

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – February 26, 2018

PRESENT: Dave House (Chair), Bill Himmelsbach, David Tedder, Terry Murray, Stephen Larson, M.D., Russell Baxley, Kathy Cooper, Mark Dean, M.D, Sarah Dyson, Paul Sommerville, Ken Miller, Karen Carroll, Chris Ketchie, Kurt Gambla, D.O., Allison Coppage, Debbie Schuchmann, Courtney McDermott, Laurie Martin, Daniel Mock Shawna Doran and Anna Sobiech

Guests: Alicia McCory of Regions Bank; Nick Cotter and Ryan McQuillan of Regions Institutional Investment Management

Absent: Bill Spearman, M.D., Susan Roos and Brian Hoffman

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

APPROVAL of MINUTES – January 24, 2018: Mr. Tedder made a motion, which was seconded by Mr. Himmelsbach, to approve the minutes of the January 24, 2018 meeting. Unanimous approval.

Regions Investment Presentation: Mr. Miller explained the purpose of Regions' presentation on investment strategies. BMH currently has investments in CDARS and CDs. He provided an explanation of the term CDARS [Certificate of Deposit Account Registry Service] - a program that allows the public to spread money around various banks. The purpose of CDARS is to help people who invest in certificate of deposits or CDs to stay below FDIC insurance limits at any given bank. Under the Regions program, BMH could get a better return on its investments and keep them safe and meet all the guidelines of the governmental entity. Mr. Miller contacted the County Treasurer to inquire about their knowledge of the "Government Only Enhanced Cash Strategy" program.

Mr. Miller introduced Alicia McCory of Regions Bank. Ms. McCory introduced Ryan McQuillan (VP of Regions Institutional Trust Group) and Nick Cotter (Portfolio Manager & Analyst). The purpose of the presentation is to review strategies that may benefit the Hospital in generating yield investments while being risk diverse, liquid, and fully customizable to meet all the rules and regulations on an entity such as the Hospital. Discussions ensued after Regions completed their presentation and exited the room. It was proposed that BMH approach TD for a competitive bid/similar analysis and also to contact BMH's bond counsel to get clarification on whether this meets the SC requirement for government statutes on investments. Discussions ensued regarding portfolio management. Mr. Miller will ask Regions for references within the State of South Carolina, portfolio analysis from TD Bank, and will seek guidance from the State Treasurer's Office regarding adequate compliance.

Update on Draft Audit 2017 and Waivers: Mr. Miller reported that the information for the pension adjustment was received. The non-cash entry of \$15.7M was disclosed. The next step is

to get the pending draft of the audit to the banks to receive the waivers. Regions has presented BMH with a draft waiver. TD has not provided a draft waiver at this time.

FINANCIAL STATEMENTS

Mr. Miller indicated that January volumes were mixed. Discharges were up slightly to 804. Deliveries were at 77. Emergency Room visits were slightly above budget at 5,029. Brief discussion ensued regarding deliveries. Outpatient registrations were lower than budget and prior year. MRI, rehab services, ortho, wound care showed downward trends. Physician practices were also lower partly due to Athena go live. Surgical volumes decreased slightly in January.

Revenue was at \$70M. Beaufort Physician Practices [BPP] were slightly below \$5M in gross revenue. The total operating revenue was \$17.9M. Net to gross percentage was 25% on an average of 26%. It is foreseen that due to changes in total knees moving to outpatient, observation days will experience an increase. Discussion ensued regarding observation days versus inpatient qualifications and expectations of year end (identify cost side for total joint program and process). Bad debt was consistent with last month. Payer mix showed an increase in Medicare by three points while commercial and State slightly decreased.

Expenses for January decreased to the average run rate. Salary expenses were at \$7.6M. Contract labor increased while FTE/AOBs stayed under budget. Benefit expense decreased primarily due to Group Health under \$1M. Professional fees and purchased services decreased. Going forward, Athena, Kindred, Amwell and Wellness Works will aid in net revenue for this year. Supplies were at \$3.4M. A \$340K license fee is reflected monthly as an expense (prior to four months ago was recorded against net revenue). Mr. Miller noted that all chemotherapy expenses have been moved to the hospital. The operating profit for BMH experienced a loss of (\$545K). Budget was at a loss of (\$875K). Net income was at a loss of (\$300K); however, year-to-date [YTD] net income was at \$554K profit against a budget of \$2.7M. Actual to budget variance for net income was \$3.2M. EBITDA for January was \$537K against a budget of \$451K. YTD EBITDA was \$4M with a variance to budget of \$2.2M. Days cash on hand increased to 159. Debt service dropped to 3.01 and debt to capital decreased to 58.5%. Mr. Miller reminded the Committee that audits are being conducted quarterly.

ADJOURN: The meeting adjourned at 9:05 a.m.

Respectfully submitted,

David House, Chair