# BOARD FINANCE COMMITTEE
## CALENDAR YEAR 2021

### Meeting Minutes

<table>
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<tr>
<th>MEMBERS</th>
<th>MEETING DATES:</th>
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<tbody>
<tr>
<td>DIRECTOR LAURA BARRY — CHAIR</td>
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<td>DIRECTOR LINDA GREER, RN</td>
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<td>DIRECTOR LAURIE EDWARDS-TATE, MS</td>
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<td>DIANE HANSEN, PRESIDENT &amp; CEO</td>
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<td>MICHAEL BOGERT, CHIEF FINANCIAL OFFICER</td>
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<td>OMAR KHAWAJA, MD, CHIEF MEDICAL OFFICER</td>
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<td>MEL RUSSELL, RN, CNO, PMC ESCONDIDO</td>
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<td>JOYCE VOLSCH, PhD, CNO, PMC POWAY</td>
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<td>JIM SMITH, VP OF FINANCE</td>
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<td>TANYA HOWELL – COMMITTEE ASSISTANT</td>
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<td>INVITED GUESTS</td>
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**Note:**
- **E** indicates an attendance expected.
- **P** indicates present.
- **P** indicates absent.
- **P*** indicates present with reservation.
### NOTICE OF MEETING
- The full agenda packet (as Notice of Meeting) was posted on Thursday, April 22, 2021, at Palomar Health’s Administrative Offices, which is consistent with legal requirements. The full agenda packet was also posted on the Palomar Health website; and notice of that posting was made via email to the Board and staff.

### CALL TO ORDER
- The meeting – held virtually – was called to order at 1:34 p.m. by Chair Laura Barry

### ESTABLISHMENT OF QUORUM
- Quorum was established – see roster for details
  - *Director Edwards-Tate had difficulty getting logged in to the meeting and joined during the discussion regarding item #4*
  - Director John Clark attended as a guest

### PUBLIC COMMENTS
- None filed

### INFORMATION ITEMS
- None

#### 1. BOARD FINANCE COMMITTEE FOLLOW-UPS
- The FMV process and how physician agreements are vetted to ensure compliance will be presented as an information session for new members of the Board in the near future
  - Dr. Khawaja stated that he is scheduled to provide this information on May 13th to Directors Barry and Corrales
- The Condensed Combining Statement of Revenue, Expenses and Changes in Net Position will be amended in the future to move the Graybill acquisition funding from Operating Support to a different line
  - Listed as “Interfund Support – Graybill” on page 51 of the packet in the March Financials – will continue to be separated

#### 2. MINUTES – BOARD FINANCE COMMITTEE MEETING, WEDNESDAY, FEBRUARY 24, 2021
**MOTION:** By Ms. Hansen, seconded by Director Greer and carried to approve the Wednesday, February 24, 2021, Board Finance Committee Minutes as presented.

Vote taken by Roll Call:
- Director Greer – aye; Ms. Hansen – aye; Dr. Pasha – aye; Chair Barry – aye; Absent: Director Edwards-Tate & Dr. Gurrola

- Forwarded to the May 10, 2021, Board of Directors meeting as information

- No discussion
### BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, APRIL 28, 2021

<table>
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<tr>
<th>AGENDA ITEM</th>
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<tr>
<td><strong>DISCUSSION</strong></td>
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<td>3. <strong>EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS</strong></td>
<td><strong>MOTION:</strong> By Director Greer, seconded by Ms. Hansen and carried to recommend approval of the Executed, Budgeted, Routine Physician Agreements as presented. Vote taken by Roll Call: Director Greer– aye; Ms. Hansen – aye; Dr. Pasha – aye; Chair Barry – aye; Absent: Director Edwards-Tate &amp; Dr. Gurrola</td>
<td>Forwarded to the May 10, 2021, Board of Directors meeting with a recommendation for approval</td>
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<td>4. <strong>RESOLUTION NO. 05.10.21(01)-11 DESIGNATING SUBORDINATE OFFICERS OF THE DISTRICT</strong></td>
<td><strong>MOTION:</strong> By Director Greer, seconded by Director Edwards-Tate and carried to recommend approval of Resolution No. 05.10.21(01)-11 Designating Subordinate Officers of the District as presented. Vote taken by Roll Call: Director Greer– aye; Ms. Hansen – aye; Dr. Pasha – aye; Chair Barry – aye; Director Edwards-Tate – aye; Absent: Dr. Gurrola</td>
<td>Forwarded to the May 10, 2021, Board of Directors meeting with a recommendation for approval</td>
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<td><strong>Michael Bogert, CFO, noted that this resolution added a new designee, the Chief Administrative Officer, Paul Sas</strong></td>
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<td>5. <strong>DESIGNATION OF APPLICANT’S AGENT RESOLUTION FOR NON-STATE AGENCIES RESOLUTION NO. 05.10.21(02)-12</strong></td>
<td><strong>MOTION:</strong> By Director Greer, seconded by Dr. Pasha and carried to recommend approval of Designation Of Applicant’s Agent Resolution For Non-State Agencies Resolution No. 05.10.21(02)-12 as presented. Vote taken by Roll Call: Director Greer– aye; Ms. Hansen – aye; Dr. Pasha – aye; Chair Barry – aye; Director Edwards-Tate – aye; Absent: Dr. Gurrola</td>
<td>Forwarded to the May 10, 2021, Board of Directors meeting with a recommendation for approval</td>
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| | **Mr. Bogert stated that in March and April 2020, the State approached the District about opening the Federal Medical Station at a cost of $3.9M, which the State would reimburse**  
  o FEMA and the State have been going back and forth regarding which entity would repay the District when it was decided that FEMA would pay, with CalOES assisting in the process  
  o Passing this Resolution is the final step toward obtaining the actual cash award; however, similar to the requirements of our banking partners, CalOES requested a more narrowly defined Resolution that was specific to the FMS project | | |
| 6. **MARCH 2021 & YTD FY2021 FINANCIAL REPORT** | **MOTION:** By Director Greer, seconded by Director Edwards-Tate and carried to recommend approval of the March 2021 & YTD FY2021 Financial Report as presented. | Forwarded to the May 10, 2021, Board of Directors meeting with a recommendation for approval | N |
### BOARD Finance Committee – Meeting Minutes – Wednesday, April 28, 2021

#### Agenda Item

- **Discussion**

#### Conclusion/Action

Vote taken by Roll Call:
- Director Greer – aye; Ms. Hansen – aye; Dr. Pasha – aye; Chair Barry – aye; Director Edwards-Tate – aye; Absent: Dr. Gurrola

- Mr. Bogert will provide information on the reimbursement for the Johnson & Johnson vaccines

#### Follow Up/Responsible Party

- ?

- Utilizing the presentation in the agenda packet, Mr. Bogert presented the March 2021 & YTD FY2021 financial statements

- **Income Statement: 13-Month Trend (Page 42)**
  - Mr. Bogert stated he wanted to focus the Committee on the financial trends over the past 13 months, as there were really some stories there
    - When you think about the March 2021 performance, we are now removed from the COVID surge that started in December 2020 and went heavily into January & February 2021, when COVID cases were very high, in the 180 range, and there were still 139 positive cases as of February 1st
      - At the end of February, COVID cases had gone down to 40; and in March they were down to 15 or 16, so the COVID surge is apparently over
      - Although the COVID surge appears to be over, the flu season typically seen during the months of December through March has been nonexistent, so when the COVID volume went away, the census dropped below 300, when it had been in the high 300’s for the previous 4 months
    - The start of the COVID pandemic was in March 2020, and based on a $14.5M operating income YTD through February 2020 – the first 8 months of the fiscal year – the year was on track to finish in the low $20Ms
      - In March through May of 2020, volume disappeared, with no elective inpatient or outpatient surgeries
      - In March Gross Revenue was down to $304M, in April it went down to $239M, and in May it was down to $281M; then in June through November there was a slow return to normalcy ($326M up to $367M)
      - The surge hit in December, with Gross Revenues for the next three months maintaining similar levels
    - Based on the FYE June 2020 numbers, the FY2021 budget was back loaded, assuming volumes would return
      - As was said earlier, going into February 2020, gross revenues were almost on pace to finish the year at $20M; then Income from Operations in March was a loss of $5.7M, in April it was a loss of $13.3M, and in May it was a loss of $3.7M
      - So for FY2020, Income from Operations ended with a loss of $7.5M, largely due to those three months of losses

- **Executive Dashboard (Page 36)**
  - Discharges were down 20.9% vs. budget but only down 5.2% vs. prior year, and down 11.4% vs. budget YTD
  - Patient Days were down 14.7% vs. budget, but only down about 2.7% vs. prior year, and down 2.1% vs. budget YTD
  - Total Adjusted Discharges were down 17.8% vs. budget, and down 16.3% YTD vs. budget
  - Total Adjusted Patient Days were down 13.2% vs. budget, and down 3.4% YTD vs. budget
  - Acute ADC – at 271 vs. a budget of 328 – was down 17.4% vs. budget, but up 1.8% over YTD budget
  - Total ADC – at 377 vs. a budget of 442 – was down 14.7% vs. budget, but – at 401 vs. a YTD budget of 410 – was only down 2.1%
  - Surgeries are returning – at 1,021 vs. a budget of 1,162 – down just 12.1%, and down 15.5% vs. YTD budget
    - They were also up 18.8% vs. prior year, and Mr. Bogert stated that they would continue to exceed prior year
    - In the month of March alone, surgeries were the highest since the month of October, and April will be even higher, still
  - ER Visits slowed down primarily on Outpatient, not on Inpatient
    - At 9,588 vs. a budget of 11,083, they were down 13.5% overall for the month and down 17.2% vs. YTD budget
Patients are returning to the ER again, and March was the highest outpatient ER month since September 2020, with over 1,500 patients treated in the ER but not admitted, evidencing the perception that the surge is over and patients have started coming back to the hospital

- ALOS in previous months was over 5 because of COVID, but in the month of March was down to 4.12, and down to at 4.56 YTD
- Case Mix Index was up significantly by 10.1%, at 1.69 vs. a budget of 1.54
- Acute Case Mix Index – Medicare Only was also up by a smaller margin of 4.6%, at 1.83 vs. a budget of 1.75
- Productivity was at 100.7% vs. a budget of 100%, a positive variance of 0.7%
- DCOH was at 139, an improvement over last year’s 87.7
  - If you take out the Medicare accelerated payments, it is still 109, a very strong improvement in cash overall

**INCOME STATEMENT: MONTH-TO-DATE (PAGE 38)**

- Gross Revenues were down but contractuals were up, so we were getting paid at a higher rate, so Total Net Revenue was $62.6M vs. a budget of $65.4M, $2.7M less than had been anticipated
- The key was in Expenses, which were $60.1M vs. a budget of $64.1M, under budget by $4.0M
- As a result, Income from Operations was at $2.6M, exceeding budget by $1.3M, which was very significant
- EBIDA Margin for the month was at 11.9% vs. a budget of 10.4%, exceeding budget by 2.5%

**INCOME STATEMENT: YEAR-TO-DATE (PAGE 39)**

- The budget was really hard to develop at the time, but when you look at the YTD numbers, Total Revenue—which was below budget by $2.7M for the month – was better than budget YTD by $1.9M, as the payment rate was better than budgeted, showing an improvement in revenues despite the lower volumes
- Expenses—thanks to the expense management and flexing of staff contract and labor that occurred early on in the process from July forward – were under budget by $11.3M
- Income from Operations was $13.3M better than budget
- EBIDA – at 12.9% vs. a 10.4% budget – was better than budget by 2.5%

**CURRENT VS. PRIOR YEAR-TO-DATE (SLIDE 40)**

- Although Income from Operations in the month of March 2020 had been a $5M loss, prior YTD at March 2020 it had been $8.8M, and YTD at March 2021 it is at $23.2M, $14.4M better than prior YTD
- EBIDA – at 12.9% vs. 10.1% at prior YTD, is doing very well for a very short year, the result of a huge effort by the team
- It was all about Expenses, with $14.6M in savings from expenses YTD
- Net Revenues were only $209K less than prior YTD

**PAYOR MIX: EMERGENCY DEPARTMENT (SLIDE 43)**

- No changes

**STATEMENT OF NET POSITION: EXCLUDES G.O. BONDS (SLIDE 45)**

- Cash position is strong at $260M, better by $11M than the month of February
- A/R came down a little bit in March, having gone up due to the high volume in December and January, and that number will continue to come down
  - Not shown on this slide, but notable, is the fact that cash collections in March were $63M, the highest collection month ever, which has a lot to do with the COVID volume in December and January and getting paid for those cases
CONCLUSION/ACTION

FOLLOW UP/RESPONSIBLE PARTY

Discussion

- That volume was also reflected in the Case Mix Index and led to a higher LOS; yet again, expenses were managed, leading to an increase in Net Revenue
  - Mr. Bogert is confident that the outstanding A/R will be collected in a short timeframe
  - This month, the goal for A/R is in the high 50 range, and we're already on pace to meet it
- There are no significant concerns on the balance sheet, which is stronger this year and much better than in June 2020
  - Drawing the Committee’s attention to the Board Designated funds, Mr. Bogert stated that the $55.6M reflected the Medicare accelerated payments received initially in April 2020
  - We were originally to start paying those funds back in August 2020, and repayment was then delayed to April 2021
    - The Government has just started attempting to draw that money back and will be spreading the payments over a period of 17 months
    - There is also a strong possibility that Congress may act to allow us to keep that money and recognize it as income
    - It originally came in as a cash advance and was never taken to income
    - It is also not be confused with treasury receipts, which were taken to cash, but this was an acceleration of payments to cover cash needs the government anticipated due to the COVID surge, and will be paid back at 24% per remit for the first 11 months, then at 50% per remit for the remaining 6 months
      - Those payments won’t impact the cash situation
- Cash Flow Statement (Page 47)
  - Strong cash flow, and key is cash flow from operations, which was at $13.5M, so that is doing well, and it is important to have a positive cash flow from operations
- Investment Fund (Page 48)
  - Cash Investments (referring back to the Balance Sheet on Page 45) have not decreased, in fact, from January 2021 when they were $174M, they have increased through March to $193M overall, even though the return is lower and negative due to a few months of losses
    - Those losses were primarily due to the restrictions on investments, as we can’t take advantage of stock market surges due to the required conservative investment strategy
    - Total Yield was a slight loss of 14%, which is an unrealized loss, not a realized loss, and Mr. Bogert believes that it will turn around, noting that the total gain last year was 2.14% of unrealized gain
- Condensed Combining Statement of Net Position (Slide 50)
  - This includes the impact of Palomar Health Medical Group (Arch & Graybill), and the balance sheet was still very strong here, with Total Assets of $1.7B
- Condensed Combining Statement of Revenue, Expenses & Changes in Net Position (Page 51)
  - Palomar Health Medical Group had their best month thus far
  - For the first time in FY2021, they actually had a month where Arch physicians – instead of losses of $2.5M/month (in October/November/December), they only had a $1.8M loss for the month of March, a testament to their turnaround plans, with decreased losses every single month
  - Graybill had a very strong month at $700K positive for the month
    - Combined with Arch, the total loss for the month was $1.1M, the best performance YTD
  - The Interfund Support for the Graybill acquisition was $8.1M is now broken down separately
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**Discussion**

- The total amount budgeted is $28.5M for the year, and we believe we’ll meet that with no problem, and Arch and Graybill will continue to see the benefit of the turnaround plan
  - Both are seeing an increase in volume, with more visits
- The overall strong performance, and change in Net Position, which is where we stand, is positive, and Mr. Bogert was happy with that performance
- Mr. Bogert asked if there were any questions, and Director Greer stated that he had touched on almost all of hers, including when the Medicare payback was going to start and the total of the DCOH without Medicare; however, she did have a question the collections, noting that it appeared that both the outpatient and inpatient insurance appeared to be more easily verifiable, but did he consider 63.3 a good timeframe as a target for collections?
  - Mr. Bogert asked and Director Greer confirmed that she was speaking to the 63.3 net days in A/R, and Mr. Bogert stated that it was in part due to the fact that most COVID patients’ stays were for more than 30 days, so that resulted in very large claims, with some cases with up to $2.5M in charges
    - He anticipated that days in A/R would start coming down once the COVID claims started to clear, but that it would likely be closer to 60-61 days rather than the original target of 54-58 days, although that target could still be possible with the volume, and he was very happy with the collections rate
    - The denial rate is still very low, at 5.8% in the month of March, which is a huge improvement, especially when just 1.5 years ago it was in the 20% range, and that improvement means a lot in cash
    - There are also additional payment increases that are being worked on, which will also be of benefit going forward as well
  - Director Greer commented that considering what we’d all been through, it could have been a disaster by now, but the way the Administration has performed responsibly, with the backing of the Board at every turn, even when bleak—which the Board will continue to do; and now everything on the expense side has been downsized, as had to be done to make it through this COVID pandemic, and she wanted to congratulate Management for an absolutely great performance
    - Mr. Bogert thanked Director Greer
- Director Barry asked about the collections of the moneys to support the vaccine for the super clinic, and her understanding was that it was still a work in progress, so she wondered if Mr. Bogert could explain the process
  - Mr. Bogert stated that the County is reimbursing us $16 for the first vaccine, $20 for the second (Pfizer & Moderna)
    - As the Johnson & Johnson vaccine was not available when we contracted with the County, Mr. Bogert didn’t know what the contracted rate for that vaccine would be; however, he would obtain that information and provide it to the Board
    - The drugs were provided free from the federal government through the State, but the funds from the County are to cover overhead and costs that were incurred in the set-up of the vaccine resource center
    - Most of the staffing for the resource center – except for members of Management – are volunteers, who have been administering the vaccines and operating the clinic
      - Director Greer also noted that local restaurants had been providing food for the volunteers
    - We are billing the County for those funds; February and March have already been billed; and the team is in the process of prepping the April bill, and will provide that to them when the clinic is done in May
    - Right now there have been about $600K in costs and receivables that will offset each other, so there won’t be any P&L impact due to the vaccine resource center
  - As far as the infusion being done at the resource center, we have been able to bill for that and have done over 200 infusion cases
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<td>o The FMS that was ramped up for COVID was closed early in March, and there are some outstanding charges with the State, and we are also reconciling contract labor to determine who’s responsible for those payments, but it will be between the contract labor vendors and the State, so will also not have any P&amp;L impact</td>
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**PUBLIC COMMENTS**
- None filed

**ADJOURNMENT**
The meeting was adjourned by Chair Barry at 2:15 p.m.

**SIGNATURES:**
- **COMMITTEE CHAIR**
  - LAURA BARRY
- **COMMITTEE ASSISTANT**
  - TANYA HOWELL