

# NHCC FINANCE COMMITTEE MEETING

August 6, 2020 at 5 p.m.

Via Zoom

## MINUTES

### *Attendance on Zoom:*

- John Sardelis, Chairman of Committee
- Dr. Bobby Kalotee, Board Director
- Waylyn Hobbs, Jr., Board Director

### *Attendance in person*

- Robert Detor, Chairman of the Board of Directors, NHCC
- Megan Ryan, EVP/General Counsel, NUMC
- Dr. Anthony Boutin, EVP/Interim CEO/CMO, NUMC
- Richard Rank, Director of Finance, NUMC

### *Others via Zoom:*

- Jeremy Wise, NIFA
- Carl Dreyer, NIFA

## **I. Call to Order**

Mr. Sardelis called the meeting to order at 5:02 pm.

## **II. Roll Call**

Mr. Sardelis asked Ms. Ryan to do a roll call to see if there was a quorum. Ms. Ryan did a roll call and advised that there was a quorum to proceed.

## **III. Approval of Minutes – June 4, 2020**

Mr. Sardelis asked for a motion to approve the June 4, 2020 minutes. Dr. Kalotee said he would make a motion. Ms. Ryan announced that there was a correction in the minutes.

She said there was a typo in the minutes – in the second paragraph on page 5, the word “basic” should be replaced by the word “invasive”. Dr. Kalotee said he would made the motion for the correction of the minutes as well as for the approval of the minutes.

**Action: Dr. Kalotee made a motion to accept the correction of the minutes as well as the approval of the minutes of June 4, 2020, and Mr. Hobbs seconded it. All were in favor with none opposed or abstained and the vote was unanimous.**

#### **IV. Financial Report**

##### **1. Financial Statements May 2020**

Mr. Rank stated that he had sent the May financials previously to the Committee members and he was willing to answer any questions on them but that he was going to focus primarily on the June 2020 financials.

Dr. Kalotee pointed out that the Total Cares Grant payment through May 31, 2020 had increased from \$85.5 million to \$121 million in the June financials. He congratulated the Finance Chair and the Chairman of the Board for their role in working hard to achieve these numbers for the employees and for the hospital.

Dr. Kalotee then asked if the hazard payment to the employees had already been distributed.

Chairman Detor replied that it had not been done as yet because the current legislation that the House passed for the Heroes Act in July has a provision that relates specifically to hazard pay. He said he decided to wait until that legislation was passed or modified to see if it was included. Chairman Detor stated that right now it looks like it will not be included. He said that if it was not included, then we will go forward with the hazard pay using the Cares Act money. He noted that under the provision in the Heroes Act employees would have received more money than would be able to be paid out of the Cares Act and that was why he had waited.

Dr. Kalotee thanked Chairman Detor and stated that he was concerned that the employees were not forgotten.

Dr. Kalotee moved to the Revenue section (page 5 of 18) in the May financials. He noted that even though the volume was less because we took care of the most difficult cases and patients, we had a better and higher fee. Mr. Rank agreed with that statement. Dr.

Kalotee commended Dr. Boutin and his staff for the hard work they did during height of the Covid crisis.

## **2. Financial Statements June 2020**

Mr. Rank continued on with his report. He pointed out that the June financials showed the Total Cares grant payments through June 30, 2020 was \$121million (Page 4 of 18) and the difference from the May financials was the \$35 million we received on June 12, 2020. Mr. Rank noted that the hospital had not spent any of that money but it has been attributed to Covid related expenses and revenue which would allow us to retain that money.

Dr. Kalotee thanked Chairman Detor for his leadership.

Dr. Kalotee noted that the case mix index was better in June and it increased our revenue (page 5 of 18). Mr. Rank agreed with that statement. Dr. Kalotee asked if we had angioplasties if that would make for a better case mix and therefore more revenue. Mr. Rank replied that having invasive cardiology rather than having basic cardiology would increase revenue.

Mr. Rank went on to discuss the NUMC Analysis of Discharges and Case Mix Index for the month of June. He noted that June was a good month because even though the volume was down the case mix was up.

Dr. Kalotee had a question about the NHCC Impact of the Covid 19 Crisis. He asked if the figure for the Medicare Periodic Interim Payment (PIP) Advance was what Chairman Detor had spoken about previously. Mr. Rank confirmed that it was.

Mr. Rank pointed out (under the same heading) that over the course of March through June volumes have dropped in overall patient services not only at NUMC with the discharges but also at the clinics, ED, and ambulatory surgery, family practice and also at A. Holly Patterson (AHP). He noted that even though it had an impact on us of \$22 million in lower revenue than we would have seen if we were at budget, it has been recouped through the more intensive care of Covid patients and in June with orthopedic cases and trauma cases. He said the net impact was that we dropped \$22 million in volume but received \$21 million in better reimbursement for higher case mix because we

treated patients that were sicker than we would have normally seen. He stated we were only down \$1.2-\$1.3 million in revenue.

Mr. Rank stated that we have already recognized \$17 million in Cares Act revenue which is a result of Covid related expenses that we have recognized at 75% using the FEMA guidelines, and then in May and June recognizing additional lost revenue for a total of \$17.1 million. He stated that the total revenue impact is positive by almost \$16 million.

Mr. Rank announced that the other thing he wanted to point out is that our expenses for June is still below budget by \$4.7 million.

Dr. Kalotee asked if the money received from the Cares Act and the Medicare Advance is still in our bank or if it has been spent. Mr. Rank replied that none of it has been spent.

Dr. Kalotee said we should try to spend the money appropriately we had so we don't have to return it. Mr. Rank said that the only issue that came up is that CMS/Medicare has indicated to every hospital in the country that they will recoup the entire advance starting from 120 days from when we received it which for NUMC would be the middle of August. He said they will be recouping at a rate of \$3 million every other week because of the PIP check which is received every other week. He however noted that we will use that in place of it.

Dr. Kalotee thanked Mr. Rank for his explanation.

### **3. Discussion of CARES Act Funding and Use**

Mr. Rank said he had summarized in the table what they had spent for labor and fringe (\$4.4 million) and other personnel services (\$8.5 million) during Covid for a total of \$12.9 million and we have recognized the revenue related to that of 75%.

Dr. Kalotee thanked everyone for their role in the improving finances of the hospital.

Mr. Rank continued his report. He said that year to date expenses were \$4 million better than was budgeted and that's a result of the downturn in volume and redeploying our nurses and clinicians during the Covid crisis so that we didn't hire people but rather redeployed people from the health centers and those in education and non-patient related treatment areas to treatment areas. He noted that limited the labor expenses and that salaries and fringe benefits were under budget by \$12.6 million through June and once

you take out the additional \$4.4 million that we spent on Covid, that brings it up to over \$17 million favorable in labor.

Mr. Sardelis asked if a lot of senior nurses were retiring at this point in time and Dr. Boutin replied that he was correct.

Mr. Sardelis asked about cash flow. Mr. Rank replied that collections have been very good because of the case mix and that the money from the Cares Act and PIP were not used. He noted we have been paying our bills as usual but that Alvarez and Marsal were looking at different scenarios in the cash flow and tweaking that. He said that they will be presenting a number of various cash flows scenarios and that he will wait for that.

Chairman Detor announced that was one of the items Alvarez and Marsal will be presenting at the Board meeting which will be held the following week.

Dr. Kalotee said he would like to make a motion to accept the May and June 2020 financial statements.

**Action: Dr. Kalotee made a motion to accept the May 2020 and the June 2020 Financial Statements and Chairman Detor seconded it. All were in favor with none opposed or abstained and the vote was unanimous.**

Dr. Kalotee thanked Board member Waylyn Hobbs, Jr., Ms. Ryan, Dr. Boutin and Dr. Pipia for joining him when the temperature screening machines were donated to the hospital and the nursing home by the Nargis Dutt Foundation and Friends for Good Health.

#### **4. Renewal of Remarketing Agreement and Letters of Credit for Variable Rate Demand Bonds**

Mr. Rank said the last item on the agenda was to ask the Finance Committee to recommend to the full Board the following week to extend the remarketing and letters of credit on our long-term debt. He noted that he had previously sent everyone what we were doing with NIFA and the County. He said the safest, cheapest and easiest way to do this was to stay with Bank of America. He stated that PFM, our financial advisors, had canvassed the financial community and found that Bank of America/Merrill Lynch (BAML) have the existing \$180 million of letters of credit and they have the remarketing

agreement. He announced that they will extend that for another year while we try to fix our debt with fixed rate bonds.

Dr. Kalotee asked if there were any questions because he would like to make a motion to accept the renewal of remarketing agreement and letters of credit.

There were no questions.

**Action: Dr. Kalotee made a motion to accept the renewal of the Remarketing Agreement and Letters of Credit, and Mr. Hobbs, Jr. seconded it. All were in favor with none opposed or abstained and the vote was unanimous.**

Mr. Rank said there was a handout of the funds received in the Cares Act and he wanted to point out what we received, what we recognized in the financial statement so far and how we plan to spend the money. He noted we received \$121 million and we have recognized the use of those funds that entitles us to keep it -- Covid-related expenditures of \$1.4 million in May and June so we have \$100 million left to spend. He pointed out the list of the categories in which we plan to spend the money over the remaining months of the year and into next year.

The first one was modifying facilities for COVID related safety issues which includes signage, making pressure rooms, and putting up barriers between patients. The second was expansion of clinic hours needed for social distancing. Mr. Rank stated that we do about 300,000 clinic visits a year and they have been down significantly this year as a result of Covid but in rebounding back they cannot see the same amount of patients because of social distancing guidelines. The third category was modifying our Allscripts software for our electronic health records in order to have telehealth effective in a coordinated way. He said the remaining two categories were the required testing primarily right now at AHP where for the last two months the 400 plus staff had to be tested twice a week. He stated that any remaining money would be used for future lost revenue due to reduced volume if there is a second surge of the crisis.

Mr. Sardelis asked if the use of the funds for the modification of EHR for Telehealth was an eligible expense and Chairman Detor confirmed that the funds were eligible.

Mr. Hobbs asked if there was an estimate of how much some of the projects would cost and Mr. Rank replied that as of now they do not have any estimates. He stated that the

only figure they have so far is the testing at AHP which cost about \$600,000 for the two months of testing which will be seen in the June financials.

Mr. Sardelis asked if there was a date by which the money had to be spent.

Chairman Detor replied that as of right now the latest guidance is that it has to be spent by July 31, 2021.

Mr. Sardelis asked if there were any more points of discussion and since there was none, he asked for a motion to adjourn.

V. Motion to Adjourn

Mr. Hobbs made a motion to adjourn the meeting, it was seconded by Chairman Detor, and the vote was unanimously approved. The meeting ended at 5:38 pm.

Dated: August 10, 2020

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**John Sardelis**  
*Chairman, Finance Committee*