

**Southern Coos Health District
Annual Budget Committee Meeting
June 2, 2022 - 4:30 p.m.
Minutes**

This meeting was also open to the public via the Southern Coos Hospital website and Facebook social media page.

Budget Committee Members: Tom Bedell, District Board Budget & Finance Committee Liaison; Anne McCaleb, Harv Schubothe; Mary Wilson (via video conference); Mary Schamehorn, District Board Secretary; Norbert Johnson, District Board Treasurer; Pam Hansen, District Board Member. **Hospital Administration:** Raymond T. Hino, CEO; Jeremiah Dodrill, CFO; Katelin Wirth, Financial Analyst; Kim Russell, Executive Assistant. **Absent:** Brent Bischoff, District Board Chairman.

I. Call to Order

Tom Bedell, Board Liaison to the Budget Committee, called the meeting to order at 4:32 p.m.

a. Approval of Minutes – April 28 quarterly Finance Committee minutes.

Harv Schubothe moved to approve the minutes from the April 28, 2022 quarterly Finance Committee meeting. Finance Committee meetings are informational only; no decisions are made in Finance Committee quarterly meetings. Anne McCaleb seconded the motion. All in favor. Motion passed.

II. FY23 Budget Message

Jeremiah Dodrill, CFO and Budget Officer, provided opening statements and the Budget Message. The approach to this budget is to build a baseline that consists of a rational representation of our current state cost structure and volume levels. Due to inflationary considerations, the current state cost structure projected into the subsequent fiscal period puts pressure on the hospital's operating results. If we do nothing, the financial results will continue to not be sufficient to avoid drawing down cash reserves to fund operations. In response to this, management has identified several financial improvement initiatives that align with the new Strategic Plan adopted by the District Board at its May 26 regular meeting.

III. 2022-2023 Proposed Budget

Mr. Dodrill reviewed the FY23 budget timeline that began with capital budget work in March and initial budget meetings between Finance and Department Managers in April. A preliminary budget was ready for review and Budget Committee presentation prepared in May. Public notice for this annual meeting was published on May 20 in The World Newspaper and on the Southern Coos Hospital & Health Center website in accordance with Oregon Budget Law.

The budget allocates resources across the organization and provides a target setting device for Administration and the various departments in the hospital. Discussion included description of insurance payor contract adjustments with an assumption of 5%. Payor

mix is currently approximately 12-13% of patients with commercial insurance compared to around 80% with Medicare/Medicaid. Patient volumes using the current basis are recognized in the Medicare cost report as inpatient so it is difficult to quantify by individual department.

Salaries were budgeted at current rates with cost of living increases. The Strategic Plan includes bringing staff to competitive wages with every increase to go through an evaluation process.

FY23 Financial Improvement Initiatives of clinic provider productivity and projected increases in volume in outpatient services of Radiology at 10%, Lab at 10% and an increase in Surgery volumes by 50%, are included. The Strategic Plan goal is to become the hospital of choice in the Health District service area with strategies reviewed for how to achieve these volume increases. Service line analysis will help identify needs where we can provide additional services.

The Operating Budget includes deductions from revenue of PPE and Covid Relief Funds. The FY22 annualized operating loss is \$938,628. FY23 Budget includes patient revenue projected increase of 12.9%. Labor is increased by 15% with corresponding Operating Loss to reduce to (\$398,717).

Clinic provider productivity improvements are estimated to add \$1.5M in billed charges which will bring in \$600K in net patient revenue, with Mr. Dodrill noting the current payor mix equals actual payment of .41 cents on the dollar. **Discussion:** At this time the budget does not include the change in clinic status to Rural Health Clinic, but that feasibility study is underway with anticipated improvements to reimbursements in the clinic. A Medicare patient volume increase does not increase net revenue. Savings in provider contracts will impact the bottom line. Nursing labor is a part of the cost report making it difficult to model savings there. New EMR costs are not included but will be reimbursable in the cost report with external funding sources included in due diligence. Current EMR costs are built into the budget.

The net result of these improvement initiatives will lower operating loss to (\$398,717) and provide a positive bottom line of \$759,267. The ultimate goal is to raise commercial pay patient mix from 12% to 15-18% to become profitable. Mr. Hino added that Critical Access Hospitals can be profitable with increases in elective surgeries and commercial pay services. Cash on Hand includes cash reserves and cash flow analysis; currently SCHD cost is approximately \$78,000 per day to operate. The FY23 budget begins at 197.4 days of cash on hand (COH) and ends at 160.8 days COH. Mr. Dodrill noted that previous year budgets have fallen back on meaningful use funds and property sales which are no longer an option. With this projected budget the net cash position decreases by 36.6 days primarily due to repayment of Medicare advanced payments.

The Capital Budget includes \$236K prior year authorizations and \$684K in new authorizations for total of \$920K in FY23. Equipment will help provide improved services and increase revenue, efficiencies that can be tracked. Standard of care is important to the community and the strategic goal of becoming hospital of choice.

IV. Budget Authorization – Form LB-1 FY-23 Budget

Form LB-1 outlining the total budget was reviewed. The Budget Officer requested a motion to approve to forward as presented for ratification by the Board of Directors at the Budget Hearing and regular meeting on June 23, as presented.

Harv Schuboth **moved** to recommend the budget for approval by the board of directors at the June 23 Regular Meeting and Budget Hearing. Anne McCaleb **seconded** the motion. **All in favor. Motion passed.**

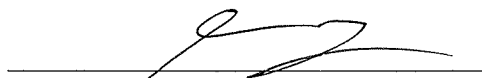
Discussion

Committee members expressed appreciation that the budget is tied to the Strategic Plan. Mr. Dodrill added that a future goal may be to move to a rolling forecast model that would include updates of monthly or quarterly conditions. Mr. Hino shared with the committee how the Strategic Plan has been rolled out to board of directors and staff.

Adjournment

At 5:54 p.m. the meeting was adjourned.

Minutes Approved


Jeremiah Dodrill, CFO
Budget Officer


Tom Bedell, SCHD Board Member
Budget Committee Liaison