



Finance Committee

Regular Meeting Agenda

Tuesday-June 27, 2023

12 Noon

75 Nielson Street, Watsonville, CA 95076- Boardroom

Zoom: <https://us06web.zoom.us/j/81532952503>

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75 Nielson Street
Watsonville, CA 95076

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**Pajaro Valley Health Care District Hospital Corporation Finance Committee
Regular Meeting Agenda- Tuesday- June 27, 2023**

Call to Order

Roll Call

Agenda Modification Consideration

Public Comment on Matters Not on the Agenda

Time is set aside for members of the public to address the Committee on any item not on the Agenda (not to exceed two minutes), which is within the subject matter jurisdiction of the Committee.

Comments regarding items included on the Agenda will be heard before the item is discussed by the Committee.

No action or discussion shall be taken on any item presented except that any Committee Member may respond to statements made or questions asked or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to the board will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report.

Comments from Committee Members

Consent

1. Minutes Approval

Recommendation: Pass a Motion approving the Minutes for May 30, 2023.

Contact: Dawn Bullwinkel, Consultant Clerk of the Board

Discussion

2. Financial Performance for May 2023

Recommendation: Review and forward the Pajaro Valley Healthcare District Consolidated financial reports for May 2023 to the Pajaro Valley Healthcare District Hospital Corporation.

Contact: Julie Peterson, Chief Financial Officer

Adjournment

This agenda was posted in accordance with the California Brown Act. Any materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet will be made available to the public in accordance with Government Section 54957.5.



Finance Committee Report

Meeting Date: June 27, 2023

Report Type: Consent

Title: Minutes Approval May 30, 2023

Recommendation: Pass a motion approving the Minutes for May 30, 2023

Contact: Dawn Bullwinkel, Consultant Clerk of the Committee

Analysis

After each Finance Committee meeting, the Committee Clerk composes the DRAFT minutes noting the action taken by the committee. Those DRAFT minutes are presented to the Committee Members for their approval as a permanent record of the meeting actions.

Financial Impact: None

Attachments:

1. Draft Minutes for May 30, 2023

Pajaro Valley Health Care District Hospital Corporation Finance Committee

Regular Meeting Minutes

Tuesday- May 30, 2023

Call to Order at 5:05 pm

Roll Call

Present: Friel and Pimentel

Agenda Modification Consideration-None.

Public Comment on Matters Not on the Agenda-None

Comments from Committee Members-None

Consent

1. Minutes Approval

Moved/Friel Seconded/Pimentel

Yes: Friel and Pimentel

Action: Passed Motion 002-2023 approving the Minutes for January 25, 2023, March 28, 2023 and April 25,2023.

Contact: Dawn Bullwinkel, Consultant Clerk of the Board

Discussion

2. Line of Credit

Action: Received by the committee members with their support to inform the Pajaro Valley Health Care District Hospital Corporation Board of Directors regarding \$5,000,000 Commercial Revolving Line of Credit, secured by external agency(s) funding and present the opportunity to the Pajaro Valley Health Care District Hospital Corporation Board of Directors to provide Hospital with short term working capital.

Contact: Julie Peterson, Chief Financial Officer

3. Short Term Loan Agreement-Letter of Credit

Moved/Pimentel Seconded/Friel

Yes: Friel and Pimentel

Action: Passed **Motion 003-2023** to: 1) Inform the Pajaro Valley Health Care District Board of Directors regarding amendment to the short-term loan agreement between the County of Santa Cruz and the Pajaro Valley Healthcare District; and 2) recommend the Pajaro Valley Health Care District Board of Directors modify the repayment terms according to the schedule in Executive Summary with a modification to clarify that if the due date falls on a weekend or holiday that payment is due on the next business day.

Contact: Julie Peterson, Chief Financial Officer

4. Financial Performance for April 2023

Action: Reviewed the Pajaro Valley Healthcare District Consolidated financial reports for April 2023 and directed the CFO to forward it to the Pajaro Valley Healthcare District Hospital Corporation Board.

Contact: Julie Peterson, Chief Financial Officer

Adjourn at 5:55



Finance Committee Report

Meeting Date: May 30, 2023

Report Type: Discussion

Title: Financial Performance for May 2023

Recommendation: Review and forward the Pajaro Valley Healthcare District Consolidated financial reports for May 2023 to the Pajaro Valley Healthcare District Hospital Corporation.

Contact: Julie Peterson, Chief Financial Officer

Attachments:

- A. Financial Reports
- B. Presentation

**Watsonville Community Hospital
Consolidated Income Statement
For The Month of May, 31, 2023**

CURRENT PERIOD			
May-23	BUDGET	VARIANCE	% VARIANCE
26,275,584	36,380,933	(10,105,349)	-27.8%
59,153,198	51,060,742	8,092,456	15.8%
85,428,782	87,441,675	(2,012,893)	-2.3%
73,856,026	75,464,565	(1,608,539)	-2.1%
(1,599,179)	(1,599,179)		0.0%
(128,059)	(128,059)		0.0%
72,128,788	73,737,327	(1,608,539)	-2.2%
13,299,994	13,704,348	(404,354)	-3.0%
970,343	116,834	853,509	730.5%
12,329,651	13,587,514	(1,257,863)	-9.3%
416,743	136,542	280,201	205.2%
12,746,394	13,724,057	(977,663)	-7.1%
6,044,479	6,241,118	(196,639)	-3.2%
1,815,585	2,102,725	(287,140)	-13.7%
563,116	535,000	28,116	5.3%
8,423,180	8,878,843	(455,663)	-5.1%
686,414	849,534	(163,120)	-19.2%
920,253	979,231	(58,978)	-6.0%
86,297	104,310	(18,013)	-17.3%
151,206	166,678	(15,472)	-9.3%
1,168,611	1,278,654	(110,043)	-8.6%
157,828	213,393	(55,565)	-26.0%
191,762	280,606	(88,844)	-31.7%
500	4,167		
641,407	996,437	(355,030)	-35.6%
12,427,458	13,751,853	(1,324,395)	-9.6%
318,936	(27,796)	346,732	-1247.4%
82,502	96,850	(14,348)	-14.8%
386,429	405,337	(18,908)	-4.7%
468,931	502,186	(33,255)	-6.6%
(149,995)	(529,983)	379,988	-71.7%

	YTD			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Operating Revenues				
Inpatient Revenue	146,106,960	175,829,405	(29,722,445)	-16.9%
Outpatient Revenue	261,379,730	236,964,510	24,415,220	10.3%
Total gross patient revenue	407,486,690	412,793,915	(5,307,225)	-1.3%
Deductions From Revenue:				
Contractual Allowances	359,104,336	358,217,206	887,130	0.2%
QAF	(7,995,896)	(7,995,896)		0.0%
Disproportionate Share DSH	(640,293)	(640,293)		0.0%
Total Deductions From Rev	350,468,147	349,581,017	887,130	0.3%
Net Revenue	57,018,543	63,212,897	(6,194,354)	-9.8%
Provision for Bad Dbt	(530,267)	539,051	(1,069,318)	-198.4%
Collectible Patient Revenue	57,548,810	62,673,847	(5,125,037)	-8.2%
Other Revenue	3,310,012	665,094	2,644,918	397.7%
Total Net Operational Revenue	60,858,822	63,338,941	(2,480,119)	-3.9%
Operating Expenses				
Salaries & Wages	29,439,126	28,678,953	760,173	2.7%
Benefits	8,189,820	10,251,678	(2,061,858)	-20.1%
Contract Labor	2,837,739	2,850,000	(12,261)	-0.4%
Subtotal Salaries Wages & Benefits	40,466,685	41,780,631	(1,313,946)	-3.1%
Medical Spec Fees	3,364,705	4,193,377	(828,672)	-19.8%
Supplies	4,796,878	4,497,006	299,872	6.7%
Repairs & Maintenance	499,145	508,091	(8,946)	-1.8%
Utilities	1,203,790	812,985	390,805	48.1%
Purchased Services	6,304,447	7,515,892	(1,211,445)	-16.1%
Lease Cost and Rent	791,922	1,044,189	(252,267)	-24.2%
Prop Taxes & Ins	915,303	1,366,015	(450,712)	-33.0%
Marketing	2,194	20,833		
Other Operating Exp	3,262,000	4,995,894	(1,733,894)	-34.7%
Total Operating Exp	61,607,069	66,734,914	(5,127,845)	-7.7%
EBITDA	(748,247)	(3,395,974)	2,647,727	-78.0%
Depreciation and Amortization	452,159	481,728	(29,569)	-6.1%
Interest	1,940,441	2,008,626	(68,185)	-3.4%
Total Other Expenses	2,392,600	2,490,354	(97,754)	-3.9%
Net Income/Loss from Operations	(3,140,847)	(5,886,327)	2,745,480	-46.6%

**Watsonville Community Hospital
Income Statement
For The Month of May, 31, 2023**

CURRENT PERIOD				YTD				
May-23	BUDGET	VARIANCE	% VARIANCE		ACTUAL	BUDGET	VARIANCE	% VARIANCE
				Operating Revenues				
6,671,202	9,846,834	(3,175,632)	-32.3%	Inpatient Routine	36,165,735	46,734,457	(10,568,722)	-22.6%
19,604,382	26,534,099	(6,929,717)	-26.1%	Inpatient Ancillary	109,941,225	129,094,948	(19,153,723)	-14.8%
58,629,948	50,567,843	8,062,105	15.9%	Outpatient	258,822,427	234,593,350	24,229,077	10.3%
26,275,584	36,380,933	(10,105,349)	-27.8%	Inpatient Revenue	146,106,960	175,829,405	(29,722,445)	-16.9%
58,629,948	50,567,843	8,062,105	15.9%	Outpatient Revenue	258,822,427	234,593,350	24,229,077	10.3%
84,905,532	86,948,777	(2,043,245)	-2.3%	Total gross patient revenue	404,929,387	410,422,755	(5,493,368)	-1.3%
				Deductions From Revenue:				
73,532,379	75,187,931	(1,655,552)	-2.2%	Contractual Allowances	357,529,486	356,893,256	636,230	0.2%
(1,599,179)	(1,599,179)		0.0%	QAF	(7,995,896)	(7,995,896)		0.0%
(128,059)	(128,059)		0.0%	Disproportionate Share DSH	(640,293)	(640,293)		0.0%
71,805,141	73,460,693	(1,655,552)	-2.3%	Total Deductions From Rev	348,893,297	348,257,067	636,230	0.2%
13,100,391	13,488,083	(387,692)	-2.9%	Net Revenue	56,036,090	62,165,688	(6,129,598)	-9.9%
971,231	114,388	856,843	749.1%	Provision for Bad Dbt	(520,691)	527,207	(1,047,898)	-198.8%
12,129,160	13,373,695	(1,244,535)	-9.3%	Collectible Patient Revenue	56,556,781	61,638,481	(5,081,700)	-8.2%
345,154	116,792	228,362	195.5%	Other Revenue	2,960,760	568,888	2,391,872	420.4%
12,474,314	13,490,487	(1,016,173)	-7.5%	Total Net Operational Revenue	59,517,541	62,207,369	(2,689,828)	-4.3%
				Operating Expenses				
5,786,923	5,946,166	(159,243)	-2.7%	Salaries & Wages	28,182,697	27,303,922	878,775	3.2%
1,770,168	2,037,256	(267,088)	-13.1%	Benefits	7,953,942	9,923,407	(1,969,465)	-19.8%
563,116	535,000	28,116	5.3%	Contract Labor	2,837,739	2,850,000	(12,261)	-0.4%
8,120,207	8,518,422	(398,215)	-4.7%	Subtotal Salaries Wages & Benefits	38,974,378	40,077,329	(1,102,951)	-2.8%
679,539	843,983	(164,444)	-19.5%	Medical Spec Fees	3,336,663	4,111,014	(774,351)	-18.8%
911,897	972,573	(60,676)	-6.2%	Supplies	4,764,087	4,465,915	298,172	6.7%
86,297	104,189	(17,892)	-17.2%	Repairs & Maintenance	499,034	507,503	(8,469)	-1.7%
150,388	165,741	(15,353)	-9.3%	Utilities	1,197,160	807,318	389,842	48.3%
1,187,669	1,244,319	(56,650)	-4.6%	Purchased Services	6,111,228	7,347,356	(1,236,128)	-16.8%
133,769	196,296	(62,527)	-31.9%	Lease Cost and Rent	670,586	956,151	(285,565)	-29.9%
183,885	272,329	(88,444)	-32.5%	Prop Taxes & Ins	879,823	1,326,506	(446,683)	-33.7%
500	-	500		Marketing	2,194	-	2,194	
-	-			Management Fees	-	150,000	(150,000)	-100.0%
643,394	994,156	(350,762)	-35.3%	Other Operating Exp	3,251,525	4,829,609	(1,578,084)	-32.7%
12,097,545	13,312,008	(1,214,463)	-9.1%	Total Operating Exp	59,686,678	64,578,701	(4,892,023)	-7.6%
376,769	178,478	198,291	111.1%	EBITDA	(169,137)	(2,371,332)	2,202,195	-92.9%
-	-			Depreciation and Amortization	-	-		
7,927	18,878	(10,951)	-58.0%	Interest	114,334	76,333	38,001	49.8%
7,927	18,878	(10,951)	-58.0%	Total Other Expenses	114,334	76,333	38,001	49.8%
368,842	159,600	209,242	131.1%	Net Income/Loss from Operations	(283,471)	(2,447,665)	2,164,194	-88.4%

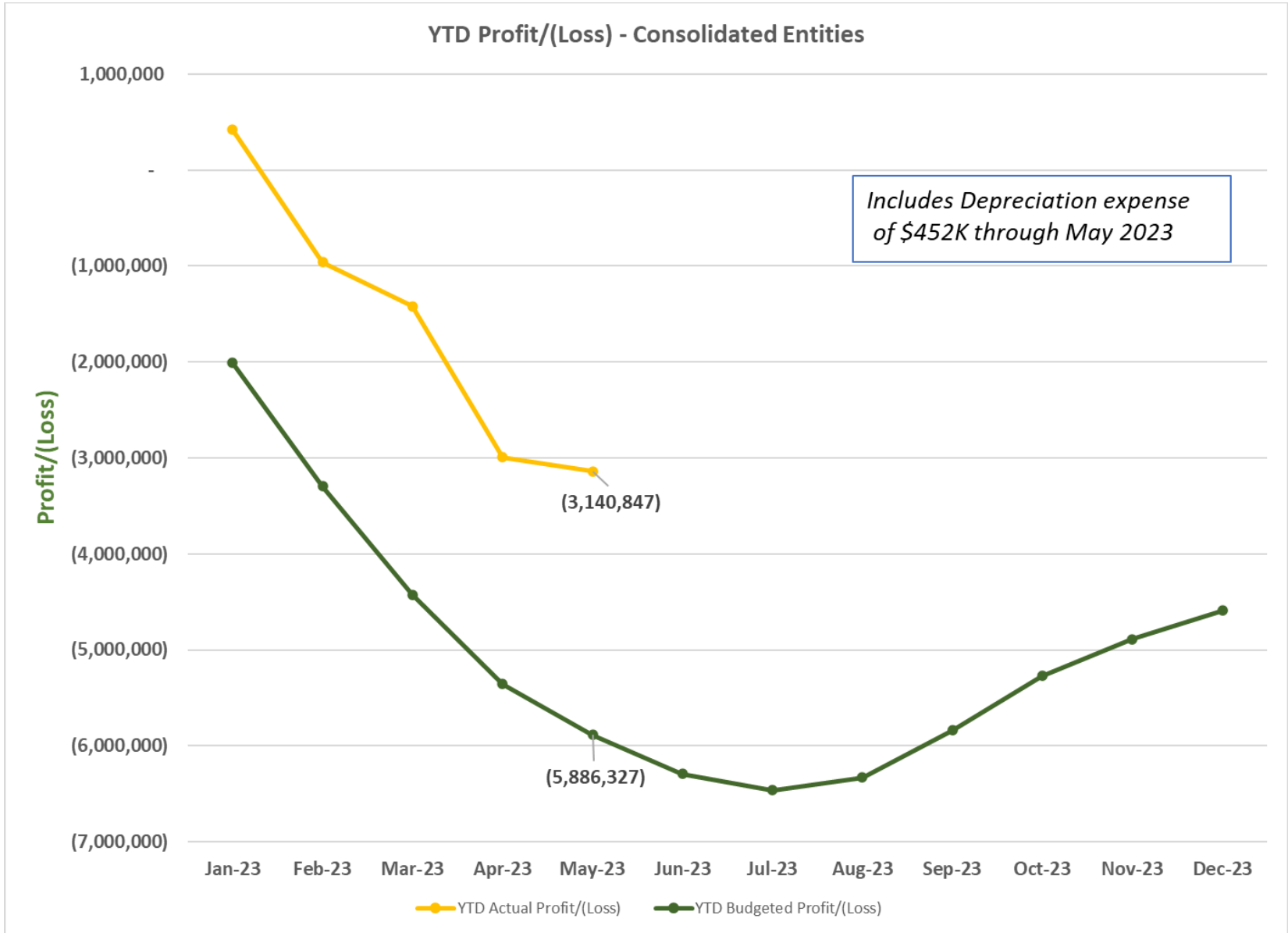
WATSONVILLE COMMUNITY HOSPITAL
2023 CONSOLIDATED TRENDED BALANCE SHEET
(\$ in 000's)

	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Assets					
Cash	\$ 5,982	\$ 6,078	\$ 1,916	\$ 3,958	\$ 3,576
A/R	43,166	43,452	42,474	39,084	39,504
Less: Allowance for BD	(8,134)	(7,325)	(6,587)	(6,365)	(7,298)
Prior yr Cost Report Settlement					
Supplies	2,079	2,073	2,118	2,069	2,058
Prepaid Expenses	1,185	1,209	1,104	1,096	1,028
Other Current Assets	722	1,195	2,551	2,271	2,217
Total Current Assets	\$ 45,000	\$ 46,682	\$ 43,576	\$ 42,113	\$ 41,085
Net PP&E	35,245	35,168	35,150	35,074	34,999
Operating Lease ROU, Net	1,676	1,634	1,491	1,449	1,408
Notes Receivable					
Deposits	5	5	5	5	5
Unamortized Loan Costs	50	50	50	50	50
Physician Recruitment Costs	-	-	-	-	-
Deferred MIS Charges	698	631	562	496	431
Goodwill (Placeholder)	(20,666)	(20,551)	(20,963)	(20,963)	(20,963)
Total Other Assets	\$ (18,237)	\$ (18,231)	\$ (18,855)	\$ (18,963)	\$ (19,069)
Total Assets	\$ 62,008	\$ 63,619	\$ 59,871	\$ 58,224	\$ 57,015
Liabilities and Equity					
Current maturities of LTD	\$ (47)	\$ (57)	\$ (68)	\$ (79)	\$ (90)
Accounts Payable	6,622	7,194	7,009	7,361	6,855
Accrued Emp. Comp.	9,401	10,052	7,793	8,535	8,112
Operating Lease - Current	30	20	319	324	307
Other Accrued Liabilities	5,844	7,716	7,006	5,955	6,073
Total Current Liabilities	\$ 21,850	\$ 24,925	\$ 22,059	\$ 22,096	\$ 21,257
Deferred Credits	6,935	6,880	6,405	6,318	6,133
Operating Lease Liabilities	1,693	1,655	1,194	1,159	1,124
Long Term Debt	39,836	39,847	40,358	40,369	40,379
Total Liabilities	\$ 70,314	\$ 73,307	\$ 70,016	\$ 69,942	\$ 68,893
Stockholders' Equity	(8,306)	(9,688)	(10,145)	(11,718)	(11,878)
Total Liabilities and Equity	\$ 62,008	\$ 63,619	\$ 59,871	\$ 58,224	\$ 57,015



Financial Performance May 2023

Consolidated YTD Profit/(Loss)



Consolidated YTD Budget vs Actual

Account	Actual	Budget	Variance
Net Operating Revenue	60,858,822	63,338,941	(2,480,119)
Labor (SWB & Registry)	40,466,685	41,780,631	(1,313,946)
Pro Fees Medical	3,364,705	4,193,377	(828,672)
Supplies	4,796,878	4,497,006	299,872
Purchased Services	6,304,447	7,515,892	(1,211,445)
Plant (Utilities, R&M, Tax & Insurance)	2,618,238	2,687,092	(68,854)
Other (Rent, Mgmt Fees, Other)	4,056,116	6,060,917	(2,004,801)
Total Operating Expense	61,607,069	66,734,914	(5,127,845)
EBITDA	(748,247)	(3,395,974)	2,647,727
Lease	1,940,441	2,008,626	(68,185)
Net Cash Gain/(Shortfall)*	(2,688,688)	(5,404,599)	2,715,911

* Excludes Depreciation

Consolidated 3 Month Trend

Account	Mar-23	Apr-23	May-23
Net Operating Revenue	12,488,037	11,008,160	12,746,394
Labor (SWB & Registry)	8,151,089	7,985,788	8,423,180
Pro Fees Medical	581,672	710,036	686,414
Supplies	910,085	911,733	920,253
Purchased Services	1,659,286	1,033,045	1,168,611
Plant (Utilities, R&M, Tax & Insurance)	437,112	493,186	429,265
Other (Equip Lease, Mgmt Fees, Other)	730,695	972,330	799,735
Total Operating Expense	12,469,939	12,106,118	12,427,458
EBITDA	18,098	(1,097,958)	318,936
MPT Lease	381,242	390,722	386,429
Net Cash Gain/(Shortfall)*	(363,144)	(1,488,680)	(67,493)

* Excludes Depreciation

IP Statistics

IP Statistics	May-23	May-23 Budget	Variance to Budget	May-22	Variance to Prior Year
Admissions	276	379	(103)	363	(87)
Discharges	271	373	(102)	357	(86)
Patient Days	1,086	1,395	(309)	1,320	(234)
Average Daily Census	35.0	45.0	(10.0)	42.6	(7.5)
Acute Length of Stay	3.93	3.68	0.25	3.70	0.24
Acute Case Mix Index	1.47	1.36	0.11	1.38	0.09
Deliveries	71	69	2	69	2
IP Surgeries	60	76	(16)	62	(2)

- YTD Admissions and Discharges are 17% (~300) less than May 2022 YTD
- Length of Stay decreased while case mix remained constant.
- IP Surgeries were down and Deliveries remained strong
- YTD IP Surgeries and Deliveries per day are down slightly

OP Statistics

OP Statistics	May-23	May-23 Budget	Variance to Budget	May-22	Variance to Prior Year
OP Visits – Hospital Only (Non ER)	2,946	3,161	(215)	3,252	(306)
ER Visits	3,106	2,656	450	2,498	608
OP Surgeries	100	118	(18)	87	13

- Non ER OP Visits are down about 12 per day from 2022
- ER Visits are up about 9 per day over 2022
- May YTD averages 88 ER visits per day
- OP Surgeries 3.4 per day as compared to 2.9 per day in 2022
- CHP Clinic visits are up 14.6% YTD compared to 2022
- May YTD average 35 clinic visits per day

Turn-around Plan Updates

Revenue Initiatives	Budget
Charge Master Updates	250,000
Renegotiate Payer Contracts	11,945,975
DaVinci Robot	909,504
Revenue Cycle Improvements	5,000,000
Cath Lab*	73,028
Total Revenue Initiatives	18,178,507

* Not yet implemented

- May YTD Collectible Patient Revenue is \$5.1M below budget, however Total Net Revenue is only \$2.5M under budget due to an unbudgeted PRF payment in January.
- The implementation of the DaVinci Robot in March and the delayed implementation of the Cath Lab (~Q4 2023) accounts for \$2.3M in unrealized revenue
- Contract implementation delays and Revenue Cycle improvements in Billing, Collections and Denials Management represent \$2.8M in opportunity through May.

Turn-around Plan Updates

Expense Initiatives	Budget
Labor Efficiencies	445,709
Sales Tax Exemption*	520,000
GPO Savings*	750,000
Physician Subsidies/Contracts*	(511,000)
Eliminate Transition Costs	10,437,438
Total Expense Initiatives	11,642,147

* *Not yet implemented*

- Total operating expense is \$5.1M favorable to budget through May.
- Salary expenses are \$748K unfavorable, offset by improvements in premium pay & contract staffing utilization.
- Intensivist contract not yet implemented, saving the additional expense.
- GPO contract implementation & recovery of sales tax exemption to occur in Q3 & Q4
- Favorable variances in the reduction of transition costs and other expense categories

Turn-Around Dollars & Reasons

Net Revenue Variances	Estimated Amount	Reason
Robot	(797,017)	Three month delay and ramp up period
Cath lab	(1,487,706)	Not yet implemented
Rev Cycle & Contract Implementation	(2,840,315)	Staggered contract implementations and ramp up on other initiatives
Expense Variances	Estimated Amount	Reason
GPO Contract	(301,919)	Not yet implemented
Sales Tax Exemption	(209,330)	Awaiting 501(c)3 designation
Intensivist Contract	205,707	Not yet implemented
Labor (Salaries & Benefits)	(1,313,946)	Volumes & benefits variance to budget
Transition/Other Expenses	(3,508,357)	Significant reduction in legal & consulting; some timing

Other Updates

- \$2.6M Letter of Credit renegotiated payment agreement is fully executed – first payment by June 30, 2023.
- \$5.0M Line of Credit work still in progress with Santa Cruz County Bank and external partners.
- Distressed Hospital Loan program application process started – Due July 31, 2023.
- Medi-Cal payments on hold due by State until July – carefully monitoring impact on cashflow.

Questions?