

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

FINANCE COMMITTEE – OPEN SESSION

Minutes – January 24, 2021

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

By Zoom: Richardson LaBruce; Hampton Long; Brian Hoffman; Shawna Doran; Cindy Gibson; Courtney Smith; Chris Ketchie; Allison Coppage

Present: Vernita Dore (Chair); Dave House; Bill Himmelsbach; Stephen Larson, M.D.; Paul Sommerville; Russell Baxley; Ken Miller; Karen Carroll; Kurt Gambla, D.O.; Kim Yawn; Dee Robinson and Anna Sobiech

Absent: G. Heath Simmons, M.D.; Angela Simmons, Ed.D.

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

CALL to ORDER: Mrs. Vernita Dore called the meeting to order at 7:30 a.m.

APPROVAL of MINUTES –December 15, 2021: Mr. Himmelsbach made a motion, which was seconded by Mr. House, to approve the minutes of the December 15, 2021 meeting. Unanimous approval.

DHG Draft Audit Presentation: Mr. Kelly indicated that today’s presentation would cover the draft Combined Financial Statements of Beaufort Memorial Hospital and Other Combined Entity for the years ended September 30, 2021 and 2020. He indicated that the audit is in draft status awaiting the State Pension Plan Report. Mr. Kelly referenced the combined statement of net position.

Ms. Smith referenced the Combined Financial Statements that includes Beaufort Memorial Hospital and Broad River Healthcare (a blended component unit, which also includes South of Broad) and Beaufort Memorial Hospital Foundation. This has not changed from prior years. It was noted that the current draft audit report is unmodified and clean. Ms. Smith reviewed the Combined Statements of Net Position. She referenced the \$3.4M of CARES Act Provider Relief Funds reflected under current liabilities, calculated by management to be due back to the government (according to the allowable terms and conditions of the CARES Act). The BMH and BMH Foundation Endowment Fund balance sheets were briefly reviewed; in addition to, the combined statements of revenues, expenses and changes in net position; combined statements of cash flows; and notes to combined financial statements. Board members were able to ask questions.

Mr. Kelly referenced the Report to the Board of Trustees and Communication with Those Charged with Governance and provided a review. He referenced the contact information provided for committee members to use if there were any future questions. Mr. Kelly indicated that DHG will issue an unmodified or clean audit of financials. Mr. Kelly indicated that the combined financial statements include estimates. He reviewed the most significant estimates that are impacting the combined financial statements. He indicated that the estimates are based

on management's knowledge and experience of past events and current events. He indicated that DHG did not find any bias in management's estimates. He also indicated that DHG did not find any audit adjustments or corrected adjustments. An uncorrected misstatement (an error that is not material) was found in the amount of \$455K related to escalating lease payments (which in DHG's opinion would not be misleading – method of how this is recognized). Mr. Kelly explained BMH's rationale of not reporting this (GASB 87 will be impacting BMH next year and BMH will change this accounting next year).

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

FINANCIAL STATEMENTS

Mr. Miller indicated that December ended the first quarter and the focus would be on quarter one analysis. Discharges at 2,059 were 2.8% below budget of 2,253 and below quarter one of prior year which was at 2,118. Acute discharges were 1,877. Mental health discharges were at 121 and prior year at 98. Rehab discharges were 61 versus prior year at 65. Adult patient days for the quarter were 9,864 and prior year at 9,323. Case mix [CMI] was 1.61 and prior year 1.72. The average length of stay (ALOS) for the quarter increased to 4.79 which was higher than prior year (primarily due to the Delta variant and patients remaining longer in ICU/PCU). Outpatient visits were 53,830 versus prior year at 49,577 (an 8.5% increase). Deliveries were at 252. Emergency room visits exceeded prior year by 7.1% at 10,578 versus 9,877. Outpatient registrations were 8.5% above prior year. Observation days at 1,553 were also above prior year at 1,453. Surgical volumes were 2,479 versus prior year at 2,427. Orthopedics and general surgery experienced decreases while Ophthalmology experienced an increase. Beaufort Physician Practices visits totaled 64,602 versus prior year at 63,382. Volumes for Beaufort, Okatie and Bluffton Express Cares totaled 10,687 while prior year totaled 10,167.

Patient revenue for the quarter was \$237.6M (slightly below budget but \$20M above prior year). A discussion ensued relating to Medicaid and Medicare reimbursements. Mr. House requested the summarization of the complexity of this in the board meeting. A discussion ensued regarding contract labor. Total operating revenue for the quarter was \$69.4M. Net to gross percentage was 27.2% on a budget of 27.2% (prior year was 28.2%).

Mr. Miller provided a report on the CARES Act Funding. He indicated that CARES Act money is very specific to COVID and cannot be reimbursed from another source. For the month of December, BMH is recognizing \$2.7M which will be a part of the second reporting period. BMH has \$7M that was received in July 2020 to use before December 21, 2021 (reporting on this will be done in March 2022). The \$2.7M is related to hazard and retention pay that BMH believes is related to COVID. A total of \$8.9M that was received in November and December 2021 will need to be used by December 31, 2022. Mr. Miller indicated that DHG will be working on a single audit process due to the CARES funds.

Uncompensated care for the quarter was \$10.7M or 4.5% (above prior year at \$8.9 or 4.1% of gross). Cash collections finished the quarter at 95.7% or \$2.9M below the 60-day average and slightly short of the 30-day goal at 97.6% or \$1.6M short. Mr. Miller reviewed the data for the twelve month roll and the two-month roll. Gross AR days increased. BMH did not experience

significant movement relating to the payor mix. Blue Cross declined just under 1% and Commercial went up 1%.

Expenses for the quarter totaled \$69.1M and prior year at \$64.5M. Salary expenses for the quarter were \$1.1M below budget. Contract labor ended the quarter at \$2.4M and last year at \$1.1M. Benefits for the quarter were comparable to prior year at 7.7M. Supplies were \$12.8M versus last year at \$12.5M.

Mr. Miller provided a review of the Balance Sheet.

Net profit for December was \$2.5M. The year-to-date [YTD] net profit was \$277K versus actual to budget variance at \$153K and prior year variance was \$1.9M. EBITDA for December was \$3.9M and YTD \$3.6M (a variance of \$832K) and \$2.5M above prior year.

Days cash increased to 104.9 days primarily due to \$3.2M from CARES. Mr. Miller reviewed the estimated cash surplus spreadsheet.

ADJOURN: A motion was made by Mr. House and seconded by Mr. Himmelsbach to adjourn the meeting. Unanimous approval. The meeting adjourned at 8:41 am.

Respectfully submitted,

Vernita Dore, Chair