

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – July 29, 2019

PRESENT: Bill Himmelsbach (Chair); David Tedder; Kathy Cooper; Kathryn McDonagh, Ph.D.; Stephen Larson, M.D.; Bill Spearman, M.D; Sarah Dyson; Russell Baxley; Alice Howard; Ken Miller; Karen Carroll; Brian Hoffman; Allison Coppage; Debbie Schuchmann; Kurt Gambla, D.O.; Chris Ketchie; Daniel Mock; Laurie Martin; Courtney McDermott; Cindy Gibson and Anna Sobiech

Absent: Dave House and Shawna Doran

CALL to ORDER: Mr. Himmelsbach called the meeting to order at 7:31 a.m.

APPROVAL of MINUTES – June 26, 2019: Dr. McDonagh made a motion, which was seconded by Mr. Tedder, to approve the minutes of the June 26, 2019 meeting. Unanimous approval.

Mr. Himmelsbach indicated that Ms. Carina Dolan will be joining the meeting by conference call after the report on financials. Ms. Dolan is the Director for Clinical Oncology and Pharmaceutical Outcomes with Vizient. The discussion will be focused on the cost of pharmaceutical drugs.

FINANCIAL STATEMENTS

Mr. Miller provided highlights of the Financial Statements. He reported that June volumes were lower in comparison to prior months. Acute discharges decreased to 667 and year-to-date [YTD] were 6,492. Discharges were 7.2% down from budget and 4.2% down from prior year. Adult patient days were at 3,152 (slightly below prior year) and YTD at 29,720. The average length of stay [ALOS] was slightly up from 4.51 to 4.58. Case mix increased by 4.8% compared to prior year and ALOS up by 1.5%. The clinical documentation program was re-energized resulting in quality data and in turn affecting quality and revenue. Deliveries remained consistent at 69 (below budget and prior year). Emergency Room visits dropped slightly to 4,200 (below budget and prior year). Outpatient registrations were at 14,459. YTD surgical volumes were 6,931 versus prior year at 6,494. Physician Practices volumes YTD were 170,696 (a decrease from prior month but 39.2% above prior year).

Patient revenue for June was \$69.3M (below prior year and budget) and YTD at \$647.2M. Total operating revenue for June was \$19.4M (above budget and prior year) and YTD at \$175.4M (4.2% above budget and 5.9% above prior year). Net to gross decreased to 28%. Total uncompensated care was \$3.1M (4.5% of gross revenue). YTD uncompensated care was \$39.4M (5.5% of gross revenue). YTD net to gross was 27.1% on budget of 26.3%.

Payer mix experienced a shift from BlueCross, Medicaid, and self-pay to Medicare. Cash collection decreased to 82.7% partially due to fewer deposit days in June compared to prior

months and Medicare “dark days” and their request for records increased. YTD \$1.9M was collected from the GEAR Program. Brief discussion ensued regarding the GEAR Program.

Expenses were \$18.7M (higher than budget and prior year). YTD operating expenses were \$171.9M, which was below budget. Salaries decreased to \$7.4M; YTD at \$67.8M. Contract labor was \$1.6M. FTEs [full time employees] increased to 1,344; FTE/AOB [Adjusted Occupied Beds] was 3.94. Benefit expense was \$2.3M. Supplies decreased to \$3.7M.

Net Income for June was \$1.2M and YTD at \$9.4M (with a budget loss of \$1.6M). Total EBITDA for June was \$2M compared to a budget of \$723K and prior year EBITDA was \$907K. YTD actual to budget variance for net income was \$9.6M.

Regions Bank released BMH from the requirement of a debt service reserve account; TD Bank did not. Days cash on hand decreased to 172 days. The debt service on a rolling 12 months basis (TD Bank) was 7.25 on a target of 1.2. Debt to cap was 22.4% and cash to debt was 1.92.

Mr. Miller indicated that a draft budget will be presented to the Finance Committee on August 26, 2019 for the first review.

A discussion ensued regarding BlueCross BlueShield and telehealth services (agreement and rates). Additionally a discussion regarding Tricare and mental health ensued.

At 8:08 a.m., Mr. Miller indicated that Ms. Carina Dolan joined the committee by conference call. Mr. Himmelsbach introduced Ms. Dolan who then provided a brief personal background. She focused her presentation on drug costs (new and older), the drivers of drug costs, different trends, and the influence, the impact on patients by the regulations that are passed and the tiers that are in the marketplace. She indicated that Vizient releases a publication twice a year known as the Drug Price Forecast (July forecast being released on Wednesday, July 31, 2019). The focus will be on the drug price inflation rates and the trends such as drug shortages. Ms. Dolan will provide Mr. Miller the executive summary of the drug cost and will send the link and pdf when it launches. This will then be sent to committee members.

ADJOURN: The meeting adjourned at 8:38 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair