

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

FINANCE COMMITTEE – OPEN SESSION

Minutes – March 29, 2021

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

By Zoom: Kathryn McDonagh, Ph.D. (Chair); Dave House; Bill Himmelsbach; Heath Simmons, M.D.; Richardson LaBruce; Stephen Larson, M.D.; Angela Simmons, Ed.D.; Allison Coppage; Courtney McDermott; Debbie Schuchmann; Cindy Gibson; Hampton Long (Foundation); Brian Hoffman; Daniel Mock

Present: Russell Baxley; Ken Miller; Karen Carroll; Chris Ketchie and Anna Sobiech

Guests (by Zoom): Mike Kelly, CPA and Kelly Smith, CPA of Dixon Hughes Goodman, LLP [DHG]

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

APPROVAL of MINUTES – February 22, 2021: Mr. LaBruce made a motion, which was seconded by Mr. House, to approve the minutes of the February 22, 2021 meeting. Unanimous approval.

Dr. McDonagh indicated that the final audit would be presented by Mr. Mike Kelly and Ms. Kelly Smith (external auditors, DHG) as a result of the BMH receiving the final pension amount from the state.

Mr. Kelly reminded the committee that the combined financial statements and the report to the Board (which included the required audit communications) were presented to the Finance Committee on January 25, 2021. At that time, BMH was waiting for the State Pension Plan which now has been received. Mr. Kelly noted that the only change is related to the pension and that there were no other subsequent events that had an impact or changes that would need to be communicated to the Board. Ms. Smith indicated that the audit copy is issued with management's final representation letter. Ms. Smith reviewed the pension related changes. The \$3.3M pension expense was recognized (compared to FY 2019 at \$5M and FY 2018 at \$8.8M). Ms. Smith referenced the subsequent events footnote indicating the 2011 bond payoff.

Mr. Miller indicated that by paying off the bonds, BMH is saving \$21.4M in interest that would have been paid over the years. Ms. Smith provided clarification on the Cares Act (grant) funding and the advanced funding from Medicare.

Mr. Miller explained the decisions that led to the payoff of the two bonds owed to TD Bank and Regions and the result of the drop in days cash. BMH currently has no long term debt; however, does have a \$20M line of credit. Mr. Miller indicated that BMH will be working with DHG so as to adhere to the new lease rule effective FY 2022. Ms. Smith explained the new accounting rule.

MOTION TO ADOPT THE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2020 AS PRESENTED AND RECOMMEND TO THE BOARD OF TRUSTEES TO RECEIVE AND ACCEPT THE FINAL AUDIT. Mr. House made the motion which was seconded by Mr. LaBruce. Unanimous approval.

At the conclusion of the presentation, Mr. Kelly and Ms. Smith exited the Zoom meeting at 7:52 a.m.

FINANCIAL STATEMENTS

Dr. McDonagh indicated that February was a challenging month. She credited management team with continuing to manage expenses as volumes continue to be impacted by the pandemic.

Mr. Miller indicated that volumes were lower. Acute discharges were 651 (below budget and prior year). Adult patient days were 3,054. Case Mix [CMI] was at 1.72. Deliveries were at 80. Emergency room visits were 3,119. Outpatient registrations were just under 16K. Observation days were at 449. Physician practices visits were 19,626. Mr. Miller indicated that admissions, ED, outpatient, and OR were trending upward over a twelve-month period.

Revenue for February was \$73.1M on a budget of \$76M. Total operating revenue for February was \$20.5M. Net to gross was at 26.6%. Non-operating revenue was slightly over \$1M. \$350K was received from Medicaid payors. Mr. Miller referenced the uncompensated care graph that was included in the packet. Uncompensated care decreased to \$4M or 5.4% of gross revenue. He provided an overview of the graph. Cash collections declined to 92.3% and YTD at 96.9% or (\$3.2M) below the 60-day goal or (\$4M) below the 30-day goal. AR days decreased slightly from 55.8 to 53.8 and net days from 41.5 to 39.2.

Expenses for February were \$20.7M. Contract labor increased to \$407K. In reviewing contract labor, rates have doubled or tripled. Discussion ensued. Benefits decreased by \$800K (driven primarily by healthcare due to a drop in IBNR (healthcare claims that still need to be paid, which affect the benefit costs). Supply costs declined (in line with volumes). Interest dropped to \$103K. Depreciation increased by \$50K (which will continue at this rate due to moving Okatie MOB and CT projects from capital in progress/now in amortization and depreciation). February experienced a net loss of (\$183K) and YTD net loss of (\$3M) with a variance of (\$5.4M) and prior year variance of (\$8.9M). Total EBITDA was positive at \$705K on a budget of \$1.3M. YTD EBITDA was \$1.6M with a budget variance of (\$5.5M) and prior year EBITDA variance of (\$8.4M). Mr. Miller provided an overview of the Estimated Cash Surplus report which was provided in the packet.

Discussion ensued regarding contract labor. Dr. Karen Carroll provided an overview of Qualivis (a national provider of healthcare workforce solutions, specializing in supplemental staffing) and the rates.

Discussion ensued regarding Medicaid expansion within South Carolina and the legislative efforts.

Mr. Miller reported that days cash was at 96 days.

Dr. McDonagh referenced the articles that were included in the packet and in particular the KaufmanHall perspective on the financial impact of the pandemic on the hospitals.

Mr. Baxley provided an update on vaccine volumes.

ADJOURN: A motion was made by Mr. House and seconded by Mr. LaBruce to adjourn the meeting. Unanimous approval. The meeting adjourned at 8:23 am.

Respectfully submitted,

Kathryn McDonagh, Ph.D., Chair