



Board Members

- John Friel (Chair)
- Dr. Katherine (Katie) Gabriel-Cox
- Dr. Joe Gallagher
- Jose A. (Tony) Nuñez
- Marcus Pimentel

Special Meeting Agenda

Zoom: <https://zoom.us/j/93443061917>

Phone: +1 669 900 9128 WEBINAR ID: 934 4306 1917

Wednesday, August 2, 2023 - 4:45 pm

Administrative Board Room - 85 Nielson Street, Watsonville
75 Nielson Street, Watsonville, CA 95076- CR 2 & 3

Agenda documents are available for review in person at Watsonville Community Hospital, 75 Nielson Street, Hospital Main Lobby-Visitors Desk; and electronically on the Pajaro Valley Healthcare District's website, at: PVHCDHC.ORG. To view online, visit the Board's website at: PVHCDHC.ORG and select the meeting date to view the agenda and supporting documents. Written comments on agenda items may also be submitted to the Board by email or US Mail. Comments received after 4 p.m. on the day of the meeting and before the end of the meeting will be included in the official record.

Email: info@pvhcd.org

- Emailed documents may take up to 24 hours to be posted
- Please include the agenda item number

U.S. Mail:

PVHCD Board of Directors
75 Nielson Street
Watsonville, CA 95076

For additional information, call 831.763.6040 or email info@pvhcd.org

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**Pajaro Valley Health Care District Hospital Corporation
Special Meeting Agenda-Wednesday, August 2, 2023**

Call to Order

Roll Call

Public Comment on Matters on Agenda Only per California Government Code 54956(a)

Discussion

1. Authorization for Cash Advances

Recommendation: Pass a Motion authorizing Julie Peterson, CFO and Matko Vranjes, Interim CEO to negotiate and secure cash advances against future claim payments, Quality Assurance Directed Payments or Fee for Service Payments in an amount up to \$5.0 million.

Contact: Julie Peterson, Chief Financial Officer

2. Authorization for Short Term Loans

Recommendation: Pass a Motion authorizing Julie Peterson, CFO and Matko Vranjes, Interim CEO to negotiate and secure short term loan arrangements from external partners, including potentially Salud Para La Gente, not to exceed \$1.5 million dollars.

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.



Board Report

Meeting Date: August 2, 2023

Report Type: Discussion

Title: Authorization for Cash Advances

Recommendation: Pass a Motion authorizing Julie Peterson, CFO and Matko Vranjes, Interim CEO to negotiate and secure cash advances against future claim payments, Quality Assurance Directed Payments or Fee for Service Payments in an amount up to \$5.0 million.

Contact: Julie Peterson, Chief Financial Officer

Executive Summary

The Pajaro Valley Health Care District Hospital Corporation desires the flexibility to arrange for cash advances on short notice when cash flow challenges threaten the Hospital's abilities to make payroll or AP disbursements. Given the nature of our business and the fact that we are subject to some liabilities of the prior ownership, it is necessary for the Hospital to make payments quickly to secure patient care supplies or pay past liabilities. The timing of these necessary payments does not always line up to the Hospital's ability to pay. Sometimes vendors are threatening to not provide needed patient care supplies until a pre-payment is made due to the credit risk of a company that has recently emerged from Bankruptcy. In some cases, the Department of Healthcare Services or other governmental agencies require payments for past cost report overpayments, quality assurance fees, or other normal course of business expenses. Sometimes the timing of these expenses is known and can be planned for. In other cases, the timing is unknown and when the request is received there is a short window for payment or to make alternative arrangements.

Background

Since emerging from Bankruptcy, the hospital has operated with limited working capital. On average we bring in about \$2.3 million in cash collections each week. Every two weeks, the payroll, taxes and associated retirement payments are about \$3.0 million dollars. On average, the normal Accounts Payable disbursements average about \$1.5 million weekly. At the beginning of the month, certain payments, including a \$400 thousand lease payment is due which can increase the Accounts Payable amount.

Pajaro Valley Health Care District Hospital Corporation (PVHCDHC)

Recently we have withheld Accounts Payable payments as the amount due exceeds the cash available, when managing cash to ensure payroll expenses are covered. Currently we have approximately \$3.0 million in Accounts Receivable that is past due one week or more. Nothing is more than two months behind and we work hard to keep everything flowing so that we don't keep one vendor in arrears too long.

Analysis

A review of weekly Accounts Payable disbursements and bi-weekly payroll disbursements were compared to weekly cash collections. When cash deposits are received does not always align well with when disbursements are necessary. Additionally, there are certain large payments that are due above and beyond weekly disbursements. Given the timing Watsonville Community Hospital believes that the ability to enter into cash advances against future payments from government programs and/or claims for patient services gives the Hospital the needed flexibility to meet obligations timely.

Financial Impact

The Hospital will receive up to a \$2,500,000 cash advance against a future payment from the Central California Alliance for Health Directed Payment due to the Hospital in October 2023. The future payment is approximately \$4.3 million.

The Hospital will have authorization to secure advances against future payments up to \$5 million without further Board action.

All advances will carry a promissory note to the borrower. Upon execution of a promissory note for any advance, the CFO will report the action to the Board at the next regularly scheduled meeting.



Board Report

Meeting Date: August 2, 2023

Report Type: Discussion

Title: Authorization for Short Term Loans

Recommendation: Pass a Motion authorizing Julie Peterson, CFO and Matko Vranjes, Interim CEO to negotiate and secure short term loan arrangements from external partners, including potentially Salud Para La Gente, not to exceed \$1.5 million dollars.

Contact: Julie Peterson, Chief Financial Officer

Executive Summary

The Pajaro Valley Health Care District Hospital Corporation desires the flexibility to arrange for short term loans on short notice when cash flow challenges threaten the Hospital's abilities to make payroll or AP disbursements. Given the nature of our business and the fact that we are subject to some liabilities of the prior ownership, it is necessary for the Hospital to make payments quickly to secure patient care supplies or pay past liabilities. The timing of these necessary payments does not always line up to the Hospital's ability to pay. Sometimes vendors are threatening to not provide needed patient care supplies until a pre-payment is made due to the credit risk of a company that has recently emerged from Bankruptcy. In some cases, the Department of Healthcare Services or other governmental agencies require payments for past cost report overpayments, quality assurance fees, or other normal course of business expenses. Sometimes the timing of these expenses is known and can be planned for. In other cases, the timing is unknown and when the request is received there is a short window for payment or to make alternative arrangements.

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Analysis

A review of weekly Accounts Payable disbursements and bi-weekly payroll disbursements were compared to weekly cash collections. When cash deposits are received does not always align well with when disbursements are necessary. Additionally, there are certain large payments that are due above and beyond weekly disbursements. Given the timing Watsonville Community Hospital believes that the ability to enter into a short term bridge loan allows for a fast turnaround when cash is needed for unforeseen circumstances or any further delays in reimbursements due to the Hospital Corporation.

Financial Impact

The Hospital will have access up to \$1.5 million for a short-term bridge loan from Salud Para La Gente for emergency needs. This would be a 3-6 month unsecured loan at the interest rate that Salud currently is paid for the investments (~ 4%). The authorization allows for quick turnaround on such a request. The Hospital will not immediately seek this loan unless needs dictate it.

The Hospital requests the authorization to seek other external agencies willing to loan up to \$1.5 million under similar terms in the event that Salud Para La Gente is unable to provide such a loan.

Any short-term bridge loans will carry a promissory note to the borrower. Upon execution of a promissory note for any short term bridge loan, the CFO will report the action to the Board at the next regularly scheduled meeting.