

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – April 23, 2018

PRESENT: Bill Himmelsbach (Chair); Dave House; David Tedder; Terry Murray; Bill Spearman, M.D.; Russell Baxley; Kathy Cooper; Sarah Dyson; Andrea Allen; Ken Miller; Karen Carroll; Chris Ketchie; Kurt Gambla, D.O.; Allison Coppage; Debbie Schuchmann; Laurie Martin; Daniel Mock; Paul Sommerville and Anna Sobiech

Guest: David Smith, BMH Controller

Absent: Stephen Larson, M.D.; Brian Hoffman; Susan Roos; Courtney McDermott and Shawna Doran

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

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

TD Bank Investment Presentation: BMH currently has investments in CDs and 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. Mr. Himmelsbach explained that after Regions' presentation on investment strategies on February 26, 2018, it was proposed that BMH approach TD for a competitive bid/similar analysis. Mr. Miller indicated that a copy of BMH's CDARS investments was provided to both Regions Bank and TD Bank.

Mr. Miller introduced Suzanne Moran (Institutional Relationship Manager) and Kyle Youngblood, CFA (Investment Advisor). Ms. Moran indicated that the purpose of their presentation was to provide an analysis of the investment restrictions that apply as set forth by the State of South Carolina, analysis of the rate history for the past three years and discuss options going forward. Discussions ensued after TD Bank completed their presentation and exited the room.

Regions Investment Update: A conference call transpired with Ryan McQuillan (VP of Regions Institutional Trust Group), Alicia McCory of Regions Bank and Nick Cotter (Portfolio Manager & Analyst). Mr. Cotter provided a brief synopsis of the information that was provided to the Committee prior to the meeting. At the conclusion of the conference call, a brief discussion ensued. Mr. Miller will present a comparison of both TD Bank and Regions Bank investment options and the associated fees for the next Finance Meeting.

MOTION to go INTO EXECUTIVE SESSION: A motion was made by Dr. Spearman to go into Executive Session at 8:01 a.m. for the purpose of discussing financial matters and contractual obligations. The motion was seconded by Mrs. Cooper and unanimously approved.

MOTION to go INTO OPEN SESSION: A motion was made by Dr. Spearman to go into Open Session at 8:19 a.m. The motion was seconded by Mrs. Cooper and unanimously approved.

FINANCIAL STATEMENTS

Mr. Miller indicated that March volumes were mixed. Discharges were 768. Patient days were at 3,565 and year to date at 20,951. Deliveries were slightly down at 77. Emergency room visits for March were at 4,474 (below budget and prior year). Outpatient registrations were at 15,124 with a year-to-date [YTD] average of 13,673. Surgical cases in GI, Robotics and Pain experienced shortfalls. Outpatient volumes and revenue experienced an increase in CT, PET scan, Nuclear Medicine, Cath Lab, Cardiology, as well as Pediatric Rehab and CardioPulmonary Rehab. Primary Care Practices were below budget for March and prior year with the exception of Harrison Peeples and Express Care. Discussion ensued regarding the primary care practices (looking at schedules). Average length of stay experienced a downward movement.

Patient revenue was at \$73.5M with a total operating revenue of \$19.6M. The outpatient factor for March was 3.31. Net to gross percentage was 26.7% compared to a budget of 25.9%. The YTD net patient per adjusted admission was \$7,507 compared to a budget of \$7,456 and prior year \$7,893. Cash to net for March was approximately \$19.5M (average is \$18.4M). Cash to net for March improved 110% and YTD it stands at 108%. Discussions ensued regarding Beaufort Physician Partners [BPP] financial statements, the budgeting process, and how the budget compares to the prior year. Mr. Miller proposed setting a budget for next year and a benchmark to monitor improvement (will also research MGMA and look at similar, comparable sized organizations).

Total uncompensated care was at 6.4% of gross revenue for March and YTD at 7.1% compared to a budget of 7.8%. The payer mix showed a 3.7% increase in Medicare YTD while self-pay, Medicaid, Blue Cross and commercial experienced decreases.

Expenses for March were \$18M compared to a budget of \$20.2M. Salary expenses were at \$7.4M. YTD contract labor was at \$175K compared to a budget of \$280K. FTEs were 1,443 while FTEs/AOB decreased to 3.79 compared to a budget of 3.90. Benefit expense for March was \$2.4M. Supplies were at \$3.4M which was below budget and prior year.

BMH experienced an operating profit of \$1.7M on a budgeted loss of (\$5.3M) and prior year loss of (\$5.8M). Net income was at \$1.8M on a budget loss of (\$658K) and YTD positive net income of \$2.8M on a budget loss of (\$4.1M). This resulted in a positive variance of \$6.9M. EBITDA for March was \$2.6M for a 13.4% margin. YTD EBITDA was \$7.9M or 7.1% margin. YTD EBITDA variance to budget was \$5.3M. Days cash on hand increased slightly from 158.9 to 167.1 and debt service increased to 4.03. Debt to cap decreased to 57.2%.

ADJOURN: The meeting adjourned at 8:37 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair