



Executive Summary

Finance Committee

Held October 30, 2023

Capital Purchase Requests reviewed:

- Threshold –
 - None
- Non-Threshold:
 - Infant Warmers – Family Birth Center
 - Cooling unit – CCL IT closet

Discussion Items

- Audit report – Draft audit was presented. Holding final until the closing of the refinance. No Material weakness or significant deficiencies found. No significant adjustments needed, no disagreements with management.
 - Cash on hand has fallen from 274 days in FY2021 to 103 days in FY2023. Moody's comparison indicates we should be at 206.
 - Days in AR fell from 65 in FY2021 to 35 in FY2023. Oregon Average was 43 in June 2023.
 - AR aging of accounts 121+days old fell from 32% inf FY2022 to 18% in FY2023.
- Financial recovery
 - Reviewed of the 13-week cash flow projections
 - Reviewed status of payor negotiations for re-contracting
 - Update on bank discussions
 - Update on ECG work

Financial Results:

- See attached Narrative and financials
 - September 2023 Operating Loss was \$438 Thousand vs a budget of \$257 Thousand
 - September 2023 Overall loss at \$1.55 Million due to large market loss on investments.
 - September 2023 Operating EBIDA – POSITIVE \$542 Thousand
 - Cash and Cash equivalents balance as of September 2023 is \$61.42 million

Next meeting:

Next Meeting – November 28, 2023



Month End Financial Narrative
For month ending September 30, 2023

Overall, Bay Area hospital lost \$1.6M in September vs. a budgeted loss of \$407K and last year's loss of \$5.9M. We incurred several one-time expenses during September which included: \$200K expense for an imaging tube replacement that was applied to the policy deductible, \$200K accrual for bank negotiations, \$217K accrual for Mercer Purchased Services contract, and \$100K price increase for EPIC. Gross Revenue for the month finished strong at \$54.9M vs. a budget of \$51.1M. Below is a breakdown of the financials.

Bay Area Hospital														
Consolidated Income Statement - September 2023														
	Month to Date								Year to Date					
	Actual	Budget	Variance	Var %	Prior Year	Variance	Var %	Actual	Budget	Variance	Var %	Prior Year	Variance	Var %
Total Gross Patient Revenue	54,932,928	51,090,045	3,842,883	7.5%	41,821,853	13,111,075	31.3%	165,984,485	155,430,567	10,553,918	6.8%	128,463,743	37,520,742	29.2%
Total Deductions	34,967,673	33,305,683	(1,661,990)	-5.0%	27,423,772	(7,543,901)	-27.5%	107,893,724	102,137,427	(5,756,297)	-5.6%	84,950,902	(22,942,822)	-27.0%
Net Healthcare Revenue	19,965,255	17,784,362	2,180,893	12.3%	14,398,081	5,567,174	38.7%	58,090,760	53,293,140	4,797,620	9.0%	43,512,841	14,577,920	33.5%
Other Oper Revenue	236,561	126,719	109,842	86.7%	135,288	101,273	74.9%	626,982	380,157	246,825	64.9%	331,446	295,536	89.2%
Total Net Revenue	20,201,816	17,911,081	2,290,735	12.8%	14,533,370	5,668,446	39.0%	58,717,742	53,673,297	5,044,445	9.4%	43,844,286	14,873,456	33.9%
Net to Gross Ratio	36.8%	35.1%			34.8%			35.4%	34.5%			34.1%		
Total Operating Expenses	20,640,103	18,168,497	(2,471,606)	-13.6%	17,781,128	(2,858,976)	-16.1%	59,383,153	56,713,810	(2,669,343)	-4.7%	56,611,668	(2,771,485)	-4.9%
Net Operating Income	(438,287)	(257,416)	(180,871)	70.3%	(3,247,758)	2,809,471	-86.5%	(665,411)	(3,040,513)	2,375,102	-78.1%	(12,767,382)	12,101,971	-94.8%
Net Income	(1,552,643)	(407,416)	(1,145,227)	281.1%	(5,863,244)	4,310,601	-73.5%	(2,070,917)	(3,490,513)	1,419,596	-40.7%	(15,840,828)	13,769,912	-86.9%

VOLUMES

Inpatient Discharge

- Inpatient discharges for the month were 5 patients ahead of budget (530 vs. 525) and 156 above last year (374). This is primarily due to the APU census being up this year vs last year. In addition, PSU was closed July through October last year.

ED Visits

- ED visits were slightly above budget and above last year (2,093 visits this month vs. 2,085 budgeted vs. 1,983 last year). ED volumes have increased over last year, and a higher percentage of those patients are being admitted to the hospital.

Cardiac Cath Cases

- This month we had 106 cases vs. budget of 103 and last year same month 70. Cath Lab volumes continue to remain strong. The month of September was the third highest case volume over the past 15 months.
- Year -to date we had 303 cases vs. a budget of 312 and a prior year actual of 248.

Imaging

- Is up over the same month last year by 1,326 billed procedures (7,066 vs. 5,740), with volume growth in all areas specifically Mammography, Cat Scanning and Diagnostic Ultrasound.
- Year-to-date we are 21% ahead of last year (21,320 vs. 17,619).



Month End Financial Narrative
For month ending September 30, 2023

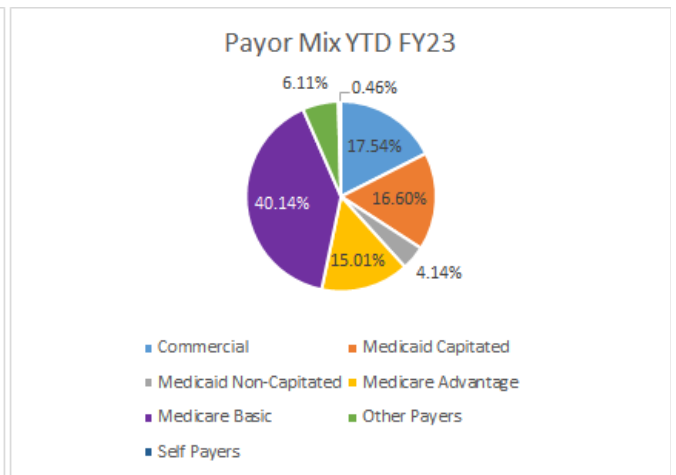
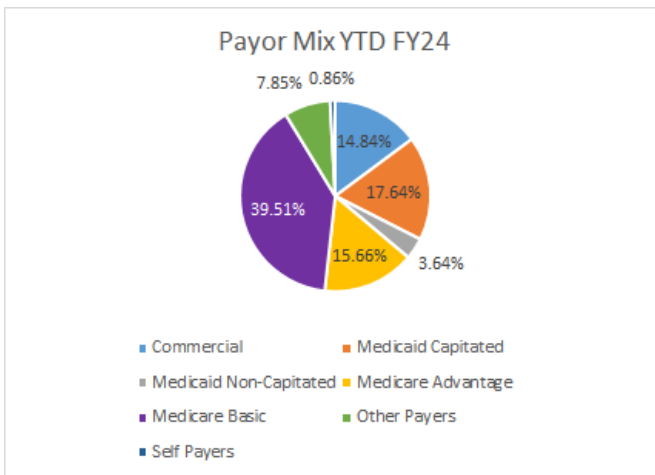
REVENUES

Gross Revenues

- September’s Gross Revenues were ahead of budget \$3.8 Million or 7.5% and over last year by \$13.1M or 31.3%. Compared to budget, Inpatient Gross Revenues were \$3.4M over budget and \$7.4M above last year. Outpatient Revenues were \$440K over Budget and \$5.7M ahead of last year.
- Emergency Room, Imaging, Cath Lab, Pharmacy and Lab all showed favorable actual vs. budget and year to year increases. The budget and actuals do include a 6% price increase that took effect on July 1, 2023.
- Of the \$4.8M variance \$2.5M was due to volumes and \$1.3M is due to Rate. The Gross Revenue budget for September was \$4,960 per adjusted patient day and actual was \$5,204.

Deductions from Revenue

- As a %, Deductions from Revenue are slightly below budget at 63.2% vs. 64.9% (36.8% and 35.1% revenue realization rates). Overall, FY22 was 65.2% or 34.8% revenue realization rate. Trends show collection rates gradually improving over the past 12 months. Overall, net healthcare revenue was favorable to budget \$2.2M for the month.
- Year to Year Medicare and Medicare Advantage remains stable 39.5% to 40.1% and 15.7% to 15.0%, respectively (combined total of 55.2 % vs 55.2% last year), Medicaid Capitated is up slightly at 17.6% this year compared to 16.6% last year. Commercial payors have decreased from 17.54% last year to 14.84% this year - a decline of 2.7%.



Other Revenues

- Current month actuals were \$237K vs \$127K budget vs \$135K last year. We received \$130.5K in payments for 340B retail scripts filled, and cafeteria revenue has been running higher than historical levels.
- YTD \$627K actual vs \$380K budget vs \$331K last year. We are now billing 340B Contract Pharmacy. Year to date 340B contract revenue totals \$243K. Cafeteria and Espresso Shop Sales total \$236K YTD.



Month End Financial Narrative
For month ending September 30, 2023

Net Revenue

- Net Revenue for the month was ahead of budget by \$2.3M and ahead of last year by \$5.7M (Actual of \$20.2M vs. Budget of \$17.9M vs. Last Year of \$14.5M).
- Year-to-date Net Revenues are \$5.0M ahead of budget and \$14.9M ahead of last year (Actual of \$58.7M vs. Budget of \$53.7M vs. Last Year of \$43.8M).

EXPENSES

Salaries

- Salaries are 14.4% over budget and 5.8% over last year (Actual \$7.1M vs Budget \$6.2M vs Last Year \$6.7M). We continue to hire staff and reduce our reliance on Contract labor. A 2.3% wage increase for all union staff went into effect the first pay period of July 2023 per negotiated union contracts. Due to strong volumes in September, more premium pay was offered to take care of the patients. This drove-up the average hourly rate from a budget of \$1,619 per Adjusted Patient Day to \$1,739.
- Year to date salaries were \$2.2M over budget and \$658K over last year (\$21.8M vs \$19.6M vs \$21.1M).

Contract labor

- Below budget \$272K (\$2.0M vs \$2.3M). Compared to last year, contract labor costs are down \$348K. Contract labor continues to decline as we replace contract employees with permanent employees and 1099 Vendor Contracts. Contract labor is also down due to holding of positions while we transition to a new company for contract labor. The prior 3-month average for contract labor is \$1.9M. Contract labor is expected to increase in the last quarter due to sustained increased level of patient volumes.
- Year to date Contract labor is below budget \$1.8M and lower than last year (\$5.4M vs \$7.2M vs \$5.9M)

Benefits

- Overall Benefits expense for the month of September were \$39K favorable to budget and \$205K higher than last year (\$2.0M actual vs \$2.0M budget and \$1.8M last year). A SAIF (workers comp) Dividend in the amount of \$136K was recorded during September.
- Year-to-date benefits are \$489K favorable to budget (\$5.6M vs. \$6.1M) and \$527K over last year's spend (\$5.1M).

Physician and Pro-fees

- Over budget \$408K and \$348K unfavorable to last year for the month (\$1.8M actual vs. 1.4M budget and \$1.4M last year). This overage includes a \$200K accrual for Bank negotiations and \$156K cost for Orthopedic Physicians.
- Year-to-date is over budget and over the prior year (\$4.5M actual vs. \$4.2M budget and \$4.3M last year).



Month End Financial Narrative
For month ending September 30, 2023

Supplies

- Current month actual spend was \$705K unfavorable to budget and \$1.2M unfavorable to prior year (\$3.6M actual vs. \$2.9M budget vs. \$2.4M last year). Drug costs were \$250K over budget for the month.
- Year-to-Date spend is over budget \$1.2M and \$1.2M over last year (\$10.4M actual vs \$9.2M budget and \$9.2M last year).
- Drug Spend continues to be the main driver of variances. Year over year we have 3 drugs that are used to treat various types of cancer and one drug that treats Multiple Sclerosis that have doubled in usage. The prices have only increased 2-8% but the doubling of usage has driven supply costs higher than budget. Unfortunately, the largest increase is for a drug that treats Lung cancer and has no alternative form that is less expensive.

Purchased Services

- \$463K unfavorable to budget for the month and \$122K unfavorable to last year (\$1.7M vs. \$1.2M budget vs. \$1.5M last year). Current month activity includes a \$217K accrual for the Mercer Contract and a \$100K increase for St. Charles EPIC Contract support.
- Year-to-date we were \$614K unfavorable to budget and \$263K unfavorable to the prior year (\$4.3M vs. \$3.7M budget vs. \$4.0M last year).

Lease/Rentals

- Below budget and slightly ahead of prior year due to overage in usage of copy machines (\$19K vs. \$25K budget and \$18K last year).
- YTD is similar due to reduction in lease rental costs (\$44K actual vs. \$76K budget and \$83K last year).

Depreciation

- Slightly below budget for the month by \$10K and slightly under last year (\$980K vs \$990K budget and \$996K last year).
- Year-to-date is similar (\$2.9M actual vs. \$3.0M budget and \$3.0M last year).

Other Operating expense

- Over budget by \$334K (\$1.6M Actual vs \$1.2M Budget and \$1.3M Last Year). Most of the expense is due to provider tax.
- Year-to-date we are over budget as well and slightly over last year due to Provider Tax costs (\$4.4M Actual vs. \$3.7M Budget and \$3.8M Last Year).

Bay Area Hospital
Balance Sheet (Including Foundation)
September 2023

	<u>Sep-23</u>	<u>Aug-23</u>	<u>Preliminary Jun-23</u>	<u>Audited Jun-22</u>
Assets And Deferred Outflows Of Resources				
Current Assets				
Cash & Cash Equivalents	13,117,050	18,588,996	12,030,483	17,016,994
Accounts Receivable (Net)	23,361,229	22,025,818	19,921,642	24,465,619
Inventory	5,241,202	5,230,828	5,205,080	6,261,727
Other Current Assets	6,207,076	3,866,985	4,530,204	4,410,739
Total Current Assets	47,926,557	49,712,628	41,687,409	52,155,080
Assets Limited As to Use	48,303,977	49,241,054	53,401,226	87,331,596
Capital Assets				
Depreciable Capital Assets (Net)	83,366,951	84,414,594	86,321,793	91,510,791
Nondepreciable Capital Assets	1,932,831	1,729,003	1,690,791	4,142,630
Total Capital Assets (Net)	85,299,782	86,143,597	88,012,584	95,653,420
Other Non Current Assets	1,084,024	1,099,511	1,096,420	1,135,685
Total Assets	182,614,340	186,196,790	184,197,639	236,275,781
Deferred Outflows Of Resources	13,578,871	13,585,354	13,585,354	17,878,901
Total Assets And Deferred Outflows	196,193,211	199,782,144	197,782,993	254,154,682
Liabilities, Deferred Inflows of Resources, And Net Position				
Current Liabilities				
Accounts Payable	(6,745,154)	(7,781,672)	(7,192,828)	(11,140,688)
Accrued Liabilities				
Payroll, payroll taxes, withholdings	(2,516,587)	(3,926,529)	(3,580,718)	(3,092,600)
Paid Time Off	(4,855,910)	(4,927,544)	(5,389,005)	(5,393,829)
Other	(7,186,378)	(6,925,639)	(5,890,925)	(4,338,632)
3rd Party Settlements Payable (net)	(5,839,481)	(5,758,890)	(5,676,967)	(6,229,262)
Revolving Line of Credit	0	0	0	(8,000,000)
Long-Term Debt in Default Classified as Current	(45,958,277)	(46,085,710)	(46,339,829)	(47,876,185)
Long-Term Obligations - Current Portion	(3,627,514)	(3,535,830)	(3,545,686)	(3,308,573)
Deferred Revenue	(2,038,737)	(1,739,259)	(416,669)	
Medicare accelerated payments				(7,156,518)
Total Current Liabilities	(78,768,037)	(80,681,072)	(78,032,627)	(96,536,287)
Long Term Obligations (Net of Current Portion)	(5,396,617)	(5,472,406)	(5,606,518)	(6,454,886)
Other Noncurrent Liabilities	(3,080,552)	(3,096,481)	(3,093,390)	(4,468,637)
Net Pension Liability	(7,133,416)	(7,133,416)	(7,133,416)	(8,910,885)
Total Liabilities	(94,378,623)	(96,383,375)	(93,865,950)	(116,370,695)
Deferred Inflows Of Resources	(10,124,365)	(10,155,902)	(10,155,902)	(8,923,732)
Total Liabilities & Deferred Cash Inflows	(104,502,988)	(106,539,277)	(104,021,852)	(125,294,427)
Net Position	(93,761,140)	(93,761,140)	(128,860,256)	(189,017,386)
Net Income/Loss	2,070,917	518,273	35,099,115	60,157,130
Total Liabilities, Deferred Inflows, Net Position	(196,193,211)	(199,782,144)	(197,782,993)	(254,154,683)

Bay Area Hospital
 Compliance Certification
 as of September 30, 2023

	Audited			Preliminary	
	FYE <u>Jun-22</u>	TTM <u>Sep-22</u>	TTM <u>Dec-22</u>	TTM <u>Jun-23</u>	TTM <u>Sep-23</u>
A. Income Available for Debt Service					
Excess Revenue over Expenses	\$ (60,157,130)	\$ (74,405,957)	\$ (79,533,450)	\$ (35,099,115)	\$ (21,329,204)
Add:					
Interest Expense	\$ 1,380,794	\$ 1,685,760	\$ 2,035,451	\$ 2,535,806	\$ 2,715,478
Depreciation	\$ 11,975,113	\$ 14,262,304	\$ 13,655,480	\$ 12,062,287	\$ 12,021,636
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) or Loss on extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) or Loss on disposition of assets	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) or Loss on discontinued operations	\$ -	\$ -	\$ -	\$ -	\$ -
Adj. to value of assets or liabilities (accounting adjustments)	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized (Gains) or Loss on marketable securities	\$ 6,980,288	\$ 8,195,904	\$ 6,472,228	\$ 215,664	\$ (207,689)
(Gains) or Losses - M2M derivatives	\$ -	\$ -	\$ -	\$ -	\$ -
Non-recurring - EPIC/Workday Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
(A.1) Income Available for Debt Service	\$ (39,820,935)	\$ (50,261,989)	\$ (57,370,291)	\$ (20,285,358)	\$ (6,799,779)
(A.2) Debt Service Requirements (MADS) [BOW Amort Schedule]	\$ 2,643,610	\$ 2,643,610	\$ 2,643,610	\$ 2,643,610	\$ 2,643,610
(A.3) Ratio of Line A.1 to Line A.2	-15.06x	-19.01x	-21.70x	-7.67x	-2.57x
(A.4) Line A.3 must not be less than	1.15x	1.15x	1.15x	1.15x	1.15x
(A.5) Borrower is in Compliance (Yes/No)	No	No	No	No	No
B.1 Days Cash on Hand (break out per definition)					
Cash & Equivalents	\$ 17,016,994	\$ 12,311,096	\$ 14,336,899	\$ 12,030,483	\$ 13,117,050
Add: Marketable Securities/Board designated Funds	\$ 87,331,596	\$ 69,453,715	\$ 52,553,195	\$ 53,401,226	\$ 48,303,977
Less: Trustee Held funds	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Outstanding Principal on short term debt	\$ (8,000,000)	\$ (8,000,000)	\$ -	\$ -	\$ -
Less: Proceeds from A/R factoring	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Collateral Posting for Interest Rate Agreements	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Outstanding Principal on Put Indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -
Cash & Equivalents	\$ 96,348,590	\$ 73,764,811	\$ 66,890,094	\$ 65,431,709	\$ 61,421,027
B.2 Cash Operating Expenses					
Total Operating Expenses	\$ 242,583,589	\$ 279,579,437	\$ 244,544,729	\$ 240,424,619	\$ 243,196,104
Add: Interest Expenses	\$ 1,380,794	\$ 1,685,760	\$ 2,035,451	\$ 2,535,806	\$ 2,715,478
Less: Depreciation & Amortization	\$ 11,975,113	\$ 14,262,304	\$ 13,655,480	\$ 12,062,287	\$ 12,021,636
Less: Non-cash expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Losses on refinancing debt	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Provision for uncollectable accounts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Operating Expenses	\$ 231,989,270	\$ 267,002,894	\$ 232,924,699	\$ 230,898,139	\$ 233,889,947
B.3 Line B2 divided by 365	\$ 635,587	\$ 731,515	\$ 638,150	\$ 632,598	\$ 640,794
B.4 Ratio of Line B.1 to Line B3	152	101	105	103	96
B.5 Line B.4 must not be less than	75	75	75	75	75
B.6 Borrower is in Compliance (Yes/No)	Yes	Yes	Yes	Yes	Yes
C.1 Unrestricted Liquid Funds					
Cash & Equivalents			\$ 14,336,899	\$ 12,226,105	\$ 13,117,050
Add: Marketable Securities/Board designated Funds			\$ 52,553,195	\$ 53,712,636	\$ 48,303,977
Unrestricted Liquid Funds			\$ 66,890,094	\$ 65,938,741	\$ 61,421,027
C.2 Line C.1 must not be less than			\$ 52,000,000	\$ 52,000,000	\$ 52,000,000
C.3 Borrower is in Compliance (Yes/No)			Yes	Yes	Yes
Note: Realized (Gains) or Loss on marketable securities	\$ 78,083	\$ 1,575,942	\$ 1,785,605	\$ 701,746	\$ (677,195)

Signature of Bay Area Hospital:

Name: Mary Lou Tate

Title: CFO