

Meeting Minutes

BOARD FINANCE COMMITTEE CALENDAR YEAR 2023



[P = Present V = Virtual E = Excused A = Absent G = Guest]

ATTENDANCE ROSTER							
MEMBERS	MEETING DATES:						
	1/25/23	5/4/23	5/31/23	7/26/23			
DIRECTOR LAURA BARRY – CHAIR	P	P	P	P			
DIRECTOR JEFF GRIFFITH, EMT-P	E	V	P	P			
DIRECTOR MIKE PACHECO	P	V/P	V	P			
DIANE HANSEN, PRESIDENT & CEO	V	V	P	E			
KANCHAN KOIRALA, MD, COS PMC ESCONDIDO	P	E	V	V			
SAM FILICIOTTO, MD, COS, PMC POWAY	P	E	P	V			
DIRECTOR LAURIE EDWARDS-TATE, MS – ALTERNATE	V/G		V/G	V/G			
DIRECTOR JOHN CLARK	G	V/G					
DIRECTOR LINDA GREER, RN				P/G			
ANDREW NGUYEN – ALTERNATE COS PMC ESCONDIDO		V					
MARK GOLDSWORTHY, MD – ALTERNATE COS PMC POWAY							
STAFF ATTENDEES							
HUGH KING, CHIEF FINANCIAL OFFICER	P	V	P	P			
OMAR KHAWAJA, MD, CHIEF MEDICAL OFFICER	P	P	P	V			
RYAN OLSEN, CHIEF OPERATIONS OFFICER	V	E	P	E			
MEL RUSSELL, RN, CHIEF NURSE EXECUTIVE	V	E	V	E			
MELISSA WALLACE, VP OF FINANCE				P			
TANYA HOWELL – COMMITTEE ASSISTANT	P	P	P	P			
AMANDA PAPE, VP OF FINANCE	P	V	V				
INVITED GUESTS	SEE TEXT OF MINUTES FOR NAMES OF INVITED GUESTS						

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
DISCUSSION			
NOTICE OF MEETING			
<ul style="list-style-type: none"> The agenda (as Notice of Meeting) was posted on Friday, July 21, 2023, 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			
<ul style="list-style-type: none"> The meeting – held in the Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA and virtually – was called to order at 1:30 p.m. by Chair Laura Barry 			
ESTABLISHMENT OF QUORUM			
<ul style="list-style-type: none"> Quorum was established – see roster for details 			
PUBLIC COMMENTS			
<ul style="list-style-type: none"> None filed 			
1. BOARD FINANCE COMMITTEE FOLLOW-UPS			
<ul style="list-style-type: none"> There were no follow-ups 			
2. MINUTES –FINANCE COMMITTEE – WEDNESDAY, JANUARY 25, 2023	<p>MOTION: By Director Pacheco, seconded by Director Griffith, and carried to approve the Minutes from the Finance Committee meeting held on Wednesday, January 25, 2023, as presented.</p> <p>Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto –aye; Dr. Koirala – aye. Absent: Ms. Hansen</p>	Forwarded to the August 14, 2023, Board of Directors meeting as information	Y
<ul style="list-style-type: none"> No discussion 			
3. MINUTES –FINANCE COMMITTEE – WEDNESDAY, MAY 4, 2023	MOTION: None	None	N
<ul style="list-style-type: none"> Assistant Tanya Howell informed the Committee that this set of minutes was not yet ready for review 			
4. MINUTES –FINANCE COMMITTEE – WEDNESDAY, MAY 31, 2023	MOTION: None	None	N

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
<ul style="list-style-type: none"> DISCUSSION 			
<ul style="list-style-type: none"> Assistant Tanya Howell informed the Committee that this set of minutes was not yet ready for review 			
5. EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENT	<p>MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of the Executed, Budgeted, Routine Physician Agreement</p> <p>Vote taken by Roll Call:</p> <p>Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto – aye; Dr. Koirala – aye. Absent: Ms. Hansen</p>	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> No discussion 			
6. RESOLUTION NO. 08.14.23(01)-13 – GENERAL OBLIGATION BONDS – TAX LEVY 2023-2024	<p>MOTION: By Director Pacheco, seconded by Director Griffith, and carried to recommend approval of Resolution No. 08.14.23(01)-13 – General Obligation Bonds – Tax Levy 2023-2024 as presented.</p> <p>Vote taken by Roll Call:</p> <p>Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto – aye; Dr. Koirala – aye. Absent: Ms. Hansen</p>	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> Chair Barry noted that the levy was reviewed at the beginning of every year at the beginning of the fiscal year Hugh King, CFO, added that the General Obligation (GO) Bonds had an associated tax levy, and every year Citigroup performed a calculation on behalf of the District <ul style="list-style-type: none"> The calculation was based on information supplied by the County related to how much the assessed values of properties within the District were anticipated to be for the upcoming year, and based on those calculations, Citi would determine the tax levy rate that would be sufficient to cover the GO Bond debt As assessed values were up, the calculation was determined to be \$33 per \$100K of assessed value 			
7. RESOLUTION NO. 08.14.23(02)-14 – ESTABLISHMENT OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024	<p>MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of Resolution No. 08.14.23(02)-14 – Establishment of the Appropriations Limit for Fiscal Year 2024 as presented.</p> <p>Vote taken by Roll Call:</p> <p>Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto – aye; Dr. Koirala – aye. Absent: Ms. Hansen</p>	Forwarded to the August 14, 2023, Board of Directors meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> Chair Barry stated that the appropriations limit was calculated based on what was lawful and it was approximately 4.44% of the factor for FY2023-24, which ended with a limit of \$131,671,317 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023			
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<ul style="list-style-type: none"> DISCUSSION 			
<ul style="list-style-type: none"> Mr. King added that the law was based on Proposition 13, which passed in 1979 by taxpayer vote and set a limit on the amount any governmental entity could levy as taxes <ul style="list-style-type: none"> Although the District had never spent up to the annual limit, the law required that each governmental entity adopt it In response to an inquiry by Director Griffith, Mr. King stated that LAFCO was not involved in the appropriations limits per se, however, all organizations that were governed by LAFCO were required to comply with the limits, so a review of the agendas for the boards of school districts, fire districts, etc., across the State should show the appropriations limit as an actionable item <ul style="list-style-type: none"> The limit increased every year based on the prior year by a maximum increment of .0459 In response to an inquiry by Dr. Filiciotto regarding the possibility of increasing the limit to pay down debt, Mr. King replied that it might be possible to ask the County for a higher percentage rate, but the position in the past regarding this non-restricted general tax levy was to maintain a reasonable levy that increased based on growth in population and appreciation of property values, and since the Palomar Board were elected officials, he was not sure how the taxpayers would react to increases in their taxes to the benefit of the hospital 			
8. ANNUAL ADOPTION OF STATEMENT OF INVESTMENT – LUCIDOC #27092	MOTION: By Director Griffith, seconded by Director Pacheco, and carried to recommend approval of the Statement of Investment – Lucidoc #27092 – with no recommended changes. Vote taken by Roll Call: Chair Barry – aye; Director Pacheco – aye; Director Griffith – aye; Dr. Filiciotto – aye; Dr. Koirala – aye. Absent: Ms. Hansen	Forwarded to the August 3, 2023, Board Governance Committee meeting with a recommendation for approval	Y
<ul style="list-style-type: none"> Chair Barry stated that this was another routine, annual requirement Mr. King noted that the State had adopted an investment policy for governmental organizations that limited the funds into which they could invest, in large part because of a situation that occurred in LA County 25 or 30 years ago, whereby an investment manager put the County into bankruptcy because of bad investments <ul style="list-style-type: none"> This resolution followed the investment policy defined by the State, with no changes from last year; however, Mr. King anticipated that investments would be better in the coming year because governmental entities were now allowed to invest in Federal and State treasury bonds which currently carried between a 4.5% and 5% interest rate 			
9. PRE-AUDIT JUNE 2023 & YTD FY2023 FINANCIAL STATISTICS	<i>Information Only</i>	Forwarded to the August 14, 2023, Board of Directors meeting as information <ul style="list-style-type: none"> Mr. King will have the Case Mix Index for similar hospitals reviewed and will see if there is a means of incorporating that information into future financial presentations Dr. Khawaja was going to discuss options for Case Mix Index comparisons with Dr. Jalil 	N

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• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
• DISCUSSION			
<ul style="list-style-type: none"> • Chair Barry stated that there were preliminary financial statements for FYE June 30, 2023, and asked Mr. King to take a couple of minutes to explain the year-end processes and how the books were kept open to allow extra time to ensure all entries for the fiscal year had been captured before the financials were sent to the auditors • Mr. King noted that the auditors used a 2-step process: Step one involved testing of internal controls (e.g., ensuring that checks were not written without the proper authorization, that bank accounts had been reconciled every month, etc.); Step two was the actual start of the audit work, and the year-end close included a number of matters that had to be done as opposed to closing the quarterly financial statements <ul style="list-style-type: none"> ○ One example was a program called OPEB (Other Post-Employment Benefits), which included employees who retired before they reached the age of 65 were still provided health insurance until they reached Medicare age, plus all other employees who might become eligible for that plan <ul style="list-style-type: none"> – Those calculations were done by an actuarial firm, so the data had to be sent out for them to calculate and return the results ○ There was an actuarial calculation performed on the professional liability insurance for the physicians and nurses, so that data also had to be sent out to the actuaries to calculate and return the results ○ The finance team also had to wait for the JV partners to report their financial statements for June so that the District’s percentage of profits related to those partnerships could be gathered <ul style="list-style-type: none"> – Those profits could be estimated for the quarterly financial statements, but the auditors needed more formal information for year-end ○ One other reason for a delay was the implementation of GASB 96, which dealt with software licenses similarly to the manner in which GASB 87 (implemented last year) dealt with equipment leases ○ Mr. King anticipated that most of the information would be provided to the auditors by the 8th of August, and he noted that all the above extra year-end activities were a necessary step in preventing any audit adjustments, a matter he was pleased to say hadn’t occurred during a District audit in at least the last five years • Noting that people had asked about the accuracy of the District’s financial statements, Mr. King quoted the old adage, “Trust but verify”, noting that the verification on which the Committee could rely would come from the auditors that the Board had hired <ul style="list-style-type: none"> ○ Management wanted to continue to hold that trust by having the auditors say they had found no weaknesses in internal controls and the financial statements had been fairly presented • The presentation today was the statistical information, which would provide some guidance on what the last month and the year had been like in terms of patient days, discharges, etc. • In response to an inquiry from Director Pacheco, Mr. King stated that deadline for finalization of submitting information to the finance team had passed, and the information was being compiled in order to be submitted to the auditors by August 8th <ul style="list-style-type: none"> ○ Submission would be in the form of: 1) A trial balance, which was a balance of every single account on the books, and, 2) A summary set of financial statements that summarized those accounts (e.g., nursing labor, benefits, etc.) ○ He anticipated return of the audited financial statements between mid-to-late October <ul style="list-style-type: none"> – Mr. King indicated that preliminary unaudited financial statements would be provided to this Committee and forwarded on to the Board prior to the completion of the audit 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

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• DISCUSSION			
<ul style="list-style-type: none"> ○ In response to an inquiry by Chair Barry about how the audited financial statements would be presented to the Board, Mr. King indicated that they were typically reviewed through the Audit & Compliance Committee, then ultimately to the Board in a manner requested by that body <ul style="list-style-type: none"> – The information could simply be distributed to the Board as a report from the Audit & Compliance Committee, or the auditors could make a full presentation to the Board • While Melissa Wallace, the new VP of Finance, was queueing up the presentation, Mr. King asked that she keep her discussion at a summary level <ul style="list-style-type: none"> ○ He also thought it would be useful for her to point out not only the comparison to the budget, but also the comparison to prior year • Explaining the graphic, Ms. Wallace then noted that YTD results were shown at the far right, with April/May/June in the final three columns before that; the prior year numbers were represented by the solid horizontal lines; and the budgeted numbers were represented by the dashed horizontal lines <ul style="list-style-type: none"> ○ YTD Adjusted Patient Days were 221K better than budget ○ Adjusted Discharges were better than prior year, but June was not a good month this year <ul style="list-style-type: none"> – In response to an inquiry from Dr. Filiciotto, Ms. Wallace confirmed that North represented PMC Escondido, South represented PMC Poway, and Cons represented a consolidation of the two ○ Acute Patient Days only showed inpatient services and did not include any outpatient functions, and landed at 108,747, which was lower than anticipated, but for most months exceeded prior year ○ Acute Discharges were similar to admissions, with 24,453 across the year ○ Trend of Observation Discharges were separate from Acute Discharges because they were in outpatient status so could not be included in the inpatient discharges, and there were a significant number of Observation Patients in the inpatient unit, but not necessarily in an inpatient status <ul style="list-style-type: none"> – Mr. King added that having those Observation patients in inpatient beds could be problematic, as the District was not getting paid for a patient day for those patients, who were supposedly only supposed to be kept in Observation status for NLT 23 hours, but that often bled into longer stays of up to 40 hours, for which there also was no payment – He also noted that Kaiser patients made up a very high percentage of the Observation patient volume, so the fact that the larger number of Observation patients would no longer be taking up ED beds would be a positive factor <ul style="list-style-type: none"> ▪ Mrs. Wallace pointed out that the Kaiser patients were denoted as bright green, and there were almost as many of them as there were Medicare patients (dark red) ○ ALOS – Acute by Days were right around the anticipated 4.45 across both campuses, but slightly higher (at 4.47) in Escondido vs. 4.36 at Poway ○ Inpatient Surgeries – at 5,825 – were lower than anticipated, although in most months were higher than prior year ○ Outpatient Surgeries – at 6,222 vs. a budgeted 5,349 – came in better than budget, which was consistent with the trend toward Outpatient Surgeries <ul style="list-style-type: none"> – Mr. King added that there had been discussions about 3 years ago where Medicare announced that they would presume that hip and knee replacements and shoulder surgeries would be done on an outpatient basis, unless a particular patient had a medical condition (such as a heart or pulmonary problem) that required that patient to be hospitalized <ul style="list-style-type: none"> ▪ He also noted that Kaiser’s goal was to do more than 50% of their joint replacement surgeries on an outpatient basis 			

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• DISCUSSION			
<ul style="list-style-type: none"> ○ Outpatient Registrations ended the year at just under 123K, slightly higher than budget <ul style="list-style-type: none"> – This category encompassed everything except the ED (e.g., Oncology, Physical Therapy, Imaging, the Laboratory, etc.) – Mr. King stated that was expected to continue to grow, as the trend was for growth in all outpatient activities, not just surgeries ○ ER Visits – Outpatient Only were at 117K across both campuses (87K at Escondido and 30K at Poway), which was down from the month of May ○ ER Admissions – Inpatient Only were at 17K, so about 80% of the ED cases were discharged <ul style="list-style-type: none"> – Director Griffith noted that a large population within the District utilized the ED as their source of primary care, so were not of the acuity that would need to be admitted ○ Trauma volume for the month of June was only 132 cases, which was a lighter month than seen recently, and the total volume for the year was at 2,018 ○ Deliveries for the month of June were at 348, and the year ended at 4,567 <ul style="list-style-type: none"> – Mrs. Wallace also pointed out that there was no orange bar at Poway for the month of June due to the consolidation of those services at Escondido in May ○ Case Mix Index – at 1.62 – ended the year pretty consistently across the whole year <ul style="list-style-type: none"> – Mr. King pointed out that it was a measure of how sick the patients were, and the higher the acuity level, the higher the payments were from government payors – Dr. Filiciotto commended those on the budgeting team, who were “spot on” on this metric – In response to an inquiry by Chair Barry about what the sale was for Case Mix, Mr. King responded that Medicare had a weighting factor related to how they paid <ul style="list-style-type: none"> ▪ There were DRGs that had been given a weighting factor of 1, but some were at .87, while others were at 5.6 <ul style="list-style-type: none"> ♦ Adding the total number of cases and the weight of each, then dividing that by the total number of cases, provided the scale ♦ Medicare would pay \$X for a weighting of 1, but if the total in the scale was higher than 1, the amount paid would increase to \$X for that weighting ♦ He then noted that weighting was part of the reason that documentation was so important, as Medicare paid more for a diagnosis of bacterial pneumonia than for viral pneumonia, but there had to be a test and lab work done to confirm that diagnosis, or Medicare wouldn’t accept it and would pay the lower rate ○ Medicare Case Mix was at 1.85 for the year as that older population tended to utilize more resources • In response to an inquiry from Dr. Koirala, Mr. King stated that there were databases that could be accessed from which the Case Mix Index for other hospitals could be obtained based on the size of the hospital; however, he cautioned that a challenge in comparing that information to PME Escondido was that it was operated as a trauma center and, therefore, would always have a higher Case Mix Index unless a surrogate hospital of similar size that was also a trauma center could be located <ul style="list-style-type: none"> ○ Mrs. Wallace added that there would also be a rise in the PMC Poway Case Mix Index due to the closure of the Obstetrics unit, as that service carried a lower-weighting 			

BOARD FINANCE COMMITTEE – MEETING MINUTES – WEDNESDAY, JULY 26, 2023

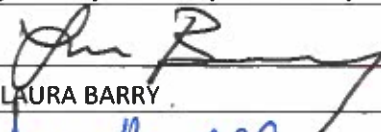

• AGENDA ITEM	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL ?
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• DISCUSSION

- Dr. Khawaja stated that he'd also just brought Dr. Jalil on board, and she had done similar work for other hospitals so could also provide some feedback

COMMITTEE COMMENTS	Dr. Filiciotto thanked Mr. King for the information related to the auditors and actuaries, as well as the explanation for the delay in presenting the financials
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ADJOURNMENT **The meeting was adjourned by Chair Barry at 2:10 p.m.**

SIGNATURES:	COMMITTEE CHAIR	 _____ LAURA BARRY
	COMMITTEE ASSISTANT	 _____ TANYA HOWELL