

**TITLE: Finance Committee Meeting**  
**DATE/TIME: April 16, 2024**  
**LOCATION: Executive Board Room and via Zoom Meeting**

**I. CALL TO ORDER**

The Finance Committee meeting was called to order by Earl DeFur at 7:03 a.m.

**Finance Committee Attendance:** Earl DeFur, 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 03/19/2024

**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: 12 patient days
  - Swing Bed: 17 patient days – 1 admit in February and discharged in March.
  - Family Medicine: 753 patient visits – below the prior year but compared to the monthly average we are still in a good spot despite being down one family medicine provider. Dr. Michael Claussen has placed his notice and will departure in July.
  - Urgent Care: 481 patient visits
  - Observation Hours: 333 observation hours
  - 390 Emergency Visits
  - 41 Surgeries/Scopes – There is the capacity to increase this volume. It is low, but not a bad number. Dr. Thomas Goodwin was recently onboarded to assist and proctor Dr. Jerod Hines with shoulder procedures.
  - Infusion: Record breaking month with 110 visits. There are already 55 visits for April.
  - Lab Testing: 3,649 tests
  - Imaging: March is averaging in the 70s, consistent with last month. It's great to see the volumes staying at that capacity as it is higher than the break-even number needed for the new MRI solution.
- Income Statement
  - Total Patient Revenue for March was \$3.4M, 22% higher compared to the prior year at \$2.8M. The main services that contributed to higher revenue were Pharmacy, VHFM and SMSC, Imaging and Emergency Department.
  - The Contractual Adjustment is at 37%, much lower than other years. This was due to the \$153K Medicaid settlement received from FY20 that goes into deductions from revenue. If we were to remove that

- settlement, the contractual adjustment would be around 42%.
- Expenses are 1.4% higher than the 3-month average, which is about \$65K a day. This is trending lower from January and February. We are 4% higher compared to the 6-month average.
- The largest increase in expenses is from Professional Fees and Salaries & Wages due to having three Anesthesia invoices in March due to timing of invoices and the transition away from WIA, contingency fees for two nurses hired in the clinics and new hires within Rev Cycle.
- March ended with a positive cash flow at \$198K. In an Operating EBIDA margin we are now at 11 of 12 months positive.
- Last year we were operating at a negative \$1.4M income from operations to now operating at a positive \$500K. This should be commended as this positive change was due to the effort and work our department leaders made for expense reductions and implementing new services to generate revenue.

*Discussion:*

Matt asked what the uptick for MRI volumes is from. Corey noted that there is now stable staffing in the Imaging department, making it easier to utilize the staff and modalities to a greater capacity. Brad added that there is a new schedule structure that helps to get more patients scheduled.

Earl asked why Pharmacy continues to be a big contributor with lower volumes. Corey noted that most of the Pharmacy revenue is generated within Infusion. Corey added medications that are dispensed for Emergency Department and patients that were admitted don't fall into Pharmacy category, but still create revenue for that service.

Matt asked if there is concern from a revenue standpoint with being down two-family medicine providers after Dr. Claussen departs in July. Corey notes it is a threat, but he expressed our other family medicine providers could absorb most of his patient panel and work at about a 50% capacity like providers are doing over the hill. Corey added we have a good executive team to help mitigate it as long as we can. Brad added there was a good response from our providers increasing their volumes after Dr. Mumford's departure. Matt asked if there was a big decrease in volumes when Dr. Mumford departure. Corey noted that there was a decrease but only for about a month.

- Balance Sheet
  - \$262K in cash and \$5.1M in investments.
  - Gross Patients Accounts Receivable for March was \$8.3M.
  - Accounts Payable were \$521K.
  - Current Liabilities: \$2.4M – the Sleep Lab settlement is now under this category reserved in case it is asked for by Medicare for the time we were not fully accredited for Sleep Lab services.
- Cash Flow
  - March ended at \$196K positive cash flow, making our YTD cash flow a positive \$649K.
- Trending Income Statement
  - The operating expenses are \$65K per day, which is down from

January and February. Total Operating Revenue is increasing at \$70K per day.

- Other operating revenue is mainly from our 340b program. Our providers in every service line can order prescriptions within the 340b program for us to capture the lower cost of the medication and receive reimbursement through that program. If our providers send out referrals to specialists and those specialists prescribe patients medications, we are also able to capture those prescriptions. Corey is investigating bringing a vendor on to look through each referral to see which ones were captured and will pay them a contingency fee for all the referrals that were not captured. The program will be able to go back two years, which could potentially bring us about \$100K extra revenue from that referral program.
- There was a potential finding that we are underreporting for Medicare Bad Debt. Corey hired Genesa, an agency that focuses on auditing Medicare Bad Debt cost reports to help get about \$100K of additional cash (net of fees). It is not uncommon for hospitals to underreport Medicare Bad Debt. Each state varies in what percentage of their co-insurance/deductibles they are typically able to claim; Idaho hospitals are averaging around 10% and we are now the 4<sup>th</sup> highest in capture rate in the state after this retrospective audit.
- Revenue by Financial Class
  - The Inpatient and Outpatient split continues to trend at 5% for Inpatient and 95% for outpatient.
  - Medicaid is decreasing in financial class with the public health emergency declaration ending, it has caused patients to lose their eligibility moving towards self-pay or commercial insurances. For Valor, the self-pay percentage has not increased.
- Gross A/R Days
  - There is an increase in A/R days, creating an opportunity to collect more money.
  - Cash receipts have been hovering around 90% of Net Revenue, which is lower than where we should be. There should be an increase seen in April.
  - Due to the cybersecurity attack with Change Healthcare, March ended in \$1.7M cash collection, which is much better than what was anticipated. During this time only 50-70% of claims were going out. Corey is impressed with the Business Office team for maintaining cash collections during this disrupting time.
- Gross A/R Trending
  - There continues to be more denials with Medicare HMO plans. Corey is looking at trends and pooling resources in collaboration with IHA to build up trends and investigate what we can do to build better relationships with payers.

*Discussion:*

Earl asked if the cyberattack with Change Healthcare has been resolved. Corey notes we are still not receiving payments or remits from some payers, but most of

it has been resolved with a manual work around.

**Motion:** Matthew Tucker moved to approve the Financial Statements for March 2024. Corey Furin seconded the motion. No objections, the motion passed.

**C. Bad Debt & Charity – March – ACTION ITEM**

1. Bad Debt write off \$69,057 – lower than prior months due to Dawn Brotherson, our Patient Financial Advocate, having to work in registration due to the recent turnover.
2. Charity write-off \$33,166 – much higher than in the past due to larger inpatient and emergency department accounts.
  - Corey will begin incentive programs around cash collections and point of service collections. DNFB (Discharge Not Final Billed) days continue to be down.
  - 12-month average is 4.7%
  - March is 3%

**Motion:** Brad Turpen moved to approve the Bad Debt and Charity write-offs for March. Matthew Tucker seconded the motion. No objections, the motion passed.

**D. Finance Committee**

1. General Discussion
  - The CareCredit and AblePay patient funding programs are underway. The hope is to see good movement with that in the coming months.
2. Finance Committee Dashboard- Corey gave a brief review of the dashboard.
3. Valor Health Center Board/Commissioner Approval Process/Timeline
  - BVA proposed to take a step back and have Valor Health work directly with Northwest Development and Mark Guho. The closing date has been extended to May 6.
  - The County Commissioners will need to approve the finance documents and lease/leaseback before closing can be done.
4. Valor Health Center Construction Project Administration Authority- **ACTION ITEM**
  - Tahja Jensen had a concern on the Board's role in approving decisions and changing the order. Brad has defined what the Valor Executive team will oversee approving and what will need to be brought to the Board for approval.
  - The Executive team will be able to approve \$50K of contingency approval. Anything over \$100K would need Board approval.

*Discussion:*

It was decided to bring to the aesthetics and rendering of Valor Health Center back to the board.

Matt asked if the finances for Valor Health Center will be brought to the Finance Committee. Corey does not plan to bring this project to the Finance Committee since it is managed by the Steering Committee. There are also costs shown in Construction in Progress on the Balance Sheet in the monthly finance statements. Corey added he does not mind giving updates. Matt noted this is a critical component to ensure confidence and visibility.

**III. NEW BUSINESS**

**A. Executive Session – None**

**IV. ADJOURNMENT**

Being no further business, the meeting was adjourned at 8:41 am.