

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – April 22, 2019

PRESENT: Bill Himmelsbach (Chair); David Tedder; Dave House; Kathy Cooper; Kathryn McDonagh, Ph.D.; Bill Spearman, M.D.; Stephen Larson, M.D.; Sarah Dyson; Russell Baxley; Ken Miller; Karen Carroll; Kurt Gambala, D.O.; Brian Hoffman; Shawna Doran; Allison Coppage; Debbie Schuchmann; Chris Ketchie; Courtney McDermott; Cindy Gibson and Anna Sobiech

Absent: Laurie Martin; Daniel Mock; and Susan Roos

Guests: Mike Kelly, CPA and Kelly Smith, CPA of Dixon Hughes Goodman, LLP (*on phone*) [DHG]

CALL to ORDER: Mr. Himmelsbach called the meeting to order at 7:30 a.m.

DHG FY 2018 Draft Audit Update: Mr. Miller reported that BMH received the SC pension information on March 21, 2019. He also noted that the typos that were discovered by Mrs. Cooper on the Management Discussion and Analysis Report would be corrected today and provided to DHG.

Mr. Miller introduced Mr. Mike Kelly and Ms. Kelly Smith (on the phone). Mr. Kelly provided an update from the timeline since the previous presentation on January 28, 2019. Mr. Kelly reported that after the SC pension entries were recorded, DHG performed additional subsequent review procedures to make certain that no subsequent events needed to be reported on the combined financial statements and disclosed in the notes. Mr. Kelly indicated that the only change since the January 28th meeting is related to the pension and the addition of the Management Discussion and Analysis Report (which was not previously provided).

Ms. Smith explained that the impact of the SC pension expense recorded was \$6.8M. Ms. Smith and Mr. Kelly reviewed the actual entries of the Combined Statements of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; and the Combined Statement of Cash Flows. Mr. Kelly provided an opportunity for members to ask questions. A brief discussion ensued regarding the reported liability of approximately \$136M for the proportionate share of the net pension liability.

Mr. Kelly confirmed that there have been no subsequent events to the audit from when it was presented in January 28, 2019.

Mr. Himmelsbach reviewed the three components of the audit as: required communication to the Board completed in January, management representation letter that is currently being presented, and the remainder of the audit document that contains the SC pension that is currently being presented.

MOTION TO ADOPT THE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2018 AS PRESENTED PENDING THE RECEIPT OF THE REPRESENTATION LETTER FROM THE AUDIT AND RECOMMEND TO THE BOARD OF DIRECTORS. Mr. Tedder made the motion which was seconded by Dr. Spearman. Unanimous approval. Mr. Mike Kelly and Ms. Kelly Smith will be available by phone for the Audit presentation to the Board on Wednesday, April 24, 2019.

Mr. Miller clarified that DHG did not consider the gain share over accrual as material. Also, regarding the letter that was received from Medicaid regarding the 2014 Disproportionate Share Hospital [DSH] relating to assumption and redistributions was not considered material and BMH will retain the payables on the financial statements for at least two years.

APPROVAL of MINUTES – March 25, 2019: Mr. Tedder made a motion, which was seconded by Mrs. Cooper, to approve the minutes of the March 25, 2019 meeting. Unanimous approval.

FINANCIAL STATEMENTS

Mr. Miller provided highlights of the Financial Statements. He reported that March volumes were strong which were led by outpatient volumes. Year-to-date [YTD] acute discharges were at 4,345 (below budget and prior year). Adult patient days were below budget and prior year. YTD case mix index was 1.51. Average length of stay slightly increased to 4.63 compared to 4.53. YTD deliveries were at 446 (below budget and prior year – down 8.2% to prior year). Emergency Room visits were down 4.5% to prior year. YTD outpatient registrations were at 93,306, slightly below budget but up by 11% from prior year. Endoscopy, Lab, Pathology, Imaging, Cath Lab, Respiratory Therapy, Neurology, Ortho, Cardiac Rehab, and the outpatient areas in Bluffton were above budget and prior year. YTD surgical volumes were at 4,425, slightly below budget but 5% above prior year. YTD Physician Practices were 26.3% above budget and 45.3% above prior year.

Patient revenue for March was \$73.5M and YTD at \$430.5M (slightly below budget but 12.9% above prior year). Total operating revenue was \$20M (above budget and 4.9% above prior year). Outpatient factor decreased in March; however, YTD was 3.42 compared to prior year at 3.17. Net to gross percentage was 27.3% and YTD at 26.8% (above budget and prior year). Total uncompensated care (bad debt and charity combined) for March remained at \$4.2M. A discussion ensued regarding debt set off. BMH has provided YTD \$25.8M in uncompensated care. The percentage of gross revenue was 6%. Payer mix experienced a slight shift to Medicare. March cash to net increased to 116.1%. Day in AR dropped to 40 gross and 36.3 net. YTD cash was at 101.3% or \$1.5M.

Expenses for March were \$19.2M (under budget but above prior year). Operating expenses were \$114.1M (under budget but above prior year). Salary expenses for March were \$7.6M and YTD at \$46.4M compared to a budget of \$48.7M and prior year at \$44.8M. BMH is committed to reinvesting in its employees. Contract labor YTD was at \$1.2M compared to a budget of \$441K. Discussions ensued regarding registered nurses. Benefit expense decreased slightly to \$2.4M; YTD at \$14.9M compared to a budget of \$15M. Supplies were \$4.1M (above budget and prior

year) and YTD at \$24.2M (driven by chemotherapy drugs and implant supplies). These two categories will be monitored. Discussions ensued regarding implants.

Net Income for March was \$1.2M and YTD at \$4.6M. Total EBITDA for March was \$2M for a 9.7% EBITDA and YTD EBITDA was \$9.3M on a budget EBITDA of \$4.5M. YTD actual to budget variance for net income was \$4.7M.

Days cash on hand increased to 169 days. The debt service on a rolling 12 months basis (TD Bank) was 6.31 on a target of 1.2. Debt to cap was 24.6% and cash to debt was 1.9.

Mr. Himmelsbach reviewed the budget plan for next year: assumptions for 2020 budget will be reviewed in June, first review of budget in August, and adoption in September.

Mr. Baxley will be have discussions with Beaufort County Council Finance Department to discuss uncompensated care increases and programs such as AccessHealth, Sickle Cell, Chip Mobile, etc. for the population of Beaufort County.

ADJOURN: The meeting adjourned at 8:50 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair