

BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES

FINANCE COMMITTEE – OPEN SESSION

Minutes – January 27, 2020

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

Absent: Shawna Doran

CALL to ORDER: Dr. McDonagh called the meeting to order at 7:30 a.m. on behalf of Mr. Himmelsbach who was participating by phone.

APPROVAL of MINUTES – December 18, 2019: Mrs. Cooper made a motion, which was seconded by Mr. House, to approve the minutes of the December 18, 2019 meeting. Unanimous approval.

DHG Presentation Regarding FY 2019 Draft Audit (ending September 30, 2019): Dr. McDonagh introduced Mr. Mike Kelly and Ms. Kelly Smith of Dixon Hughes Goodman, LLP [DHG]. Mr. Kelly referenced the September/October pre-audit meeting and indicated that the outcome was in line with the plan. He explained that the audit was in draft status awaiting the State's completion of the state's pension plan audit. Mr. Kelly indicated that due to the audit remaining open, the calculation could change if a subsequent event occurred between today and the receipt of the pension information.

Ms. Smith referenced the Combined Financial Statements of Beaufort Memorial Hospital and Other Combined Entity and Beaufort Memorial Hospital Endowment Foundation that were provided as a handout. She referenced the Independent Auditor's Report relating to the entities and explained the structure of the layout highlighting a notable change in accounting principles relating to Not-for-Profit Entities. Ms. Smith explained the auditor's responsibility and management's preparation and responsibility for the combined financial statements. She briefly reviewed the main audit: combined statements of net position; BMH and BMH Endowment Foundation balance sheets; combined statements of revenues, expenses and changes in net position; BMH and BMH Endowment Foundation statements of activities and changes in net assets; combined statements of cash flows and breakdown of operating activities; and notes to combined financial statements. Ms. Smith indicated that Beaufort Memorial Hospital is in compliance with the financial covenants pending any subsequent events within the audit period. She explained the new requirement, Expenses by Nature that relates to the Foundation.

Mr. Kelly referenced the contact information provided for committee members to use if there were any questions. He then reviewed the communication with those charged with governance which included the qualitative aspects of accounting practices. He indicated that no difficulties

were encountered with management in performing and completing the audit and indicated that it was a clean audit.

At the conclusion of the presentation, Mr. Kelly and Ms. Smith exited the meeting.

FINANCIAL STATEMENTS

Dr. McDonagh indicated that December was a strong month and represented a strong first quarter. Mr. Miller reported that acute discharges were 758 with the first quarter ending at 2,253 (above budget and prior year). The case mix index [CMI] decreased slightly from 1.62 to 1.57; however, the quarter ended at 1.61. Average length of stay [ALOS] was 4.51 (slightly above budget); however, the quarter was 2.81 on a budget of 2.81. December deliveries were 87 and the quarter at 264 (above budget and prior year). Emergency room visits were 4,560 (below budget and prior year). Outpatient registrations for December were 16,120 and 49,621 for the quarter (which was below budget but above prior year). Observation days were 409 (above budget and prior year). Volumes in specialties such as imaging, angio, cath lab and infusion experienced a decrease. A discussion ensued regarding infusion volumes. Surgical volumes experienced an increase to 860 and 2,769 for the quarter (increases were seen in GI, Ophthalmology and Orthopedics). Beaufort Physician Practices [BPP] experienced an increase to 21,135 visits. BPP was under budget for the first quarter at 64,996; however, significantly better than prior year which was 57,315.

Patient revenue for the first quarter was \$220.4M. Total operating revenue for December was \$20.5M and the quarter ended at \$62.6M (both below budget but above prior year). Net to gross percentage for year-to-date [YTD] was 28.4% on a budget of 26.9% (prior year was at 27.2%). Total uncompensated care for the month was \$4.2M or 5.9% of gross revenue. YTD uncompensated care was \$12.2M or 5.5% of gross revenue. The movement in payor mix shifted to Medicaid. The result of cash to net was 98.0% and YTD cash to net at 103.6%. A discussion ensued regarding significant purchases on upcoming projects.

YTD salaries and contract labor was \$25.5M. Contract labor for December increased to \$365K. Supplies experienced a slight decrease in December. YTD supplies were at \$11.8M compared to a budget of \$13M and prior year of \$12.3M.

Net income for December was \$1.3M and YTD was \$4.0M (\$2.2M above prior year). Total EBITDA for December was \$2.1M and YTD EBITDA was \$6.5M. A discussion ensued regarding the GEAR program. The actual to budget variance was \$3.5M and the prior year EBITDA variance was \$2.4M.

Covenants were mixed resulting in a slight drop in days cash on hand to 169.2 (due to gain share payouts in December and the principal payments on both bonds). The debt service on a rolling 12 month basis (TD Bank) was 7.81 on a target of 1.2. Debt to cap was 21.1% and cash to debt was 2.08.

Dr. McDonagh referenced the articles that were provided in the Finance Packet.

ADJOURN: The meeting adjourned at 8:31 a.m.

Respectfully submitted,

Bill Himmelsbach, Chair