

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

FINANCE COMMITTEE – OPEN SESSION

Minutes – October 24, 2022

Anna Sobiech took roll call at 7:30 a.m.

By Zoom: Richardson LaBruce; Stephen Larson, M.D.; Hampton Long; Allison Coppage; Brian Hoffman; Kim Yawn; Cindy Gibson; Courtney Smith

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

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

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

APPROVAL of MINUTES – September 26, 2022: Mr. Himmelsbach made a motion, which was seconded by Mr. House to approve the minutes of the September 26, 2022 meeting. Unanimous approval.

Line of Credit Update: Mr. Miller referenced the line of credit with Regions Bank in the amount of \$20M that BMH has had for the past several years. BMH is requesting renewal of this 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 at \$20K over the year and the interest rate initially was LIBOR rate; however, LIBOR will eventually be eliminated. The rate will transfer to the inner bank rate (SOFR rate) which currently is 3.03 with a 1.37 premium added. Mr. Miller referenced the document in the finance packet, which has been reviewed by Kathy McKinney- Haynsworth Sinkler Boyd P.A. (Bond Counsel). Mr. Miller indicated that with both the Finance Committee's approval and Board of Trustees' approval, Mr. Baxley would execute the document. A letter would then be sent to Mr. Eric Greenway notifying the County of the line of credit renewal.

A MOTION TO APPROVE THE SECOND AMENDMENT TO CREDIT AGREEMENT AND RECOMMEND THE BOARD ITS ADOPTION. Mr. Himmelsbach made the motion, which was seconded by Mr. House. Unanimous approval. This will be brought forth to the Board of Trustees for their consideration and vote.

FINANCIAL STATEMENTS:

Mr. Miller indicated that the focus would be on the results for the entire year. The year, in general, exceeded prior numbers but was below budget. Adult discharges for the year were 8,594 (a 1.5% increase to prior year). Acute discharges were 7,761. Mental health discharges were 518 and prior year at 396 (a 30% improvement). Rehab discharges were at 315 (a 9% increase overall). Adult patient days were slightly down by 0.7% at 37,960 and prior year at 38,245. Case mix [CMI] ended slightly below prior year, however, above budget at 1.63. The CMI average length of stay [ALOS] ended at 2.71 on a budget of 2.81. Deliveries ended at 1,035. September's delivery volume was at a 24-month high at 123. Mr. Miller referenced the graphs that were included in the packet. Emergency room visits were consistent for the year compared to prior year (totaling 43,580 and prior year at 43,395). Outpatient registrations

increased slightly to 215,400 with prior year at 209,375 (a 2.9% increase year over year). Observation days increased to 6,632 and prior year at 5,782 (a 14% increase). This year's volumes were mostly driven by surgical volumes which totaled 10,358 and prior year was at 9,917 (primarily driven by outpatient volumes which were up by 7.8%). General surgery and ortho experienced a decrease, while, ophthalmology, ENT and GI experienced an increase. Beaufort Physician Practices visits increased to 259,218 compared to prior year at 252,674 (a 2.6% increase year over year). Express care volumes were: Beaufort at 17,954 was below budget and prior year; Okatie and Bluffton combined totaled 21,156 which was slightly below budget at 21,356, however, above prior year at 16,266 (a 30.1% combined improvement).

Patient gross revenue for the year was \$980.2M on a budget of \$975.5M (a 4.2% increase in gross revenue year over year). Uncompensated care was \$31.6M or 3.2% of gross revenue on a budget of \$48.2M. Mr. Miller explained that uncompensated care was the combination of bad debt and charity care and indicated that BMH has not changed any policies. A brief discussion ensued. Mr. Miller noted that uncompensated care in September increased compared to prior months at \$3.2M or 3.7% of gross revenue. Total net patient revenue for the year was \$269.2M on a budget of \$265.8M and prior year at \$261.4M (a 3% increase year over year for net patient revenue). Net to gross was 27.5%, prior year at 27.8% and budget at 27.2%. Payor mix for the year experienced an increase of 2% for Medicare while self pay, Blue Cross and Tricare slightly decreased. Total operating revenue was \$289.1M on a budget of \$273.3M and prior year at \$279.5M (a 3.4% increase year over year). Mr. Miller noted that for the month of September and for the year, BMH recognized \$12.8M as non-operating items. \$13.8M was realized as CARES and \$1M is being reserved for reporting in March 2023. \$3M has been released from the reserve for Cyber Liability, which is no longer needed after receipt of the certificate from the BMH's insurer. \$4M was realized as a loss on the sale of the land. September cash collections remained strong which ended the year at 101.3% of the 60-day goal or \$3.6M ahead of the expectation. The YTD 30-day goal was 101.3% or \$3.4M ahead of goal. Gross AR days in September decreased from 60.7 to 58.5. Net days increased slightly from 36.7 to 37.3. The goal for gross is 50 days and net days is 35.

Expenses for FY 2022 totaled \$288.9M and prior year was \$267.2M (an overall increase of 8.1% year over year). The increase was entirely driven by salaries. Salaries increased by \$4.5M while contract labor increased by \$9.6M from prior year. Salaries for FY 2022 totaled 110.1M and prior year was at \$105.6M. Contract labor totaled \$15.3M and prior year at \$5.7M. A brief discussion ensued regarding CARES. Benefits were at \$32.5M and supplies at \$52.5M (both were up slightly from prior year).

YTD [year-to-date] net income was positive at \$192K versus budget at \$480K and below prior year at \$12.3M; budget variance was (\$287K) and prior year variance was (\$12.1M). The EBITDA for the year was \$14.1M on a budget of \$10.8M and prior year at \$23.1M. BMH met the budget on EBITDA by \$3.3M however behind prior year by \$9M. Days cash increased from 86.6 to 89.3. Mr. Miller referenced the updated estimated cash surplus report for 2023.

A brief discussion ensued on the EBITDA calculation and profit sharing. A discussion on days cash ensued.

ADJOURN: A motion was made by Mr. Himmelsbach and seconded by Mr. House to adjourn the meeting. Unanimous approval. The meeting adjourned at 8:10 a.m.

Respectfully submitted,

Vernita Dore, Chair