

# DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements  
June 30, 2024 and 2023

(Unaudited)

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Balance Sheets (Unaudited)

June 30, 2024 and 2023

(\$000's Omitted)

<b>Assets</b>	<b>6/30/2024</b>	<b>6/30/2023</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 30,556	115,088
Patient accounts receivable	811,504	623,984
Estimated third-party payor settlements, net	228,098	74,333
Other receivables	57,399	41,289
Inventories of drugs and supplies	140,841	122,981
Short-term investments	568,205	390,840
Assets limited as to use	18,551	22,108
Other current assets	50,572	57,366
	1,905,726	1,447,989
Assets limited as to use	166,506	138,866
Investments	4,353,147	4,302,336
Property and equipment, net	2,154,775	2,163,362
Prepaid pension asset	124,367	-
Right-of-use operating lease assets	483,621	306,228
Other noncurrent assets	114,435	65,196
	9,302,577	8,423,977
	\$ 9,302,577	8,423,977
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 187,758	202,645
Accrued salaries, wages and vacation payable	363,506	264,882
Current portion of postretirement and postemployment benefit obligations	8,791	8,657
Commercial paper	148,731	248,386
Current portion of long-term debt	34,339	32,987
Current portion of finance lease liabilities	12,418	7,984
Current portion of operating lease liabilities	33,233	22,778
Other current liabilities	84,498	47,985
	873,274	836,304
Total current liabilities	873,274	836,304
Postretirement and postemployment benefit obligations, net of current portion	62,473	99,607
Long-term debt, net of current portion	1,567,945	1,455,042
Finance lease liabilities, net of current portion	139,555	133,022
Operating lease liabilities, net of current portion	478,172	310,769
Other noncurrent liabilities	139,666	114,182
	3,261,085	2,948,926
Total liabilities	3,261,085	2,948,926
<b>Net Assets:</b>		
Without donor restrictions	5,976,475	5,414,071
With donor restrictions	65,017	60,980
	6,041,492	5,475,051
Total net assets	6,041,492	5,475,051
Total liabilities and net assets	\$ 9,302,577	8,423,977
	\$ 9,302,577	8,423,977

See accompanying notes to the unaudited consolidated financial statements.

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Statements of Operations (Unaudited)  
For the Twelve Months Ended June 30, 2024 and 2023  
(\$000's Omitted)

	<u>6/30/2024</u>	<u>6/30/2023</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 6,630,995	4,589,450
Other revenue	190,937	247,877
Total revenues, gains and other support	<u>6,821,932</u>	<u>4,837,327</u>
Expenses:		
Employee compensation and temporary labor	3,617,227	2,474,569
Medical supplies	1,591,001	1,334,598
Interest	77,118	57,295
Depreciation and amortization	204,742	213,583
State provider assessments	355,865	101,188
Other operating expenses	773,290	808,097
Total expenses	<u>6,619,243</u>	<u>4,989,330</u>
Operating income (loss)	<u>202,689</u>	<u>(152,003)</u>
Nonoperating income (loss):		
Investment income	404,012	42,531
Nonoperating components of net periodic benefit cost	49,999	39,264
Other, net	(521)	(8,067)
Total nonoperating income	<u>453,490</u>	<u>73,728</u>
Excess (deficit) of revenue over expenses	656,179	(78,275)
Change in funded status of defined benefit plans	141,220	(119,082)
Net assets released from restrictions for purchase of property and equipment	313	85
Transfers to the University, net	<u>(235,308)</u>	<u>(133,052)</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 562,404</u>	<u>(330,324)</u>

See accompanying notes to the unaudited consolidated financial statements.

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Statements of Changes in Net Assets (Unaudited)

For the Twelve Months Ended June 30, 2024 and 2023

(\$000's Omitted)

	<u>6/30/2024</u>	<u>6/30/2023</u>
Net assets without donor restrictions:		
Excess (deficit) of revenue over expenses	\$ 656,179	(78,275)
Change in funded status of defined benefit plans	141,220	(119,082)
Net assets released from restrictions for purchase of property and equipment	313	85
Transfers to the University, net	(235,308)	(133,052)
Increase (decrease) in net assets without donor restrictions	<u>562,404</u>	<u>(330,324)</u>
Net assets with donor restrictions:		
Contributions for restricted purposes	8,000	10,278
Transfers from the University, net	139	5
Net assets released from restrictions used for operations	(4,870)	(4,468)
Net assets released from restrictions for purchase of property and equipment	(313)	(85)
Net realized and unrealized gains (losses)	1,081	(2,178)
Increase in net assets with donor restrictions	<u>4,037</u>	<u>3,552</u>
Increase (decrease) in net assets	566,441	(326,772)
Net assets, beginning of year	<u>5,475,051</u>	<u>5,801,823</u>
Net assets, end of period	<u>\$ 6,041,492</u>	<u>5,475,051</u>

See accompanying notes to the unaudited consolidated financial statements.

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Statements of Cash Flows (Unaudited)

For the Twelve Months Ended June 30, 2024 and 2023

(\$000's Omitted)

	<u>6/30/2024</u>	<u>6/30/2023</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 566,441	(326,772)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	204,742	213,583
Amortization of debt issuance costs, premium and discount	(839)	(2,375)
Investment income	(404,831)	(40,365)
Net (gain) loss on other investments and disposals of property and equipment	(2,398)	11,157
Nonperiodic changes in defined benefit plans	(141,220)	119,082
Transfers to the University, net	235,169	133,047
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(1,328)	(663)
Changes in operating assets and liabilities:		
Patient accounts receivable	(182,770)	(73,475)
Estimated third-party payor settlements, net	(153,765)	(116,721)
Other receivables	(16,658)	(9,968)
Inventories of drugs and supplies	(8,379)	20,069
Right-of-use operating lease assets, net of operating lease liabilities	2,147	1,478
Pension asset and postretirement and postemployment benefit obligations	(8,536)	(10,773)
Other assets	(9,296)	(18,934)
Accounts payable	(33,100)	1,922
Accrued salaries, wages and vacation payable	79,449	(5,024)
Other liabilities	34,074	(28,157)
Net cash provided by (used in) operating activities	<u>158,902</u>	<u>(132,889)</u>
Cash flows from investing activities:		
Capital expenditures	(127,331)	(159,181)
Sales of property and equipment	4,726	-
Acquisition of physician organization	(52,641)	-
Increase in assets limited as to use	(2,831)	(6,019)
Sales of investments	1,406,594	1,581,121
Purchases of investments	(1,255,285)	(1,398,837)
Decrease (increase) in other assets	2,516	(6,738)
Net cash (used in) provided by investing activities	<u>(24,252)</u>	<u>10,346</u>

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**  
Consolidated Statements of Cash Flows, Continued (Unaudited)  
For the Twelve Months Ended June 30, 2024 and 2023  
(\$000's Omitted)

	<u>6/30/2024</u>	<u>6/30/2023</u>
Cash flows from financing activities:		
Payments on long-term debt	(32,987)	(30,963)
Proceeds from bank borrowings	\$ 150,000	-
Proceeds from issuance of commercial paper	838,953	594,831
Payments on commercial paper	(940,527)	(347,114)
Proceeds from restricted contributions and associated investment income	1,328	663
Payments on finance lease liabilities	(17,020)	(10,467)
Transfers to the University, net	(218,929)	(130,603)
Net cash (used in) provided by financing activities	<u>(219,182)</u>	<u>76,347</u>
Net decrease in cash and cash equivalents	(84,532)	(46,196)
Cash and cash equivalents, beginning of year	<u>115,088</u>	<u>161,284</u>
Cash and cash equivalents, end of period	<u>\$ 30,556</u>	<u>115,088</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 76,104	59,481
Recoupments of Medicare accelerated advance payments included in cash flow from operations	-	(43,665)
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of June 30	\$ 18,257	(32,154)
Net transfers to the University of property and equipment	773	2,999
Net transfers payable to the University	27,108	31
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 58,934	36,222
Increase (decrease) in right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	17,213	(10,364)
Finance leases	1,853	(19,245)

See accompanying notes to the unaudited consolidated financial statements.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Twelve Months Ended June 30, 2024 and 2023

	Duke University		Duke Regional		Duke Raleigh		DUHS Consolidated	
	Hospital		Hospital		Hospital			
	12 months 6/30/2024	12 months 6/30/2023	12 months 6/30/2024	12 months 6/30/2023	12 months 6/30/2024	12 months 6/30/2023	12 months 6/30/2024	12 months 6/30/2023
Adult Patient Days	345,424	330,729	100,593	99,902	54,984	55,202	501,001	485,833
Average Adult Daily Census	944	906	275	274	150	151	1,369	1,331
Licensed Beds	1,062	1,062	388	388	204	186	1,654	1,636
Average Number of Available Beds	1,059	1,040	363	363	204	186	1,626	1,589
Full Time Equivalents	10,379	9,945	2,316	2,288	2,094	2,042	26,579	21,461
Average Adult Occupancy	89%	87%	76%	75%	74%	81%	84%	84%
Adult Discharges	44,873	41,710	16,952	15,466	10,778	10,222	72,603	67,398
Average Adult Length of Stay	7.7	7.9	5.9	6.5	5.1	5.4	6.9	7.2
Medicare Case Mix Index	2.5660	2.6904	1.6264	1.7740	1.9920	2.0408	2.2296	2.3496
Number of Deliveries	3,914	3,835	2,699	2,710	-	-	6,613	6,545
Surgical Procedures	42,765	39,156	25,529	24,483	19,302	18,043	87,596	81,682
Endoscopy Procedures	16,370	16,759	5,246	5,526	4,051	4,130	25,667	26,415
Emergency Department Visits	77,308	76,293	59,330	47,737	47,400	46,537	184,038	170,567
Hospital Outpatient Visits	1,335,114	1,244,363	264,451	236,000	428,390	397,299	2,027,955	1,877,662
Duke Primary Care Visits	-	-	-	-	-	-	1,045,846	925,553
Duke Health Integrated Practice Visits	-	-	-	-	-	-	2,231,755	-
Gross Revenues by Payor								
Medicare	22.3%	23.8%	20.6%	23.0%	25.7%	27.9%	21.8%	24.0%
Medicare Managed Care	22.1%	20.2%	27.6%	26.4%	28.9%	25.6%	23.1%	21.6%
Medicaid	12.7%	13.2%	10.5%	10.1%	6.7%	6.9%	11.2%	11.7%
Commercial	35.5%	34.7%	33.3%	32.2%	33.2%	34.0%	36.9%	35.2%
Self-pay	2.4%	2.9%	5.1%	5.3%	2.5%	2.8%	2.7%	3.1%
Other	5.0%	5.2%	2.9%	3.1%	3.0%	2.8%	4.2%	4.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%	100%

Note: Percentages may not sum to 100% due to rounding.

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidating Statements of Operations (Unaudited)

For the Twelve Months Ended June 30, 2024

(\$000's Omitted)

	Duke University Hospital	Duke Regional Hospital	Duke Raleigh Hospital	Duke Health Integrated Practice	Duke Primary Care	All Other Affiliates & Eliminations	Consolidated
Revenues, gains and other support without donor restrictions:							
Patient service revenue	\$ 3,960,501	569,007	706,897	1,078,673	227,959	87,958	6,630,995
Other revenue	60,289	8,785	7,736	207,856	2,032	(95,761)	190,937
Total revenues, gains and other support	<u>4,020,790</u>	<u>577,792</u>	<u>714,633</u>	<u>1,286,529</u>	<u>229,991</u>	<u>(7,803)</u>	<u>6,821,932</u>
Expenses:							
Employee compensation and temporary labor	1,261,498	284,742	245,791	1,035,971	206,109	583,116	3,617,227
Medical supplies	1,089,096	98,059	171,513	101,605	26,889	103,839	1,591,001
Interest	51,773	12,011	12,536	770	-	28	77,118
Depreciation	92,363	27,687	32,402	18,770	7,440	26,080	204,742
State provider assessments	261,527	41,131	53,207	-	-	-	355,865
Other operating expenses	923,831	134,252	155,841	233,239	41,987	(715,860)	773,290
Total expenses	<u>3,680,088</u>	<u>597,882</u>	<u>671,290</u>	<u>1,390,355</u>	<u>282,425</u>	<u>(2,797)</u>	<u>6,619,243</u>
Operating income (loss)	\$ <u>340,702</u>	<u>(20,090)</u>	<u>43,343</u>	<u>(103,826)</u>	<u>(52,434)</u>	<u>(5,006)</u>	<u>202,689</u>

See accompanying notes to the unaudited consolidated financial statements.



**DUKE UNIVERSITY HEALTH SYSTEM, INC.  
AND AFFILIATES**

Supplemental Notes to Consolidated Financial Statements (Unaudited)

June 30, 2024 and 2023

(000's Omitted)

**1. Acquisition of Physician Organization**

On July 1, 2023, the Health System acquired certain assets and assumed certain liabilities of the Private Diagnostic Clinic, PLLC (PDC). The PDC was a professional limited liability company consisting of physicians practicing primarily within Health System facilities and PDC clinics. The Health System formed Duke Health Integrated Practice, Inc. (DHIP), a wholly-controlled nonprofit corporation, for the purpose of providing physician clinical care to patients. As a result of the transaction, most of the physicians and other employees of the PDC became employees of DHIP as of July 1, 2023. The addition of DHIP allowed the Health System to become a fully integrated, nonprofit, and mission-centric health care system, enabling it to provide seamless, coordinated, and high-quality clinical care to its patients.

The following table summarizes the consideration paid to the PDC and the amounts of assets recognized and liabilities assumed at the acquisition date:

Cash paid	\$ 52,641
Patient accounts receivable	4,750
Inventories of drugs and supplies	9,481
Other current assets	1,546
Right-of-use operating lease assets	204,223
Property and equipment	51,311
Accrued vacation payable	(19,175)
Operating lease liabilities	(202,541)
Finance lease liabilities	(25,036)
Other noncurrent liabilities	(9,222)
Total identifiable net assets	<u>15,337</u>
Goodwill recognized	<u>\$ 37,304</u>

The University also made a noncash transfer to the Health System in the amount of \$11,611 for the pension asset, net of the estimated postretirement liability, associated with employees previously leased by the PDC from the University. DHIP's total revenues, expenses and operating loss for the twelve months ended June 30, 2024 are disclosed in the Consolidating Statement of Operations (unaudited).

**DUKE UNIVERSITY HEALTH SYSTEM, INC.  
AND AFFILIATES**

Supplemental Notes to Consolidated Financial Statements (Unaudited)

June 30, 2024 and 2023

(000's Omitted)

**2. Transfers to the University, net**

Transfers from the Health System to the University increased from fiscal year 2023 as a result of the formation of DHIP. For the twelve months ended June 30, net unrestricted transfers to the University are as follows:

	<b>2024</b>	<b>2023</b>
Transfers, excluding DHIP	\$ 128,438	130,056
DHIP transfers	117,710	-
Transfer of pension asset, net of postretirement liability, for leased employees	(11,611)	-
Fixed asset and other unfunded transfers	771	2,997
Transfers to the University, net	\$ 235,308	133,053

**3. Impact from Government Programs**

**a) Medicaid Expansion**

In March 2023, North Carolina enacted Medicaid expansion through NC House Bill 76, and the Centers for Medicare & Medicaid Services (CMS) approved Medicaid expansion in North Carolina on December 1, 2023. The expansion, funded 90% by the federal government, is designed to extend coverage to 600,000 uninsured residents of North Carolina. North Carolina hospitals contribute through an increased assessment to cover most of the State's 10% share of the expansion cost.

**b) Healthcare Access and Stabilization Program (HASP)**

HASP is a directed payment initiative under NC House Bill 76, providing hospitals enhanced Medicaid reimbursements. HASP covers a portion of the difference between current Medicaid rates and average commercial rates, helping hospitals afford their share of the State's Medicaid expansion cost.

- (i) In September 2023 CMS approved an interim HASP payment retroactive to July 1, 2022, with the final settlement for fiscal year 2023 occurring in the fourth quarter of fiscal year 2024. For the twelve months ended June 30, 2024, patient service revenue includes \$236,639 of HASP payments, partially offset by a \$16,474 reduction due to the reversal of prior-year revenue accrued under a reimbursement program replaced by HASP. State provider assessments include \$90,834 in assessment expenses related to the Health System's fiscal year ended June 30, 2023.
- (ii) The Health System also recognized \$281,491 in HASP revenue and \$110,336 in assessment expense for its estimated HASP net benefit related to fiscal year 2024.

**DUKE UNIVERSITY HEALTH SYSTEM, INC.  
AND AFFILIATES**

Supplemental Notes to Consolidated Financial Statements (Unaudited)

June 30, 2024 and 2023

(000's Omitted)

**c) 340B Underpayment Recovery**

In June 2022, the U.S. Supreme Court overturned a Medicare Part B payment reduction for 340B Program hospitals. In a November 2023 final rule, CMS outlined repayments for 2018-2022 underpayments which clarified that affected 340B hospitals would receive a one-time, lump sum payment for applicable drugs, addressing underpayments and capturing additional beneficiary cost-sharing lost due to the 340B reimbursement policy. The Health System recognized \$76,723 in net patient revenue related to the 340B underpayment recovery during the twelve months ended June 30, 2024.