

**BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES  
MEETING BY TELE-CONFERENCE (DUE TO COVID-19)**

**FINANCE COMMITTEE – OPEN SESSION**

**Minutes – April 20, 2020**

Mr. Miller took roll call at 7:30 a.m.

**By Tele-Conference:** Kathryn McDonagh, Ph.D. (Chair); Bill Himmelsbach; Kathy Cooper; Dave House; Richardson LaBruce; Hampton Long (Foundation); Stephen Larson, M.D.; Bill Spearman, M.D.; Paul Sommerville; Debbie Schuchmann; Courtney Smith; Daniel Mock; Cindy Gibson; Faith Polkey, M.D.; Shawna Doran; Allison Coppage

**Present:** Russell Baxley; Ken Miller; Karen Carroll; Brian Hoffman; Courtney McDermott; Chris Ketchie; Kurt Gambla, D.O.; and Anna Sobiech

**Guests** (by Tele-Conference): Mike Kelly, CPA and Kelly Smith, CPA of Dixon Hughes Goodman, LLP [DHG]; Kathleen C. McKinney and Kimberly Witherspoon - Haynsworth Sinkler Boyd P.A. (Bond Counsel)

**CALL to ORDER:** Dr. McDonagh called the meeting to order at 7:33 a.m. She thanked Mr. Himmelsbach for his work with the Finance Committee, his tremendous insight and his past leadership. She introduced and welcomed Mr. Richardson LaBruce to the Finance Committee and Board of Trustees.

**APPROVAL of MINUTES – February 24, 2020 (March 23, 2020 Meeting was canceled due to the COVID-19 pandemic):** Mr. Himmelsbach made a motion, which was seconded by Dr. Spearman, to approve the minutes of the February 24, 2020 meeting. Unanimous approval.

Dr. McDonagh introduced Mr. Mike Kelly and Ms. Kelly Smith of Dixon Hughes Goodman. She indicated that BMH was waiting on the State to complete the audit of the pension plan in order to finalize the BMH FY 2019 audit.

**DHG FY 2019 Final Draft Audit Update:** Mr. Kelly indicated that the purpose at this meeting was to provide an update from the timeline since the previous in-person presentation on January 27, 2020. He indicated that BMH received the SC pension information in mid-March, 2020. He reported that the only changes since January were related to the pension and the addition of a disclosure to the financial statements regarding COVID-19.

Ms. Smith explained that the outcome of the SC pension adjustment recorded was \$5.1M for the year. She indicated that the final impact of the pension adjustment is reflected in the Combined Statements of Net Position. Ms. Smith reviewed the Combined Statement of Revenues, Expenses, and Changes in Net Position. She referenced the changes to the BMH and Other Combined Entity Notes to Combined Financial Statements, which reflected the updated information from the Pension Report and the COVID-19 disclosure that was added by management due to the uncertainty of the outbreak and the impact from payors and Foundation

marketable equity security. Mr. Miller indicated that pension entry was not included in the covenant calculations. Mr. Kelly provided an opportunity for members to ask questions. A discussion ensued regarding the SC Pension state of assumptions and the concerns regarding market and impact. A discussion then ensued regarding observations related to COVID-19 and the healthcare industry and options.

Mr. Kelly reported that the process went well from an audit perspective and no issues were noted in the audit since it was presented in January.

**MOTION TO ADOPT THE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2019 AS PRESENTED AND RECOMMEND TO THE BOARD OF TRUSTEES TO RECEIVE AND ACCEPT THE FINAL AUDIT.** Mrs. Cooper made the motion which was seconded by Dr. Spearman. Unanimous approval.

**Line of Credit:** Dr. McDonagh referenced the Non-Revolving Line of Credit with Regions Bank. Mr. Miller provided an overview of the terms and conditions. He reviewed major points relating to the \$20M non-revolving line of credit for one year. Ms. Kathy McKinney (Bond Counsel) provided additional information on lines of credit, provisions, and the non-recourse obligations. Ms. Kimberly Witherspoon, the proponent of the draft resolution, reviewed the terms of the board resolution which would authorize the line of credit. Ms. McKinney clarified that BMH Foundation would not be a part of the obligated group. It is also noted that Appendix A, Use of Proceeds will be corrected appropriately regarding the wording on the usage of funds.

**MOTION TO RECOMMEND TO THE BOARD OF TRUSTEES TO ACCEPT THE BOARD OF TRUSTEES RESOLUTION RELATING TO THE LINE OF CREDIT WITH REGIONS BANK.** Mr. House made the motion which was seconded by Dr. Spearman. Unanimous approval.

A brief discussion ensued regarding the current funding and source of funds. A PPP loan program discussion ensued. Dr. McDonagh thanked Mr. Baxley, Mr. Miller and the management team for their dedication in preparing for the current situation and mitigating losses (cutting expenses, conserving cash, moving to telehealth, etc.).

## **FINANCIAL STATEMENTS**

Mr. Miller provided highlights of the Financial Statements. He reported that March volumes were affected by the pandemic as he made reference to the graphs that were provided. March experienced a dramatic drop in volumes in the Emergency Room, Operating Room, Outpatient Registrations and Physician Visits. Year-to-date [YTD] discharges were 4,435 (above budget and prior year). YTD Adult patient days were also above budget and prior year. The YTD case mix index [CMI] was 1.63 on a budget of 1.60. Average length of stay for March was 4.17 on a budget of 4.15. The YTD CMI adjusted ALOS [adjusted length of stay] was 2.79 on a budget of 2.81. Deliveries were at 91. Emergency Room Visits were dramatically down at 3,557 (YTD was also below budget and prior year). Outpatient registrations for March were at 14,203 and YTD at 97,291 (below budget but above prior year). Observation days continue to increase with

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a total of 472 for March (above budget and prior year). Surgical volumes were at 732 (almost 15% below budget and 7% below prior year). However, the total for the quarter was 5,259 (2.2% above budget and 18.8% above prior year). Physician Practice visits for March declined due to COVID-19. The YTD visit volume was 127, 133 (below budget).

Patient revenue for March declined to \$64M and YTD at \$435.5M on budget of \$456.4M and prior year at \$430.5M. Total operating revenue for March was \$19.4M and YTD at \$128.2M was above budget and prior year. Net to gross YTD was 27.9%. Total uncompensated care for March declined to \$3.2M or 5% of gross revenue and YTD at \$22.1M or 5.1% of gross revenue (below budget and prior year). Two positive contributions were received in March: \$991K from the Foundation for Capital and an entry of \$465K relating to a strong interest month. Payor mix for the year experienced a slight shift to Medicare from self-pay and BlueCross. Cash collections for March were strong at 105.1%. YTD cash to net was 101.6% or \$1.9M above the 60-day goal. AR days decreased, gross days decreased to 49.5 and net days decreased to 32.8 from 38.8.

Expenses for March were \$19.4M and YTD \$4M above budget. Salaries for March were \$8.1M and YTD at \$49.5M. Salary expenses increased from prior year due to market adjustments that were made for nurses and merit increases. Contract labor for March increased to \$395K above budget and prior year. Benefits were low at \$1.8M as a result of rebates. YTD at \$14.1M was below budget and prior year. Chemo expenses remained consistent. Other expenses were \$2.2M and YTD at \$13.1M.

Net income for March was \$17K on a budget of \$81K and YTD was \$6M (\$5.5M above budget and \$1.3M above prior year). Total EBITDA for March was \$851K (under budget) and YTD EBITDA was \$10.9M. The actual budget variance was \$5.1M and the prior year EBITDA variance was \$1.6M.

Covenants were mixed for March. Days cash on hand was 178.8. The debt service on a rolling 12 month basis (TD Bank) was 7.58 on a target of 1.2. Debt to cap was 21.1% and cash to debt was 2.20.

Discussion ensued regarding COVID-19. Mr. Miller provided an overview on BMH's directives within the organization from the onset of COVID and preparing for a surge. Mr. Baxley provided a plan for elective cases and the safeguards put in place.

Dr. McDonagh referenced the articles that were included in the finance packet.

**ADJOURN:** The meeting adjourned at 8:40 a.m.

Respectfully submitted,

Kathryn McDonagh, Ph.D., Chair