

TITLE: Finance Committee Meeting
DATE/TIME: March 19, 2024
LOCATION: Executive Board Room and via Zoom Meeting

I. CALL TO ORDER

Finance Committee meeting was called to order by Earl DeFur at 7:04a.m.

Finance Committee Attendance: Earl DeFur, Matthew Tucker, Brad Turpen- CEO,
Corey Furin- CFO, Eriko Martian- Controller

Staff/Guests: Victoria Mendoza – Executive Assistant

ABSENT:

II. AGENDA

A. Consent Agenda – ACTION ITEM

1. Approval of minutes 02/20/2024

Motion: Brad Turpen moved to approve the consent agenda. Matthew Tucker seconded the motion. No objections, the motion passed.

B. Financial Statements

1. Review March Financial Statements

- Volumes
 - Med Surg: 15 patient days
 - Swing Bed: 15 patient days
 - Family Medicine: 775 patient visits – has maintained the highest monthly average compared to the last two fiscal years. Kudos to our Rural Health Clinic continuing to have good volumes despite being down a family medicine provider.
 - SMSC (Surgical Medicine & Specialty Clinic) – 15-20% higher volumes compared to previous years.
 - Infusion: maintaining average 60 visits per month.
 - Sleep Lab: 17
 - Urgent Care: 491 patient visits
 - Observation Hours: 174 hours
 - 324 Emergency Visits
 - 41 Surgeries/Scopes
 - Lab Testing: 3,624 tests
 - Imaging: MRI hit a record-breaking volume at 74 total visits. With the new MRI we will need to average at least 61 MRI visits to make up the cost. With 74 visits, this proves the ability to meet that break-even volume and continue to maintain that volume once the MRI solution is built. Ultrasound volumes are high. There continues to be good cohesiveness in the team despite management changes. Kudos to Kathy Prindle for the hard work she has been putting in that department.
- Income Statement
 - Total Patient Revenue for February was \$3.6M. Last year this number was at \$2.6M. This is 34% higher than the prior year largely due to Surgery Pharmacy, MRI, and Valor Health Family Medicine.
 - Contractual adjustment is currently at 45%, which is a bit more conservative. Year to date we are currently at 43.5%.
- From an Operating EBIDA standpoint, we are now at 10 of 12 months in a positive EBIDA. Our YTD EBIDA margin is 6.7%, operating margin YTD is

3.4% and Net Income total margin is 6.7%, once we get the \$800K FEMA money put back into FY24 the YTD Margin will be 14%.

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- Total Chargeable Supplies was a little higher this month due to the services provided.

Discussion:

Earl asked if MRI services are mainly due to our VHFM and SMSC referrals. Corey noted he does not have a referral report, but a large amount of MRI services are due to our VHFM and SMSC referrals.

Brad noted the impact of having travelers when comparing the professional fees from the previous year. Corey added there was a reclassification in purchased services to professional fees to be able to account for the software services in the correct way which currently reside in purchased services.

- Balance Sheet
 - \$89K in cash and \$5.1M in investments.
 - Gross Patients Accounts Receivable for March was \$7.7M Net Patient Receivables were \$4M.
 - Accounts Payable were \$460K.
 - Current Liabilities: \$2.2M – There was a large increase due to the Sleep Lab accreditation reserve which was reclasses to a current liability. There has been no demand letter received since we self-reported last year, but we still have the amount reserved in case it is demanded.
- Cash Flow
 - There was a (-\$786K) cash flow for February due to the timing of AP and Payroll Accrual, which includes the number of days worked by staff but not paid out. When looking YTD we are still positive cash flow, and when looking at the last two months combined we are a negative \$220K which is largely due to AR growing because of the high revenue months we've been having.
 - There was a cybersecurity attack with Change Healthcare that affected the Revenue Cycle team. Despite Valor Health not using Change Healthcare as a clearing house, many insurance companies do, affecting claims being electronically sent in. Manual claims were submitted, but march will be around \$1.4-\$1.6M.
- Trending Income Statement
 - Expenses have increased 13% per day, but revenue has doubled the expense growth at about 20-30% per day.
- Revenue by Financial Class
 - Split continues at 5% Inpatient, 95% Outpatient.
 - There has been some increase on the commercial insurance line.
 - Medicaid has decreased since FY22. This is partly due to the Labor & Delivery program and pandemic ending causing patients to become ineligible.
 - Self-pay and Medicare Advantage (HMO) continue to grow.
- Gross A/R Days
 - Good cash collection and the progress in managing the older A/R buckets continues.
 - Cash Receipts are sitting around 90% for the 90-day average. This would have been around 95% or above if the cyber security attack had not happened.
- Gross A/R Trending

- Aggressive collection process will continue. The dashboard Darlene is working on will have different metrics for better tracking purposes. The Daily Cash Log will be sent to Corey to look at reconciliation and see where they are performing from a cash collection perspective.
- CareCredit has been up and running. AblePay inserts in patient statements have just started to go out last week.
- Registration accuracy has been maintained around 94% in the hospital and 93% in the clinics.

Discussion:

Earl asked if AblePay or CareCredit cover high deductibles for patients. Corey noted AblePay and CareCredit cover any patient portion, for example if a patient has a \$5K deductible, AblePay would cover that amount and the patient would then pay AblePay within 2 years, with a 13% discount opportunity if paid sooner.

Motion: Matthew Tucker moved to approve the Financial Statements for February 2024. Brad Turpen seconded the motion. No objections, the motion passed.

C. Bad Debt & Charity – February – ACTION ITEM

1. Bad Debt write off \$98,729
2. Charity write off \$6,639
 - 12-month average is 5.1%
 - February: 3% - Point of Service collections have been maintaining.

Discussion:

Earl asked what a good target number would be for point of service collections. Corey noted he would love to see it in the \$8-\$10K range.

Motion: Brad Turpen moved to approve the Bad Debt and Charity write-offs for February. Earl DeFur seconded the motion. No objections, the motion passed.

D. Finance Committee

1. General Discussion
 - Capital Spend Update
 - Corey overviewed the capital spend spreadsheet and updated on what has been spent so far and included new break fix items that were prioritized.
 - The total spent so far on the capital budget is \$173K with \$176K remaining.
 - With the additional items that were prioritized, it will leave \$1.1K remaining.
 - The new items include the downpayment for the chiller, Neptune for Surgery, new Ultrasound, MRI Solution, and flooring for Radiology.
 - The presentation will be included in the Board meeting packet.
2. FY23 DZA Audit*
 - The final version of the FY23 DZA Audit will go to the Board for approval next week. There were some wording changes, but no changes were made to the numbers or financial statements.
3. Finance Committee Dashboard- Corey gave a brief review of the dashboard.
4. Operational Excellence Plan Update
 - Corey sends out a regular report of expense trends to managers.
5. Valor Health Center Project Cost Authority
 - Brad discussed the concern Tahja Jensen had with the language in the development agreement regarding managing project scope changes and what authority the Board would give the executive team in managing the construction project.
 - It would be best to have clarity to determine the board's role and the executive team's role in the project.

- The plat that was recorded ended up being a larger parcel at 2.6 acres. This will be an additional \$1M in total decreasing the original proforma of \$400K positive impact per year from the project to a \$300K positive impact per year. This will be discussed with the Board.
- Brad and Corey showed a breakdown of expenses with BVA so far.

Discussion:

Earl asked what the appraisal is per square footage. Corey noted it is at approximately \$14.00 per sq foot, which is where it needed to be. Earl asked where the \$1.35M is on the balance sheet. Corey noted it falls under an asset on Property, Plant and Equipment on the Balance Sheet as construction is in progress.

Earl noted if it is necessary, the Finance Committee can approach the Board for more money towards the capital budget.

III. NEW BUSINESS

A. Executive Session – None

ADJOURNMENT

Being no further business, the meeting was adjourned at 8:15am.