FINANCE COMMITTEE MEETING MINUTES
September 23, 2025, Myrtle Conference Room / Microsoft Teams

CALL TO ORDER
Finance Chair Kyle Stevens called the meeting to order at 5:15 p.m. There was a quorum in attendance.

FINANCE COMMITTEE MEMBER ATTENDANCE
Chairperson Kyle Stevens, John Briggs, Tom McAndrew, Judy Moody, Brandon Saada *(via Teams);* Barbara Taylor

ABSENT *(excused)*
None

BAHD BOARD OF DIRECTORS ATTENDANCE
Patrice Parrot, Simon Alonzo *(via Teams)*

STAFF ATTENDANCE
Doug Dickson, interim CFO; Kelli Dion, CQO; Tom Fredette, HR Director; Karen Miller, Controller; Kelly Morgan, Interim CEO; Gretchen Nichols, COO; Mel Stibal, Interim CNO; Mark Hadley, Denise Bowers, Executive Assistant

LEGAL COUNSEL
Excused

PUBLIC ATTENDANCE
The public was in Attendance, with 4 in-person and 10 virtual attendees.

APPROVAL OF FINANCE COMMITTEE MINUTES – Mr. Kyle Stevens, Chairperson
The Finance Committee reviewed and approved the minutes from the previous meeting, including changes suggested by Barb Taylor and Judy Moody, and incorporated them into the minutes to be executed once approved.
ACTION TAKEN BY THE FINANCE COMMITTEE:
Barb Taylor moved to approve minutes as presented, and **Tom McAndrew seconded**. There was no additional discussion, and the motion carried on a call of vote.

NEW BUSINESS
Morgan Stanley Investment Presentation
Ryan Morrissey of Morgan Stanley Graystone Consulting presented an overview of the hospital's investment portfolio:

- As of August 2025, the portfolio stands at $32.6 million.
- Significant withdrawals have occurred over the past year, reducing the portfolio from $47.9 million.
- The investment strategy has shifted to shorter-duration assets to match cash flow needs.
- The portfolio is diversified, with a majority in T-bills and U.S. government assets.
- Estimated annual income is approximately $1.2 million, with a yield of 3.32%.
- The committee discussed the impact of shorter duration on returns and the possibility of increasing duration if cash flow stabilizes.

Q: What is the current value and composition of the hospital's investment portfolio?
A: As of August 2025, the portfolio is $32.6 million, mostly in T-bills and U.S. government assets. The yield is 3.32%, with estimated annual income of $1.2 million.

Q: Are we losing 1–1.5% in investment returns due to shorter duration?
A: It would be closer to 1.5% if the portfolio had a much longer duration. With current short-term T-bills, returns are hovering around 4%.

Q: Should we increase the duration of our investments if we move away from liquidation and affiliation?
A: Yes, if the hospital does not need money in the next year and can afford a longer-term portfolio, the investment lineup should be changed to increase duration.

CHIEF EXECUTIVE OFFICER UPDATES - Kelly Morgan, Interim CEO

Financial Turnaround and Sustainability Plan Presentation

The committee heard the presentation Kelly displayed and reviewed the sustainability plan, as highlighted below:

- Reduction in force (RIF) and hiring freeze, targeting $10 million in annualized savings;
- Physician/professional fee savings ($3.5 million);
- Supply expense reductions ($1 million);
- Purchased service savings ($3.4 million);
- Revenue cycle improvements projected to generate $6 million in additional revenue;
- Total achievable savings for the fiscal year estimated at $12.6 million after adjustments;
- The hospital's cash position is concerning, with only 56 days of cash on hand and a $2 million burn rate for the fiscal year.
- A $35 million balloon payment on the Bank of Montreal loan is due in five years.
- Immediate capital needs total $60 million, with several items at end-of-life.
- Contract renegotiations with major payers are underway, with meetings scheduled to improve reimbursement rates.

During his presentation, Kelly also updated the finance committee on other items as follows:

Advocacy and State Support

Management is actively seeking state support, including:

- A one-time $10 million cash infusion.
- Refinancing of the Bank of Montreal loan.
- Legislation for lottery bonds to extinguish debt.
- Permanent Medicaid reimbursement increases for sole community DRG hospitals.

Market Share and Recruitment

- The committee reviewed market share data by payer class and specialty.
- Recruitment needs were discussed, with a recommendation to partner with local clinics for physician recruitment rather than forming a new corporation.

Financial Contingency Planning (Plan B)

If financial performance does not improve and state support is not secured, the board and management may need to consider downsizing to a Type B hospital (50 licensed beds), with potential service line reductions considered in all areas.

CHIEF FINANCIAL OFFICER UPDATES – Doug Dickson, Interim CFO

Monthly Financial Report Highlights

- August patient discharges were 8% below budget; outpatient visits were down 4%.

- Outpatient revenue was up 1% over budget due to the service mix.
- Net operating loss for August was $1.3 million, an improvement from July but below budget expectations.
- Salaries were over budget due to contingency and severance payments; contract labor was below budget.
- Supply expenses were down, primarily due to fewer oncology visits.
- Cash receipts for August were $17.7 million, below expectations.
- Days cash on hand finished at 56.

The committee discussed ongoing challenges with the revenue cycle and the need for improved processes and accountability with third-party billing vendors.

Barbara Taylor inquired about the $3 million disproportionate share liability on the books, which has been unresolved since the departure of the prior CFO. The committee directed management to follow up regularly to resolve this issue and report back to the committee.

Finance Narrative Summary – Comprehensive financials were included in the packet.
August 2025 performance highlighted both favorable and unfavorable trends. Patient revenue came in below budget due to lower-than-budgeted volumes; however, rate improvements partially offset the decline. Operating expenses tracked closely to budget, with cost containment initiatives helping to mitigate volume-driven revenue pressures. Overall, BAH realized an unfavorable variance in margin of -5.9% compared to the budget of 0.2%, resulting in an overall Net Income loss of $1.3M. Compared to the 3-Month Run Rate (3MRR), Net Revenue and Net Income have improved $1.7M. Cash and Cash Equivalents were $7M at the end of August, and assets limited to use were $32.6M, for an overall cash balance of $ 39.6 M. Overall, cash and investments decreased $3.8M from the prior month. Accounts receivable (net) increased $1.5M from the preceding month to close at $27M for August. Current liabilities decreased $5.4M compared to the prior month and $3.7M compared to the three-month run rate. The Current Ratio is 2.52, and the debt-to-capitalization ratio is 44.3%. Questions were asked and answered.

AUDIT UPDATE
COMMITTEE AND BOARD MEMBER QUESTIONS AND COMMENTS
There was a discussion regarding the hospital auxiliary's tax filings. It was noted that the last taxes filed were for the 2022-2023 period, and failure to file could result in the loss of tax-exempt status. The committee agreed to follow up with Karen Miller, Controller, for clarification.

The committee discussed the hospital's foundation status and fundraising activities, noting the inactivity since the COVID-19 pandemic and the need to reestablish fundraising efforts.

Members were informed that auditors would be interviewing select committee members as part of standard governance review.

The committee discussed the implications of a "going concern" opinion, including its impact on credit ratings and contingency planning.

It was confirmed that the organization is currently in default on its loan, although it is not behind on payments. Past audit interview practices were shared for context.
Q: Have the auditors interviewed anyone else this week?
A: Yes. The names provided to the auditors for interviews were Simon, Patrice, Tom.

Q: Are we still at risk of a "going concern" opinion from the auditors?
Yes. The organization is already in default on the loan, and the going concern opinion is likely due to the financial condition.

Q: What are the consequences of a "going concern" opinion?
A: It negatively affects the credit rating and makes it difficult to extend credit. There is no contingency plan in place for this situation.

Q: What guidance is there for committee members being interviewed by auditors? Are there pitfalls to be aware of?
A: Auditors want to know if members are aware of any risk issues or concerns about how things were handled. It is standard practice for auditors to speak to members of the governing board to get a complete picture.

Q: Did Barbara speak to the auditors in past years?
A: Yes, usually around the end of June. The interviews were mostly boilerplate questions about fraud and general audit planning.

Q: Has there been any activity in the hospital foundation since COVID?
A: No, fundraising activities have been inactive since COVID-19. There is interest in reestablishing fundraising efforts.

Q: What is the impact of physician departures on patient volumes?
A: Physician departures, especially in orthopedics, have led to decreased patient volumes. Neighboring hospitals have employed local orthopedic surgeons, diverting patients.

Q: Is the state aware of the hospital's financial emergency?
A: Yes, the state is extremely aware of the situation, with regular meetings held with the governor's office and OHA.

Tom McAndrew commented that he appreciated having a Plan B, as we previously put "all our eggs in one basket" with the affiliation.

Patrice Parrott stated that she feels "we are going in the right direction".

GOOD OF THE ORDER
The next meeting will be on October 28, 2025, at 5:15 p.m.

ADJOURNMENT
There being no further business, the Finance Committee was adjourned at 6:25 p.m.

Kyle Stevens, Chairperson
Date: October , 2025