurchase agreements. The fair value of the position in these pools is the same as the value of the shares in each pool. TexPool is rated AAA by Standard & Poor’s.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, University Health will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of University Health’s investments are held in safekeeping or trust accounts.

Concentration of Credit Risk – University Health places no limit on the amount that may be invested in any one issuer as long as the restrictions of the Texas Public Funds Investment Act are followed.

The following table reflects University Health’s investments in single issuers that represent more than 5% of total investments:

	<u>2025</u>	<u>2024</u>
Federal Home Loan Bank	12%	14%
Federal Farm Credit Bank	11%	12%

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in University Health's balance sheets as follows:

	<u>2025</u>	<u>2024</u>
Carrying value		
Deposits	\$ (24,119)	\$ 1,876
Investments	2,207,347	2,475,613
	<u>\$ 2,183,228</u>	<u>\$ 2,477,489</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 246,806	\$ 430,143
Restricted cash equivalents – Local Provider Participation Fund	49,852	27,669
Short-term investments	294,547	249,507
Noncurrent cash and investments	1,592,023	1,770,170
	<u>\$ 2,183,228</u>	<u>\$ 2,477,489</u>

University Health's outstanding checks in excess of deposit balances are covered by money market mutual funds held with the right of offset at the same financial institution.

Note 4. Patient Accounts Receivable

University Health grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 74,977	\$ 54,580
Medicaid	46,685	55,704
Other third-party payors	121,365	109,057
Patients	312,846	460,861
	555,873	680,202
Less allowance for uncollectible accounts	296,014	459,232
	<u>\$ 259,859</u>	<u>\$ 220,970</u>

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Note 5. Capital, Lease, and Subscription Assets

Capital assets activity was as follows for the years ended December 31:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Other</u>	<u>Ending Balance</u>
2025				
Land and land improvements	\$ 72,609	\$ -	\$ -	\$ 72,609
Buildings and improvements	2,149,439	57,116	(2)	2,206,553
Equipment	809,090	72,859	(21,780)	860,169
Construction in progress	323,324	682,033	-	1,005,357
	<u>3,354,462</u>	<u>812,008</u>	<u>(21,782)</u>	<u>4,144,688</u>
Less accumulated depreciation	<u>1,210,537</u>	<u>121,648</u>	<u>(20,619)</u>	<u>1,311,566</u>
Capital assets, net	<u>\$ 2,143,925</u>	<u>\$ 690,360</u>	<u>\$ (1,163)</u>	<u>\$ 2,833,122</u>
2024				
Land and land improvements	\$ 68,861	\$ 4,053	\$ (305)	\$ 72,609
Buildings and improvements	1,983,718	165,417	304	2,149,439
Equipment	757,299	66,302	(14,511)	809,090
Construction in progress	180,383	142,941	-	323,324
	<u>2,990,261</u>	<u>378,713</u>	<u>(14,512)</u>	<u>3,354,462</u>
Less accumulated depreciation	<u>1,108,444</u>	<u>114,137</u>	<u>(12,044)</u>	<u>1,210,537</u>
Capital assets, net	<u>\$ 1,881,817</u>	<u>\$ 264,576</u>	<u>\$ (2,468)</u>	<u>\$ 2,143,925</u>

At December 31, 2025, construction in progress includes two new community hospitals (with planned openings in 2027) as well a new community health center. Funding for the community hospital projects will be from a combination of the 2022 and 2023 bond proceeds (Note 8) and existing cash and investments. The community health center will be primarily funded through a grant from Bexar County.

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Lease assets activity was as follows for the years ended December 31:

	Beginning Balance	Additions	Disposals	Ending Balance
2025				
Land	\$ 6,227	\$ -	\$ -	\$ 6,227
Buildings	36,111	3,850	(3,350)	36,611
Equipment	235	3,842	-	4,077
	<u>42,573</u>	<u>7,692</u>	<u>(3,350)</u>	<u>46,915</u>
Less accumulated amortization				
Land	372	113	-	485
Buildings	14,621	4,782	(3,350)	16,053
Equipment	231	1,269	-	1,500
	<u>15,224</u>	<u>6,164</u>	<u>(3,350)</u>	<u>18,038</u>
Lease assets, net	<u>\$ 27,349</u>	<u>\$ 1,528</u>	<u>\$ -</u>	<u>\$ 28,877</u>
2024				
Land	\$ 6,227	\$ -	\$ -	\$ 6,227
Buildings	35,953	3,315	(3,157)	36,111
Equipment	3,309	-	(3,074)	235
	<u>45,489</u>	<u>3,315</u>	<u>(6,231)</u>	<u>42,573</u>
Less accumulated amortization				
Land	\$ 259	113	-	372
Buildings	12,893	4,885	(3,157)	14,621
Equipment	2,223	1,082	(3,074)	231
	<u>15,375</u>	<u>6,080</u>	<u>(6,231)</u>	<u>15,224</u>
Lease assets, net	<u>\$ 30,114</u>	<u>\$ (2,765)</u>	<u>\$ -</u>	<u>\$ 27,349</u>

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Subscription assets activity was as follows for the years ended December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
2025				
Subscription IT assets	\$ 116,670	\$ 53,940	\$ (25,702)	\$ 144,908
Less accumulated amortization Subscription IT assets	<u>61,053</u>	<u>39,574</u>	<u>(25,702)</u>	<u>74,925</u>
Subscription assets, net	<u>\$ 55,617</u>	<u>\$ 14,366</u>	<u>\$ -</u>	<u>\$ 69,983</u>
2024				
Subscription IT assets	\$ 124,571	\$ 22,604	\$ (30,505)	\$ 116,670
Less accumulated amortization Subscription IT assets	<u>57,037</u>	<u>34,521</u>	<u>(30,505)</u>	<u>61,053</u>
Subscription assets, net	<u>\$ 67,534</u>	<u>\$ (11,917)</u>	<u>\$ -</u>	<u>\$ 55,617</u>

Note 6. Accounts Payable and Accrued Expenses

University Health's accounts payable and accrued expenses included in current liabilities consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Payable to suppliers and contractors	\$ 270,263	\$ 192,194
Payable to employees (including payroll taxes and benefits)	118,128	105,649
Accrued interest	22,055	22,529
Premium deficiency reserve	3,922	2,790
Estimated self-insurance costs – current	5,393	3,904
Payable to HHSC by Community First	3,332	27,176
Other accrued liabilities	<u>6,051</u>	<u>4,518</u>
	<u>\$ 429,144</u>	<u>\$ 358,760</u>

Note 7. Risk Management

Employee Health Claims

University Health is self-insured for employee health insurance costs. The self-insured plan is administered by Community First, which determines the cost of claims paid to community healthcare providers and estimates a reserve for medical claims incurred but not yet reported. University Health also recognizes the incremental cost of

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services provided by University Health to plan participants. University Health maintains a stop-loss insurance contract to cover 90% of certain medical costs in excess of \$175 per claim, up to a maximum of \$2,000 per contract year and \$5,000 per member lifetime maximum. Changes in and the balances of University Health's employee health claims liability are not material in 2025 and 2024.

Workers' Compensation Claims

University Health participates in a self-insurance program that provides for the payment of workers' compensation claims. The funding for this program is based on third-party recommendations for settlement in accordance with Texas workers' compensation laws. University Health has purchased reinsurance for individual claims exceeding \$850 up to a maximum limit of \$1,000 for any one accident or occurrence. Changes in and the balances of University Health's workers' compensation claims liability are not material in 2025 and 2024.

Professional Liability Claims

University Health funds a revocable self-insurance trust to provide for the payment of medical malpractice liabilities. The funding is based on management's recommendations for settlement of claims to limits of \$100 per claim and \$300 per occurrence, in accordance with the limited liability provisions of the Texas Tort Claims Act. University Health is also self-insured for "tail coverage" for certain employed physicians. This coverage has a limited time exposure and also is subject to claims limits. Amounts are provided for funding, and estimated liabilities for incurred but not yet reported claims are based on management estimates. Changes in and the balances of University Health's professional claims liability are not material in 2025 and 2024.

Losses from asserted and unasserted claims identified under University Health's incident reporting system are accrued based on estimates that incorporate University Health's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that University Health's estimate of losses will change by a material amount in the near term.

Medical Claims Payable

Community First's medical claims payable represents the estimate of the ultimate net cost of all reported and unreported medical claims incurred but not paid through the end of the year. This estimate is based on claims reported, actuarial estimates and trends in the healthcare costs. Subsequent actual claims experience and related settlement costs may differ from the estimated liability due to variances in estimated and actual subscriber utilization of medical services, the amount of charges and other factors. This estimate is subject to a significant degree of inherent variability. The estimates are continually reviewed and any necessary adjustments are included in current operations.

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Changes in and the balances of Community First's aggregate medical claims liability are as follows in 2025, 2024, and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Medical claims payable, beginning of year	\$ 120,136	\$ 102,591	\$ 116,933
Incurred related to			
Current year	1,012,199	687,534	701,072
Prior years	97,705	48,842	(676)
Total incurred losses and claims payable	<u>1,109,904</u>	<u>736,376</u>	<u>700,396</u>
Paid related to			
Current year	982,089	675,061	696,020
Prior years	96,532	43,770	18,718
Total paid losses and claims payable	<u>1,078,621</u>	<u>718,831</u>	<u>714,738</u>
Medical claims payable, end of year	<u>\$ 151,419</u>	<u>\$ 120,136</u>	<u>\$ 102,591</u>

Patient service revenue and medical claims expense for Community First members amounting to \$135,218 and \$84,567 in 2025 and 2024, respectively, are not eliminated in the basic financial statements.

Note 8. Long-Term Debt

A summary of long-term debt is as follows:

	<u>2025</u>	<u>2024</u>
Limited Tax Refunding Bonds, Series 2016	\$ 142,470	\$ 151,185
Certificates of Obligation, Series 2018	227,575	233,430
Limited Tax Refunding Bonds, Series 2019	156,920	166,145
Limited Tax Refunding Bonds, Series 2020	116,770	122,045
Certificates of Obligation, Series 2020	130,920	133,550
Certificates of Obligation, Series 2022	281,375	286,345
Certificates of Obligation, Series 2023	<u>182,835</u>	<u>188,120</u>
	1,238,865	1,280,820
Bond premium	<u>68,641</u>	<u>79,699</u>
	<u>\$ 1,307,506</u>	<u>\$ 1,360,519</u>

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Limited Tax Refunding Bonds – Series 2016

University Health issued the Limited Tax Refunding Bonds, Series 2016 (2016 Bonds) in the amount of \$215,485, dated September 8, 2016. The 2016 Bonds were used to refund \$215,485 of Series 2008 Certificates. The 2016 Bonds mature in various amounts annually on February 15, from 2017 through 2037, with stated coupon rates ranging from 1.5% to 5.0% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues.

All of the 2016 Bonds still outstanding and maturing on or after February 15, 2027 may be redeemed at University Health's option on or after February 15, 2026 at a price of par plus accrued interest to the date of redemption. The 2016 Bonds were issued at a premium and the outstanding balance of the premium is \$5,699 and \$7,331 at December 31, 2025 and 2024, respectively.

As a result of the refunding, University Health decreased its total debt service requirements by \$69,350 and incurred an accounting loss of approximately \$15,155. The accounting loss on the refunding is being amortized into interest expense using a straight-line method over the term of the 2016 Bonds. The balance of the deferred loss on the refunding is \$8,214 and \$8,984 at December 31, 2025 and 2024, respectively, and is included as a deferred outflow of resources in the balance sheets.

Certificates of Obligation – Series 2018

The tax Certificates of Obligation, Series 2018 (2018 Certificates) were issued in 2018 for \$308,000, and mature in various amounts annually through February 15, 2048, with stated coupon rates ranging from 2.50% to 5.00% and are collateralized by a levy of ad valorem tax revenue. The proceeds from the issuance were used to fund the construction and equipping of a women's and children's tower at the main hospital campus as well as a heart and vascular institute and advanced endoscopy services facility, among other facilities. The 2018 Certificates maturing on February 15, 2029 and 2030 are subject to redemption prior to the stated maturity date on or after February 15, 2023. The 2018 Certificates maturing on February 15, 2031 and 2032 are subject to redemption prior to the stated maturity date on or after February 15, 2025. The 2018 Certificates maturing on February 15, 2028 and 2033, and in each of the years thereafter, are subject to redemption prior to the stated maturity date on or after February 15, 2027. These optional redemptions are at the option of University Health and are at a redemption price of par plus accrued interest to the date of redemption. The 2018 Bonds were issued at a premium and the outstanding balance of the premium is \$12,366 and \$13,603 at December 31, 2025 and 2024, respectively.

Limited Tax Refunding Bonds – Series 2019

University Health issued the Limited Tax Refunding Bonds, Series 2019 (2019 Bonds) in the amount of \$204,065, dated February 1, 2019. The 2019 Bonds were used to refund \$232,140 of Series 2009B Bonds, resulting in a net present value savings of \$26,010. The 2019 Bonds mature in various amounts annually on February 15 through 2039, with stated coupon rates ranging from 2.5% to 5.0%. The 2019 Bonds are collateralized by a levy of ad valorem tax revenue. All of the 2019 Bonds still outstanding and maturing on or after February 15, 2029 may be redeemed at University Health's option on or after February 15, 2028 at a par plus accrued interest to the date of redemption.

As a result of the refunding, University Health decreased its total debt service requirements by \$42,081 and incurred an accounting loss of approximately \$1,235. The accounting loss on the refunding will be amortized into interest expense using a straight-line method over the term of the 2019 Bonds, which mature in 2039. The balance of the deferred loss on the refunding is \$813 and \$875 at December 31, 2025 and 2024, respectively, and is included as a deferred outflow of resources in the balance sheets. The 2019 Bonds were issued at a premium and the outstanding balance of the premium is \$10,148 and \$12,270 at December 31, 2025 and 2024, respectively.

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Limited Tax Refunding Bonds – Series 2020

During 2020, University Health issued the 2020 Bonds in the amount of \$140,680, dated January 14, 2020. The 2020 Bonds were used to refund \$162,310 of Series 2010B Certificates, resulting in a net present value savings of \$14,750. The 2020 Bonds mature in various amounts annually starting February 15, 2021 through 2040, with stated coupon rates ranging from 3.0% to 5.0%. The 2020 Bonds are collateralized by a levy of ad valorem tax revenue. As a result of the refunding, University Health decreased its total debt service requirements by \$18,884 and incurred an accounting loss of approximately \$701. The accounting loss on the refunding is being amortized into interest expense using a straight-line method over the term of the 2020 Bonds, which mature in 2040. The balance of the deferred loss on the refunding is \$500 and \$536 at December 31, 2025 and 2024, respectively, and is included as a deferred outflow of resources in the balance sheets. The 2020 Bonds were issued at a premium and the outstanding balance of the premium is \$9,659 and \$11,581 at December 31, 2025 and 2024, respectively.

All of the 2020 Bonds maturing on or after February 15, 2030 still outstanding may be redeemed at University Health's option on or after February 15, 2029 at a price of par plus accrued interest at the date of redemption.

Certificates of Obligation – Series 2020

During 2020, University Health also issued the Certificates of Obligation, Series 2020 (2020 Certificates) in the amount of \$144,685. The proceeds from the issuance were used to fund the construction and equipping of a women's and children's tower at the main hospital campus as well as a heart and vascular institute and advanced endoscopy services facility, among other facilities. The 2020 Certificates mature in various amounts annually on February 15, from 2021 through 2050, with stated coupon rates ranging from 2.00% to 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2020 Certificates maturing on or after February 15, 2030 still outstanding may be redeemed at University Health's option on or after February 15, 2029 at a price of par plus accrued interest at the date of redemption. The 2020 Certificates were issued at a premium and the outstanding balance of the premium is \$15,756 and \$17,393 at December 31, 2025 and 2024, respectively.

Certificates of Obligation – Series 2022

During 2022, University Health issued the Certificates of Obligation, Series 2022 (2022 Certificates) in the amount of \$293,710. The proceeds from the issuance are to be used to fund the acquisition, construction, improvement and equipping of University Health hospitals and other healthcare facilities, including medical office buildings and public health facilities throughout Bexar County as well as technology equipment, related hardware, software, and parking facilities. The 2022 Certificates mature in various amounts annually on February 15, from 2022 through 2052, with stated coupon rates ranging from 4.00% to 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2022 Certificates maturing on or after February 15, 2033 still outstanding may be redeemed at University Health's option on or after February 15, 2032 at a price of par plus accrued interest at the date of redemption. The 2022 Certificates maturing on or after February 15, 2047 still outstanding may be redeemed at University Health's option on or after February 15, 2028 at a price of par plus accrued interest at the date of redemption. The 2022 Certificates were issued at a premium and the outstanding balance of the premium is \$4,598 and \$5,797, at December 31, 2025 and 2024, respectively.

Certificates of Obligation – Series 2023

During 2023, University Health issued the Certificates of Obligation, Series 2023 (2023 Certificates) in the amount of \$188,120. The proceeds from the issuance are to be used to fund the acquisition, construction, improvement and equipping of University Health hospitals and other healthcare facilities, including medical office buildings and public health facilities throughout Bexar County as well as technology equipment, related hardware, software, and parking facilities. The 2023 Certificates mature in various amounts annually on February 15, from 2025 through

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2053, with a stated coupon rate of 5.00% and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. All of the 2023 Certificates maturing on or after February 15, 2033 still outstanding may be redeemed at University Health's option on or after February 15, 2032 at a price of par plus accrued interest at the date of redemption. The 2023 Certificates were issued at a premium and the outstanding balance of the premium is \$10,415 and \$11,724 at December 31, 2025 and 2024, respectively.

The following is a summary of long-term debt transactions for University Health for the years ended December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025					
Long-term debt					
Limited Tax Refunding Bonds, Series 2016	\$ 151,185	\$ -	\$ (8,715)	\$ 142,470	\$ 9,160
Certificates of Obligation, Series 2018	233,430	-	(5,855)	227,575	6,155
Limited Tax Refunding Bonds, Series 2019	166,145	-	(9,225)	156,920	9,805
Limited Tax Refunding Bonds, Series 2020	122,045	-	(5,275)	116,770	5,545
Certificates of Obligation, Series 2020	133,550	-	(2,630)	130,920	2,765
Certificates of Obligation, Series 2022	286,345	-	(4,970)	281,375	5,225
Certificates of Obligation, Series 2023	188,120	-	(5,285)	182,835	5,485
	<u>\$ 1,280,820</u>	<u>\$ -</u>	<u>\$ (41,955)</u>	<u>\$ 1,238,865</u>	<u>\$ 44,140</u>
2024					
Long-term debt					
Limited Tax Refunding Bonds, Series 2016	\$ 159,470	\$ -	\$ (8,285)	\$ 151,185	\$ 8,715
Certificates of Obligation, Series 2018	247,720	-	(14,290)	233,430	5,855
Limited Tax Refunding Bonds, Series 2019	175,070	-	(8,925)	166,145	9,225
Limited Tax Refunding Bonds, Series 2020	127,060	-	(5,015)	122,045	5,275
Certificates of Obligation, Series 2020	136,055	-	(2,505)	133,550	2,630
Certificates of Obligation, Series 2022	287,090	-	(745)	286,345	4,970
Certificates of Obligation, Series 2023	188,120	-	-	188,120	5,285
	<u>\$ 1,320,585</u>	<u>\$ -</u>	<u>\$ (39,765)</u>	<u>\$ 1,280,820</u>	<u>\$ 41,955</u>

The debt service requirements are as follows as of December 31, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 44,140	\$ 56,176	\$ 100,316
2027	40,370	54,064	94,434
2028	42,415	51,994	94,409
2029	45,145	49,699	94,844
2030	47,450	47,166	94,616
2031–2035	271,590	199,064	470,654
2036–2040	282,495	134,981	417,476
2041–2045	192,385	85,485	277,870
2046–2050	207,040	35,364	242,404
2051–2053	65,835	3,514	69,349
	<u>\$ 1,238,865</u>	<u>\$ 717,507</u>	<u>\$ 1,956,372</u>

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Note 9. Lease Liabilities

University Health leases medical office space, office space and equipment, the terms of which expire in various years through 2039, and also leases land, the terms of which expire in 2079. University Health recognized approximately \$11,810 and \$12,395 in 2025 and 2024, respectively, of rental expense for variable payments, short-term and cancelable leases that are not include in the measurement of the lease liability.

The following is a summary of lease liability transactions for University Health for the years ended December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
2025 - Lease liabilities	\$ 28,857	\$ 7,692	\$ (6,159)	\$ 30,390
2024 - Lease liabilities	\$ 31,308	\$ 3,315	\$ (5,766)	\$ 28,857

The following is a schedule by year of payments under the leases as of December 31, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 5,503	\$ 531	\$ 6,034
2027	4,034	441	4,475
2028	3,928	376	4,304
2029	2,837	316	3,153
2030	2,221	270	2,491
2031–2035	4,693	943	5,636
2036–2040	1,410	626	2,036
2041–2045	997	495	1,492
2046–2050	484	422	906
2051–2055	593	375	968
2056–2060	717	318	1,035
2061–2065	856	249	1,105
2066–2070	1,014	167	1,181
2071–2075	923	70	993
2076–2079	180	1	181
	<u>\$ 30,390</u>	<u>\$ 5,600</u>	<u>\$ 35,990</u>

Note 10. Subscription Liabilities

University Health has various SBITAs, the terms of which expire in various years through 2029. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

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During the years ended December 31, 2025 and 2024, University Health recognized approximately \$21,140 and \$12,991, respectively, of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a summary of subscription liability transactions for University Health for the years ended December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
2025 – Subscription liabilities	\$ 40,508	\$ 54,307	\$ (47,744)	\$ 47,071
2024 – Subscription liabilities	\$ 58,034	\$ 18,004	\$ (35,530)	\$ 40,508

The following is a schedule by year of payments under the SBITAs as of December 31, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 23,970	\$ 797	\$ 24,767
2027	16,836	356	17,192
2028	4,285	117	4,402
2029	1,980	35	2,015
	<u>\$ 47,071</u>	<u>\$ 1,305</u>	<u>\$ 48,376</u>

Note 11. Pension Plan

Plan Description and Benefits Provided

University Health sponsors a single-employer defined benefit pension plan that covers substantially all of University Health's employees who work at least 20 hours per week or at least 1,000 hours annually and were hired before July 1, 2012 under a traditional final average pay formula based on years of service and average earnings at termination. Employees are eligible for participation in the plan after attaining the age of 21 and completing one year of service. All employees with hire dates through June 30, 2012 must participate in the plan as a condition of employment. Employees hired after June 30, 2012 must participate in the Cash Balance Plan and are eligible for participation in the plan after attaining the age of 21 and completing one year of service.

Plan participants have a 100% vested right in the accrued benefits derived from their accumulated contributions. With regard to participants' accrued benefits derived from employer contributions, the participants become fully vested at the completion of five years of vesting service.

University Health makes contributions that are actuarially determined to pay the plan's total cost less the projected employee contributions.

Final Average Pay Formula

Participants are eligible for normal retirement benefits after attaining age 65 and completing five years of vesting service; or, after age 55 and the number of years of service needed for the sum of the participant's age and years

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of service to equal 85 years (Rule of 85). Annual normal retirement benefits (accrued benefits) are equal to 1.5% of the participant's average 5 highest years' pay in the last 10 years, times the number of years of credited service.

An early retirement provision is available to participants who attain age 55 and five years of vesting service, but do not satisfy the Rule of 85. The early retirement benefit equals the normal retirement benefit at actual retirement reduced at the rate of 1/15th for each of the first five years before age 65 and 1/30th for each of the next five years before age 65 and the participants actual retirement age.

Pre-retirement death benefits before vesting or attainment of age 55 are equal to the amount of the participant's contributions plus 4.5% interest per annum and may be distributed in a lump sum or in installments up to 60 months. Pre-retirement death benefits on or after eligibility for normal retirement are a monthly benefit payable to named beneficiary equal to 50% of the present actuarial value of the participant's accrued benefit otherwise payable on the participant's date of death.

University Health has agreed (but does not guarantee) to voluntarily contribute such amounts as are necessary to maintain the plan on a sound actuarial basis. University Health has the right to discontinue such contributions and terminate the plan at any time. However, under no conditions may University Health withdraw its contributions, or use them for any purpose other than the exclusive benefit of the plan participants and their beneficiaries; and, to pay for administrative expenses. Participants in the plan contribute 2% of gross pay upon achievement of eligibility and thereafter until the time of retirement or separation from employment with University Health.

Match Savings Plan

University Health also deposits amounts to the plan to fund a Match Savings Plan, a defined contribution plan, to encourage eligible employees to participate in a 457 Deferred Compensation Retirement Savings Plan (457 Plan). Under the Match Savings Plan, University Health will match 25% of an employee's contribution to the 457 Plan, up to 4% of compensation. Benefits will be distributed upon retirement or separation from service after satisfying the vesting requirements.

Cash Balance Formula

On June 11, 2012, the plan was amended to stipulate that employees hired by University Health after June 30, 2012 shall not be eligible to participate in the plan, except for the Match Savings Plan and the Cash Balance Plan, which is deemed to be part of the defined benefit pension plan. Other employees rehired after June 30, 2012, shall be treated as subject to this amendment unless they were vested in their accrued benefits prior to the date of being rehired.

Under the terms of the Cash Balance Plan, eligible employees are required to contribute 3% of eligible compensation and University Health also contributes 3% of each participating employee's eligible compensation. Plan participants have a 100% vested right in the accrued benefits derived from their accumulated contributions. With regard to participants' accrued benefits derived from employer contributions, the participants become fully vested at the completion of five years of vesting service. Employee and University Health contributions made on the employees' behalf are credited to a hypothetical cash balance account maintained in the Plan's recordkeeping system. As contributions are credited to the employee's account, interest credits are also made to the account, based on the balance of the account on the first day of each Plan quarter. Interest is measured by the actual rate of return of the entire Pension Trust. Upon the employee's retirement or termination of employment, their cash balance account will be credited with at least the total of all of the contributions that have been credited to their account.

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The employees covered by the Plan are as follows at January 1:

	<u>2025</u>	<u>2024</u>
Inactive participants		
Retirees and beneficiaries currently receiving benefits	1,566	1,513
Terminated employees with deferred benefits	<u>5,131</u>	<u>4,838</u>
Total inactive participants	<u>6,697</u>	<u>6,351</u>
Active participants		
Fully vested	4,676	4,460
Nonvested	<u>4,304</u>	<u>2,627</u>
Total active participants	<u>8,980</u>	<u>7,087</u>
Total participants	<u><u>15,677</u></u>	<u><u>13,438</u></u>

Contributions

The Board has the authority to establish and amend the contribution requirements of University Health and active employees. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board has agreed to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended December 31, 2025 and 2024, employees contributed \$14,615 and \$12,468 (or 2.7% and 2.5% of covered payroll), and University Health contributed \$23,382 and \$21,806 (or 4.2% and 4.4% of covered payroll), respectively, to the Plan.

Net Pension Liability

University Health's net pension liability was measured as of December 31, 2024 and 2023 for the years ended December 31, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2024 and 2023, respectively. Update procedures were used to roll forward the total pension liability to the respective measurement dates.

The total pension liability in the 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2024</u>	<u>2023</u>
Wage inflation	3.25%	3.25%
Salary increases	5.25%	4.30%
Ad hoc cost of living adjustments	N/A	N/A
Investment rate of return	7.00%	7.00%

The salary increases and investment rate of return assumptions are inclusive of inflation. The investment rate of return is net of administrative expenses.

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Mortality rates were based on the PubG-2010 Sex Distinct Employee and Sex Distinct Healthy Retiree, projected with generational mortality Scale MP- 2021 in the 2024 actuarial valuation and Scale MP-2020 in the 2023 actuarial valuation.

University Health generally performs an experience study every three to five years. The assumptions used in the 2024 and 2023 actuarial statements were based on experience studies performed in 2024 and 2019, respectively.

The long-term expected rate of return on pension plan investments was based primarily on a reasonable projection of what assets can be expected to earn given existing capital market conditions, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The target allocation and best estimates of geometric rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31%	4.9%
International equity	26%	5.0%
Fixed income	21%	2.3%
Real estate	10%	3.8%
Private equity	7%	6.0%
Absolute return/Hedge fund	5%	3.2%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both the years ended December 31, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University Health contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the total pension liability, plan fiduciary net position and the net pension liability are as follows for the years ended December 31:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
2025			
Balance, beginning of year	\$ 780,427	\$ 595,587	\$ 184,840
Service cost	25,442	-	25,442
Interest on total pension liability	55,248	-	55,248
Effect of economic/demographic gains or losses	10,448	-	10,448
Change in assumptions	2,549	-	2,549
Employer contributions	-	23,382	(23,382)
Member contributions	-	14,615	(14,615)
Benefit payments	(33,786)	(33,786)	-
Net investment income	-	52,123	(52,123)
Net changes	59,901	56,334	3,567
Balance, end of year	<u>\$ 840,328</u>	<u>\$ 651,921</u>	<u>\$ 188,407</u>
2024			
Balance, beginning of year	\$ 736,736	\$ 527,336	\$ 209,400
Service cost	24,200	-	24,200
Interest on total pension liability	52,123	-	52,123
Effect of economic/demographic gains or losses	565	-	565
Employer contributions	-	21,868	(21,868)
Member contributions	-	12,468	(12,468)
Benefit payments	(33,197)	(33,197)	-
Net investment income	-	67,112	(67,112)
Net changes	43,691	68,251	(24,560)
Balance, end of year	<u>\$ 780,427</u>	<u>\$ 595,587</u>	<u>\$ 184,840</u>

All amounts shown in the above tables are exclusive of the value of the participant Match-Savings accounts and UMA accounts.

The net pension liability of University Health has been calculated using a discount rate of 7.0%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

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	<u>1% Decrease 6.0%</u>	<u>Current Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
University Health's net pension liability	<u>\$ 275,403</u>	<u>\$ 188,407</u>	<u>\$ 115,343</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the years ended December 31, 2025 and 2024, University Health recognized pension expense of \$34,243 and \$28,460, respectively. At December 31, 2025 and 2024, University Health reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025		
Differences between expected and actual experience	\$ 22,582	\$ -
Net difference between projected and actual earnings on pension plan investments	13,482	-
Changes in assumptions	1,974	938
Contributions subsequent to the measurement date	<u>24,644</u>	<u>-</u>
	<u>\$ 62,682</u>	<u>\$ 938</u>
2024		
Differences between expected and actual experience	\$ 21,606	\$ 140
Net difference between projected and actual earnings on pension plan investments	21,989	-
Changes in assumptions	2,467	1,528
Contributions subsequent to the measurement date	<u>23,382</u>	<u>-</u>
	<u>\$ 69,444</u>	<u>\$ 1,668</u>

At December 31, 2025 and 2024, University Health reported \$24,644 and \$23,382, respectively, as deferred outflows of resources related to pensions resulting from University Health contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the years ended December 31, 2026 and 2025, respectively.

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Other amounts reported as deferred outflows of resources at December 31, 2025, related to pensions will be recognized in pension expense as follows:

2026	\$ 15,991
2027	25,078
2028	(3,364)
2029	<u>(605)</u>
	<u>\$ 37,100</u>

Deferred Compensation Plan

The Match Savings Plan is a 457 deferred compensation plan that covers substantially all employees meeting age and service requirements. Employee contributions to the plan are discretionary. University Health's expense was approximately \$3,478 and \$2,747 for the years ended December 31, 2025 and 2024, respectively.

Defined Contribution Plan

UMA has a defined contribution plan covering substantially all UMA employees. Participation in the plan is a condition of employment. Employees are fully vested after five years. Annually, UMA makes a contribution equal to 6.75% of the participant's compensation. Pension expense was approximately \$2,840 and \$2,693 for 2025 and 2024, respectively.

In January 2026, University Health amended the 457 Match Savings Plan to provide a match up to 4% of eligible compensation at 50% for employees with 0–10 years of service, and a match of up to 4% of eligible compensation at 100% for employees with 10 or more years of service. Additionally, eligibility under the plan was expanded to include UMA physicians. Plan amendments further provided a 403(b) match for certain executive team members.

Note 12. Other Postemployment Benefits

Plan Description

University Health contributes to the University Health System Other Postemployment Benefits Plan (OPEB Plan), a single-employer defined benefit OPEB plan covering substantially all employees. The OPEB Plan is administered by University Health. Benefit provisions and contribution requirements of plan members and University Health are established and may be amended by the Board.

Benefits Provided

The OPEB Plan provides postretirement healthcare and vision benefits to eligible retirees and their dependents. Benefits are provided through University Health's self-insured employee health plan. The cost of the benefits is covered by contributions from University Health and OPEB Plan members.

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The employees covered by the OPEB Plan are as follows at December 31:

	<u>2025</u>	<u>2024</u>
Inactive plan members or beneficiaries currently receiving payments	1,211	1,165
Active plan members	1,871	1,991
	<u>3,082</u>	<u>3,156</u>

Contributions

The Board has the authority to establish and amend the contribution requirements of University Health and active employees. The required contribution is based on projected pay-as-you-go financing requirements. OPEB Plan members receiving benefits contributed approximately \$2,310 and \$2,143 in 2025 and 2024, respectively, through the following required monthly contributions that were in effect for 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Retiree-only coverage	\$ 181.42	\$ 174.44
Retiree-only coverage – Medicare	\$ 138.78	\$ 136.06
Retiree and spouse coverage	\$ 344.70	\$ 331.44
Retiree and spouse coverage – Medicare	\$ 263.69	\$ 258.52
Retiree and children coverage	\$ -	\$ 326.21
Retiree and family coverage	\$ 612.30	\$ 612.30

Retiree and children and retiree and family options were closed to new members in January 2013.

The cost of benefits not covered by OPEB Plan member contributions are covered by University Health. For the years ended December 31, 2025 and 2024, University Health contributed \$6,899 and \$6,432, respectively, to the OPEB Plan.

Net OPEB Liability

University Health's net OPEB liability at December 31, 2025 and 2024 was \$183,988 and \$138,298, respectively, and was measured as of December 31, 2024 and 2023. The total OPEB Plan liability used to calculate the net OPEB Plan liability was determined by actuarial valuations as of January 1, 2024 and 2023, and rolled forward to the measurement dates.

The total OPEB liability in the January 1, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement period, unless otherwise specified:

Healthcare cost trend rates – initial	7.0%
Healthcare cost trend rates – ultimate	5.0%
Investment rate of return	7.0%
Retirees' share of benefit-related costs	75.0%
Payroll growth rate (compounded annually)	3.3%
Healthcare inflation – medical/prescription drug expenses	5.0%–7.0%
Healthcare inflation – administrative expenses	3.0%

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Mortality rates for both active and retired lives were based on the PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2021) for active lives and PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with generational mortality (Scale MP-2021) for retired lives in the 2024 actuarial valuation.

Mortality rates for both active and retired lives were based on the PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2020) for active lives and PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with generational mortality (Scale MP-2020) for retired lives in the 2023 actuarial valuation.

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return presented as geometric means for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	42%	4.85%
International equity	28%	4.95%
Fixed income	30%	2.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB Plan liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that University Health contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB Plan payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB Plan liability.

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Changes in the Net OPEB Liability

Changes in the total OPEB liability, OPEB Plan fiduciary net position, and the net OPEB liability are:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
2025			
Balance, beginning of year	\$ 207,725	\$ 69,427	\$ 138,298
Service cost	4,586	-	4,586
Interest on total OPEB liability	14,483	-	14,483
Effect of economic/demographic gains or losses	27,134	-	27,134
Effects of assumption changes	12,988	-	12,988
Employer contributions	-	6,828	(6,828)
Benefit payments	(6,828)	(6,828)	-
Net investment income	-	6,673	(6,673)
Net changes	52,363	6,673	45,690
Balance, end of year	<u>\$ 260,088</u>	<u>\$ 76,100</u>	<u>\$ 183,988</u>
2024			
Balance, beginning of year	\$ 181,059	\$ 59,950	\$ 121,109
Service cost	4,308	-	4,308
Interest on total OPEB liability	12,588	-	12,588
Effect of economic/demographic gains or losses	13,587	-	13,587
Effects of assumption changes	3,794	-	3,794
Employer contributions	-	8,113	(8,113)
Benefit payments	(7,611)	(7,611)	-
Net investment income	-	8,975	(8,975)
Net changes	26,666	9,477	17,189
Balance, end of year	<u>\$ 207,725</u>	<u>\$ 69,427</u>	<u>\$ 138,298</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The net OPEB liability of University Health has been calculated using a discount rate of 7.0%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
University Health's net OPEB liability	<u>\$ 216,649</u>	<u>\$ 183,988</u>	<u>\$ 156,835</u>

The net OPEB liability of University Health has been calculated using the initial healthcare cost trend rate of 7.0%, decreasing to an ultimate rate of 5.0%. The following presents the net OPEB liability using healthcare cost trend rates 1% higher and 1% lower than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University Health's net OPEB liability	<u>\$ 152,297</u>	<u>\$ 183,988</u>	<u>\$ 222,477</u>

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

For the years ended December 31, 2025 and 2024, University Health recognized OPEB expense of \$37,205 and \$28,256, respectively. At December 31, 2025 and 2024, University Health reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025		
Differences between expected and actual experience	\$ 56,578	\$ 262
Changes of assumptions	17,561	-
Net difference between projected and actual earnings on OPEB plan investments	1,312	-
Contributions subsequent to the measurement date	<u>6,258</u>	<u>-</u>
	<u>\$ 81,709</u>	<u>\$ 262</u>

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024		
Differences between expected and actual experience	\$ 47,310	\$ 351
Changes of assumptions	9,418	-
Net difference between projected and actual earnings on OPEB plan investments	3,499	-
Contributions subsequent to the measurement date	6,432	-
	<u>\$ 66,659</u>	<u>\$ 351</u>

At December 31, 2025 and 2024, University Health reported \$6,258 and \$6,432, respectively, as deferred outflows of resources related to OPEB resulting from University Health contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net OPEB liability during December 31, 2026 and 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025, related to OPEB will be recognized in OPEB expense as follows:

2026	\$ 23,148
2027	20,699
2028	14,879
2029	11,589
2030	3,335
Thereafter	1,539
	<u>\$ 75,189</u>

Note 13. Affiliation Agreement

University Health has entered into a long-standing affiliation agreement with UT Health. Under the agreement, University Health's facilities serve as the major teaching facilities for many of UT Health's healthcare programs, including the graduate medical education program. University Health incurred expenses of approximately \$18,641 and \$18,048 in 2025 and 2024, respectively, under the terms of the agreement. Under a separate master healthcare services agreement entered into in September 2019, University Health also incurred expenses of approximately \$162,594 and \$155,790 during 2025 and 2024, respectively, related to qualified healthcare professional services.

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Note 14. Disclosures About Fair Value of Investments

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Investments by fair value level				
U.S. Treasury obligations	\$ 705,493	\$ -	\$ 705,493	\$ -
U.S. agencies obligations	543,425	-	543,425	-
Municipal bonds	15,254	-	15,254	-
Commercial paper	123,799	-	123,799	-
Money market mutual funds	484,233	484,233	-	-
Total investments by fair value level	1,872,204	<u>\$ 484,233</u>	<u>\$ 1,387,971</u>	<u>\$ -</u>
Investment pool carried at amortized cost	335,143			
Total investments	<u>\$ 2,207,347</u>			

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Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Investments by fair value level				
U.S. Treasury obligations	\$ 689,916	\$ -	\$ 689,916	\$ -
U.S. agencies obligations	738,800	-	738,800	-
Municipal bonds	2,319	-	2,319	-
Commercial paper	192,736	-	192,736	-
Money market mutual funds	584,410	584,410	-	-
Total investments by fair value level	2,208,181	\$ 584,410	\$ 1,623,771	\$ -
Investment pool carried at amortized cost	267,432			
Total investments	\$ 2,475,613			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. University Health held no Level 3 investments at December 31, 2025 and 2024.

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Note 15. Condensed Combining Information

The following tables include condensed combining balance sheet information for University Health and its material blended component unit as of December 31:

	December 31, 2025			
	University Health	Community First	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	\$ 1,274,457	\$ 248,757	\$ (7,049)	\$ 1,516,165
Capital assets, net	2,831,086	2,036	-	2,833,122
Lease assets, net	19,651	9,226	-	28,877
Subscription assets, net	66,806	3,177	-	69,983
Other assets	1,440,209	165,522	-	1,605,731
Total Assets	5,632,209	428,718	(7,049)	6,053,878
Deferred Outflows of Resources	162,280	-	-	162,280
Total Assets and Deferred Outflows of Resources	\$ 5,794,489	\$ 428,718	\$ (7,049)	\$ 6,216,158
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current liabilities	\$ 525,269	\$ 166,829	\$ (7,049)	\$ 685,049
Noncurrent liabilities	1,679,427	10,748	-	1,690,175
Total Liabilities	2,204,696	177,577	(7,049)	2,375,224
Deferred Inflows of Resources	677,231	-	-	677,231
Net Position				
Net investments in capital assets	1,475,061	1,255	-	1,476,316
Restricted expendable	70,825	-	-	70,825
Restricted – non-expendable	1,250	-	-	1,250
Unrestricted	1,365,426	249,886	-	1,615,312
Total Net Position	2,912,562	251,141	-	3,163,703
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,794,489	\$ 428,718	\$ (7,049)	\$ 6,216,158

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	December 31, 2024			
	University Health	Community First	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	\$ 1,290,329	\$ 275,477	\$ (4,753)	\$ 1,561,053
Capital assets, net	2,141,146	2,779	-	2,143,925
Lease assets, net	16,728	10,621	-	27,349
Subscription assets, net	53,355	2,262	-	55,617
Other assets	1,668,507	119,855	-	1,788,362
Total Assets	5,170,065	410,994	(4,753)	5,576,306
Deferred Outflows of Resources	156,253	-	-	156,253
Total Assets and Deferred Outflows of Resources	<u>\$ 5,326,318</u>	<u>\$ 410,994</u>	<u>\$ (4,753)</u>	<u>\$ 5,732,559</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current liabilities	\$ 413,748	\$ 161,382	\$ (4,753)	\$ 570,377
Noncurrent liabilities	1,679,011	10,744	-	1,689,755
Total Liabilities	2,092,759	172,126	(4,753)	2,260,132
Deferred Inflows of Resources	662,414	-	-	662,414
Net Position				
Net investments in capital assets	771,601	2,039	-	773,640
Restricted expendable	70,242	-	-	70,242
Restricted – non-expendable	1,000	-	-	1,000
Unrestricted	1,728,302	236,829	-	1,965,131
Total Net Position	2,571,145	238,868	-	2,810,013
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,326,318</u>	<u>\$ 410,994</u>	<u>\$ (4,753)</u>	<u>\$ 5,732,559</u>

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The following tables include condensed combining statements of revenues, expenses, and changes in net position information for University Health and its material blended component unit for the years ended December 31:

	Year Ended December 31, 2025			Total
	University Health	Community First	Eliminations	
Operating Revenues				
Net patient service revenue	\$ 2,076,643	\$ -	\$ -	\$ 2,076,643
Premium revenue	-	1,235,127	-	1,235,127
Other	125,843	37,456	(12,748)	150,551
Total Operating Revenues	2,202,486	1,272,583	(12,748)	3,462,321
Operating Expenses				
Salaries and employee benefits	1,227,740	60,313	(3,800)	1,284,253
Purchased services, supplies, and other	1,230,130	80,766	(8,948)	1,301,948
Medical claims expense	-	1,110,059	-	1,110,059
Depreciation and amortization	163,121	4,265	-	167,386
Total Operating Expenses	2,620,991	1,255,403	(12,748)	3,863,646
Operating Income (Loss)	(418,505)	17,180	-	(401,325)
Noncapital Subsidies				
Property tax revenue, net	559,464	-	-	559,464
Total Noncapital Subsidies	559,464	-	-	559,464
Operating Income and Noncapital Subsidies	140,959	17,180	-	158,139
Other Nonoperating Revenues (Expenses)				
Interest expense	(44,631)	-	-	(44,631)
Capital grants and gifts	25,983	-	-	25,983
Property tax revenue for debt service on bonds, net	99,039	-	-	99,039
Other	100,067	15,093	-	115,160
Total Other Nonoperating Revenues (Expenses)	180,458	15,093	-	195,551
Distribution to (from) Affiliate	20,000	(20,000)	-	-
Increase in Net Position	341,417	12,273	-	353,690
Net Position, Beginning of Year	2,571,145	238,868	-	2,810,013
Net Position, End of Year	\$ 2,912,562	\$ 251,141	\$ -	\$ 3,163,703

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	Year Ended December 31, 2024			
	University Health	Community First	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 1,817,137	\$ -	\$ -	\$ 1,817,137
Premium revenue	-	852,162	-	852,162
Other	118,557	32,139	(8,792)	141,904
Total Operating Revenues	1,935,694	884,301	(8,792)	2,811,203
Operating Expenses				
Salaries and employee benefits	1,056,630	55,029	(3,400)	1,108,259
Purchased services, supplies, and other	1,145,889	69,279	(5,392)	1,209,776
Medical claims expense	-	736,160	-	736,160
Depreciation and amortization	151,897	2,841	-	154,738
Total Operating Expenses	2,354,416	863,309	(8,792)	3,208,933
Operating Income (Loss)	(418,722)	20,992	-	(397,730)
Noncapital Subsidies				
Property tax revenue, net	573,983	-	-	573,983
Total Noncapital Subsidies	573,983	-	-	573,983
Operating Income and Noncapital Subsidies	155,261	20,992	-	176,253
Other Nonoperating Revenues (Expenses)				
Interest expense	(44,084)	-	-	(44,084)
Capital grants and gifts	11,637	-	-	11,637
Property tax revenue for debt service on bonds, net	104,484	-	-	104,484
Other	110,691	14,569	-	125,260
Total Other Nonoperating Revenues (Expenses)	182,728	14,569	-	197,297
Distribution to (from) Affiliate	30,000	(30,000)	-	-
Increase in Net Position	367,989	5,561	-	373,550
Net Position, Beginning of Year	2,203,156	233,307	-	2,436,463
Net Position, End of Year	\$ 2,571,145	\$ 238,868	\$ -	\$ 2,810,013

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The following tables include condensed combining statements of cash flows information for University Health and its material blended component unit for the years ended December 31:

	Year Ended December 31, 2025		
	University Health	Community First	Total
Net Cash Provided by (Used in)			
Operating activities	\$ (243,903)	\$ 52,656	\$ (191,247)
Noncapital financing activities	587,658	(19,997)	567,661
Capital and related financing activities	(790,777)	(3,489)	(794,266)
Investing activities	235,450	(935)	234,515
Increase (Decrease) in Cash and Cash Equivalents	(211,572)	28,235	(183,337)
Cash and Cash Equivalents, Beginning of Year	287,903	142,240	430,143
Cash and Cash Equivalents, End of Year	<u>\$ 76,331</u>	<u>\$ 170,475</u>	<u>\$ 246,806</u>

	Year Ended December 31, 2024		
	University Health	Community First	Total
Net Cash Provided by (Used in)			
Operating activities	\$ (277,495)	\$ (72,570)	\$ (350,065)
Noncapital financing activities	611,546	(30,000)	581,546
Capital and related financing activities	(415,557)	(2,993)	(418,550)
Investing activities	131,731	55,159	186,890
Increase (Decrease) in Cash and Cash Equivalents	50,225	(50,404)	(179)
Cash and Cash Equivalents, Beginning of Year	237,678	192,644	430,322
Cash and Cash Equivalents, End of Year	<u>\$ 287,903</u>	<u>\$ 142,240</u>	<u>\$ 430,143</u>

Note 16. Contingencies

Litigation

In the normal course of business, University Health is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by University Health's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. University Health evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 7.

Pension and Other Postretirement Benefit Obligations

University Health has a defined benefit pension and postretirement healthcare plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the entry age normal cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

University Health invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

Note 17. One Big Beautiful Bill Act

On July 3, 2025, the U.S Congress enacted the *One Big Beautiful Bill Act* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has no impact on the results of operations and financial condition as of and for the year ended December 31, 2025. University Health is currently evaluating what impact the OBBBA may have on the financial results, cash flows, and financial position for future periods.

Note 18. Subsequent Events

In May 2026, University Health issued the Limited Tax Refunding Bonds, Series 2026, in the principal amount of \$121,235,000. The 2026 bonds were used to refund portions of the Series 2016 bonds and the Series 2018 Certificates. The 2026 Bonds mature in various amounts annually on February 2027 through 2032, with a stated interest rate of 5.00%. Because the refunding occurred subsequent to December 31, 2025, the accompanying financial statements do not reflect the activity of the 2026 bond issuance.

Required Supplementary Information

Bexar County Hospital District d/b/a University Health
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Schedule of Changes in University Health's Net Pension Liability and Related Ratios
December 31
(In Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 25,442	\$ 24,200	\$ 24,158	\$ 23,183	\$ 21,569	\$ 21,645	\$ 20,698	\$ 19,603	\$ 19,175	\$ 17,036
Interest	55,248	52,123	47,414	44,541	41,534	37,600	35,195	33,128	29,286	28,862
Effect of economic/demographic gains or losses	10,448	565	28,606	5,232	3,506	(659)	(1,304)	(6,090)	(4,243)	749
Changes of assumptions	2,549	-	-	(3,297)	-	20,879	-	-	26,891	-
Benefit payments, including refunds of employee contributions	(33,786)	(33,197)	(32,698)	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)
Net Change in Total Pension Liability	59,901	43,691	67,480	43,073	42,613	57,066	34,580	30,190	54,244	33,008
Total Pension Liability – Beginning	780,427	736,736	669,256	626,183	583,570	526,504	491,924	461,734	407,490	374,482
Total Pension Liability – Ending (a)	<u>\$ 840,328</u>	<u>\$ 780,427</u>	<u>\$ 736,736</u>	<u>\$ 669,256</u>	<u>\$ 626,183</u>	<u>\$ 583,570</u>	<u>\$ 526,504</u>	<u>\$ 491,924</u>	<u>\$ 461,734</u>	<u>\$ 407,490</u>
Plan Fiduciary Net Position										
Contributions – employer	\$ 23,382	\$ 21,868	\$ 21,503	\$ 21,734	\$ 21,502	\$ 23,431	\$ 24,110	\$ 24,296	\$ 17,891	\$ 16,903
Contributions – employee	14,615	12,468	11,133	10,877	9,751	8,796	8,045	7,325	6,589	6,724
Net investment income	52,123	67,111	(77,639)	85,091	70,100	66,962	(16,152)	53,559	19,944	1,370
Benefit payments, including refunds of employee contributions	(33,786)	(33,196)	(32,698)	(26,586)	(23,996)	(22,399)	(20,009)	(16,451)	(16,865)	(13,639)
Net Change in Plan Fiduciary Net Position	56,334	68,251	(77,701)	91,116	77,357	76,790	(4,006)	68,729	27,559	11,358
Plan Fiduciary Net Position – Beginning	595,587	527,336	605,037	513,921	436,564	359,774	363,780	295,051	267,492	256,134
Plan Fiduciary Net Position – Ending (b)	<u>\$ 651,921</u>	<u>\$ 595,587</u>	<u>\$ 527,336</u>	<u>\$ 605,037</u>	<u>\$ 513,921</u>	<u>\$ 436,564</u>	<u>\$ 359,774</u>	<u>\$ 363,780</u>	<u>\$ 295,051</u>	<u>\$ 267,492</u>
University Health's Net Pension Liability – Ending (a)-(b)	<u>\$ 188,407</u>	<u>\$ 184,840</u>	<u>\$ 209,400</u>	<u>\$ 64,219</u>	<u>\$ 112,262</u>	<u>\$ 147,006</u>	<u>\$ 166,730</u>	<u>\$ 128,144</u>	<u>\$ 166,683</u>	<u>\$ 139,998</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.58%	76.32%	71.58%	90.40%	82.07%	74.81%	68.33%	73.95%	63.90%	65.64%
Covered Payroll	\$ 550,780	\$ 494,889	\$ 471,478	\$ 443,686	\$ 410,769	\$ 380,745	\$ 354,487	\$ 331,014	\$ 307,617	\$ 280,165
University Health's Net Pension Liability as a Percentage of Covered Payroll	34.21%	37.35%	44.41%	14.47%	27.33%	38.61%	47.03%	38.71%	54.19%	49.97%

Notes to Schedule:

Changes of assumptions:

1. Rate of salary increase changed from 4.9% (2017) to 5.4% (2018) to 5.5% (2019) to 4.3% (2020, 2021, 2022, 2023) to 5.25% (2024)
2. In 2020, salary increase, mortality, termination retirement and optional form assumptions were changed based on a recent experience study.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Schedule of University Health Pension Contributions
December 31
(In Thousands)

Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 24,644	\$ 24,644	\$ -	\$ 724,843	3.4%
2024	\$ 23,382	\$ 23,382	\$ -	\$ 550,781	4.2%
2023	\$ 21,868	\$ 21,868	\$ -	\$ 494,889	4.4%
2022	\$ 21,503	\$ 21,503	\$ -	\$ 471,478	4.6%
2021	\$ 21,734	\$ 21,734	\$ -	\$ 443,686	4.9%
2020	\$ 21,502	\$ 21,502	\$ -	\$ 410,769	5.2%
2019	\$ 20,431	\$ 23,431	\$ (3,000)	\$ 380,745	6.2%
2018	\$ 21,110	\$ 24,110	\$ (3,000)	\$ 354,487	6.8%
2017	\$ 21,296	\$ 24,296	\$ (3,000)	\$ 331,014	7.3%
2016	\$ 17,891	\$ 17,891	\$ -	\$ 307,617	6.0%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Closed
Remaining amortization period:	20
Asset valuation method:	5-year smoothed market
Inflation:	3.25%
Salary increases:	3.50%–6.75%, based on age and years of service, including inflation
Investment rate of return:	7.0%, net of pension plan investment expense, including inflation
Retirement age:	Annual rates based on age and age at satisfaction of rule of 85 for participants that meet the rule of 85 prior to age 65.
Mortality – Active Lives:	PubG-2010 Sex Distinct Employee; projected with Generational Mortality (Scale MP-2021)
Mortality – Retired Lives:	PubG-2010 Sex Distinct Healthy Retiree; projected with Generational Mortality (Scale MP-2021)
Other information:	Plan is frozen to new participants effective June 30, 2012

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Schedule of Changes in University Health's Net OPEB Liability and Related Ratios
December 31
(In Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability								
Service cost	\$ 4,586	\$ 4,310	\$ 4,136	\$ 3,927	\$ 3,977	\$ 3,910	\$ 3,101	\$ 3,191
Interest	14,483	13,089	10,400	9,896	7,894	5,331	4,975	3,942
Effect of economic/demographic gains or losses	27,134	13,587	21,900	(617)	20,704	24,846	425	11,204
Effect of assumption changes	12,988	3,794	2,405	565	-	12,715	-	-
Plan amendments	-	-	-	-	-	(5,659)	-	-
Benefit payments	(6,828)	(8,114)	(5,862)	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net Change in Total OPEB Liability	52,363	26,666	32,979	7,603	27,855	36,961	4,960	15,900
Total OPEB Liability – Beginning	207,725	181,059	148,080	140,477	112,622	75,661	70,701	54,801
Total OPEB Liability – Ending (a)	\$ 260,088	\$ 207,725	\$ 181,059	\$ 148,080	\$ 140,477	\$ 112,622	\$ 75,661	\$ 70,701
Plan Fiduciary Net Position								
Contributions – employer	\$ 9,282	\$ 8,114	\$ 7,418	\$ 6,168	\$ 4,720	\$ 4,182	\$ 3,541	\$ 2,437
Benefit payments	(9,282)	(8,114)	(5,862)	(6,168)	(4,720)	(4,182)	(3,541)	(2,437)
Net investment income (loss)	6,673	9,477	(11,626)	8,320	8,273	9,799	(1,664)	6,686
Net Change in Plan Fiduciary Net Position	6,673	9,477	(10,070)	8,320	8,273	9,799	(1,664)	6,686
Plan Fiduciary Net Position – Beginning	69,427	59,950	70,020	61,700	53,427	43,628	45,292	38,606
Plan Fiduciary Net Position – Ending (b)	\$ 76,100	\$ 69,427	\$ 59,950	\$ 70,020	\$ 61,700	\$ 53,427	\$ 43,628	\$ 45,292
University Health's Net OPEB Liability – Ending (a)-(b)	\$ 183,988	\$ 138,298	\$ 121,109	\$ 78,060	\$ 78,777	\$ 59,195	\$ 32,033	\$ 25,409
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	29.26%	33.42%	33.11%	47.29%	43.92%	47.44%	57.66%	64.06%
Covered Employee Payroll	\$ 165,165	\$ 158,874	\$ 160,319	\$ 161,057	\$ 161,127	\$ 171,472	\$ 180,712	\$ 189,368
University Health's Net OPEB Liability as a Percentage of Covered Employee Payroll	111.40%	87.05%	75.54%	48.47%	48.89%	34.52%	17.73%	13.42%

Note: The measurement date for GASB 75 is one year prior to the current fiscal year end of University Health. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, University Health will present information for those years for which information is available. Information presented in this schedule has been determined as of University Health's fiscal year end (December 31) in accordance with GASB 75.

Bexar County Hospital District d/b/a University Health
A Component Unit of Bexar County, Texas
Schedule of University Health's OPEB Contributions
December 31
(In Thousands)

Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 29,328	\$ 4,390	\$ (24,938)	\$ 160,548	2.7%
2024	\$ 11,356	\$ 4,586	\$ (6,770)	\$ 165,165	2.8%
2023	\$ 9,818	\$ 4,310	\$ (5,508)	\$ 158,874	2.7%
2022	\$ 8,351	\$ 4,136	\$ (4,215)	\$ 160,319	2.6%
2021	\$ 7,969	\$ 5,872	\$ (2,097)	\$ 161,058	3.6%
2020	\$ 7,313	\$ 4,720	\$ (2,593)	\$ 161,127	2.9%
2019	\$ 4,452	\$ 4,182	\$ (270)	\$ 171,472	2.4%
2018	\$ 4,585	\$ 3,541	\$ (1,044)	\$ 180,712	2.0%
2017	\$ 2,996	\$ 2,437	\$ (559)	\$ 189,368	1.3%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage open
Remaining amortization period:	30
Asset valuation method:	5-year smoothed market
Inflation:	N/A
Salary increases:	3.25%
Investment rate of return:	7.0%, net of OPEB plan investment expense, including inflation
Retirement age:	Annual rates based on age and age at satisfaction of rule of 85 for participants that meet the rule of 85 prior to age 65.
Mortality - Active Lives:	PubG-2010 Sex Distinct Employee Headcount weighted; projected with Generational Mortality (Scale MP-2021)
Mortality - Retired Lives:	PubG-2010 Sex Distinct Healthy Retiree Headcount weighted; projected with Generational Mortality (Scale MP-2021)
Healthcare Trend Rate	7.0% initial gradually decreasing to 5.0% ultimate.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, University Health will present information for those years for which information is available. Information presented in this schedule has been determined as of University Health's fiscal year end (December 31) in accordance with GASB 75.