

BAY AREA HOSPITAL FINANCE COMMITTEE MEETING MINUTES

July 22, 2025, Myrtle Conference Room / Microsoft Teams

CALL TO ORDER

Finance Chair Kyle Stevens called the meeting to order at 5:15 p.m. and requested that the administrative assistant take roll call. The administrative assistant did so and established there was a quorum in attendance at this time.

FINANCE COMMITTEE MEMBER ATTENDANCE

Finance Committee Chair, Kyle Stevens, Barbara Taylor, Brandon Saada

ABSENT (*excused*)

None

BAHD BOARD OF DIRECTORS ATTENDANCE

Renee Nelson, Patrice Parrot, Simon Alonzo, Brandon Saada

STAFF ATTENDANCE

Mark Hadley, Senior Finance Analyst; Karen Miller, CFO; Jenn Collins, CNO; Carla Ballou, Dir. Revenue Cycle; Gretchen Nichols, COO; Jeanie Ortiz, Accountant IV; Denise Bowers, Executive Assistant; and Claudia Wells, Clinical Analyst and Support Specialist

LEGAL COUNSEL

Megan Kronsteiner, Esq.

PUBLIC ATTENDANCE

The public was in attendance.

APPROVAL OF FINANCE COMMITTEE MINUTES – Mr. Kyle Stevens, Chairperson

Barb Taylor initiated the meeting by addressing the approval of the Finance Committee minutes, noting corrections regarding attendee names, and Brandon Saada made a motion to second. The minutes were approved with these corrections.

Corrections: Barb Taylor noted two corrections to the Finance Committee minutes: Barb Taylor was present but not listed among the attendees INSERT “IN THE MINUTES OF AND DATE, and Troy Cribbins was incorrectly listed as seconding a motion instead of Taylor Cribbins.

Approval: With the corrections noted, Barb Taylor moved to approve the minutes as corrected, and the motion was seconded and carried unanimously.

Old Business

There wasn't any old business to address.

New Business

There wasn't any old business to address.

CFO Update

Overall - It was noted as a reminder; this was the year-end, and what was being presented were preliminary results. The final results will be towards October when the audit is complete.

Preliminary Year-End Financial Results:

Karen Miller, the CFO, presented the preliminary year-end financial results, highlighting lower patient volumes, a decrease in emergency room visits, and a decline in general surgery. She noted that the final results would be available in October after the audit. Karen highlighted that patient volumes were down this month compared to the budget and last year, primarily due to lower overall patient volumes. There was an increase in emergency room visits, but a slight decrease in patients left without being seen. General surgery saw a decline, particularly in ENT and OB/GYN, partially offset by an increase in urology cases.

Operating Income and Loss:

Karen discussed the operating income, noting a net operating loss of 2.5 million year-to-date and a gross healthcare revenue decline. She also mentioned a shift in gross patient revenue from inpatient to outpatient. Karen reported a net operating loss of 2.5 million year-to-date, with a total net operating loss of 24.9 million. Gross healthcare revenue was down 17.3% for inpatient and 3.5% for outpatient compared to the budget, but outpatient revenue increased by 19.1% over the prior year. There was a shift in gross patient revenue in FY25 from the budgeted 42% inpatient to 40% inpatient and 60% outpatient. Karen highlighted the decline in commercial volumes and other payer volumes, resulting in a decrease in gross margin. She also noted an increase in Medicare basic payers. Commercial volumes declined 1% compared to the three-month run rate and 0.3% year-over-year, resulting in a gross charge shortfall of 1 million. Medicaid, Medicare Advantage, and other payer volumes declined compared to the prior three-month run rate, resulting in a 2.4 million decrease in gross margin. This decline was slightly offset by an increase in Medicare basic payers, which increased revenue by 313,000.

- Karen discussed the salary and contract labor, noting favorable month-to-date salaries and an upward trend in salary, wage, benefit, and contract labor.
- Month-to-date salaries were favorable by 1.9% to budget and 2.7% to the prior year.
- Contract labor was unfavorable to the budget by 33.4% but favorable to the prior year by 3.5%.
- The rolling 12-month salary, wage, benefit, and contract labor reflect an upward trend, including leisure adjustments and annual increases.
- Karen mentioned that supplies were down compared to the budget but up from the prior year. She also noted that other operating expenses were consistent with the budget and in line with last year's expenses.
- Month-to-date supplies were down 17.5% to budget but up 2.3% to the prior year. As a percentage of gross revenue, supplies were up even with the budget.
- Other operating expenses for the month were consistent with the budget and in line with last year's expenses.
- Karen provided an update on cash investments and total debt, noting a decrease in cash and cash equivalents and an increase in total debt.
- Total cash and cash equivalents plus four designated funds decreased by 16.9 million from the prior year and by 3 million from the three-month run rate.
- Total debt owed is 48 million, with a current ratio of 2.62 and debt-to-capitalization at 40.36%, up 5.16% from the prior year.
- Gretchen and Karen discussed changes to the presumptive charity process, aiming to reduce the number of people qualifying for charity care who should not. They expect significant savings from this change. The current system qualifies people for charity care who should not be eligible, leading to unnecessary write-offs. A new hire will conduct more in-depth reviews of each candidate to ensure they truly qualify for

charity care, aiming to reduce unnecessary write-offs. Significant savings are expected from this change, although no specific estimate is available yet.

Bank Relationship and Audit: Gretchen and Karen discussed their recent meeting with the bank and the importance of obtaining a waiver to avoid a qualified audit opinion. They emphasized the need for ongoing communication with the bank. Karen, Gretchen, and Simon met with Ron Freed from the bank to discuss the financial situation and the board's commitment to improving operations. Ongoing weekly calls with the bank will be established to maintain communication and address any issues promptly.

Audit Waiver: Obtaining a waiver from the bank is crucial to avoid a qualified audit opinion, which could impact supplier and vendor relationships.

Introduction of Interim CEO and CFO: Kelly Morgan was introduced as the interim CEO, and Doug Dickson was identified as the interim CFO. Both have extensive experience in turnaround situations and will start on August 4th.

Volume Trends and Recruitment Challenges:

Jenn and Gretchen provided updates on volume trends, noting an increase in inpatient volumes and challenges in the cancer program due to recruitment issues.

- Inpatient volumes have increased in July, recovering from the lower volumes seen in May and June.
- Emergency department volumes have remained consistently high, with a slight decrease in the percentage of patients being admitted.
- Imaging had a record year, closing out with the most studies ever performed.
- The outpatient medical oncology and cancer program has seen a dip in volumes due to recruitment and provider issues.

GOOD OF THE ORDER

The next meeting will be August 26, 2025, at 5:15 p.m.

ADJOURNMENT

There being no further business, the Finance Committee was adjourned at 5:46 p.m.

A handwritten signature in black ink, appearing to read 'Kyle Stevens', written over a horizontal line.

Kyle Stevens
Finance Committee Chairperson

Date: July 22, 2025