

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

FINANCE COMMITTEE – OPEN SESSION

Minutes – January 25, 2021

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

By Zoom: Kathryn McDonagh, Ph.D. (Chair); Dave House; Bill Himmelsbach; Stephen Larson, M.D.; Richardson LaBruce; Russell Baxley; Debbie Schuchmann; Allison Coppage; Courtney McDermott; Cindy Gibson; Hampton Long (Foundation); Courtney Smith; Daniel Mock

Present: Paul Sommerville; Kurt Gambla, D.O.; Ken Miller; Karen Carroll; Chris Ketchie; and Anna Sobiech

Guests by Zoom: Mr. Mike Kelly and Ms. Kelly Smith of Dixon Hughes Goodman, LLP

CALL to ORDER: Dr. McDonagh called the meeting to order at 7:30 a.m.

Dr. McDonagh indicated that today's Finance Committee Meeting would cover three main topics: the draft audit presentation; review of financial statements for December (which improved since November); and the potential minimum wage policy change which would impact BMH.

APPROVAL of MINUTES – December 16, 2020: Mr. House made a motion, which was seconded by Mr. Himmelsbach, to approve the minutes of the December 16, 2020 meeting. Unanimous approval.

DHG Presentation Regarding FY 2020 Draft Audit (ending September 30, 2020): Dr. McDonagh introduced Mr. Mike Kelly and Ms. Kelly Smith of Dixon Hughes Goodman, LLP [DHG]. Mr. Kelly referenced the draft audit and the required audit communications. The audit remains open and in draft status awaiting the receipt of the State Pension Plan Report.

Ms. Smith reviewed the combined financial statements and notes, highlighting areas that have been impacted this fiscal year. She indicated that the opinion of the combined financial statements is unmodified and clean. It was noted that the combined statements of net positions reflect items that are unique to this fiscal year such as Cares Act Provider Relief Funds and short term investments. It was also noted that \$18.6M is reflected under current liabilities as provider relief funds that were received but unused. BMH has until June 2021 to use the funds for allowable purposes of lost revenues or allowable expenditures. BMH is waiting for HHS guidance on reporting – a discussion ensued. The Foundation Endowment Fund was briefly reviewed; in addition to, the combined statements of revenues, expenses and changes in net position; BMH and BMH Endowment Foundation balance sheets; statements of activities and changes in net assets; and notes to combined financial statements. Ms. Smith indicated that Beaufort Memorial Hospital is in compliance with the financial covenants. After a discussion ensued regarding establishing a policy on good will, the consensus was that BMH would take an individualized approach to each transaction with the assistance of third party evaluators and law firms based on Federal policy.

Ms. Smith provided a Cares Act information review, indicating that BMH would be using the current methodology and reporting, using the most recent HHS changes in guidance. She explained how a single audit would be performed as of this draft copy with any changes being updated in the final audit copy. Discussions ensued.

Mr. Kelly reference the subsequent event note relating to the non-revolving credit agreement in the amount of \$20M subsequent to year end, noting that nothing has been reported due to no action taken relating to the amount. Mr. Kelly referenced the contact information provided for committee members to use if there were any future questions. Mr. Kelly indicated that the financial statements include estimates that are based on management's knowledge and experience of past events and current events. He reviewed the ten most sensitive estimates significant to the financial statement. He indicated that DHG did not find any management estimate bias.

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

FINANCIAL STATEMENTS

Mr. Miller indicated that December volumes improved over November. Acute discharges were at 770 and for the quarter at 2,118 (below budget and prior year). Adult patient days were just under 3,300. The case mix index [CMI] decreased but year to date [YTD was at 1.72 (above budget and prior year) due to the clinical documentation program. YTD case mix adjusted ALOS was 2.57 compared to a budget of 2.81 and prior year at 2.81. Deliveries were at up at 106 from the prior month of 61 and YTD at 257 (slightly below budget and prior year). Outpatient registrations improved to 17,468. Observation days decreased slightly in December. Surgical volumes experienced an increase from prior month (from 770 to 861) and YTD just under 2,500 (below budget and prior year). The specialties such as ENT, GI and Ophthalmology were down. The Beaufort Physician Practices improved for the month of December to just over 21K and YTD at 63,382 and prior year just under 65K. The practices that experienced a decrease in visits were Orthopedic Specialists, Harrison Peeples and Cardiology.

Revenue increased from \$67.7M to \$77.8M and YTD at \$217M (below budget and prior year). Total operating revenue for December was \$22.9M. Net to gross improved to 28.6% primarily due to uncompensated care (YTD at 28.2%). December experienced an extremely low uncompensated care at \$2.1M and prior year at \$3.2M. December experienced a very strong cash collection. YTD on the 60-day goal at 99.7% or (\$186K) below and (\$18K) below the 30-day goal. AR days stayed relatively consistent (both net and gross).

Expenses stayed relatively steady at \$21.7M. Salary expenses decreased to \$8.3M. Contract labor decreased to slightly over \$300K. Benefits decreased slightly by \$100K, however, still higher due to health care. Supply costs increased to \$4.5M due to volumes in medical supplies, implants and drugs.

Net profit for December was \$1.2M. YTD net loss was (\$1.6M) behind budget by \$3M with a variance of (\$5.6M). Total EBITDA was \$2.1M. YTD EBITDA was \$1.1M, however, behind budget by (\$3M).

Covenants for December: Days cash on hand was 122.6 related to several year-end cash outlays such as \$2.4M for gain share, \$1.5M for Okatie MOB project, \$1M for hospital license fee, Regions Bond principal of \$567K and a cost report payment due in the amount of \$42K. The debt service on a rolling 12 month basis was 10.1 on a target of 1.2. Debt to cap was 8.7% and cash to debt was 4.70.

Mr. Baxley provided an update on the outpatient case management program.

A minimum wage discussion ensued regarding preliminary concepts and how it would impact Beaufort Memorial Hospital. The issue of compression and the impact of escalation of others was discussed.

ADJOURN: A motion was made by Mr. House and seconded by Mr. LaBruce to adjourn the meeting. Unanimous approval. The meeting adjourned at 8:39 am.

Respectfully submitted,

Kathryn McDonagh, Ph.D., Chair