



November 14, 2024

Dear Interim Joint Committee Appropriations & Revenue,

In compliance with HB99 Section 4, U of L Health is pleased to provide this annual report to the Interim Joint Committee on Appropriations and Revenue "detailing the status of the KEDFA loan for as long as the loan is in effect." The loan, approved by the legislature in 2019, made possible the acquisition of several inpatient at outpatient facilities in Jefferson County and ensured the continuation of critical health care services that impact nearly every county in the Commonwealth.

Fiscal year 2024 turned out to be a challenging year financially. Due to several significant headwinds our financial performance, while still positive, did not meet budgeted expectations. Despite these challenges, U of L Health continues to show progress as a maturing health system dedicated to serving the health needs of the commonwealth. At this point, our annual audit has been completed and approved by our Board of Directors. Fiscal Year 2024 audited results show an operating loss of \$47,319,865. The significant challenges presented this year include increase of charity care and bad debt of approximately \$31 million, increased market penetration of poor or slow payers including Medicare Advantage products, the ongoing need to use contract labor due to workforce shortages in the healthcare sector. For our current fiscal year, we are on track to report positive results for the current fiscal year.

U of L Health continues to live up to the promises made when the legislature supported this loan. As spelled out in the loan document, we continue to exceed agreed-upon employment and wage levels. As of certified calendar year 2024, U of L Health has employed 8,342 Kentucky residents (exceeding the 5,880 requirement), and the average wage is \$50.31 (exceeding the \$35.00 per hour requirement).

In addition, U of L Health is on track to make the final payment on the obligated part (\$17.5 million) of the \$35 million KEDFA loan during the current fiscal year. At that point U of L Health will have met its obligations to the state 16 years ahead of schedule.

The acquisition of the Kentucky One assets saved 5,500 Kentucky jobs with a payroll of more than \$300 million while generating an economic impact of approximately \$482 million. We continue to develop health care access points across the state in both

urban and rural areas. The health system is opening and/or expanding inpatient and outpatient services including an outpatient center in South Louisville and new primary care in West Louisville, a new hospital in Bullitt County, affiliation with Carroll County Memorial Hospital, a physician practice in Meade County, as well as other locations across South Central and Western Kentucky. All this activity shows our continued commitment to improve the health of all Kentuckians, improve access, and live up to our mission as a “safety net” provider focused on teaching and research.

In addition to expanding access to underserved areas of the Commonwealth we continue to grow significant partnerships with Jefferson County Schools that begins to introduce students to health care careers. We also provide free tuition to U of L Health employees and their families who wish to pursue a higher education degree – helping the Commonwealth build a strong educated future workforce.

All these efforts are designed to not only address the health needs of today, but also to prepare for what tomorrow might bring. We are continually thankful for the support of the legislature in securing these needed funds. With your support, U of L Health will continue to thrive and serve the health care needs of all Kentuckians.

Sincerely,

A handwritten signature in black ink, appearing to be 'Tom Miller', written over a horizontal line.

Tom Miller, CEO
U of L Health