Westchester County Health Care Corporation

Basic Financial Statements and
Supplementary Schedules
(with Management's Discussion and Analysis)
December 31, 2018 and 2017
(with Report of Independent Certified Public Accountants)

Westchester County Health Care Corporation
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December 31, 2018 and 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Westchester County Health Care Corporation

We have audited the accompanying financial statements of the business-type activities and discreetly presented component unit of Westchester County Health Care Corporation ("WCHCC"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise WCHCC's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC-New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting $168,761,000 and $169,880,000 and total liabilities constituting $80,915,000 and $85,844,000 as of December 31, 2018 and 2017, respectively. We did not audit the financial statements of Hudson River West Insurance (Barbados) Limited, which is a wholly owned subsidiary of Bon Secours Charity Health System, Inc. and a blended component unit of WCHCC's discretely presented component unit, which statements reflect total assets constituting $20,856,000 and $16,767,000 and total liabilities constituting $19,572,000 and $14,784,000 as of December 31, 2018 and 2017, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited and Hudson River West Insurance (Barbados) Limited, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component unit of Westchester County Health Care Corporation as of December 31, 2018 and 2017, and the changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the required supplementary information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a required 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 the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the America Institute of Certified Public Accountants. These limited procedures 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.

Grant Thornton LLP

New York, New York
April 4, 2019

Overview

This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary schedules and supplementary information.

Management's Discussion and Analysis of the Westchester County Health Care Corporation's ("WCHCC") annual financial report presents WCHCC's financial performance during the years ended December 31, 2018, 2017 and 2016. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

The basic financial statements (Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the Notes to Financial Statements) present on a comparative basis the financial position of WCHCC at December 31, 2018, 2017 and 2016 and the changes in its financial position and cash flows for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of WCHCC's assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position reflect the years' activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statement of Cash Flows provides relevant information about the years' cash receipts and cash payments and classifies them as operating, noncapital financing, capital and related financing and investing activities. The Notes to Financial Statements explain information in the financial statements and provide more detailed data.

On May 19, 2015, Bon Secours Charity Health System, Inc. ("Charity"), Bon Secours Health System, Inc. ("BSHSI"), and the Sisters of Charity of Saint Elizabeth ("SOC") entered into an affiliation agreement with WCHCC and WMC Health Network - Rockland, Inc. ("WMC - Rockland", a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors.

On March 30, 2016, WCHCC entered into an Affiliation Agreement with HealthAlliance, Inc., ("HealthAlliance") and WMC Health Network - Ulster, Inc. ("WMC – Ulster," a subsidiary of WCHCC), in which WMC - Ulster became the sole member of HealthAlliance.

Management's Discussion and Analysis includes the activities of WCHCC and excludes the activities of Charity.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2018 and 2017
(amounts in thousands)

Financial Analysis
Summary of Assets, Liabilities, and Net Position
December 31, 2018, 2017 and 2016

	2018	2017	2016	2018-2017 Percentage Change
Assets				
Current assets	$ 595,274	$ 517,145	$ 548,756	15.1%
Capital assets, net	643,598	564,879	494,321	13.9
Other assets	64,184	161,928	231,794	(60.4)
Total assets	$ 1,303,056	$ 1,243,952	$ 1,274,871	4.8%
Deferred outflows of resources	$ 103,741	$ 72,315	$ 147,699	43.5%
Liabilities				
Current liabilities	$ 395,078	$ 323,106	$ 309,421	22.3%
Long-term portion of debt, net	707,945	713,167	717,966	(0.7)
Other long-term liabilities	524,831	574,953	643,948	(8.7)
Total liabilities	$ 1,627,854	$ 1,611,226	$ 1,671,335	1.0%
Deferred inflows of resources	$ 99,326	$ 15,356	$ 20,376	546.8%
Net position				
Restricted	$ 13,525	$ 13,072	$ 13,524	3.5%
Unrestricted	(333,908)	(323,387)	(282,665)	3.3
Total net position	$ (320,383)	$ (310,315)	$ (269,141)	3.2%

(amounts in thousands)

Financial Analysis
Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2018, 2017 and 2016

	2018	2017	2016	2018-2017 Percentage Change
Operating revenues				
Net patient service revenue	$ 1,514,835	$ 1,435,287	$ 1,391,263	5.5%
Other revenue	127,054	116,149	90,811	9.4
Total operating revenues	1,641,889	1,551,436	1,482,074	5.8
Operating expenses				
Salaries and benefits	891,433	827,559	765,873	7.7
Supplies and other expenses	624,932	618,140	577,703	1.1
Depreciation and amortization	66,445	69,514	68,416	(4.4)
Total operating expenses	1,582,810	1,515,213	1,411,992	4.5
Operating income before OPEB and pension expenses	59,079	36,223	70,082	63.1
Salaries and benefits - OPEB expenses	17,037	16,246	15,747	4.9
Salaries and benefits - NYS pension expense	32,115	32,116	35,219	(0.0)
Operating income (loss) before NYSNA retroactive settlement and NYS pension adjustment	9,927	(12,139)	19,116	(181.8)
NYSNA retroactive settlement	-	-	15,708	-
NYS pension adjustment	4,055	15,000	15,000	(73.0)
Operating income (loss)	5,872	(27,139)	(11,592)	(121.6)
Nonoperating activities, net				
Investment income	9,903	6,267	3,729	58.0
Unrealized (losses) gains on marketable securities, net	(7,944)	5,363	3,089	(248.1)
Interest expense	(27,370)	(27,454)	(27,210)	(0.3)
Cost of bond issuance	-	-	(5,170)	-
Other nonoperating activities, net	9,471	1,789	(1,508)	429.4
Total nonoperating activities, net	(15,940)	(14,035)	(27,070)	13.6
Loss before other additions and deductions	(10,068)	(41,174)	(38,662)	(75.5)
Other additions				
Disposition of HealthAlliance Senior Living Corporation	-	-	78,876	-
Total other additions	-	-	78,876	-
(Decrease) increase in net position	(10,068)	(41,174)	40,214	(75.5)
Net position				
Beginning of year	(310,315)	(269,141)	(12,426)	15.3
Addition of HealthAlliance	-	-	(59,673)	-
GASB 75 adoption adjustment - January 1, 2016	-	-	(237,256)	-
End of year	$ (320,383)	$ (310,315)	$ (269,141)	3.2%

Overall Financial Position and Operations

WCHCC reported operating income of $5.9 million, and operating losses of $27.1 million and $11.6 million for the years ended December 31, 2018, 2017, and 2016, respectively. WCHCC's net position decreased $10.1 million from December 31, 2017 to December 31, 2018 and $41.2 million from December 31, 2016 to December 31, 2017.

Significant financial indicators are as follows:

	2018	2017	2016
Operating income (loss) (in millions)	$ 5.9	$ (27.1)	$ (11.6)
Current ratio	1.5	1.6	1.8
Quick ratio	1.4	1.5	1.7
Days cash on hand	55.9	65.3	66.3

Analysis of Financial Position

In this section, WCHCC's management provides its analysis of December 31, 2018 financial amounts compared to December 31, 2017 financial amounts and, where appropriate, December 31, 2017 financial amounts compared to December 31, 2016 financial amounts.

Assets and Liabilities

Cash and Cash Equivalents

The cash position decreased $31.7 million at December 31, 2018 compared to December 31, 2017, primarily due to HealthAlliance operating losses, capital purchases and other balance sheet changes. The cash position decreased $2.2 million at December 31, 2017 compared to December 31, 2016, primarily due to the operating loss partially offset by increased collections associated with patient service revenue.

Investments

Investments increased $2.2 million at December 31, 2018 compared to December 31, 2017, primarily due to funding WCHCC's insurance captive and an increase in The Westchester Medical Center Foundation's ("WMC Foundation") investments partially offset by an unfavorable market performance. Investments increased $13.8 million at December 31, 2017 compared to December 31, 2016, primarily due to funding WCHCC's insurance captive and market performance combined with the increase in WMC Foundation's investments.

Patient Accounts Receivable, net

Patient accounts receivable reflected days outstanding of 46.6, 46.5 and 45.6 at December 31, 2018, 2017 and 2016, respectively. Days outstanding at December 31, 2018 compared to December 31, 2017, were relatively consistent and the increase in days outstanding at December 31, 2017 compared to December 31, 2016, is the result of increased patient service rates in 2017.

Other Current Assets

Other current assets increased $78.2 million from December 31, 2017 to December 31, 2018, primarily due to a receivable for 2018 Disproportionate Share ("DSH"), and decreased $61.7 million from December 31, 2016 to December 31, 2017, primarily due to the timing of the receipt of 2016 DSH.

Assets Restricted as to Use
Assets restricted as to use decreased $76.0 million from December 31, 2017 to December 31, 2018, primarily due to the release of construction funds used for the Ambulatory Care Pavilion (the "ACP") project and decreased $61.4 million from December 31, 2016 to December 31, 2017, primarily due to construction funds used for the ACP project.

Other Assets, net
Other assets decreased $2.9 million from December 31, 2017 to December 31, 2018, primarily due to various balance sheet changes and remained consistent from December 31, 2016 to December 31, 2017.

Capital Assets, net
Capital assets increased $78.7 million from December 31, 2017 to December 31, 2018 and $70.6 million from December 31, 2016 to December 31, 2017, primarily due to capital expenditures for the ACP and other capital acquisitions, net of depreciation and amortization.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses increased $32.1 million from December 31, 2017 to December 31, 2018 and $27.6 million from December 31, 2016 to December 31, 2017 due to timing of payments, increased supply costs and patient volume.

Accrued Salaries and Related Withholdings
Accrued salaries and related withholdings increased $4.7 million from December 31, 2017 to December 31, 2018 due to the timing of payrolls, and decreased $8.1 million from December 31, 2016 to December 31, 2017 due to the payment of the New York State Nursing Association ("NYSNA") contract settlement, partially offset by the increase in salary accruals.

Current Portion of Other Long-Term Liabilities
Other current liabilities increased $35.8 million from December 31, 2017 to December 31, 2018, primarily due to increases in deferred revenue and third-party payor liabilities and decreased $4.1 million from December 31, 2016 to December 31, 2017, primarily due to decreases in the current portion of self-insurance liabilities.

Long-Term Debt
Long-term debt decreased $5.8 million from December 31, 2017 to December 31, 2018, due to principal payments and amortization of bond premiums and discounts, partially offset by new capital leases of $16.0 million and new debt of $2.6 million.

Long-term debt decreased $6.6 million from December 31, 2016 to December 31, 2017, due to principal payments and amortization of bond premiums and discounts, partially offset by new capital leases of $14.2 million and new debt of $4.0 million.

Other Long-Term Liabilities
Other long-term liabilities decreased $50.1 million from December 31, 2017 to December 31, 2018, due to decreases of $51.2 million for the New York State pension liability offset by $1.1 million for all other activities.

Other long-term liabilities decreased $69.0 million from December 31, 2016 to December 31, 2017, due to decreases of $60.5 million for the New York State pension liability and $8.5 million for all other activities.

Deferred Outflows and Inflows of Resources

Deferred Outflows
Deferred outflows increased $31.4 million from December 31, 2017 to December 31, 2018, due to increases in deferred pension outflows of $30.1 million, partially offset by other activities and decreased approximately $75.4 million from December 31, 2016 to December 31, 2017 due to decreases in deferred pension outflows of $76.6 million partially offset by other activities.

Deferred Inflows
Deferred inflows increased $84.0 million from December 31, 2017 to December 31, 2018, due to deferred pension inflows of $81.1 million and deferred post-retirement inflows of $2.9 million, and decreased $5.0 million from December 31, 2016 to December 31, 2017 due to deferred pension inflows of $4.4 million and deferred post retirement inflows of $600,000.

Revenues and Expenses

Net Patient Service Revenue
Net patient service revenue increased $79.5 million from 2017 to 2018, and $44.0 million from 2016 to 2017. The increases are the result of increases in volume, rates and revenue cycle initiatives.

Other Revenue
Other revenue increased $10.9 million from 2017 to 2018 primarily due to increases in service fees, and increased $25.3 million from 2016 to 2017, primarily due to income earned by the WMCHealth Performing Provider System ("WMCHealth PPS") and increases in service fees.

Salaries and Benefits
Salaries and benefits increased $53.7 million from 2017 to 2018 and $43.4 million from 2016 to 2017, primarily due to salaries related to new physicians and related support staff.

Supplies and Other Expenses
Supplies and other expenses increased approximately $6.8 million from 2017 to 2018, primarily due to:

- Increase in medical supplies of $5.7 million.
- Increase in contractual services of $2.0 million
- Decrease in other expenses of $900,000

Supplies and other expenses increased approximately $40.4 million from 2016 to 2017, primarily due to:

- Increase in medical supplies of $31.0 million
- Increase in technical services of $14.6 million
- Decrease in equipment service and repairs and other expenses of $5.2 million

Depreciation and Amortization Expense
Depreciation and amortization expense decreased $3.1 million from 2017 to 2018 due to updated useful lives for buildings and equipment based on actual experience, partially offset by capital asset additions in 2018, and increased $1.1 million from 2016 to 2017 due to capital asset additions in 2017, partially offset by fully-depreciated assets requiring no further depreciation.

Nonoperating Activities, net
Nonoperating activities, net decreased $1.9 million from 2017 to 2018, primarily due to unrealized losses on investments, partially offset by gain on sale of insurance company and increased interest income.

Nonoperating activities, net decreased $13.0 million from 2016 to 2017, primarily due to increased interest income and realized/unrealized gains on investments and no costs of issuance expense in 2017 when compared to 2016.

Net Position
As shown in the Statements of Net Position, WCHCC's net position has the following components:

- Restricted
- Unrestricted

Restricted
Increased $0.5 million from December 31, 2017 to December 31, 2018, primarily due to increased restricted and endowment contributions and decreased $0.5 million from December 31, 2016 to December 31, 2017, primarily due to capital purchases from restricted funds partially offset by increased restricted and endowment contributions.

Unrestricted
Unrestricted net deficit increased by $10.5 million to $(333.9) million at December 31, 2018 from $(323.4) million at December 31, 2017. Negative unrestricted net position increased due to operating income of $5.9 million, nonoperating activities, net of $(15.9) million and an increase in restricted net position of $0.5 million.

Unrestricted net deficit increased by $40.7 million to $(323.4) million at December 31, 2017 from $(282.7) million at December 31, 2016. Negative unrestricted net position increased due to an operating loss of $(27.1) million, nonoperating activities, net of $(14.0) million and a decrease in restricted net position of $0.4 million.

Capital Assets and Long-Term Debt Activity

Capital Assets, net
At December 31, 2018, WCHCC had capital assets, net of accumulated depreciation of $643.6 million, compared to $564.9 million at December 31, 2017 and $494.3 million at December 31, 2016. Major categories of capital assets, net are set forth in the table below (amounts in thousands):

	2018	2017	2016
Land and land improvements	$ 12,028	$ 10,380	$ 9,603
Buildings and building improvements	286,783	281,597	281,857
Equipment	177,827	186,022	173,149
Construction in progress	166,960	86,880	29,712
	$ 643,598	$ 564,879	$ 494,321

Capital assets, net increased in 2018 by $78.7 million, consisting of additions to the ACP and various other capital projects and medical equipment purchases of $145.3 million, offset by depreciation expense of $66.6 million. Capital assets, net increased in 2017 by $70.6 million, consisting of additions to the ACP and various other capital projects and medical equipment purchases of $140.1 million, offset by depreciation expense of $69.5 million. More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At December 31, 2018, WCHCC had $735.1 million in total long-term debt outstanding, as follows with comparative amounts at December 31, 2017 and December 31, 2016 (amounts in thousands):

	2018	2017	2016
2000 Series Bonds	$ 108,170	$ 108,170	$ 108,170
2010 Series Bonds	153,805	165,630	176,880
2011 Series Bonds	63,580	63,680	63,780
2014 Series Bonds	25,578	26,055	26,509
2015 Series Bonds	22,971	23,610	24,223
2016 Series Bonds	282,955	283,120	283,280
HealthAlliance debt, net	20,410	20,254	19,590
Bond Premium/Discount	23,387	24,270	25,152
Capital Leases	34,222	26,137	19,956
	$ 735,078	$ 740,926	$ 747,540

Long-term debt decreased $5.8 million from December 31, 2017 to December 31, 2018 due to principal payments and amortization of bond premiums and discounts, partially offset by new capital and new debt for HealthAlliance and decreased $6.6 million from December 31, 2016 to December 31, 2017 due to principal payments, partially offset by new capital leases and new debt for HealthAlliance.

More detailed information about WCHCC's long-term debt is presented in Note 6 to the financial statements.

Contacting WCHCC's Financial Management

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary F. Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, New York 10595.

Westchester County Health Care Corporation
Statements of Net Position
December 31, 2018 and 2017
(amounts in thousands)

	2018		2017	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Assets				
Current assets:				
Cash and cash equivalents	$ 112,132	$ 57,027	$ 143,798	$ 57,700
Investments	128,217	16,724	126,021	13,992
Total cash, cash equivalents and investments	240,349	73,751	269,819	71,692
Patient accounts receivable, net	193,343	62,706	182,884	60,040
Assets restricted as to use, required for current liabilities	37,663	281	18,747	267
Other current assets	123,919	17,774	45,695	17,661
Total current assets	595,274	154,512	517,145	149,660
Assets restricted as to use, net	54,624	4,709	149,511	4,182
Capital assets, net	643,598	121,664	564,879	128,402
Other assets, net	9,560	2,167	12,417	4,668
Total assets	1,303,056	283,052	1,243,952	286,912
Deferred Outflows of Resources				
Pension, OPEB and bond related	103,741	215	72,315	186
Liabilities				
Current liabilities:				
Current portion of long-term debt	27,133	1,829	27,759	1,759
Accounts payable and accrued expenses	208,925	33,240	176,803	35,504
Accrued salaries and related withholdings	77,759	29,599	73,098	31,009
Current portion of other long-term liabilities	81,261	8,769	45,446	8,032
Total current liabilities	395,078	73,437	323,106	76,304
Long-term debt, net	707,945	126,050	713,167	127,577
Other long-term liabilities, net	524,831	31,763	574,953	33,695
Total liabilities	1,627,854	231,250	1,611,226	237,576
Deferred Inflows of Resources				
Pension and OPEB related	99,326	-	15,356	-
Commitments and contingencies				
Net Position				
Restricted				
Expendable for capital acquisitions	1,249	2,238	1,115	1,513
Expendable for specific operating activities	8,331	3,131	8,271	3,052
Nonexpendable for endowment	3,945	664	3,686	666
Total restricted	13,525	6,033	13,072	5,231
Unrestricted				
Net investment in capital assets	84,041	116,108	75,506	121,389
Unrestricted	(417,949)	(70,124)	(398,893)	(77,098)
Total unrestricted	(333,908)	45,984	(323,387)	44,291
Total net position	$ (320,383)	$ 52,017	$ (310,315)	$ 49,522

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2018 and 2017
(amounts in thousands)

	2018		2017	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Operating revenues				
Net patient service revenue (net of provision for bad debts of $49,670 and $53,415 in 2018 and $94,965 and $43,054 in 2017, respectively)	$ 1,514,835	$ 559,797	$ 1,435,287	$ 518,016
Other revenue	127,054	20,270	116,149	16,931
Total operating revenues	1,641,889	580,067	1,551,436	534,947
Operating expenses				
Salaries and benefits	891,433	315,294	827,559	297,867
Supplies and other expenses	624,932	231,254	618,140	205,491
Depreciation and amortization	66,445	25,160	69,514	24,966
Total operating expenses	1,582,810	571,708	1,515,213	528,324
Operating income before OPEB and pension expenses	59,079	8,359	36,223	6,623
Salaries and benefits - OPEB expenses	17,037	-	16,246	-
Salaries and benefits - NYS pension expenses	32,115	-	32,116	-
Operating income (loss) before NYSNA retroactive settlement and NYS pension adjustment	9,927	8,359	(12,139)	6,623
NYS pension adjustment	4,055	-	15,000	-
Operating income (loss)	5,872	8,359	(27,139)	6,623
Nonoperating activities				
Investment income	9,903	326	6,267	358
Unrealized (losses) gains on marketable securities, net	(7,944)	(652)	5,363	(79)
Interest expense	(27,370)	(7,567)	(27,454)	(7,691)
Other nonoperating activities, net	9,471	2,029	1,789	2,597
Total nonoperating activities, net	(15,940)	(5,864)	(14,035)	(4,815)
(Decrease) increase in net position	(10,068)	2,495	(41,174)	1,808
Net position				
Beginning of year	(310,315)	49,522	(269,141)	47,714
End of year	$ (320,383)	$ 52,017	$ (310,315)	$ 49,522

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(amounts in thousands)

	2018		2017	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Cash flows from operating activities				
Cash received from patients and third-party payors	$ 1,450,329	$ 557,015	$ 1,476,411	$ 532,635
Other receipts	125,869	18,965	123,079	18,004
Cash paid to employees for salaries and benefits	(937,432)	(319,084)	(884,634)	(305,630)
Cash paid for supplies and other expenses	(578,790)	(228,553)	(616,913)	(209,085)
Net cash provided by operating activities	59,976	28,343	97,943	35,924
Cash flows from noncapital financing activities				
Proceeds from contributions restricted for specific operating activities	7,477	-	7,958	-
Proceeds from issuance of long-term debt	2,200	-	4,000	-
Net cash receipts for nonoperating items	2,188	1,376	1,618	2,504
Repayments of principal on long-term debt	(548)	-	(442)	-
Interest paid	-	(7,259)	-	(7,259)
Net cash provided by (used in) noncapital financing activities	11,317	(5,883)	13,134	(4,755)
Cash flows from capital and related financing activities				
Purchase of capital assets	(131,040)	(18,422)	(113,273)	(17,911)
Proceeds from sale of assets	47	-	78	35
Proceeds from issuance of long-term debt	109	-	193	-
Repayments of principal on long-term debt	(23,960)	(1,457)	(24,591)	(2,653)
Interest paid	(27,209)	(307)	(26,686)	(432)
Net cash used in capital and related financing activities	(182,053)	(20,186)	(164,279)	(20,961)
Cash flows from investing activities				
Purchase of investments and assets restricted as to use	(36,257)	(16,330)	(43,271)	(23,836)
Sale of investments and assets restricted as to use	96,835	13,057	87,996	9,218
Proceeds from gain on sale of investment in insurance company	8,685	-	-	-
Interest received	9,831	326	6,300	358
Net cash provided by (used in) investing activities	79,094	(2,947)	51,025	(14,260)
Net decrease in cash and cash equivalents	(31,666)	(673)	(2,177)	(4,052)
Cash and cash equivalents				
Beginning of year	143,798	57,700	145,975	61,752
End of year	$ 112,132	$ 57,027	$ 143,798	$ 57,700

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statement of Cash Flows (continued)
Years Ended December 31, 2018 and 2017
(amounts in thousands)

	2018		2017	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 5,872	$ 8,359	$ (27,139)	$ 6,623
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	66,445	25,160	69,514	24,966
Provision for bad debts, net	49,670	53,415	94,965	43,054
Deferred inflows and outflows, net	52,064	(29)	70,656	15
Changes in assets and liabilities				
Patient accounts receivable	(60,129)	(56,081)	(104,503)	(36,076)
Other assets	(57,563)	2,388	61,511	2,932
Accounts payable and accrued expenses	34,023	(2,234)	13,983	(6,878)
Accrued salaries and related withholdings	4,661	(1,410)	(8,068)	(5,488)
Other liabilities	(35,067)	(1,225)	(72,976)	6,776
Net cash provided by operating activities	$ 59,976	$ 28,343	$ 97,943	$ 35,924
Supplemental disclosure of cash flow information				
Change in amounts accrued for purchase of capital assets	$ 1,901	$ -	$ (8,184)	$ -
Assets acquired under capital leases	$ 16,151	$ 355	$ 14,418	$ 4,302

The accompanying notes are an integral part of these financial statements.

1. Organization

The State of New York enacted legislation to authorize the creation of the Westchester County Health Care Corporation ("WCHCC") in response to the efforts of Westchester County (the "County") to provide a form of governance for Westchester Medical Center (the "Medical Center") with the flexibility to cope with the rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and effective manner.

The accompanying financial statements include the accounts of the following component units, entities for which WCHCC is considered to be financially accountable. All significant inter-entity accounts and activities have been eliminated in consolidation.

Medical Center:

- Westchester County Health Care Corporation (d/b/a Westchester Medical Center)
- The Westchester Medical Center Foundation, Inc. ("WMC Foundation")
- Mid-Hudson Valley Early Education Center ("Early Education Center")
- North Road LHCSA, Inc. ("LHCSA")
- WMC New York Inc. ("WMC New York")
- WCHCC (Bermuda), Limited ("WCHCC Bermuda")
- Mid-Hudson Valley Staffco, LLC ("Mid-Hudson Valley Staffco")
- Center for Regional Healthcare Innovation, LLC ("CRHI")
- Hudson Valley Property Holdings, LLC ("HVPH")
- Westchester Medical Center Advanced Physician Services, P.C. ("WMC Advanced Physician Services")
- NorthEast Provider Solutions, Inc. ("NorthEast Provider")
- WMC - Health Network - Ulster, Inc. ("WMC - Ulster")
- WMC - Health Network - Rockland, Inc. ("WMC - Rockland")

HealthAlliance:

- Health Alliance, Inc. ("HealthAlliance")
- HealthAlliance Hospital: Broadway Campus ("Broadway")
- HealthAlliance Hospital: Mary's Ave Campus ("Mary's Ave")
- Kingston Regional Health Care Enterprises, Inc. ("Enterprises")
- Foxhall Ambulatory Surgery Center Foundation ("FASC Foundation")
- Multi-Provider Support Services, LLC ("MPSS")
- Margaretville Hospital ("Margaretville")
- Margaretville Nursing Home (the "Nursing Home")
- Margaretville Health Foundation ("MHF")
- Mid-Hudson Physicians, P.C. ("Mid-Hudson Physicians")
- HealthAlliance Physician Network IPA, LLC ("HAPN")
- Kingston Insurance (Barbados) Limited ("Kingston")
- HealthAlliance Foundation ("HAF")

WCHCC is party to an Affiliation Agreement with HealthAlliance and WMC - Ulster, in which WMC - Ulster is the sole member of HealthAlliance. The auditor's opinion on the stand-alone audited financial statements of HealthAlliance for the years ended December 31, 2018 and 2017 includes an emphasis of matter paragraph relating to the uncertainty regarding HealthAlliance's ability to continue as a going concern due to HealthAlliance's working capital deficit, recurring operating losses, and noncompliance with certain financial debt covenant requirements. Total assets for HealthAlliance were approximately $81.2 million and $86.9 million as of December 31, 2018 and 2017, respectively, and operating revenues were approximately $189.8 million and $193.3 million for the years then ended, respectively. The ongoing financial viability of HealthAlliance is not guaranteed by WCHCC.

WCHCC is party to an Affiliation Agreement with Bon Secours Health System, Inc. ("BSHSI"), the Sisters of Charity of Saint Elizabeth ("SOC"), Bon Secours Charity Health System, Inc. ("Bon Secours Charity" or "Charity") and WMC Health Network - Rockland, Inc. ("WMC - Rockland", a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. WCHCC provides management services to Charity pursuant to a Department of Health-approved exclusive management agreement between WCHCC and Charity. Charity is shown as a discretely presented component unit in WCHCC's audited financial statements. More detailed information about Charity is presented in Note 16.

The Medical Center, HealthAlliance and Charity and their controlled organizations (collectively, referred to as the "WCHCC Network") comprise an integrated health care delivery network. The facilities are located in Westchester, Rockland, Orange, Putnam, Dutchess, Ulster, Sullivan and Delaware counties in New York. The WCHCC Network provides patient care, teaching and community services.

2. Significant Accounting Policies

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board ("GASB") and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities,*" to the extent that they do not conflict with GASB.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

The notes to the financial statements present financial information for WCHCC and its blended component units and do not include Charity, except for Note 16.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, pension liabilities, self-insurance liabilities, workers' compensation liabilities and post-retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of net patient accounts receivable, third-party payor liabilities and insurance reserves and settlements for the year ended December 31, 2018 and net patient accounts receivable, third party payor liabilities, and accrued salaries for the year ended December 31, 2017 resulted in an increase in operating income of approximately \$19.4 million and \$13.0 million, respectively.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2018 and 2017, was comprised of Medicare, 19% and 25%, Medicaid, 23% and 24%, and commercial insurance, health maintenance organizations and others, 58% and 51%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately $76.7 million and $84.7 million at December 31, 2018 and 2017, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Patient accounts receivable are recorded at the reimbursable or contracted amounts and do not bear interest. The allowance for uncollectible accounts is WCHCC's estimate of the amount of probable credit losses in WCHCC's patient accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Net patient service revenues are recognized in the period services are performed. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to audits, reviews and investigations. Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

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

There are various proposals at the federal and state levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. The Medical Center's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2014, with the exception of the December 31, 2017, 2016, 2015 and 2004 cost reports, and HealthAlliance's three cost reports through December 31, 2015 with the exception of December 31, 2010 for Broadway.

Assets Restricted as to Use

Assets restricted as to use include certain assets of the WMC Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets and assets restricted by donors and amounts designated by the Board of Directors.

Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the net position - net investment in capital assets balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

Grants and Contributions
From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals, foundations and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2018 and 2017, net contributions and grants receivable of approximately $3.8 million and $5.8 million, respectively, are included in other assets in the accompanying Statements of Net Position.

Cash and Cash Equivalents
WCHCC's cash and cash equivalents policies are governed by state statutes. Funds must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits; however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third-party custodian agreement.

At December 31, 2018 and 2017, cash and cash equivalents consist of cash and all highly-liquid instruments with maturities of three months or less at the date of purchase. Approximately 79% and 89% of cash and cash equivalents reside with a major financial institution at December 31, 2018 and 2017, respectively.

Investments
WCHCC's investments consist primarily of equities and fixed income holdings, which are stated at fair value in the Statements of Net Position.

Inventories
Inventories, included in other current assets, are primarily prepaid supplies that are carried at the lower of cost, principally on a first-in, first-out ("FIFO") basis, or market.

Capital Assets
In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost. Assets with a purchase price of $1,000 or more that have an economic life greater than one year are capitalized and assets with a purchase price of less than $1,000 are expensed.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution and are excluded from operating income.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets. During 2018, the Medical Center updated the estimated useful lives for buildings and equipment based on actual experience. The impact of this change would have resulted in a decrease to depreciation expense of $6.9 million in the Statement of Revenue, Expenses and Changes in Net Position for the year ended December 31, 2017, if implemented in the prior year.

	Estimated Useful Lives	
	Medical Center	**HealthAlliance**
Land improvements	10 years	2 to 30 years
Buildings and building improvements	5 to 60 years	3 to 60 years
Equipment	8 to 20 years	2 to 28 years

Equipment under capitalized lease obligations are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the financial statements. Interest cost, net of interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of construction.

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to the liabilities, the Statement of Net Position includes deferred inflows of resources which represent an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Net Position
Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions relate primarily to federal and state grants for research and community programs and restricted contributions and endowments received from donors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

Concentrations of Credit Risk
WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

Charity Care
WCHCC provides care to patients who meet certain criteria under its charity care policy without charge and Medicaid amounts less than established rates ("Charity Care"). Because WCHCC does not pursue collection of amounts determined to qualify as Charity Care, such amounts are not reported as revenue.

WCHCC maintains records identifying and monitoring the level of Charity Care it provides. WCHCC estimates the cost of Charity Care for the years ended December 31, 2018 and 2017, at approximately $188.6 million and $181.0 million, respectively.

Taxation
The Medical Center is a public benefit corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code (the "Code"). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except for WCHCC's for-profit blended component units, WMC Advanced Physician Services, NorthEast Provider, Mid-Hudson Physicians, MPSS, HAPN and Enterprises. Income taxes of WCHCC's for-profit blended component unit are not material to the financial statements.

Compensated Absences

WCHCC employees earn paid time off at varying rates depending on years of service, union affiliation and affiliated entity. Eligible paid time off accumulates and certain days are payable upon separation or retirement. The estimated amount of paid time off and related taxes payable as separation payments or upon retirement is recorded as part of accrued salaries and related benefits witholdings in the accompanying Statements of Net Position.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets were required to be recorded for the years ended December 31, 2018 and 2017.

Fair Value of Financial Instruments

Fair value of financial instruments disclosure authoritative guidance defines fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Statements of Net Position. The carrying amounts reported in the Statements of Net Position for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables due to and from third-party payors approximate their fair value. The carrying amounts of WCHCC's bonds and notes payable approximates fair value based upon their interest rates.

Relevant Pending Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. WCHCC has evaluated the effect of GASB 83 and determined that its adoption will have no material impact on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). GASB 87 will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. GASB 87 also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of GASB 87 are effective for financial statements for periods beginning after December 15, 2019. WCHCC is in the process of completing the analysis to adopt GASB 87.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, ("GASB 89"). GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and no longer be included in the historical cost of a capital asset reported in a business-type activity. The requirements of GASB 89 are effective for financial statements for periods beginning after December 15, 2019. The requirements of GASB 89 will be applied prospectively beginning January 1, 2020.

3. Deposits and Investments

Deposits and investments consist of the following at December 31, 2018 and 2017 (amounts in thousands):

	2018	2017
Description		
Bank deposits	$ 134,668	$ 159,612
Money market accounts	9,263	10,369
Equity mutual funds	3,583	1,265
Equities	37,091	40,844
Fixed income mutual funds	5,067	1,667
Other	1,242	953
Fixed income:		
US Treasury securities	94,681	176,704
Corporate bonds	45,414	45,358
	$ 331,009	$ 436,772
Description on Statement of Net Position		
Cash and cash equivalents	$ 112,132	$ 143,798
Investments	128,217	126,021
Assets restricted as to use, required for current liabilities	37,412	18,538
Assets restricted as to use, net	53,248	148,415
	$ 331,009	$ 436,772
Investment Maturities of Fixed Income Securities		
One year or less	$ 66,208	$ 144,427
After one through five years	52,794	55,242
After five through ten years	21,093	22,393
	$ 140,095	$ 222,062

Estimated fair values have been determined by WCHCC using appropriate valuation methodologies by third parties, quoted market prices, and information available to management.

WCHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At

December 31, 2018 and 2017, all of WCHCC's financial instruments measured at fair value were categorized as Level 1.

Custodial credit risk - investments - is the risk that, in the event of the failure of a counterparty, WCHCC will not be able to recover the value of the investments that are in that counterparty's possession. WCHCC's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in WCHCC's name. At December 31, 2018 and 2017, all investments are either insured or held by WCHCC or its agent in WCHCC's name and, therefore, are not exposed to custodial credit risk. Accordingly, WCHCC's investment policy does not address custodial credit risk for investments.

Concentration of credit risk - is the risk of loss attributed to the magnitude of WCHCC's investment in a single issuer. There is no limit on the amount WCHCC may invest in any issuer. WCHCC's investments are diversified and are not currently exposed to this risk.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair market value of an investment. WCHCC invests in fixed-rate debt and US Treasury securities with primarily one to seven year maturities.

Credit risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. WCHCC's investment policy places no limitation on the ratings for debt instruments. WCHCC's fixed income investments are rated AAA to B.

4. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2018 and 2017 (amounts in thousands):

	2018	2017
Time and purpose restricted		
The Westchester Medical Center Foundation, Inc.	$ 12,906	$ 12,282
Other purposes	23,895	14,099
	36,801	26,381
Under debt agreements		
Debt service reserve funds	25,011	25,027
Construction funds	26,142	106,065
Other	4,333	10,785
	55,486	141,877
	92,287	168,258
Less portion required for current liabilities	37,663	18,747
Assets restricted as to use, net	$ 54,624	$ 149,511

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2018 and 2017, the composition of assets restricted as to use consisted of the following (amounts in thousands):

	2018	2017
Cash and cash equivalents	$ 26,320	$ 15,650
Money market accounts	4,289	9,519
US Treasury securities	52,373	138,708
Equity mutual funds	2,207	782
Equities	1,621	511
Fixed income	3,621	1,709
Other	1,856	1,379
	$ 92,287	$ 168,258

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC's name.

5. Capital Assets

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows (amounts in thousands):

	2018			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	$ 3,235	$ 16	$ -	$ 3,251
Construction in process	86,880	101,513	(21,433)	166,960
Capital assets, being depreciated:				
Building and improvements	703,283	29,323	-	732,606
Equipment	787,372	33,631	159	821,162
Land improvements	17,940	2,114	-	20,054
Total capital assets	1,598,710	166,597	(21,274)	1,744,033
Less accumulated depreciation for:				
Building and improvements	(421,686)	(24,137)	-	(445,823)
Equipment	(601,350)	(41,826)	(159)	(643,335)
Land improvements	(10,795)	(482)	-	(11,277)
Total accumulated depreciation	(1,033,831)	(66,445)	(159)	(1,100,435)
Carrying value of all capital assets, net	$ 564,879	$ 100,152	$ (21,433)	$ 643,598

	2017			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	$ 3,235	$ -	$ -	$ 3,235
Construction in process	29,712	62,676	(5,508)	86,880
Capital assets, being depreciated:				
Building and improvements	678,433	24,850	-	703,283
Equipment	730,529	56,812	31	787,372
Land improvements	16,746	1,194	-	17,940
Total capital assets	1,458,655	145,532	(5,477)	1,598,710
Less accumulated depreciation for:				
Building and improvements	(396,576)	(25,110)	-	(421,686)
Equipment	(557,380)	(43,987)	17	(601,350)
Land improvements	(10,378)	(417)	-	(10,795)
Total accumulated depreciation	(964,334)	(69,514)	17	(1,033,831)
Carrying value of all capital assets, net	$ 494,321	$ 76,018	$ (5,460)	$ 564,879

Construction in progress relates to the Ambulatory Care Pavilion ("ACP") and various other capital projects. At December 31, 2018, WCHCC was committed to noncancelable construction contracts related to capital projects of approximately $28.0 million. The proceeds from the 2016 bond offering are being used to fund the ACP.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately $32.9 million and $25.5 million at December 31, 2018 and 2017, respectively. Interest capitalized during the years ended December 31, 2018 and 2017 was $8.5 million and $8.4 million, respectively.

The net book value of capital assets held under lease obligations, included in equipment, was approximately $26.9 million and $22.5 million at December 31, 2018 and 2017, respectively.

6. Long-Term Debt

Long-term debt activity as of December 31, 2018 and 2017 was as follows (amounts in thousands):

	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts due Within One Year
2000 Series Bonds (a)	$ 108,170	$ -	$ -	$ 108,170	$ -
2010 Series Bonds (b)	165,630	-	(11,825)	153,805	10,995
2011 Series Bonds (c)	63,680	-	(100)	63,580	1,010
2014 Series Bonds (d)	26,055	-	(477)	25,578	501
2015 Series Bonds (e)	23,610	-	(639)	22,971	666
2016 Series Bonds (f)	283,120	-	(165)	282,955	2,145
Other (g)	20,254	2,509	(2,353)	20,410	3,063
Bond Premium/Discount	24,270	-	(883)	23,387	883
Capital leases (h)	26,137	16,151	(8,066)	34,222	7,870
	$ 740,926	$ 18,660	$ (24,508)	$ 735,078	$ 27,133

	December 31, 2016	Additions	Reductions	December 31, 2017	Amounts due Within One Year
2000 Series Bonds (a)	$ 108,170	$ -	$ -	$ 108,170	$ -
2010 Series Bonds (b)	176,880	-	(11,250)	165,630	11,825
2011 Series Bonds (c)	63,780	-	(100)	63,680	100
2014 Series Bonds (d)	26,509	-	(454)	26,055	477
2015 Series Bonds (e)	24,223	-	(613)	23,610	639
2016 Series Bonds (f)	283,280	-	(160)	283,120	165
Other (g)	19,590	4,000	(3,336)	20,254	5,701
Bond Premium/Discount	25,152	-	(882)	24,270	883
Capital leases (h)	19,956	14,418	(8,237)	26,137	7,969
	$ 747,540	$ 18,418	$ (25,032)	$ 740,926	$ 27,759

a. At December 31, 2018, the balance of WCHCC Series 2000 Bonds have interest rates varying from 4.50% to 5.00% and mature annually on November 1, 2021 through 2030.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately $10.8 million as of December 31, 2018 and 2017 (see Note 4).

Interest expense relating to the Series 2000 Revenue Bonds was approximately $5.3 million in 2018 and 2017.

b. At December 31, 2018, the outstanding WCHCC Revenue Bonds, Series 2010, Senior Lien consists of $37.4 million Series 2010A (Federally Taxable - Direct Payment - Build America Bonds) bonds with an interest rate of 8.57% and maturing on November 1, 2040; $24.0 million Series 2010B (Tax-Exempt) bonds with interest rates varying from 4.00% to 6.13% and maturing through November 1, 2020, November 1, 2030 and November 1, 2037; $31.5 million Series 2010C-1 (Federally Taxable - Direct Payment - Build America Bonds) bonds with an interest rate of 8.57% maturing on November 1, 2040; and $3.6 million Series 2010C-2 (Tax Exempt) bonds with an interest rate of 6.13% maturing on November 1, 2037.

WCHCC also has $57.3 million of WCHCC Revenue Bonds, Series 2010D, Senior Lien (Taxable) bonds outstanding bearing interest under a Weekly Interest Rate, such rate being 2.40% and 1.93% at December 31, 2018 and 2017, respectively, maturing November 1, 2034. The Series 2010D consist of variable rate demand bonds ("VRDBs"). WCHCC has entered into an irrevocable letter of credit ("LOC") with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDBs will request purchase under the LOC scheduled repayment terms. The LOC will expire on December 21, 2021.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the various Series 2010 Bonds, including a debt service reserve fund of approximately $11.9 million as of December 31, 2018 and 2017 (see Note 4).

Interest expense relating to the various Series 2010 Bonds was approximately $9.0 million and $9.2 million in 2018 and 2017, respectively.

c. At December 31, 2018, the WCHCC Revenue Bonds, Series 2011, Senior Lien consists of $48.3 million Series 2011A (Tax-Exempt) bonds with interest rates varying from 2.00% to 5.32%, maturing November 1, 2012 through November 1, 2026, November 1, 2032 and November 1, 2041 and $15.3 million Series 2011B (Tax-Exempt) bonds with an interest rate of 5.32%, maturing November 1, 2041.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately $2.3 million as of December 31, 2018 and 2017 (see Note 4).

Interest expense relating to the Series 2011 Bonds was approximately $3.1 and $3.0 million in 2018 and 2017, respectively.

d. At December 31, 2018, the balance of WCHCC Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5.0% and maturing November 1, 2044 was outstanding.

Interest expense relating to the Series 2014 Bonds was approximately $1.3 million in 2018 and 2017.

e. At December 31, 2018, the balance of a private placement bond offering relating to $25.0 million Dutchess County Local Development Corporation Revenue Bonds, Series 2015, consists of $20.3 million Series 2015A (Tax-Exempt) with an interest rate of 3.75%, maturing August 1, 2030, and $4.7 million Series 2015B (Taxable) with an interest rate of 5.95% maturing August 1, 2030.

Interest expense relating to the Series 2015 Bonds was approximately $1.0 million in 2018 and 2017.

f. At December 31, 2018, $283.0 million of Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (Series 2016 Bonds), Tax Exempt bonds with interest rates varying from 3.0% to 5.0% and maturing annually November 1, through 2034, November 1, 2037 and November 1, 2046 are outstanding.

The proceeds of the Series 2016 Bonds, together with other available funds, (i) are being used to fund the construction of the ACP at the Medical Center's Valhalla campus; (ii) were used to finance certain capital projects at WCHCC; (iii) were used to advance refund a portion of WCHCC's outstanding Series 2010B Bonds and Series 2010C-2 Bonds; (iv) were used to fund capitalized interest on the Series 2016 Bonds through 2018 and (v) were used to pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2016 Bonds.

Interest expense, net of capitalized interest, relating to the Series 2016 Bonds was approximately $5.2 million and $5.0 million in 2018 and 2017, respectively.

g. HealthAlliance has the following debt obligations:

DASNY Capital Loan
On January 22, 2016, HealthAlliance entered into a reimbursement agreement for $4.4 million with the Dormitory Authority of the State of New York ("DASNY") to finance certain capital projects of Broadway and Mary's Ave.

DASNY Operating Loans
On December 14, 2016, June 14, 2017 and July 25, 2018, HealthAlliance entered into reimbursement agreements for $5.0 million, $4.0 million and $2.2 million, respectively, with DASNY to finance operations at Broadway and Mary's Ave. On January 23, 2019, HealthAlliance entered into an agreement with DASNY for an additional capital loan facility of up to $5.0 million. This loan and the existing DASNY capital and operating loans were consolidated into one repayment agreement which matures on July 1, 2020. The interest rate is 2.0% with monthly principal and interest payments of $25,000 through July 1, 2020, at which point all remaining outstanding principal and interest is due. The DASNY loans are collateralized by a lien on certain properties owned by HealthAlliance. It is anticipated that the loan will be repaid with the proceeds from the first draw associated with a grant from the New York State Capital Restructuring Financing Program.

Series 2006 Revenue Bonds
At December 31, 2018, the balance of the Ulster County Industrial Development Agency, Series 2006A ("Series 2006 Revenue Bonds") related to the payoff of certain other notes and capital lease obligations was outstanding. The Series 2006 Revenue Bonds carry interest rates varying from 5.00% to 6.15% maturing November 1, 2021. The Series 2006 Revenue Bonds are collateralized by the balances in the assets restricted as to use, a mortgage lien on real property and a pledge of gross revenues, including revenues from joint ventures.

Under the Master Trust Indenture associated with the Series 2006 Revenue Bonds, Mary's Ave is required to maintain certain financial covenants and comply with certain financial reporting requirements. As of December 31, 2018 and 2017, Mary's Ave did not meet its required debt service coverage ratio and days' cash on hand financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2006 Revenue Bonds are classified as a current liability at December 31, 2018 and 2017.

Series 2010A Revenue Bonds
At December 31, 2018, the balance of Ulster County Capital Resource Corporation Series 2010A Tax Exempt Multi-Mode Revenue Bonds ("Series 2010A Revenue Bonds") related to the refinancing of previous bonds and the establishment of a Project Fund bearing an interest rate of 4.40% maturing February 1, 2020 was outstanding.

Under the Master Trust Indenture associated with the Series 2010A Revenue Bonds, Broadway is required to meet a debt service coverage ratio, minimum days' cash on hand and other certain financial covenants. At December 31, 2018 and 2017, Broadway was not in compliance with these financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2010A Revenue Bonds are classified as a current liability at December 31, 2018 and 2017.

Interest expense for all HealthAlliance debt was approximately $0.9 million and $1.0 million in 2018 and 2017, respectively.

h. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment or real estate and bear interest at rates between 2.49% and 7.36%. The interest expense under these leases was approximately $1.1 million in 2018 and 2017.

Long-Term Debt Service Coverage Ratio
Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture ("MTI") between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the "Medical Center"), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for all Bond series. During the years ended December 31, 2018 and 2017, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Future Principal and Interest Payments

The following is a schedule by year of future contractual principal and interest (based on interest rates at December 31, 2018) payments on the bonds and other long-term debt at December 31, 2018 (amounts in thousands):

	Principal	Interest	Total
2019	$ 16,881	$ 33,567	$ 50,448
2020	17,170	32,423	49,593
2021	16,838	31,561	48,399
2022	18,859	30,733	49,592
2023	19,681	29,902	49,583
2024-2028	104,142	136,068	240,210
2029-2033	124,922	109,842	234,764
2034-2038	126,986	87,592	214,578
2039-2043	140,062	45,857	185,919
2044-2048	91,928	9,342	101,270
	$ 677,469	$ 546,887	$1,224,356

The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments at December 31, 2018 are as follows (amounts in thousands):

Year	Amount
2019	$ 9,594
2020	8,804
2021	8,133
2022	6,944
2023	4,466
2024-2027	1,167
	39,108
Less: Amount representing interest	4,886
Present value of net minimum lease payments	34,222
Less: Current portion	7,870
	$ 26,352

7. Retirement Plans

Defined Benefit Plans

The New York State Comptroller's Office administers the New York State and Local Employers' Retirement System ("ERS") for which WCHCC is a participating employer. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute.

ERS is a cost-sharing, multiple employer defined benefit pension plan. ERS is included in the New York State financial statements as a pension trust fund. The Public Employees' Group Life Insurance Plan ("GLIP") provides death benefits in the form of life insurance. Amounts related to GLIP have been apportioned to ERS. Separately issued financial statements for ERS can be accessed on the State Comptroller's website at www.osc.state.ny.us/pension/cafr.htm.

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate, which is determined annually by the State Comptroller and the average contribution rates for the New York State fiscal years ended March 31, 2018 and March 31, 2017 were approximately 15.3% and 15.5%, respectively, of payroll. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010, benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS. The NYS pension adjustment of $4.0 and $15.0 million for the years ended December 31, 2018 and 2017, respectively, in the Statements of Revenues, Expenses and Changes in Net Position represents the difference between the actuarial expense and the required calculated funding.

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of ERS' published financial statements and actuarial valuations as of March 31, 2018 and 2017 (the "Measurement Dates").

WCHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the years ended December 31, 2018 and 2017, are as follows (amounts in thousands):

	2018	2017
Proportionate share of the net pension liability		
Amount	$ 29,752	$ 80,974
Percentage	0.922%	0.860%
Deferred outflows of resources	$ 76,700	$ 46,596
Deferred inflows of resources	$ 95,123	$ 14,049
Net pension expense		
Salaries and benefits - NYS pension expenses	$ 32,115	$ 32,116
NYS pension adjustment	4,055	15,000
Total net pension expense	$ 36,170	$ 47,116

WCHCC's proportionate share of ERS' 2018 and 2017 net pension liability is consistent with the manner in which contributions to ERS are determined. ERS computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution of all employers to ERS.

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Dates are as follows (amounts in thousands):

	2018	2017
Deferred outflows of resources		
Differences between expected and actual experience	$ 10,612	$ 2,029
Changes of assumptions	19,728	27,663
Net difference between projected and actual investment earnings on pension plan investments	43,212	16,174
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,148	730
	$ 76,700	$ 46,596

Deferred inflows of resources		
Differences between expected and actual experience	$ 8,769	$ 12,296
Net difference between projected and actual investment earnings on pension plan investments	85,297	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,057	1,753
	$ 95,123	$ 14,049

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in salaries and benefits, as revenues or (expenses), in the Statements of Revenues, Expenses, and Changes in Net Position as follows (amounts in thousands):

2019	$ 6,571
2020	5,464
2021	(21,110)
2022	(9,348)
	$ (18,423)

Actuarial Assumptions

WCHCC's net pension liabilities at the Measurement Dates were determined by using an actuarial valuation as of April 1, 2017 and 2016, with update procedures used to roll forward the total pension liability to March 31, 2018 and 2017, respectively. The actuarial valuations used the following actuarial assumptions:

Inflation rate	2.50%
Salary increases	3.80%
Investment rate of return, including inflation	7.0% net of investment expenses, including inflation
Cost of living adjustments	1.30%
Decrements	Actuarial assumptions based on the results of an experience study for the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation by adding expected inflation. Best estimates of arithmetic real rates

of return for each major asset class including target asset allocation at the Measurement Dates are summarized below:

	2018		2017	
Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**	**Target Allocation**	**Long-term Expected Real Rate of Return**
Domestic equity	36%	4.55%	36%	4.55%
International equity	14%	6.35%	14%	6.35%
Private equity	10%	7.50%	10%	7.75%
Real estate	10%	5.55%	10%	5.80%
Absolute return strategies	2%	3.75%	2%	4.00%
Opportunistic portfolio	3%	5.68%	3%	5.89%
Real assets	3%	5.29%	3%	5.54%
Bonds and mortgages	17%	1.31%	17%	1.31%
Cash	1%	-0.25%	1%	-0.25%
Inflation-Indexed Bonds	4%	1.25%	4%	1.50%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability for 2018 and 2017 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Discount Rate Sensitivity

WCHCC's proportionate share of the net pension liability calculated using the respective discount rate, as well as what WCHCC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate as of December 31, 2018 and 2017 are as follows (amounts in thousands):

	2018		2017	
	Rate	**Amount**	**Rate**	**Amount**
1% decrease	6.00%	$ 225,111	6.00%	$ 258,083
Current discount rate	7.00%	29,752	7.00%	80,974
1% increase	8.00%	(135,514)	8.00%	(69,221)

Deferred Pension Contributions

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.21% (2016), 3.15% (2015), 3.67% (2014), 3.00% (2013) and 3.75% (2012) interest, the portion of their annual bill, that exceeded 14.5%, 13.5%, 12.5%, 11.5% and 10.5% of payroll for its 2016, 2015, 2014, 2013 and 2012 pension bills, respectively. Total amounts due at December 31, 2018 and 2017 related to these deferred pension contributions are approximately $31.4 million and $36.4 million, respectively, and are include as part of other long-term liabilities (Note 10) in the accompanying Statements of Net Position.

Defined Contribution Pension Plan

WCHCC provides the Westchester County Healthcare Corporation Affiliated Employers 401(k) Plan (the "WCHC Plan") for employees of WMC Advanced Physician Services, NorthEast Provider, WMC New York, and employees of MidHudson Valley Staffco LLC. The WCHC Plan is a defined contribution plan open to eligible participants. Employees are eligible to contribute to the WCHC Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 4% of gross salary matching contribution up to the Internal Revenue Code limit. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2018 and 2017, there were approximately 3,239 and 2,900 participants, respectively, in the WCHC Plan. For the years ended December 31, 2018 and 2017, the WCHC Plan had total payroll expense of approximately $287.9 million and $255.6 million of which approximately $231.3 million and $198.1 million, respectively, was covered by the WCHC Plan. Total employer contributions to the WCHC Plan for December 31, 2018 and 2017 were approximately $6.3 million and $5.7 million, respectively.

HealthAlliance also sponsors various defined contribution retirement plans for eligible participants. Total employer contributions for HealthAlliance were approximately $1.4 million and $1.7 million for the years ended December 31, 2018 and 2017, respectively.

8. Other Postemployment Benefits

WCHCC provides Other Postemployment Benefits ("OPEB") that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, employees and retirees hired before January 1, 2007 must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to certain retirees at no cost. Subsequent to December 31, 2014, certain retirees are required to contribute to the cost of this coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Approximately 76% of the participants have elected individual coverage as of December 13, 2018 and 2017.

The following employees were covered by the benefit terms at the measurement date as of January 1, 2018 and 2017:

	2018	2017
Retired employees	1,784	1,703
Active employees	5,206	5,353
	6,990	7,056

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's actuarial evaluations were performed on January 1, 2018 and 2017 and reported actuarial accrued liabilities of $333.7 million and $331.9 million, respectively, which are funded on a current basis.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Total OPEB Liability

WCHCC's total OPEB liabilities at the measurement date were determined by using an actuarial valuation as of January 1, 2018 and 2017. The actuarial valuations used the following actuarial assumptions:

Inflation rate	3.00% annually
Salary increases	3.00% annually
Discount rate	3.44% per annum (2018); 3.78% per annum (2017)
Healthcare cost trend rates	Pre-Medicare: 6.87% grading down to 3.82% over 16 years Medicare: 5.88% grading down to 3.79% over 16 years
Mortality improvement	NYSNA and CSEA: SOA RPH-2014 Adjusted to 2006 Blue Collar Headcount-weighted Mortality (adjusted (1.15) with MP 2016 improvement scale adjusted NonRep: SOA RPH-2014 Adjusted to 2006 total Dataset Headcount-weighted Mortality (adjusted (1.15) with MP 2016 improvement scale adjusted (2018) Based on RP-2000 Combined male and female mortality tables projected forward 15 years by Scale AA (2016)

The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2018 and 2017, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation (amounts in thousands).

Balance at December 31, 2016	$	328,464
Changes for the year:		
Service cost		4,940
Interest cost		11,647
Changes in assumptions		1,250
Benefit payments		(14,446)
Net changes		3,391
Balance at December 31, 2017		331,855
Changes for the year:		
Service cost		4,952
Interest cost		12,447
Differences between expected and actual experience		(4,734)
Changes in assumptions		4,372
Benefit payments		(15,217)
Net changes		1,820
Balance at December 31, 2018	$	333,675

Discount Rate

The discount rate used to calculate the total post-retirement liability was 3.44% and 3.78% for the years ended December 31, 2018 and 2017, respectively. The discount rate was based upon the 20-year high-quality municipal bond index at the measurement dates.

Discount Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate as of December 31, 2018 and 2017 are as follows (amounts in thousands):

	2018		**2017**	
	Rate	**Amount**	**Rate**	**Amount**
1% decrease	2.44%	$ 379,022	2.78%	$ 377,273
Current discount rate	3.44%	333,675	3.78%	331,855
1% increase	4.44%	296,171	4.78%	294,427

Healthcare Cost Trend Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of December 31, 2018 and 2017 are as follows (amounts in thousands):

	2018		2017	
	Rate	Amount	Rate	Amount
1% decrease	1.00%	$ 292,326	1.00%	$ 290,702
Healthcare cost trend rate	0.00%	333,675	0.00%	331,855
1% increase	1.00%	384,438	1.00%	382,450

OPEB Expense and Deferred Inflows of Resources

For the years ended December 31, 2018 and 2017, WCHCC recognized OPEB expense of approximately $17.0 million and $16.2 million, respectively. The components of post-retirement related deferred outflows of resources and deferred inflows of resources at the measurement dates are as follows (amounts in thousands):

	2018	2017
Deferred outflows of resources		
Changes in assumptions	$ 3,903	$ 937
Contributions subsequent to measurment date	14,053	15,217
	$ 17,956	$ 16,154
Deferred inflows of resources		
Differences between expected and actual experience	$ 3,550	$ -
Changes in assumptions	653	1,307
	$ 4,203	$ 1,307

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be reflected in salaries and benefits expense in the Statements of Revenues, Expenses, and Changes in Net Position as follows (amounts in thousands):

2019	$ (431)
2020	220
2021	(89)
	$ (300)

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2018 and 2017 (amounts in thousands):

	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts Due Within One Year
Workers' compensation self-insurance (a)	$ 20,353	$ 11,918	$ (7,189)	$ 25,082	$ 4,500
Malpractice self-insurance (b)	85,889	8,876	(13,807)	80,958	6,980
Health insurance (c)	4,985	109,459	(106,953)	7,491	7,491
Other self-insurance (d)	1,925	1,997	(875)	3,047	897
	$ 113,152	$ 132,250	$ (128,824)	$ 116,578	$ 19,868

	December 31, 2016	Additions	Reductions	December 31, 2017	Amounts Due Within One Year
Workers' compensation self-insurance (a)	$ 24,673	$ 1,912	$ (6,232)	$ 20,353	$ 4,500
Malpractice self-insurance (b)	88,926	1,792	(4,829)	85,889	7,075
Health insurance (c)	4,993	71,935	(71,943)	4,985	4,986
Other self-insurance (d)	1,830	925	(830)	1,925	800
	$ 120,422	$ 76,564	$ (83,834)	$ 113,152	$ 17,361

a. The Medical Center is self-insured for workers' compensation and has excess insurance coverage that attaches at $750,000 per occurrence with $1.0 million in annual aggregate coverage. As part of the Medical Center's workers' compensation self-insurance plan, the Medical Center obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on the Medical Center's specific and industry-wide data.

The following represents information as it relates to the Medical Center's workers' compensation self-insurance plan as of December 31, 2018 and 2017 (amounts in thousands):

	2018	2017
Gross self-insurance liability	$ 22,502	$ 18,265
Present value of self-insurance liability	21,837	17,753
Discount factor	3.5%	3.5%

As part of Mid-Hudson Valley Staffco's workers' compensation self-insurance plan, Mid-Hudson Valley Staffco obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on Mid-Hudson Valley Staffco's specific and industry-wide data.

The following represents information as it relates to Mid-Hudson Valley Staffco's workers' compensation self-insurance plan as of December 31, 2018 and 2017 (amounts in thousands):

	2018	2017
Gross self-insurance liability	$ 2,655	$ 2,889
Present value of self-insurance liability	3,245	2,600
Discount factor	3.5%	3.5%

All other Medical Center entities have workers' compensation coverage provided by a commercial insurance carrier under a claims-made basis and with no excess insurance coverage purchased.

HealthAlliance is insured under a retrospective premium policy through a commercial carrier.

b. WCHCC Bermuda, a WCHCC captive insurance company, provides the Medical Center with professional liability insurance ("HPL") and general liability insurance ("GL"), and insures physicians' professional liability ("PPL"). The remaining physicians not insured by WCHCC Bermuda maintain malpractice insurance coverage through commercial insurance carriers.

   Outstanding projected liabilities are comprised of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2018 and 2017.

   WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2018 and 2017, WCHCC Bermuda was required to maintain a minimum statutory capital and surplus (net position) of approximately $8.0 million and $8.5 million, respectively. As of December 31, 2018 and 2017, actual statutory capital and surplus (net position), which is included as part of net position - unrestricted on the Statements of Net Position, was approximately $87.7 million and $84.0 million, respectively.

   HPL coverage is provided on an occurrence basis with a self-insured retention ("SIR") of $12.0 million in 2018 and 2017, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. Excess liability insurance policies attach above the SIR.

   HealthAlliance purchases medical malpractice insurance coverage through a commercial carrier. Effective January 1, 2017, Kingston began operations serving as an off-shore insurance company for HealthAlliance. Operations of the captive for 2018 and 2017 were not deemed significant. Claims in excess of insurance coverage have not been asserted against HealthAlliance.

c. WCHCC is self-insured for health insurance for all its employees. Claims which have been incurred, and incurred but not reported represent a liability to WCHCC at December 31, 2018 and 2017 and, as such, a liability has been included in the accompanying Statements of Net Position.

d. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

During 2018, a mutual malpractice insurance plan that HealthAlliance held a policy with was sold. In connection with the sale, HealthAlliance received proceeds of approximately $8.7 million, which is reflected as gain on sale of investment in insurance company included in nonoperating activities in the 2018 Statement of Revenues, Expenses and Changes in Net Position.

10. Other Long-Term Liabilities

The following is the composition and activity of WCHCC's other long-term liabilities for the years ended December 31, 2018 and 2017 (amounts in thousands):

	December 31, 2017	Additions	Reductions	December 31, 2018	Within One Year
Self insurance liabilities (Note 9)	$ 113,152	$ 132,250	$ (128,824)	$ 116,578	$ 19,868
Third-party liabilities, net (Note 14)	36,618	36,135	(15,869)	56,884	28,220
Post-retirement health insurance (Note 8)	334,009	21,771	(20,100)	335,680	-
Net pension liability (Note 7)	80,974	-	(51,222)	29,752	-
Other liabilities	19,265	211,405	(194,831)	35,839	27,983
Deferred pension contributions (Note 7)	36,381	-	(5,022)	31,359	5,190
Total other long-term liabilities	$ 620,399	$ 401,561	$ (415,868)	$ 606,092	$ 81,261

	December 31, 2016	Additions	Reductions	December 31, 2017	Within One Year
Self insurance liabilities (Note 9)	$ 120,422	$ 76,564	$ (83,834)	$ 113,152	$ 17,361
Third-party liabilities, net (Note 14)	40,838	7,348	(11,568)	36,618	11,821
Post-retirement health insurance (Note 8)	330,688	19,647	(16,326)	334,009	-
Net pension liability (Note 7)	141,496	-	(60,522)	80,974	-
Other liabilities	18,785	155,676	(155,196)	19,265	11,243
Deferred pension contributions (Note 7)	41,240	-	(4,859)	36,381	5,021
Total other long-term liabilities	$ 693,469	$ 259,235	$ (332,305)	$ 620,399	$ 45,446

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the "College"), under the terms of which WCHCC pays the College for services. For the years ended December 31, 2018 and 2017, the College was paid approximately $15.6 million and $19.1 million, respectively, which is included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The affiliation agreement terminates in 2029, and automatically renews for an additional twelve year term.

12. Operating Leases

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and lease rental income under noncancelable operating leases as of December 31, 2018 and 2017 that have initial or remaining lease terms in excess of one year (amounts in thousands):

	Rent Expense	Rent Income
2019	$ 16,188	$ 2,717
2020	7,745	1,629
2021	6,059	1,315
2022	4,006	1,287
2023	833	935

Total rental expense in 2018 and 2017 for all operating leases was approximately $19.2 million and $17.1 million, respectively. Total rental income in 2018 and 2017 for all operating leases was approximately $3.3 million and $2.7 million, respectively.

13. Westchester County Relationship

In 1997, the State of New York adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease agreement. Subsequently, an Amended and Restated Lease Agreement (the "Lease") was consummated. The Lease is a 60-year (term ends 2058) real property lease for land and facilities with an option for extension.

During 2018 and 2017, WCHCC purchased services from the County of approximately $9.1 million and $9.2 million, respectively, which are included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

14. Commitment and Contingencies

Hospital Reimbursement
WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. Estimated third-party payor liabilities at December 31, 2018 and 2017 were approximately $56.9 million and $36.6 million, respectively and were included in other long-term liabilities (Note 10). A summary of the payment arrangements follows:

Hospital Reimbursement - Medicare
Under the Medicare program, WCHCC receives reimbursement under a prospective payment system ("PPS") for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group ("DRG"). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications ("APCs").

Hospital Reimbursement - Medicaid and Other Third-Party Payors
Medicaid, workers' compensation and no-fault payors pay rates that are promulgated by the New York State Department of Health ("Department of Health"). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations ("HMOs"), Preferred Provider Organizations ("PPOs"), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. During the years ended December 31, 2018 and 2017, WCHCC received distributions of approximately $30.9 million and $17.4 million, respectively, from the indigent care pool, which are included in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Both federal and New York state regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

WCHCC has received payments related to Medicaid services and settlement, Disproportionate Share ("DSH") and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2018 and 2017 and, therefore, have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

Revenue from the Medicare and Medicaid (including DSH) programs accounted for approximately 27% and 25%, and 30% and 26%, respectively, of WCHCC's net patient service revenue for the years ended December 31, 2018 and 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Nursing Home Reimbursement

The Nursing Home has agreements with third-party payors, which provide for reimbursement to the Nursing Home at amounts different from its established charges for its skilled nursing unit. A summary of the basis of reimbursement with significant payors is as follows:

Medicaid

Net patient service revenue under the Medicaid program is based on a modified pricing system using the resource utilization group's patient classification system. Under this methodology, the Nursing Home is reimbursed at a predetermined rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services. Medicaid's predetermined rate is computed using cost report data from the facility's designated base year and elements from annual cost report filings. Management believes that its final Medicaid rates for the years ended December 31, 2018 and 2017 will not be significantly different from those recorded in the accompanying financial statements.

Medicare

Reimbursement for resident services under Part A of the Medicare program is based on the skilled nursing facility PPS. Under a PPS, the Nursing Home is paid a single per diem rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services that covers all routine, ancillary, and capital-related costs. The per diem payment is adjusted for each Medicare beneficiary based on his or her care needs as measured by the minimum data set assessment form. The Nursing Home also receives reimbursement for certain ancillary services provided to its residents through Part B of the Medicare program.

Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to not recognize revenue that may not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC should also be subject to fines and treble damage claims if WCHCC knowingly filed a false claim or knowingly used false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits and claims cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations or liquidity.

Delivery System Reform Incentive Program
WCHCC is leading one of the twenty-five Performing Provider Systems ("PPS") in New York State that are implementing the Delivery System Reform Incentive Program ("DSRIP"). WCHCC recorded $48.4 million and $48.7 million, for the years ended December 31, 2018 and 2017, respectively, under DSRIP in other operating revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The WMCHealth PPS involves partnerships with over 200 organizations throughout its primary and secondary service areas. These include other hospitals, physician groups, community health centers, behavioral health providers, county health and mental health departments and community-based organizations. The DSRIP Program goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

15. Line of Credit

WCHCC has a $35.0 million working capital revolving line of credit from a financial institution. The line of credit matures on October 25, 2019, and may be renewed with the approval of the financial institution. Any outstanding balance may be converted to a three-year term loan. WCHCC did not draw down on the line of credit during the years ended December 31, 2018 and 2017.

16. Bon Secours Charity

Charity is a discretely presented component unit of WCHCC. Charity's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by GASB and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities*," to the extent that they do not conflict with GASB.

At December 31, 2018 and 2017, Charity has bonds outstanding of $122.3 million related to the Bon Secours Charity Health System, Inc. Taxable Bonds, Series 2015, consisting of $38.6 million bonds with an interest rate of 5.25% and maturing on November 1, 2025 and $83.7 million bonds with an interest rate of 6.25% and maturing on November 1, 2035. WCHCC guarantees the scheduled payments of principal and interest on the Charity Series 2015 Bonds. The proceeds of the bonds were used to repay $120.0 million in amounts due to BSHSI.

On January 19, 2018, Charity obtained a $20.0 million line of credit for general corporate purposes from a financial institution maturing on January 18, 2020. Charity did not draw on the line of credit during the years ended December 31, 2018 and 2017. WCHCC guarantees the debt service on the Charity line of credit.

During the years ended December 31, 2018 and 2017, Charity incurred approximately $18.4 million and $10.6 million of expenses to WCHCC, respectively, for services provided under a management service agreement and for other contracted services.

Westchester County Health Care Corporation
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability and Schedule of Employer Contributions
December 31, 2018 and 2017
(amounts in thousands)

Schedule of Proportionate Share of the Net Pension Liability*

Reporting Fiscal Year (Measurement Date, March 31,)	WCHCC's Proportion of the Net Pension Liability %	WCHCC's Proportion of the Net Pension Liability $	WCHCC's Covered Employee Payroll	WCHCC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018 (2018)	0.922%	$ 29,752	$ 285,990	10.40%	98.24%
2017 (2017)	0.860%	$ 80,974	$ 292,341	27.70%	94.70%
2016 (2016)	0.880%	$ 141,496	$ 259,948	54.43%	90.70%
2015 (2015)	0.890%	$ 30,029	$ 249,512	12.04%	97.90%

Schedule of Employer Contributions*

Reporting Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	WCHCC's Covered Employee Payroll	Contributions as a Percentage of Employee Covered Payroll
2018	$ 36,422	$ 36,422	$ -	$ 285,990	12.74%
2017	$ 34,183	$ 34,183	$ -	$ 292,341	11.69%
2016	$ 39,349	$ 39,349	$ -	$ 259,948	15.14%
2015	$ 41,017	$ 41,017	$ -	$ 249,512	16.44%

* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Westchester County Health Care Corporation
Required Supplementary Information (Unaudited)
Schedule of Funding Progress - Other Postemployment Benefits
December 31, 2018 and 2017
(amounts in thousands)

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
01/01/18	$ -	$ 333,675	$ 333,675	0.0%	$ 219,100	152.3%
01/01/17	$ -	$ 331,855	$ 331,855	0.0%	$ 210,755	157.5%
01/01/16	$ -	$ 328,464	$ 328,464	0.0%	$ 199,357	164.8%
01/01/15	$ -	$ 300,216	$ 300,216	0.0%	$ 188,736	159.1%
01/01/14	$ -	$ 297,146	$ 297,146	0.0%	$ 179,466	165.6%
01/01/13	$ -	$ 276,824	$ 276,824	0.0%	$ 174,737	158.4%
01/01/12	$ -	$ 281,128	$ 281,128	0.0%	$ 184,522	152.4%

The above represents the valuation of the plan as of January 1.

Westchester County Health Care Corporation
Required Supplementary Information (Unaudited)
Schedule of Changes in Total OPEB Liability and Related Ratios
December 31, 2018 and 2017
(amounts in thousands)

	2018	2017	2016
Total OPEB Liability			
Service cost	$ 4,952	$ 4,940	$ 4,705
Interest	12,447	11,647	11,598
Differences between expected and actual experience	(4,734)	-	-
Changes in assumptions	4,372	1,250	(2,615)
Benefit payments	(15,217)	(14,446)	(12,480)
Net change in total OPEB liability	1,820	3,391	1,208
Total OPEB liability - beginning	331,855	328,464	327,256
Total OPEB liability - ending	$ 333,675	$ 331,855	$ 328,464
Covered payroll	$ 219,100	$ 210,755	$ 199,357
Total OPEB liability as a percentage of covered-employee payroll	152.29%	157.46%	164.76%

Notes to Schedules:

Changes to benefit terms: No changes to the terms of the benefits provided.

Changes of assumptions: The following are the discount rates for each period presented above:

2018	3.44%
2017	3.78%
2016	3.57%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.