

**BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES
MEETING**

FINANCE COMMITTEE – OPEN SESSION

Minutes – November 21, 2022

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

By Zoom: Richardson LaBruce; Dan Barton; Angela Simmons, Ed.D.; Stephen Larson, M.D.; Alice Howard; Allison Coppage; Brian Hoffman; Kim Yawn; Christopher Ketchie; Cindy Gibson; Courtney Smith

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

Absent: G. Heath Simmons, M.D.

Guests (by Zoom): Mike Kelly, CPA and Kelly Smith, CPA of FORVIS

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

APPROVAL of MINUTES – October 24, 2022: Mr. Himmelsbach made a motion, which was seconded by Mr. House to approve the minutes of the October 24, 2022 meeting. Unanimous approval.

Mrs. Dore indicated that Mr. Kelly and Ms. Smith were presenting the pre-audit communications. Mr. Kelly indicated that the main purpose was to provide a scope around the audit, focus around the timing of the financial statement audit along with the areas of focus. Mr. Kelly provided a high-level overview of the merger of Dixon Hughes Goodman, LLP and forming FORVIS. Ms. Smith provided the names of the audit and tax service team leadership and indicated that finance committee members could contact them with any questions at any time. She then reviewed the scope of services and the audit timeline. Ms. Smith indicated that the draft audit will be presented in January 2023, pending the state pension report. The significant estimates and audit areas were briefly reviewed. She provided the audit and accounting standards update regarding GASB Statement No. 87 relating to leases and GASB Statement No. 96 relating to subscription-based information technology arrangements. Ms. Smith referenced the new SAS effective October 1, 2021 for FYE 2022 relating to the audit report structure and content updates and communications. After a question and answer session, Mr. Kelly and Ms. Smith exited the meeting at 7:56 a.m.

FINANCIAL STATEMENTS:

Mr. Miller indicated that October continued to trend above prior year, however, below budget. Adult discharges at 760 were above budget and above prior year. Acute discharges were 679. Mental health discharges were 53 and rehab discharges were 315. Although adult patient days were significantly down (below 3K), this somewhat helped the case mix [CMI]. Mr. Miller explained the significance of case mix index. The CMI average length of stay [ALOS] was low at 2.62 on a budget of 2.70 and below prior year, which was 2.99. Deliveries declined significantly from prior month at 123 to 82 (below budget and prior year). Emergency room

visits were 3,976. Outpatient registrations were below budget at 18,743 but above prior year. Observation days at 646 were above budget and prior year. Surgical volumes declined to 915, which was below budget, however, above prior year. Beaufort Physician Practices visits were 23,032. Express care volumes were: Beaufort at 1,640 on a budget of 1,641 and Okatie and Bluffton combined totaled 1,980 (above prior year but below budget).

Outpatient registration and surgical volumes were below budget and somewhat drove the patient gross revenue to \$84.8M (which was below budget). Uncompensated care compared to FY 2022 increased to \$3.3M (right on budget) or 3.9% of gross revenue on a budget of \$3.3M. Total net patient revenue was \$23.3M on a budget of \$24.4M. Net to gross was 27.4% and prior year was 27.5%. Total operating revenue was \$23.7M on a budget of \$25.2M and prior year at \$22.2M. Cash collections lagged for October at 96% of the goal or just under \$1M on both the 30-day and 60-day target. The 12-month roll was at 102% and prior October came in at 86%. Gross AR days increased from 58.5 to 59.4 and net days increased from 37.3 to 38.6.

Expenses totaled \$24.9M on a budget of \$25.9M. Salaries for October came in high at \$9.8M (which was right on budget) and compared to FY22, the average was \$9.2M for salaries. Contract labor at \$1.3M remained similar to FY22. Benefits were at \$2.9M, slightly below budget; however, above prior year (which was \$2.7M). Supplies were in line with prior year at \$4.5M. Purchased services were \$2.1M. Mr. Miller referenced GASB 96, which added \$3M of long-term liability; \$2.6M of short-term liability; IT subscription arrangements – this reduced the expenses of about \$500K for October.

The YTD [year-to-date] net loss was (\$1.1M) which is behind budget by about (\$500K) but ahead of prior year by \$439K. The YTD EBITDA was \$379K on a budget of \$935K and a budget variance of (\$556K) for the first month. Mr. Miller referenced the income statement indicating that a line item was added called “free cash.” He indicated that EBITDA was no longer “free cash” because of items of depreciation that were not on the sheet. Free cash is considered operating income plus non-cash depreciation of \$842K. Days cash experienced a decrease by about five days, going from 89.3 to 84.0. This was due to several large payments made in the first week of October such as South Carolina retirement payment, hospital license & fees, physician bonuses and the increase in the amount of one-day cash. Mr. Miller referenced the debt to cap on the dashboard sheet and explained the reasoning for this. A brief discussion ensued regarding profit sharing.

With regards to debt capacity, Mr. Miller provided an update on his conversations with Regions. After additional research is completed, Mr. Miller indicated that a presentation on the findings would be provided to the committee.

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

Respectfully submitted,

Vernita Dore, Chair