

MINUTES

1700 NW 49th Street, Suite #150, Ft. Lauderdale, 33309

RE: FINANCE COMMITTEE MEETING

DATE: JULY 26, 2018 TIME: 9:00 A.M.

CALL TO ORDER 9:05 a.m.

MEETING ADJOURNED 10:34 a.m.

ROLL CALL Commissioner Berry, Commissioner Ure, Commissioner Wellins, Commissioner Gregoire

PRESENT Beverly Capasso/CEO, Gino Santorio/COO, Alan Goldsmith/CFO, Lynn Barrett/General Counsel, Nick Hartfield/CCO, Nigel Crooks/CIA

NOT PRESENT Commissioner Klein was not present at roll call however he arrived at 9:07 a.m.

PUBLIC COMMENTS None

APPROVAL OF MINUTES

1. Approval of Finance Committee Meeting Minutes from May 30, 2018

MOTION: Motion was made by Commissioner Gregoire to approve the meeting Minutes for May 30, 2018, seconded by Commissioner Wellins. **Motion carried unanimously.**

TOPIC OF DISCUSSION

2. May Financial Overview Alan Goldsmith, EVP/Chief Financial Officer

Mr. Goldsmith reported the May 2018 financials as the following:

Operating Statement Overview Report for May 2018: (Report attached, page 2).

- For the month of May, there was a net loss from operations of \$11.3 on a budget loss of \$12.5 equaling to \$1.2 million dollars favorable. This also equates to \$4.6 million favorable of the prior year.
- On a year-to-date basis there was a net loss of operations of \$126 on a budget of \$129. That is year-to-date favorable by \$2.6. This also equates to \$3.9 million favorable than prior year.

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	Current Month					Year - to - Date				
	Actual	Budget	Var	Prior Year	Var	Actual	Budget	Var	Prior Year	Var
1. Net Operating Revenue	\$91.6	\$91.7	(\$0.1)	\$98.9	(\$7.3)	\$990.1	\$1,004.6	(\$14.5)	\$983.5	\$6.6
2. Salaries	44.6	45.9	(1.3)	46.2	(1.6)	496.2	498.0	(1.8)	491.1	5.1
3. Benefits	11.3	12.6	(1.3)	10.9	0.4	131.8	135.6	(3.8)	130.1	1.7
4. Fees - Physician	5.0	5.0	0.0	6.2	(1.2)	56.5	57.5	(1.0)	60.2	(3.7)
5. Fees - Other	11.0	9.4	1.6	9.9	1.1	95.3	103.1	(7.8)	98.1	(2.8)
6. Supplies	20.6	20.1	0.5	21.7	(1.1)	216.9	218.9	(2.0)	219.1	(2.2)
7. Insurance	0.8	0.9	(0.1)	0.6	0.2	9.2	9.6	(0.4)	9.1	0.1
8. Repairs & Maintenance	1.6	1.7	(0.1)	1.4	0.2	19.1	18.1	1.0	16.6	2.5
9. Lease & Rentals	0.9	0.9	0.0	1.0	(0.1)	9.3	9.4	(0.1)	9.0	0.3
10. Utilities	1.4	1.5	(0.1)	1.6	(0.2)	17.1	16.4	0.7	16.8	0.3
11. PMATF Assessment	1.0	1.0	0.0	1.0	0.0	11.2	11.2	0.0	11.0	0.2
12. Other	0.4	0.6	(0.2)	0.4	0.0	5.4	5.3	0.1	4.2	1.2
13. Depreciation	4.3	4.7	(0.4)	4.8	(0.5)	48.9	50.7	(1.8)	48.6	0.3
14. Total Expenses	\$102.9	\$104.2	(\$1.3)	\$105.6	(\$2.8)	\$1,116.7	\$1,133.8	(\$17.1)	\$1,114.0	\$3.0
15. Net Loss from Operations	(\$11.3)	(\$12.5)	\$1.2	(\$6.7)	(\$4.6)	(\$126.6)	(\$129.2)	\$2.6	(\$130.5)	\$3.9
16. Tax Revenue (Net)	11.2	11.4	(0.2)	11.2	0.0	126.8	126.7	0.1	124.8	2.0
17. Investment Income (Net)	6.9	1.2	5.7	7.1	(0.2)	55.0	13.1	41.9	51.6	3.4
18. Interest Expense	2.1	1.0	1.1	1.2	0.9	16.1	10.0	6.1	12.3	3.8
19. Donations (Net) & County Funding	0.0	0.5	(0.5)	0.2	(0.2)	(3.6)	1.8	(5.4)	(1.1)	(2.5)
20. Net Non-operating Revenue & Expenses	\$16.0	\$12.1	\$3.9	\$17.3	(\$1.3)	\$162.1	\$131.6	\$30.5	\$163.0	(\$0.9)
21. Excess	\$4.7	(\$0.4)	\$5.1	\$10.6	(\$5.9)	\$35.5	\$2.4	\$33.1	\$32.5	\$3.0

Discussion ensued regarding a \$5.4 million dollar check received from Community Care Plan (CCP) related to a settlement with (AHCA) American Health Care Association. Commissioner Berry had concerns that the \$5.4 being categorized above the line would skew financials for the year. Commissioner Berry requested a place holder be put on the subject.

Discussion ensued regarding Over Time and Agency as a percent of productive hours, reflected on the Key Operating Indicators chart. Report attached, page 3.

	Current Month					Year - to - Date				
	Actual	Budget	Var	Prior Year	Var	Actual	Budget	Var	Prior Year	Var
1. Hours per APD	28.5	28.0	1.8 %	27.9	2.2 %	28.1	27.9	0.7 %	27.8	1.1 %
2. FTE's	7,641.3	7,998.1	(4.5)%	7,958.4	(4.0)%	7,814.7	8,012.7	(2.5)%	7,880.7	(0.8)%
3. OT/Agency % of Prod Hours	2.9%	2.4%	22.1 %	5.2%	(43.4)%	4.4%	3.4%	29.1 %	5.2%	(14.6)%
4. SWB % of NOR	61.1%	63.7%	(4.1)%	57.7%	5.9 %	63.4%	63.1%	0.5 %	63.2%	0.3 %
5. Supplies per APD	434	397	9.3 %	431	0.7 %	407	398	2.3 %	404	0.7 %
6. CMI - Medicare	1.7755	1.7076	4.0 %	1.7672	0.5 %	1.7504	1.7076	2.5 %	1.7027	2.8 %
7. CMI - All	1.4717	1.4020	5.0 %	1.4292	3.0 %	1.4439	1.4020	3.0 %	1.4001	3.1 %
8. Margin Operation	(12.3)%	(13.6)%	(9.4)%	(6.8)%	81.7 %	(12.8)%	(12.9)%	(0.6)%	(13.3)%	(3.7)%

Mr. Goldsmith drew the Board's attention to the Statistical Overview chart on page 4. He reported volume deterioration on admissions (line 3) reflecting a decrease of 9% from budget and 7% down from prior year. As a result, Mr. Goldsmith reported there is a significant amount of focus on said measure to confirm whether the decrease is related to losing market share or if it were due to a quality care issue.

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	Current Month					Year - to Date				
	Actual	Budget	Var	Prior Year	Var	Actual	Budget	Var	Prior Year	Var
Broward Health Medical Center										
1. Net Operating Revenue	\$40.2	\$40.3	(\$0.1)	\$45.9	(\$5.7)	\$446.8	\$444.3	\$2.5	\$454.2	(\$7.4)
2. Total Expenses	\$43.4	\$43.8	(\$0.4)	\$41.7	\$1.7	\$475.0	\$477.8	(\$2.8)	\$447.0	\$28.0
3. Net Gain (Loss) from Operations	(\$3.2)	(\$3.5)	\$0.3	\$4.2	(\$7.4)	(\$28.2)	(\$33.5)	\$5.3	\$7.2	(\$35.4)
Broward Health North										
4. Net Operating Revenue	\$16.8	\$19.5	(\$2.7)	\$20.2	(\$3.4)	\$205.2	\$212.4	(\$7.2)	\$205.7	(\$0.5)
5. Total Expenses	\$22.0	\$21.8	\$0.2	\$21.4	\$0.6	\$238.4	\$240.1	(\$1.7)	\$224.9	\$13.5
6. Net Gain (Loss) from Operations	(\$5.2)	(\$2.3)	(\$2.9)	(\$1.2)	(\$4.0)	(\$33.2)	(\$27.7)	(\$5.5)	(\$19.2)	(\$14.0)
Broward Health Imperial Point										
7. Net Operating Revenue	\$9.3	\$9.8	(\$0.5)	\$10.1	(\$0.8)	\$108.1	\$105.7	\$2.4	\$100.6	\$7.5
8. Total Expenses	\$10.5	\$10.8	(\$0.2)	\$11.0	(\$0.5)	\$117.8	\$116.4	\$1.4	\$112.8	\$5.0
9. Net Gain (Loss) from Operations	(\$1.2)	(\$1.0)	(\$0.3)	(\$0.9)	(\$0.3)	(\$9.7)	(\$10.7)	\$1.0	(\$12.2)	\$2.5
Broward Health Coral Springs										
10. Net Operating Revenue	\$13.7	\$13.0	\$0.7	\$13.3	\$0.4	\$139.2	\$144.5	(\$5.3)	\$137.1	\$2.1
11. Total Expenses	\$13.6	\$14.1	(\$0.5)	\$13.7	(\$0.1)	\$147.6	\$154.1	(\$6.5)	\$149.9	(\$2.3)
12. Net Gain (Loss) from Operations	0.1	(\$1.1)	\$1.2	(\$0.4)	\$0.6	(\$8.5)	(\$9.6)	\$1.2	(\$12.8)	\$4.3
Broward Health All Other										
13. Net Operating Revenue	\$11.6	\$9.1	\$2.5	\$9.5	\$2.1	\$90.9	\$97.8	(\$6.9)	\$85.9	\$5.0
14. Total Expenses	\$13.4	\$13.7	(\$0.3)	\$17.9	(\$4.5)	\$137.9	\$145.5	(\$7.6)	\$179.4	(\$41.5)
15. Net Gain (Loss) from Operations	(\$1.8)	(\$4.6)	\$2.9	(\$8.4)	\$6.6	(\$47.0)	(\$47.7)	\$0.7	(\$93.5)	\$46.5

Commissioner Berry recommended that the CFOs and CEOs of the facilities, especially Broward Health Medical Center and Broward Health North, in conjunction with Ms. Capasso, be brought to the next Finance Committee to report their plans on improving the operating losses of their respective facilities. Ms. Capasso agreed.

Commissioner Berry further stated that in addition to reviewing the cutbacks, he would want to see reports on the revenue as well.

Commissioner Klein recommended a three to five year trend line be reviewed to compare to current trends.

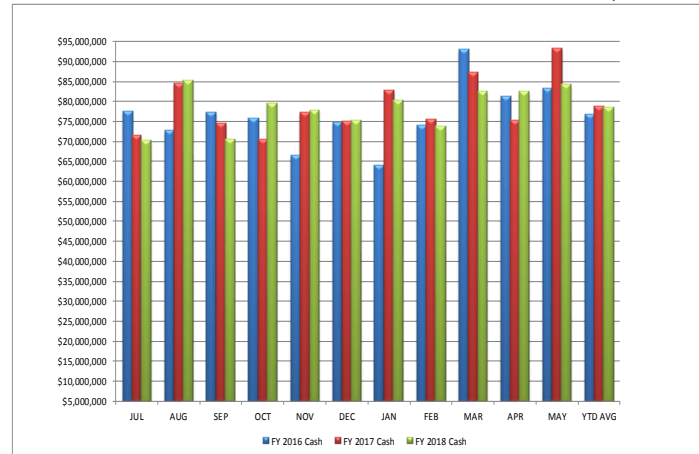
Key Financial Indicators	Audit	Audit	Audited	FY 2017	FY 2018	Moody's (2016)	
	FY 2015	FY 2016	FY 2017	May 2017	May 2018	Median	A Rated
Liquidity:							
Cash on Hand (Days)	230.7	183.2	186.4	193.6	233.5	204.7	215.5
Accounts Receivable (Days)	49.7	46.8	46.4	46.1	51.3	47.8	48.1
Cash-to-Direct Debt (%)	297.3%	240.0%	257.9%	270.6%	208.3%	157.3%	160.6%
Capitalization:							
Debt-to-Capitalization (%)	21.6%	21.0%	19.6%	19.6%	26.8%	34.9%	33.9%
Debt Service Coverage (x)	2.8	3.2	2.9	3.7	3.5	4.6	5.0
Average Age of Plant (Years)	16.3	16.9	16.4	16.7	17.1	11.2	11.4
Capital Spending Ratio (% of Depr. Exp.)	130%	186%	171%	176%	143%	120%	120%
Profitability:							
Excess Margin (%)	-0.1%	-1.1%	2.8%	2.9%	3.2%	5.6%	6.1%

Discussion was had related to cash on hand referenced on page 6, of the Key Financial Indicators chart.

Mr. Goldsmith would like to bring back the PFM, Bond Consultant to a future Finance Committee meeting so that he could give the new members a presentation.

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Commissioner Berry brought attention to the revenue being down at an average of \$2 million every month this year for the exception of April. Mr. Goldsmith confirmed. Commissioner Berry also noted that the gross revenue was up, although the net revenue was down. Mr. Goldsmith confirmed this information as well.

	FY 2017 YTD - May 2017	FY 2018 YTD - May 2018
Beginning Balance Cash & Investments	563,289,536	575,071,756
Excess of Revenue over Expense	32,436,682	35,514,004
Add: Depreciation	48,646,264	48,871,408
Add: Change in Accounts Recv.	(7,292,529)	1,404,463
Less: Capital Expenses	(70,649,762)	(56,231,861)
Add: All other before tax revenue	23,961,364	108,918,232
Sub totals	27,102,019	138,476,245
Ad Valorem Tax Collections	145,339,577	146,309,811
Ad Valorem Tax Accruals	(132,379,649)	(134,716,930)
Ending Balance Cash & Investments	603,351,483	725,140,881
Change in Cash & Investments	40,061,947	150,069,125

	FY 2017 YTD - Jun 2017	FY 2018 YTD - May 2018
Beginning Balance Cash & Investments	563,289,536	575,071,756
Excess of Revenue over Expense	33,523,784	35,514,004
Add: Depreciation	53,500,919	48,871,408
Add: Change in Accounts Recv.	(4,651,342)	1,404,463
Less: Capital Expenses	(91,378,342)	(56,231,861)
Add: All other before tax revenue	20,509,304	108,918,232
Sub totals	11,504,323	138,476,246
Ad Valorem Tax Collections	146,499,838	146,309,811
Ad Valorem Tax Accruals	(146,221,941)	(134,716,930)
Ending Balance Cash & Investments	575,071,756	725,140,883
Change in Cash & Investments	11,782,220	150,069,127

Mr. Goldsmith reported that the Cash Flow Statement demonstrates why the cash on hand is increasing.

Commissioner Wellins noted that the capital expenditures declined as a result of larger construction projects nearing their end. Mr. Goldsmith confirmed and reported his goal is to match the capital expenditure with the depreciation.

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	FY 2014	FY 2015	FY 2016	FY 2017	Budget 2018	FY 2018 - YTD May 2018		% Chg
						Actual	Budget	
<u>Community Benefit Cost</u>								
1. Charity Care	\$61,311	\$45,204	\$40,944	\$39,807	\$41,090	\$32,126	\$37,537	-14.4%
2. Bad Debts	114,309	115,533	118,422	112,898	118,327	99,419	107,448	-7.5%
3. Mcaid/HMO/PSN Program Loss	39,428	54,357	77,863	66,554	83,248	99,094	75,795	30.7%
4. Comm Health Service Net Cost	27,499	27,182	29,938	29,418	30,711	27,046	29,049	-6.9%
5. PPUC	59,126	52,732	52,229	49,374	46,945	56,274	54,911	2.5%
6. Mcaid Cost of County Funding	7,613	8,870	8,880	8,705	8,705	8,119	8,119	0.0%
7. CDTC & Broward House (Cost Subsidies)	1,399	1,412	1,447	1,600	1,640	1,501	1,504	-0.2%
8. Total Cost	\$310,685	\$305,290	\$329,723	\$308,357	\$330,666	\$323,580	\$314,364	2.9%
<u>Government Funding Sources</u>								
9. Tax Revenues Net (Millage)	\$146,135	\$139,726	\$136,663	\$137,938	\$138,080	\$126,770	\$126,684	0.1%
10. DSH - Medicaid	36,380	55,767	48,679	20,458	30,905	28,330	28,330	0.0%
11. DSH - Medicare	26,490	29,290	25,908	21,282	26,710	23,860	19,509	22.3%
12. County Primary Care Support	8,641	8,605	8,495	8,495	8,495	7,745	7,787	-0.5%
13. Community Health Serv Grants	6,289	5,162	4,900	5,960	6,595	5,252	6,055	-13.3%
14. Total	\$223,935	\$238,550	\$224,645	\$194,133	\$210,785	\$191,957	\$188,365	1.9%
15. Comm. Benefit Cost in (Excess) of Gov't Funding Sources	(\$86,750)	(\$66,740)	(\$105,078)	(\$114,224)	(\$119,881)	(\$131,623)	(\$125,999)	4.5%

3. June Financial Overview Alan Goldsmith, EVP/Chief Financial Officer

Mr. Goldsmith reported that for eleven months of the year the finance departments at all of the facilities are required to submit their monthly reports on the fifth day of the following month, so that he could report the financial statement to the Committee and Board Members. The only exception to the deadline is on the month that lands at the end of the fiscal year, being July. As a result, Mr. Goldsmith did not feel comfortable going into detail until the June report was fully completed. He confirmed he would bring a completed report to a future Finance Committee meeting.

4. MAAP Presentation Janice Mitchell, Admin Dir. Med Center Business Ops

Ms. Mitchell led a presentation detailing how Broward Health plans to earn the HFMA MAP Award. (HFMA) Healthcare Financial Management Association is the nation’s premier membership organization for healthcare finance leaders that help healthcare organizations achieve optimal results by providing education, analysis, and practical tools and solutions. MAP Award: HFMA utilizes MAP Keys which are industry-standard metrics or Key Performance Indicators (KPI) used to track an organization's revenue cycle performance using objective, consistent calculations.

- Measure revenue cycle performance using the industry-standard MAP Keys
- Apply evidence-based strategies for improvement
- Perform to the highest standards to improve financial results and patient satisfaction

PFC Adopter: The best practices for this program outlines steps to help patients understand the cost of services they receive, their insurance coverage, and their individual responsibility. In addition, it addresses communication in the emergency department, at time of service outside the emergency department, and in advance of service. Also, included are practices that apply to all patient financial communications.

For full disclosure Commissioner Berry reported that his company is a member of HFMA and that he implements their key metrics to all of his hospital clients. He also requested to be included in a number of the revenue cycle meetings related to improving performance as he

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has had 20 years' of experience that could really benefit the organization. Commissioner Berry asked Mr. Goldsmith to add Denial Management as a category and to continue to report the progress to the Finance Committee on a monthly basis. He also asked Ms. Mitchell to continue to report net revenue cycles.

5. Procurement Update Jorge Hernandez, VP of Supply Chain

Mr. Hernandez led a presentation related to key savings initiatives and accomplishments that have been implemented to improve the role supply chain plays in promoting quality and positive patient care outcomes, while reducing expenses.

From January 2018 through July 2018, a cost savings of \$3,514,323.00 was estimated. See details below.

1. Hiring Supply Chain Managers at each region
2. Supply chain cost savings projects – YTD 2018 estimated savings \$1,252,521.26
3. Warehouse relocation – estimated savings \$242,483/year
4. Medical/surgical supply & suture/Endo distribution RFP – estimated savings \$1,322,689/year
5. Vizient Increase in administrative rebates (share backs) \$696,630

Discussion ensued regarding initiatives in progress that will launch as of October 1, 2018. Details below.

1. Consignment: Selected radiology and surgical vendors to be placed on consignment
2. Inventory turns = >10.5 turns in a month
3. Contract compliance: 90% reduction of risk by adhering to contracted terms, conditions and controls
4. Customer service: 90% satisfaction survey
5. AP Discrepancies <5% in receiving and pricing discrepancy

MEETING ADJOURNMENT: Meeting was adjourned at 10:34 a.m.

MOTION: Commissioner Klein motioned to adjourn the meeting, seconded by Commissioner Gregoire. **Motion carried unanimously.**

AUTHENTICATION OF MINUTES: Patricia Alfaro, Special Assistant to the Board of Commissioners.

*Audiotape available upon request.

Respectfully submitted,

Commissioner Ray T. Berry
Secretary / Treasurer