

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

FINANCE COMMITTEE – OPEN SESSION

Minutes – September 27, 2021

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

By Zoom: Richardson LaBruce; Bill Himmelsbach; Dan Barton; Angela Simmons, Ed.D.; Vernita Dore; Brian Hoffman; Shawna Doran; Cindy Gibson; Courtney McDermott; Debbie Schuchmann; Courtney Smith; Allison Coppage

Present: Dave House (Chair); Stephen Larson, M.D.; Paul Sommerville; Russell Baxley; Ken Miller; Karen Carroll; Chris Ketchie and Anna Sobiech

Absent: G. Heath Simmons, M.D.

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

APPROVAL of MINUTES – August 23, 2021: Mr. Himmelsbach made a motion, which was seconded by Dr. Larson, to approve the minutes of the August 23, 2021 meeting. Unanimous approval.

Lease Accounting – Cindy Gibson, Director of Finance, provided an update on the new lease accounting. She indicated that in FY 2022 all leases will be considered financing leases and will no longer have a distinction between operating and capital leases. BMH has partnered with LeaseQuery which is the preferred vendor per Dixon Hughes Goodman LLP [DHG]. Any short term leases or leases that transfer ownership will be excluded from GASB 87. BMH will record short term and long term liability for all its leases at present value (currently estimating \$11M liability to be recorded). LeaseQuery is currently preparing data and BMH will have actual numbers by the end of this week. Entries will change from rental expense and will be recorded as depreciation expense, retained earnings and liabilities.

Line of Credit – Mr. Miller referenced the \$20M line of credit that was set up last year (should the need arise). BMH has not drawn against the line of credit and after discussions with Kathleen C. McKinney - Haynsworth Sinkler Boyd P.A. (Bond Counsel), BMH will renew the line of credit. Mr. Miller provided the key points: the line of credit will remain at \$20M and non-revolving, the non-use fee will remain 10 basis points or \$20K over the year and the interest rate will be LIBOR plus 130 points. Legal fees need to be finalized in the Master Trust Agreement. A brief discussion ensued.

MOTION TO APPROVE THE FIRST AMENDMENT TO CREDIT AGREEMENT RELATING TO THE LINE OF CREDIT WITH REGIONS BANK AND TO APPROVE KEN MILLER, CFO AND RUSSELL BAXLEY, CEO TO EXECUTE THE DRAFT LINE OF CREDIT. Mr. Labruce made the motion, which was seconded by Dr. Larson. Unanimous approval. This will be brought forth to the Board of Trustees for their consideration and vote.

CARES Update – Mr. Miller indicated that three payments were received from CARES totaling \$19.8M. The first reporting for BMH is due the end of this month with a 60-day grace period. BMH is submitting the data for the first two payments received (totaling \$12.7M). BMH has

until 12/21/21 to use the third payment of funds that were received July 15th. Reporting on this will be done on March 22, 2022. A potential fourth payment of funds are anticipated. A brief discussion ensued relating to COVID expenses and lost revenue.

FINANCIAL STATEMENTS

Mr. Miller indicated that August was below budget but ahead of last year. Acute discharges were 692. Total discharges including Psych and Inpatient Rehab were 752. Adult patient days were 3,443. Case mix increased to 1.63 and year to date [YTD] at 1.67. Deliveries increased to 104. Emergency room had strong results at 4,358. Outpatient registrations also increased from 18,134 to 20,264. Observation days were 549. Surgical volumes held relatively steady at 752 with a budget of 940. Decreases were experienced in General Surgery, GI, Orthopedics and Urology. Beaufort Physician Practices increased from 20,464 to 23,636. Express care volumes in Beaufort were 1,964; for Okatie at 244; and Bluffton at 2,080.

Patient revenue for August was strong, however, expenses were at an all-time high. Patient revenue was \$85.3M. Total operating revenue for August was \$24.6M. Net to gross percentage increased from 26.9% to 27.2%. YTD net to gross average was 27.5%. Uncompensated care increased from \$4.1M to \$4.7M or 5.6% of gross revenue. The uncompensated care is bad debt and charity combined. Cash collection for August were very strong at 108% of the goal and YTD average at 101.8% or 4.3M above the 60-day goal and 101.2% or \$2.8M above the 30-day goal. AR days decreased from 56.1 to 55.6. Net days decreased from 37.8 to 36.0.

Expenses were at an all-time high at \$23.8M. Salary expenses although were low at \$8.8M; contract labor remained high, increasing to \$657K. Mr. Miller indicated that BMH will accrue hazard pay in August and September along with gain share. Benefit costs were \$3.1M (primarily due to IBNR [incurred but not reported] for workers comp). Supply costs decreased to \$4.4M, however, a significant increase was experienced in drug costs. Purchased services increased for the month.

August experienced a net profit of \$727K (slightly ahead of budget). YTD net profit was \$7.8M which is ahead of budget by \$2.5M. Prior year variance was (\$8.6M). The total EBITDA for August was \$1.6M. YTD EBITDA was \$17.7M or \$2.4M above plan; however, below prior year (\$7.9M).

Days cash improved by one day from 109 to 110. Mr. Miller reviewed the estimated days cash report.

MOTION: A motion was made by Dr. Larson to go into Executive Session at 8:06 a.m. to discuss strategic matters related to the 2022 budget and strategic plan. The motion was seconded by Mr. LaBruce and unanimously approved.

MOTION: A motion was made by Dr. Larson to go into Open Session at 9:15 a.m. The motion was seconded by Mr. Himmelsbach and unanimously approved.

MOTION: A motion was made by Mr. LaBruce to recommend to the Board of Trustees Fiscal Year 2022 Operating and Capital Budgets for their consideration and approval. The motion was seconded by Dr. Larson and unanimously approved. There were no questions or concerns.

ADJOURN: A motion was made by Mrs. Dore and seconded by Dr. Larson to adjourn the meeting. Unanimous approval. The meeting adjourned at 9:20 am.

Respectfully submitted,

Dave House, Chair