

TITLE: Finance Committee Meeting
DATE/TIME: October 24, 2023
LOCATION: Executive Board Room and via Zoom

I. CALL TO ORDER

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

Board Attendance: Earl DeFur, Judy Barbera, Brad Turpen- CEO,
Staff/Guests: Corey Furin- CFO, Matt Godfrey- Executive Director of
Physician Services, Roger Folwell-Facilities, Victoria Mendoza-
Executive Assistant/Med Staff Coordinator, Mike Cummings –
HR Manager

ABSENT: Eriko Martian- Controller

II. AGENDA

A. Consent Agenda – ACTION ITEM

1. Approval of minutes 09/19/2023

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

Discussion:

Minutes approved with the addition to add specifics to the 3% shift for inpatient/outpatient payer mix.

B. Financial Statements

1. Review September Financial Statements

- Volumes
 - Med Surg: 4 patient days
 - OB Patients: 0 patient days
 - Swing Bed: 1 patient day. 27 total patient days, September was a light month on the inpatient side.
 - Family Medicine: 589 patient visits. There has been a dip in clinic visits, which could be a result of Dr. Mumford leaving for private practice.
 - Urgent Care: 411 patient visits
 - The Surgical Specialty Clinic had decreased visits, but still ahead of the prior year's visits.
 - Observation Hours: 407 hours
 - 357 Emergency Visits, which is just under 12 visits per day. The average is 14-16 per day.
 - 45 Surgeries/Scopes
 - Lab Testing: 3,051 tests
 - Imaging: The volume remains steady for Ultrasound, CT, and MRI. It is suspected to reach the volume goal with MRI as more techs receive training.
- Income Statement
 - Total Patient Revenue for September was just under \$2.9M. Last year this number was at \$2.9M.
 - \$1.8M in Operating Revenue.
 - There is a 40% contractual for September due to two things. The tentative settlement for FY23 and the Medicaid settlement from FY18 was paid but was lower than the estimate we had. Removing these two things would cause the contractual to be above 40%.
 - Inventory recently did the annual count which added \$2K to the \$16K variance on the lab since there were a few items not in stock. This is a similar situation for Pharmacy that caused a \$35K variable adjustment.

- The expenses ended at \$1.86M, causing 15% savings for the month of September. Even so, we did end up at a negative \$13K for the month.

Discussion:

Earl asked if October is trending the same. Corey noted for now it is trending with similar volumes and revenue has remained good for October. Corey added there is more revenue due to higher payments on pharmacy and infusion. Earl asked why the Purchased Services number was so high. Corey noted he will investigate that further. It could be due to the annual adjustment rather than the quarterly adjustment. Earl asked if the inventory could be monitored within the system. Corey noted the system does show what is being utilized more. This helps to not over order or order too little. Corey added the inventory levels could increase as we expand services with the lab outreach program and chemotherapy services. Earl asked if Dr. Hines is still in the vendor inventory category. Dr. Hines is included in that category but there is not much ortho hardware included and it is mainly bought as procedures are scheduled.

- Balance Sheet
 - \$432K in cash and \$4.3M in investments. This is an increase over the previous year and the last set of months.
 - Gross Patients Accounts Receivable for September was \$6.2M. Net Patient Receivables were \$3.1M.
 - Accounts Payable were \$507K.
 - Current Liabilities: \$1.4M.
 - There is lower AR and revenue for the month of September, but it is starting to pick up. However, we are adequately reserved to not have any big surprises.

Discussion:

Earl mentioned it looks like a 50% contractual rather than 40%. Corey noted there is a spread on the Income Statement that differs from what is shown on the Balance Sheet. Corey added if there were larger pick-up allowance added to the Income Statement it would cause it to inflate. The Income Statement only shows revenue from 30-60 days explaining why there is a spread.

- Cash Flow
 - September ended at a negative \$13K due to the third-party settlements that were paid. There is a pickup on the cash perspective.
 - There was a \$67K cash increase for September. FY23 ended in a positive cash flow.
- Trending Income Statement
 - Taking the annual inventory into account, we ended right around \$60K for the month of September.
 - Corey shared the Operating EBIDA (Earnings Before Interest, Depreciation, and Amortization) which displayed the positive income results from operations as well as the huge leadership effort put forth throughout the organization.
 - The Operating EBIDA showed the losses we were facing in the October-February months of the 2023 Fiscal Year.
 - Once the expense reduction plan commenced, March-September ended in positive \$500-600K months, not including July. The total expenses saved through those months were \$1.2M averaging 14-15% each month.
- Revenue by Financial Class
 - The inpatient/outpatient split is trending consistently as we move away from

- Labor & Delivery services.
 - Medicare Advantage plans continue to be our highest payer, but we are starting to see more denials.
 - There is an increasing trend throughout the healthcare industry to move Medicare Advantage out of network due to all the denials received.
- Gross A/R Days
 - The Gross A/R days are trending around the 61–62-day mark. The highest days were at 70 a few months ago. The revenue cycle team continues to make progress.
- Gross A/R Trending
 - The 90-day average for the past 2 months has been above the 100% target. September cash receipts were at \$1.7M, which brought us just under the 100% target. The goal is to collect \$1.8-\$2M to consistently be above the 100% goal.
 - There will be a big clean up in the next few weeks for accounts 90-180 days old. There is a good number of patients signing up for Epic River financing. Corey does plan to sign a contract with AblePay after fully investigating and weighing in the benefits. This is a similar program to Epic River, but AblePay would act like an insurance company with no recourse on the payments made to Valor.
 - Darlene, the Interim Revenue Cycle Director, has improved the team immensely with customer service, registration accuracy, and collecting copays. For registration, the improvement in accuracy has improved from 47% to 72% for the Hospital and 74% for Valor Health Family Medicine Clinic. The next plan of action will be targeting our AR and cleaning it up as well as investigating issues with payers.

Discussion:

Earl mentioned the Operating EBIDA Spreadsheet would be great for the whole Board to see how much improvement has been made with the Expense Reduction plan. Brad asked if there were any revenue cycle goals in mind. Corey noted he will get with Darlene, but there are some numbers and percentages in mind. Darlene is using her method SWOT (Strengths, Weaknesses, Opportunities, Threats) to determine where improvements need to be made. Earl did not realize 47% was the accuracy for registration and it will be great to continue to improve in that area.

Motion: Judy Barbera moved to approve the Financial Statements for September 2023. Brad Turpen seconded the motion. No objections, the motion passed.

C. Bad Debt & Charity – September – ACTION ITEM

1. Bad Debt write off \$116,098.
2. Charity write-off \$6,453
 - 12-month average is 4.2%
 - September: 4.3%
 - These trends are suspected to continue with a possible increase to Bad Debt Write Off.

Motion: Judy Barbera moved to approve the Bad Debt and Charity write-offs for September. Brad Turpen seconded the motion. No objections, the motion passed.

D. Finance Committee

1. General Discussion
 - Corey reported after the Capital Budget was approved by the Board, the

Executives planned a funding release for each quarter. There will be a 20% release in Q1, 40-50% release in Q2, 30-40% release in Q3 and Q4 will be utilized for any break-fix items.

- Quarter 1 was recently released, and the items included are EPOC machine for the lab, ISTAT Analyzer for the Emergency Department, and power exam tables for both Surgical Specialty Clinic and Valor Health Family Medicine.
 - Work with NetSuite and Eide Bailey has begun. There will also be a new exam table purchased in Radiology for procedures to be done by Dr. Howard Sill, the Interventional Radiologist.
 - The total spent in Q1 is around \$70K.
 - The EHR Steering Committee has made their EHR recommendation to the executives. The next step will be for the Executives to evaluate the recommendation and create a road map of financial viability available for the Board to ultimately decide. There are objectives on optimizing our services that could help with the viability of switching to a new EHR such as Chemotherapy, Lab Outreach, Orthopedics, as well as generating revenue with the Valor Health Center.
2. Finance Committee Dashboard
- Corey reported there is a downward trend on salaries and wages.
 - Revenue is not as consistent in the fall months. Trends are seen to be going up and down. There will be a 6% charge increase effective March 1. Blue Cross is expected to match this price increase. The month of October will be around a \$3.1M month.
 - FY23 ended with 71 days of cash on hand, which is the highest it has been in the last two years and more than double what it was months before.
 - There will be additional money coming in. We have not received the second FEMA payment nor the third ERC payment. These payments could potentially add another 30 days to our cash on hand. The goal will be to reach 90 days and maintain that.
3. Outlook
- The Pharmacy is expected to have the state and clean room inspections within the next month.
4. REH "Rural Emergency Hospital" Discussion
- At the Tuesday Board meeting, Corey will bring in liaisons that helped with the REH cohort. Corey shared the presentation they plan to showcase, and some brief key points include:
 - The cohort liaisons provided three financial models with numbers from FY22 to see what Valor Health would look like under an REH designation.
 - Moving to REH would force us to close inpatient services and the 340B program.
 - REH would provide a 5% additional payment after the FFS (fee-for-service) payment with Medicare. An additional \$3.2M payment is received per year in monthly installments from CMS as well.
 - There were three scenarios displayed, the first being our CAH FY22 financial model compared with the REH baseline model. The second scenario is the REH model with Medicare 5% payment reimbursement, CMS yearly payment only. The third scenario included both Medicare and Medicare Advantage in the REH Designation along with the 5% reimbursement increase and yearly CMS payment.
 - The analysis showed the REH designation is not financially advantageous for Valor Health at this time.

Discussion:

Judy and Earl agreed this is a good analysis to have for the future. Earl added it would be wise to remind the Board on Tuesday why this was considered and investigated. Brad noted we could refer to the Dolphin Tank report recommendations. Brad also gave kudos to Corey

for his work in this cohort.

III. NEW BUSINESS

A. Executive Session – None

IV. ADJOURNMENT

Being no further business, the meeting was adjourned at 8:24 am.