

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – October 28, 2019

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

Absent: Hampton Long (Foundation); Shawna Doran

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

APPROVAL of MINUTES – September 23, 2019: Dr. Spearman made a motion, which was seconded by Mrs. Cooper, to approve the minutes of the September 23, 2019 meeting. Unanimous approval.

Audit Update: Mr. Miller informed the Committee that the audit by Dixon Hughes Goodman, LLP is scheduled to begin in November and the final audit to begin in December. The contributing factor will be the completion of South Carolina's Pension (state's pension plan) audit. Mr. Miller also provided an update on BMHs current bonds. Discussions ensued regarding the bonds and the Committee came to a consensus to revisit this topic in 2021.

FINANCIAL STATEMENTS

Mr. Miller provided highlights of the Financial Statements, focusing on year-to-date [YTD] data. He indicated that September experienced Hurricane Dorian. YTD acute discharges were 8,650 (7% below budget and 4% below prior year). Adult patient days were 38,943 (below budget and prior year). The average length of hospital stay [ALOS] for the budget year was 4.5 on a budget of 4.25 and prior year at 4.49. The case mix index [CMI] increased to 1.54 (6% higher than expected and the previous year). Deliveries were at 903 (4.3% below prior year and 4.7% below budget). Emergency room visits decreased again and ended the year at 51,937 (3.8% below prior year and 4.9% below budget). Outpatient registrations were strong at 186,305 (slightly above budget by .7% and 10% above prior year). Surgical volumes were also strong at 9,231 (4.7% above budget and 8.4% above prior year). ENT, general surgery, gynecology, oral orthopedics, pain, psych (due to ECG program), urology and vascular experienced an increase from the prior year and budget. Beaufort Physician Practices experienced the strongest volumes, ending the year at 225,475 visits (26.2% above budget and 32.2% above prior year).

Patient revenue for September was \$63M (lowest gross revenue month of this fiscal year although comparable to the prior year, which was \$62.4M). The YTD total was \$857.8M on a budget of \$851.2M and prior year at \$828.6M (.8% above budget and 3.5% above prior year). Total operating revenue for September was \$19.9M (above prior year and budget). YTD

operating revenue was \$235.4M (5% above budget and 5.7% above prior year). Net to gross was high at 31.6%. Mr. Miller explained that this was driven by DHG's review at the end of the year of Disproportionate Share Hospital [DSH] payments and determining BMH should reduce the reserves by \$3.4M. Mr. Miller explained the results of Hurricane Dorian on the hospital. Discussions ensued regarding DSH payments.

YTD net to gross was 27.4% (above budget and prior year). Total uncompensated care for the fiscal year was \$48.6M or 5.7% of gross revenue. This was \$6M less than prior year or 6.6% of gross revenue. Payor mix experienced a 3.5% increase in Medicare and a 2.2% decrease in self pay and 1.4% decrease in Medicaid. Mr. Miller provided an explanation regarding the shift in the total uncompensated care. Cash collections for September came in extremely low. The fiscal year ended at 100.4% cash to net. He explained that the DSH benefit will not result in cash.

Expenses for the fiscal year were \$230.3M on a budget of \$229.4M. Contract labor was \$93.3M on a budget of \$95.5M. Contract labor for September increased from \$205,434 to \$345,578. Full time employees [FTEs] for the year were 1,334; however, FTEs for September dropped to 1,280 (primarily due to the hurricane). Benefit expenses for the fiscal year were \$29.4M compared to the budget of \$29.5M. Supplies were \$47.7M (above budget by 5.4% and 8.5% above prior year).

Net income for September was \$1.9M and YTD at \$13.5M on a budget loss of (\$2.1M). Prior year net income was \$7.6M (a \$5.9M variance). Total EBITDA for September was \$2.6M and YTD EBITDA at \$22.7M on a budget of \$9M (\$13.7M variance). Prior year EBITDA was \$18.8M (\$3.9M variance).

All covenants improved with the exception of debt service due a \$1.9M depreciation entry. Days cash on hand was 183.8 days. The debt service on a rolling 12 month basis (TD Bank) was 7.07 on a target of 1.2. Debt to cap was 22.2% and cash to debt was 2.05.

Mr. Miller provided an explanation of days cash as it is relating to the gain share program and upcoming projects relating to the 2020 capital program. Discussion ensued.

ADJOURN: The meeting adjourned at 8:20 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair