TITLE: **Finance Committee Meeting**
DATE/TIME: **July 21, 2026 at 7:30 am**
LOCATION: **Executive Board Room and via Zoom Meeting**

I. CALL TO ORDER

The Finance Committee meeting was called to order by Judy Barbera at 7:04 a.m.

Finance Committee Attendance: Judy Barbera, David Little, Brad Turpen-CEO, Michael Sokolowski-CFO, Matt Godfrey- Ex. Dir. Physician Services, Kathy Prindle – Ex. Dir. Clinical Services, Eriko Martian- Controller.
Staff/Guests: Victoria Mendoza – Executive Assistant
ABSENT: Earl DeFur.

II. AGENDA

A. Consent Agenda – ACTION ITEM

1. Approval of minutes 6/23/2026

Motion: David Little moved to approve the consent agenda with the minutes as presented. Judy Barbera seconded the motion. No objections, the motion passed.

B. Financial Statements

1. Review of June Financial Statements
    - Med Surg: 46 patient days
    - Swing Bed: 13 patient days
    - Sleep Lab: 16 studies – decreased due to staffing challenges, but we recently hired a PRN Sleep Technician.
    - Valor Health Family Medicine: 504 patient visits
    - Valor Health Center (VHC): 321 patient visits
    - VHC Urgent Care: 470 patient visits – small decrease compared to previous month.
    - Specialty Clinic: 422 encounters
    - Observation Hours: 1,179 observation hours
    - 402 Emergency Visits
    - 49 Surgeries/Scopes – increased 16% compared to previous month.
    - Pain: 52
    - Lab Testing: 4,575 tests
    - Lab Outreach: 1,550 tests
    - Infusion: 64 – increased compared to previous month.
    - Pharmacy: 4,483
    - Imaging: Volumes increased across all modalities for June.

- Income Statement
    - Total Patient Revenue for June was $4.6M, which is a decrease of $27K compared to previous month.
    - Contractual Adjustment is at 52%. This has increased compared to previous month, but consistent with the FY26 average.
    - There was a notable decrease in expenses of 11% overall for June.

Discussion: David asked about the increase in observation hours. Kathy reported that observation hours have increased due to extended recovery times following orthopedic procedures. Surgical times have decreased significantly as the Capital Surgical Associates group has advanced its techniques and procedures, resulting in some patients requiring additional recovery time following procedures.

- Balance Sheet
    - $1.2M in Cash and $4.8M in Investments. There was a significant increase in cash collections seeing a positive trend as workflow improvements continue in Revenue Cycle.
    - Gross Patients Accounts Receivable for June were $9.8M
    - Accounts Payable $841K.
    - Net Patient Account Receivables were $5.5M.
    - Current Liabilities were $3.7M.

- Cash Flow
    - June ended with a positive $802K increase in cash flow ending at $6.1M for end of period.

- Trending Income Statement
    - Days Cash on Hand increased to 82 total days for June, seeing a positive direction as we continue to stay consistent with great cash collections.

- Revenue by Financial Class
    - Revenue mix for June ended at 5% - Inpatient, and 95%.

- Gross A/R Days
    - Gross A/R days are currently at 63 days, significantly decreasing compared to previous month. The goal is to get to 45 days by the end of FY26.

- Gross A/R Trending
    - A/R has significantly decreased from 29% to 15% compared to previous year.
    - Medicare and Medicare HMO have higher cash balances as there is more challenge collecting from those insurance payers due to consistent denials.

Discussion: David asked what a typical contractual adjustment percentage is for Critical Access Hospitals (CAHs). Michael reported that most CAHs are approximately 40-50%. He added that as Valor continues to renegotiate insurance network contracts and improve cash collections, the contractual adjustment percentage is expected to decrease.
Judy asked how we previously maintained a contractual adjustment rate of approximately 40% when cash collections were lower. Michael explained that the change is related to consistent increases in the fee schedule and lower patient volumes. Brad added that it may be valuable to review the historical contractual adjustment percentage and the spread over multiple years.
David asked what the lowest A/R Days have been historically. Michael reported that the lowest has previously been in the low 60-day range.

David asked whether we track complaints and grievances related to billing. Michael reported that billing-related complaints and grievances are tracked in ActionCue, and Revenue Cycle continues to focus on operational improvements to promote consistency and efficiency.
David asked whether Katie Beevers, Revenue Cycle Manager, could attend a future Finance Committee meeting to provide an update on departmental challenges and improvements. Michael reported that Katie provides updates during Executive Leadership meetings and that he will work toward having her provide a quarterly update to the Finance Committee.
David asked whether frustrations with the Lab Outreach program continue. Michael reported that some frustrations remain, however, workflow improvement plans are in place. A flowchart was recently developed for phlebotomists at external locations to help ensure accurate information is captured and the process is thoroughly explained, with the goal of improving claim accuracy and processing.

Motion: David Little moved to approve the Financial Statements for June 2026. Brad Turpen seconded the motion. No objections, the motion passed.

C. Bad Debt & Charity – June – ACTION ITEM

1. Bad Debt write off – $59,729
2. Charity Write-off – $5,364
3. B/D Recovery - $34,117
4. Point of Service (POS) Collections - $2,822 – this is lower compared to previous months. Yaquelin Arteaga, PAS Operations Supervisor, continues to work with the team to improve workflows for consistent copay collections.

Motion: Judy Barbera moved to approve the Bad Debt and Charity write-offs for June 2026. David Little seconded the motion. No objections, the motion passed.

D. Finance Committee

1. General Discussion
   - Michael reported that the FY27 Operating Budget would be sent to the Finance Committee once completed to be able to review before the upcoming Board of Trustees meeting on July 28.
2. Physical Therapy Proforma – **ACTION ITEM**
   - Kathy and Matt presented an Executive Summary of the Physical Therapy Proforma, highlighting facility and equipment needs, staffing models, community need, and the policies and workflows necessary to begin implementation of the service line.
     - As Valor Health continues to pursue outpatient growth in Orthopedics, bringing outpatient Physical Therapy services in-house would enhance continuity and quality of care for patients.
     - Net revenue is projected at approximately $168K in Year One, based solely on outpatient services and internal referrals from Orthopedic and Family Medicine providers. Inpatient revenue is not included in the projection.
     - Based on conservative projections, the service line is expected to generate a positive return on investment by FY30.
     - Under the best-likely scenario, the service line is projected to achieve approximately $58K in positive cash flow by the end of FY27.

    - The proforma includes additional staffing support to accommodate provider PTO and potential rapid growth of the service line.
3. June Debt Schedule
   - The Local Government Investment Pool interest rate is currently at 3.8%.
4. FY26 Capital Budget
   - No new updates.
5. Finance Committee Dashboard – Michael provided a brief report of the Finance Committee Dashboard.

Motion: Brad Turpen moved to recommend the Physical Therapy Proforma to the Board for final approval. Judy Barbera seconded the motion. No objections, the motion passed.

III. NEW BUSINESS

A. Executive Session – None.

Being no further business, the meeting ended at 8:11 a.m.