

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – January 28, 2019

PRESENT: Bill Himmelsbach (Chair); David Tedder; Terry Murray; Dave House; Stephen Larson, M.D.; Kathy Cooper; Kathryn McDonagh, Ph.D; Sarah Dyson; Paul Sommerville; Russell Baxley; Ken Miller; Karen Carroll; Kurt Gambla, D.O.; Brian Hoffman; Allison Coppage; Debbie Schuchmann; Chris Ketchie; Courtney McDermott; Daniel Mock; and Anna Sobiech

Absent: Bill Spearman, M.D; Laurie Martin; Susan Roos; and Shawna Doran

CALL to ORDER: Mr. Himmelsbach called the meeting to order at 7:29 a.m.

APPROVAL of MINUTES – November 26, 2018: Mr. Tedder made a motion, which was seconded by Mrs. Cooper, to approve the minutes of the November 26, 2018 meeting. Unanimous approval.

APPROVAL of MINUTES – December 12, 2018: Mr. Tedder made a motion, which was seconded by Mrs. Cooper, to approve the minutes of the December 12, 2018 meeting. Unanimous approval.

DHG Presentation Regarding FY 2018 Draft Audit: Mr. Himmelsbach introduced Mr. Mike Kelly and Ms. Kelly Smith of Dixon Hughes Goodman, LLP [DHG]. Mr. Kelly indicated that the purpose was to present the draft audit for the Fiscal Year [FY] ending September 30, 2018 for Beaufort Memorial Hospital and the Beaufort Memorial Hospital Endowment Foundation. Mr. Kelly explained that the audit was in draft status awaiting the State's completion of the state's pension plan audit. He also indicated that the audit remains open and therefore the calculation could change only if a subsequent event occurred between now and the receipt of the pension number.

Ms. Smith explained the auditor's responsibility and management's preparation and responsibility for the combined financial statements. She then referenced the Combined Financial Statements of Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation that were provided as a handout. Ms. Smith briefly reviewed the main audit: combined statements of net position; BMH and BMH Endowment Foundation balance sheets; combined statements of revenues, expenses and changes in net position; combined statements of cash flows; and notes to combined financial statements. Mr. Kelly referenced the contact information provided for committee members to use if there were any questions. He then reviewed the required communications and the qualitative aspects of accounting practices. Mr. Kelly indicated that the audit did not uncover any management bias on estimates and no difficulties were encountered in performing the audit. No material audit adjustments were posted as a result of the audit for the Hospital; however, BMH Endowment Foundation experienced one adjustment which was explained by Ms. Smith during her review of the statements.

Mr. Kelly reviewed the communications of internal control-related matters. He explained that DHG was not auditing internal controls but looking through key processes. As a result of the audit, one journal entry was posted which was considered a deficiency in internal controls with the BMH Endowment Foundation. Discussions ensued regarding the Foundation's accounting and internal resources. At the conclusion of the discussions, Mr. Kelly and Ms. Smith exited the meeting.

FINANCIAL STATEMENTS

Mr. Miller provided highlights of the Financial Statements. He indicated that December volumes were low. Acute discharges were 690 on a budget of 848 (discharges for the quarter ended at 2,197). The case mix index decreased to 1.40. Deliveries were at 79. December's low volumes impacted both the Emergency Room visits (at 13,159) and deliveries (at 243) which were below budget and prior year. Outpatient registrations were at 45,187 (which were above prior year). Observation days continue to be above budget and prior year. Outpatient volumes increased. Surgical volumes year-to-date [YTD] were at 2,149 which were below budget and prior year. Volumes in specialties such as Gynecology, Ophthalmology, Orthopedics, Plastics, Robotics and Vascular Surgery decreased from prior year. Beaufort Physicians Practices volumes at 16,301 were above prior year and budget.

Patient revenue for December, at \$66.1M, was the lowest gross revenue compared to the prior eleven months. YTD gross revenue, at \$209.9M, was \$9.2M below budget but above prior year. Total operating revenue for December was \$17.8M on a budget of \$20.3M and prior year at \$18.0M. The operating budget for the quarter was at \$57.2M on a budget of \$57.6M and prior year at \$54.8M. Net to gross was 27.0% and YTD at 27.2%. Payer mix shifted slightly from Medicaid and Self Pay to Medicare. Total uncompensated care increased from \$3.6M to \$4.3M. The YTD total for uncompensated care provided was \$12.6M or 6% of gross revenue. Cash to net for December was low at 82.1%. Days in AR slightly increased with gross days at 50 and net days at 42.1.

Expenses for December were at \$19.6M (slightly under budget by \$1.3M). Salary expenses were at \$7.8M compared to prior year at \$7.7M. FTE's increased from prior month to 1,380. FTE/AOB increased to 4.28. Contract labor remained consistent at \$200K. Benefit expenses increased due to the \$1.6M Group Health expense. Supplies were \$4M. YTD expenses were \$57.3M which were below budget but slightly above prior year.

Net Income for December experienced a loss of (\$1.2M). YTD net income was \$1.8M on budget loss of (\$535K). Total EBITDA for December was a loss of (\$459) and YTD EBITDA was \$4.1M on a budgeted EBITDA of \$2.3M. YTD actual to budget variance for net income was \$2.8M.

Days cash on hand was 162. The debt service on a rolling 12 month basis (TDD Bank) was 6.07 on a target of 1.2. Debt to cap was 24.8% and cash to debt was 1.82 on a target of 1.0.

Discussions ensued regarding volumes.

ADJOURN: The meeting adjourned at 8:46 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair