

**BAY AREA HOSPITAL
FINANCE COMMITTEE MEETING MINUTES
May 27, 2025 Myrtle Conference Room / Microsoft Teams**

CALL TO ORDER

Acting Finance Committee Chairperson, Tom McAndrew, MD called the meeting to order at 5:15 pm; there was a quorum in attendance.

FINANCE COMMITTEE MEMBER ATTENDANCE

Acting Finance Chairperson Tom McAndrew, MD; Eric Farm; Jim Hough, Barbara Taylor and Taylor Cribbins.

ABSENT (*excused*)

Fred Messerle

BAHD BOARD OF DIRECTORS ATTENDANCE

Patrice Parrott, Troy Cribbins, Arlene Roblan, Renee Nelson

STAFF ATTENDANCE

Mitch Watson, CFO Interim; Brian Moore, CEO; Kelli Dion, CQO; Jenn Collins, CNO; Gretchen Nichols, COO; Karen Miller, Controller, Mark Hadley, Analyst and Denise Bowers, Executive Assistant.

LEGAL COUNSEL

Megan Kronsteiner, Esq. was in attendance via Teams

PUBLIC ATTENDANCE

Public was in attendance via Teams and in person.

APPROVAL OF FINANCE COMMITTEE MINUTES – Mr. Tom McAndrew, MD, Chairperson

Mr. Jim Hough moved to approve the Finance Committee minutes for March 19, 2025, as presented in the packet, Ms. Taylor Cribbins seconded. The motion carried on call of vote.

NEW BUSINESS

CEO Updates - Mr. Brian Moore

Mr. Moore yielded his agenda time to Mitch Watson for the presentation of the annual budget review.

CFO Updates – Mr. Mitch Watson

Mr. Watson advised the committee that the Advanced Health contract is being reviewed and considered as a potential source of additional funds as they are currently paying below Medicaid rates. Discussions regarding their review findings will be scheduled with Advanced Health leadership

2024 – 2025 Budget Hearing Presentation

Mr. Watson reviewed the Capital Budget Presentation FY 2026 and Operating Budget Presentation FY 2026 as presented in the packet. Highlights of that presentation are below:

Budget Review and Presentation

Discussion on the budget review focused on various updates including advanced health payer opportunities, daily productivity reports, and training for leaders. Mr. Watson provided updates on budget review,

highlighting significant opportunities with Advanced Health payer and the rollout of daily productivity reports at a new series of Lunch and Learn for staff designed to increase and manage productivity more efficiently.

The budget presentation included historical context, volume assumptions, patient days, emergency room visits, surgeries, outpatient registrations, gross revenues, and pricing increases. Those key metrics and information are listed below.

Key Metrics and Dollars:

- Advanced Health Payer Opportunity: Estimated to be around \$4-6 million; these funds should begin in December 2025.
- Historical Financial Performance: Losses of \$60 million in fiscal year 22, \$33 million in fiscal year 23, \$6.7 million in fiscal year 24, and a projected \$20 million loss for the current year.
- Volume Assumptions: Patient days predicted to increase to 30,000, emergency room visits to 30,000, surgeries to remain flat, outpatient registrations to remain flat.
- Gross Revenues: Forecasted to be \$812 million, a 9.1% increase over projected revenues of \$744 million in fiscal year 25.
- Pricing Increase: Budgeting a 6% price increase.
- Net Revenue: Projected to be a 5.9% increase from fiscal year 25 run rate.
- Personnel Expenses: Expected to be 59.8% of net revenues for fiscal year 25.
- Supplies: Expected to rise 7.4%, split between volume-related increases and inflationary increases.
- Other Operating Expenses: Expected to increase 2.5%.
- Interest Expense: Budgeted to be \$3 million for fiscal year 26.
- Total Debt: \$48.7 million.
- Cash and Investments: Total cash has decreased \$11.6 million from prior year.
- Accounts Receivable: Days in accounts receivable continue to trend positively.

Main Financial Challenges:

- Historical Financial Losses: The hospital has experienced significant financial losses over the past few years, with \$60 million in fiscal year 22, \$33 million in fiscal year 23, \$6.7 million in fiscal year 24, and a projected \$20 million loss for the current year.
- High Personnel Expenses: Personnel expenses are expected to be 59.8% of net revenues for fiscal year 25, which is a significant portion of the hospital's costs.
- Increasing Supply Costs: Supplies are expected to rise by 7.4%, driven by both volume-related increases and inflationary pressures.
- Debt and Cash Flow Issues: The hospital has a total debt of \$48.7 million, and total cash has decreased by \$11.6 million from the prior year.
- Payer Mix and Medicaid Funding: The hospital faces challenges related to Medicaid funding and payer mix, which impact its financial stability.

Questions were asked and answered. There was no additional discussion.

ACTION TAKEN BY THE FINANCE COMMITTEE: Mr. Jim Hough moved to approve the Capital Budget and Operating Budget FY 2025 to present to Board as presented. Ms. Taylor Cribbins seconded. The motion carried with all committee members present voting yes.

FINANCIAL PRESENTATION – APRIL FINANCIALS – Mr. Mitch Watson, CFO

Mr. Watson updated the committee on April End of Month Financial results, Key Performance Indicators (KPI) and a Capital Update as presented in the packet.

Summary: Mr. Watson reported that April was a better month than March with 602 in-patients; ED visits trending upward; Left Without Being Seen (LWBS) is trending downward, and the operating room is down 5.5% to budget. Cardiac Cath Lab is favorable to budget with visits increasing to 338; operating income is in line with budget; supply expenses are \$349k favorable to budget this month, we did a great job here at a decrease of 8/8%; net operating income is **<\$1.4M>** to a budget of \$519k. Gross Healthcare Revenue is decreased to budget due to adjustments made in gross revenue pricing. May should see increased performance. Payor mix is 13.89 YTD. Salaries/Contract Labor is 1% unfavorable to budget and in Productivity, hours per adjusted patient day reveals opportunity for improvement. Physician/Purchased Services are \$215k favorable to budget and Other Operating Expenses are trending downward at **<\$314k>**. The red line on Days Cash On Hand (DCOH) is at 70 DCOH and we are below the line currently at 66 DCOH. Days in Accounts Payable is trending to the positive.

Mr. Watson shared that he is working with Patient Access to collect more money upfront. Collecting 35% of total patient payments upfront is industry standard.

KEY DECISIONS:

1. The committee decided to continue lobbying efforts to address challenges related to Medicaid funding and payer mix.
2. Capital Expenses for FY2026 were reviewed, including deferred CapEx requests and that and several capital expenditure requests were deferred due to cash situation.

OTHER BUSINESS:

- Discussion on lobbying efforts and challenges related to Medicaid funding and payer mix.
- The committee acknowledged the need for systemic changes in healthcare funding.

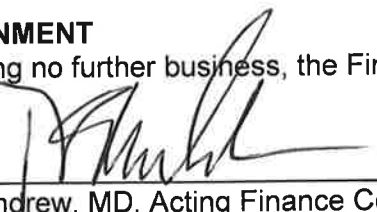
Questions were asked and answered.

GOOD OF THE ORDER

Next meeting will be June 24, 2025, at 5:15 p.m.

ADJOURNMENT

There being no further business, the Finance Committee was adjourned at 6:15 p.m.



Tom McAndrew, MD, Acting Finance Committee Chair

Date: May 27, 2025