

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – May 21, 2018

PRESENT: Bill Himmelsbach (Chair) (*by phone*); Dave House; David Tedder; Terry Murray; Bill Spearman, M.D.; Stephen Larson, M.D.; Russell Baxley; Kathy Cooper; Sarah Dyson; Ken Miller; Karen Carroll; Brian Hoffman; Chris Ketchie; Courtney McDermott; Allison Coppage; Debbie Schuchmann; Daniel Mock; and Anna Sobiech

Guest: David Smith, BMH Controller

Absent: Laurie Martin; Susan Roos; Kurt Gambla, D.O.; and Shawna Doran

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

APPROVAL of MINUTES – April 23, 2018: Mrs. Cooper made a motion, which was seconded by Mrs. Murray, to approve the minutes of the April 23, 2018 meeting. Unanimous approval.

Investment Discussion: After presentations at previous meetings from both Regions Bank and TD Bank regarding CDs and CDARS [Certificate of Deposit Account Registry Service] - a program that allows the public to spread money around various banks, it is Mr. Miller's recommendation to accept TD Banks's investment strategy primarily due to the cost (TD Banks's 4.3 basis points versus Regions's at 15 basis points). Mr. Himmelsbach indicated that it was management's decision to go forward with the investment strategy and this did not require Board approval.

It is noted that the Finance Committee endorsed the decision of Mr. Miller as CFO.

Audit Update: Mr. Miller reported that BMH has received draft agreements from both TD Bank and Regions Bank. In summary, both TD Bank and Regions have a \$75K waiver fee. TD is disregarding the pension effect on all the covenants. Regions is deleting the debt service reserve covenant and the days cash and replacing it with the indebtedness to cash covenant. Mr. Miller indicated that clarification is needed with Regions' indebtedness clause as it relates to GASB 87. A debt service reserve account of about \$1M (interest bearing) is also being required by Regions and will be taken out the cash calculation. In addition clarification is needed regarding the pension adjustment not being a part of the calculation. TD has the "most favored nation" clause. In summary, the objective is to finalize both documents and have the documents approved in June in order to close the audit.

FINANCIAL STATEMENTS

Mr. Miller indicated that April volumes were up from the prior year. Acute discharges were 724. Patient days were at 3,202. Deliveries were at 73 and ER visits were below budget and prior

year at 4,432. Outpatient registration were also lower at 14,397. Surgical cases decreased to 680. Several outpatient area were above budget and prior year. Case mix was at 144 on a budget of 145. Volumes were similar to prior year.

Patient revenue was at \$66.5M with a total operating revenue of \$17.3M and prior year at \$17.7M. The outpatient factor for April was 3.37 compared to a year-to-date [YTD] average of 3.2. Net to gross percentage was 26.1% compared to a budget of 25.9%. Cash to net for April was 107.5%. Days in AR decreased to 48.6 days gross and 40.2 days net versus 51.2 days gross and 42.8 days net for the prior month. Bad debt decreased slightly to \$2.1M or 3.2% of gross revenue. Charity decreased to just under \$1M and total uncompensated care for April was 4.5% of gross revenue.

Salaries and supplies were controlled in April. BMH benefited from Group Health refunds in the amount of \$280K. Expenses were at \$17M compared to a budget of \$18.9M and prior year of \$18.2 (\$1.2M variance). Salary expenses were at \$7.1M. FTEs were 1,390 versus prior year of 1,424. FTEs/AOB were at 3.86. Benefit expenses for April was \$1.9M compared to a budget of \$2.5M. Group Health was at about \$0.5M. Supplies were at \$3.5M.

BMH experienced a net income of \$619K compared to prior year a loss of (\$583K). YTD the net income is \$3.3M on a budget of (\$4.7M) loss. EBITDA YTD was \$9.4M or 7.3% EBITDA margin. Total EBITDA for April was \$1.7M and a 9.4% EBITDA margin. YTD EBITDA variance to budget was \$6.4M.

Days cash on hand increased to 174 from 167 and debt service increased to 4.18. Debt to cap decreased to 56.9%.

A brief discussion ensued regarding the continued decline in surgical volumes. Mr. Baxley explained the reasons for the decline in volume and the plans in place to build it back up.

Education article discussion - the article is meant for informational purposes. Brief discussion ensued regarding being more transparent in cost estimates (estimating out of pocket).

ADJOURN: The meeting adjourned at 8:19 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair