

PAJARO VALLEY HEALTH CARE
DISTRICT
HOSPITAL CORPORATION
FINANCE COMMITTEE

REGULAR MEETING AGENDA

Virtual/Teleconference

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**December 27, 2022
12:00 p.m.**

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For Public Participation Guidelines, see last page(s) of the agenda.

1. CALL TO ORDER/ROLL CALL

1. PUBLIC COMMENT

This time is set aside for members of the general 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. 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 Committee will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report.

2. REGULAR AGENDA

A. CONSIDERATION OF ACCEPTANCE OF FINANCIAL PERFORMANCE OF SEPTEMBER THROUGH NOVEMBER 2022

- 1) Oral Report
- 2) Committee Members questions to staff
- 3) Public Comment
- 4) Motion accepting Financial Performance of September through November 2022

B. CONSIDERATION OF RECOMMENDATION OF 2023 BUDGET APPROVAL TO THE PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION

- 1) Oral Report
- 2) Committee Members questions to staff
- 3) Public Comment
- 4) Motion recommending approval of 2023 Budget

C. CONSIDERATION OF FINANCE COMMITTEE MEMBERSHIP

- 1) Oral Report
- 2) Committee Members questions to staff
- 3) Public Comment
- 4) Appropriate (if any)

3. ADJOURNMENT

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 Hospital Corporation's website, at: PVHCHC.ORG.

To view online, visit the Board's website at: PVHCHC.ORG. Select the meeting date to view the agenda and supporting documents.

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.

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Written comments on agenda items may also be submitted to the Board by email or US

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U.S. Mail:

PVHCD Board of Directors
75 Nielson Street
Watsonville, CA 95076

Comments received after 4 p.m. the day of the meeting and before the end of the meeting will be included with the minutes record.

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

Public Participation Guidelines

PUBLIC COMMENT

Participating in Person:

The meeting space is open with limited capacity. Face coverings are highly recommended in the meeting space, regardless of vaccination status. To address the Board, please line up at the podium when the Board Chair calls for general public comment or calls for public comment on the regular agenda item to which you would like to speak. Please state your name clearly for the record before making your comment and limit your remarks to the allotted time.

Participating by Phone:

To address the Board, dial the telephone number provided and you will be prompted to enter the meeting ID number. After that, you will be able to listen to the meeting and speak during public comment as announced by the Chair. The Clerk will call on people by the last four digits of their phone number.

The following commands can be entered via DTMF tones using your phone's dial pad while in a Zoom meeting:

- *6 - Toggle mute/unmute
- *9 - Raise hand

Participating online via Zoom:

You may download the Zoom client or connect to the meeting in-browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.

You will be asked to enter an email address and name. **Please identify yourself by any name you choose (you are not required to state your real name to participate)** as this appears online and is how we notify you when it is your turn to speak.

When the Board Chair calls for the item on which you wish to speak, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.

When called, please limit your remarks to the time allotted.



Financial Performance September – November 2022



Financial Performance

Account	Sept 2022	Oct 2022	Nov 2022	Sep – Nov 2022
Net Operating Revenue	\$11,619,239	12,812,384	10,399,658	34,831,281
Labor (SWB & Registry)	8,242,029	8,478,627	6,856,348	23,577,004
Pro Fees Medical	737,060	765,919	654,876	2,157,855
Supplies	870,221	835,981	989,187	2,695,389
Plant (Utilities, R&M, Tax & Insurance)	434,152	517,678	511,719	1,463,549
Other (Equip Lease, Mgmt Fees, Other)	786,238	797,310	799,658	2,383,206
Total Operating Expense	12,317,468	12,670,189	11,487,838	36,475,495
EBITDA	(698,229)	142,195	(1,088,180)	(1,644,214)
MPT Lease	393,144	399,529	393,391	1,186,064
Net Cash Shortfall*	(1,091,373)	(257,334)	(1,481,571)	(2,830,278)
Paid FTEs	472	469	488	476

* Excludes Depreciation



November Performance Hi-lites

- IP volume and acuity lower in November and in line with prior year.
- OP surgeries higher than prior month and prior year.
- Net revenue historical collections data under review.
- 33% reduction in Registry hours from prior month.
- Pro Fees lower 14% lower than prior month in Anesthesia (collections increase & less spent on locums).
- Supplies up 18% for lab supplies and pharmacy drugs sold.
- Utilities up 21% in November.
- Repairs & Maintenance increased in catch up of prior month expense for 3 annual maintenance contracts.
- Purchased Services included a \$300K Monterey/Santa Cruz County election fee and higher than prior month recruiting fees.



IP Statistics

Statistic	Sept 2022	Oct 2022	Nov 2022	Sep – Nov 2022
Admissions	281	308	285	874
Admissions per Day	9.4	9.9	9.5	9.6
Discharges	285	291	285	861
Discharges per Day	9.5	9.4	9.5	9.5
Patient Days	1,311	1,167	1,042	3,520
Average Daily Census	43.7	37.6	33.6	38.7
Acute Length of Stay	4.67	3.79	3.66	4.03
Acute Case Mix Index	1.429	1.520	1.360	1.436
Deliveries	71	66	70	207
IP Surgeries	55	70	44	169



OP Statistics

Statistic	Sept 2022	Oct 2022	Nov 2022	Sep – Nov 2022
OP Visits – Hospital Only	5,735	5,804	6,235	17,774
OP Visits per Day	191.2	187.2	207.8	195.3
ED Visits	2,810	2,788	3,088	8,686
ED Visits per Day	93.7	89.9	102.9	95.9
OP Surgeries	102	98	144	344
OP Surgeries per Day	3.4	3.2	4.8	3.8
OP Endoscopies	141	136	126	403
OP Endoscopies per Day	4.7	4.4	4.2	4.4

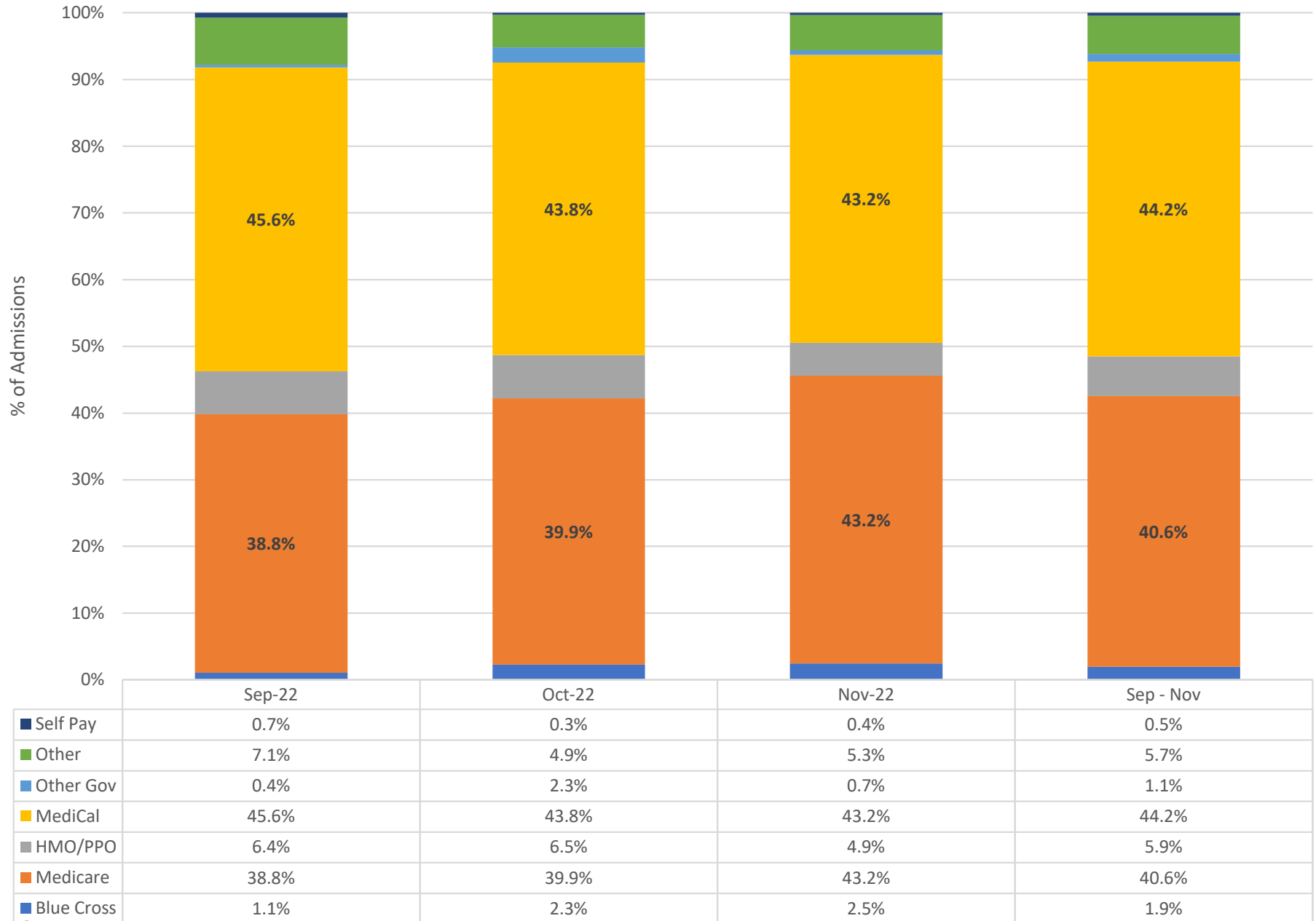


Key Performance Indicators

Account	Sep 2022	Oct 2022	Nov 2022	Sep – Nov 2022
Net to Gross (Before Bad Debt)	14.2%	16.2%	13.3%	14.6%
Collectible Patient Revenue %	13.7%	15.4%	13.0%	14.0%
Total Net Revenue/Adjusted Patient Day	3,704	4,082	3,453	3,650
Operating Expense/Adjusted Patient Day	3,927	4,036	3,814	3,822
Interest (Lease)/Adjusted Patient Day	125	127	131	124
Total Cash/Adjusted Patient Day	4,052	4,164	3,945	3,947
Shortfall/Adjusted Patient Day	(348)	(82)	(492)	(297)
EBITDA + Lease Expense	(1,091,373)	(257,334)	(1,481,571)	(2,830,278)



Payer Mix



Item 2.A.



FINANCE COMMITTEE

Memo

Executive Sponsor: Julie Peterson, CFO

Agenda Item: Recommendation of 2023 Budget Approval

Meeting Date: December 27, 2022

Recommended Actions:

Recommend approval of the 2023 Budget to the Pajaro Valley Health Care District Hospital Corporation Board of Directors.

Executive Summary

The Pajaro Valley Health Care District Hospital Corporation has created an Operating Budget for the 2023 calendar year. This item asks the Board to approve the 2023 Budget with a provision that the Hospital staff will present quarterly revisions as necessary.

Background

Each year the Hospital creates an annual budget. After concluding with the Bankruptcy proceedings and the sale of the hospital to new ownership as of September 1, 2022, the hospital is preparing a summary level budget for the calendar year 2023. There are many initiatives in the plan and hospital leadership feels it is in the best interest of the corporation to prepare quarterly updates of the budget during the calendar year 2023. The District is the legal provider of care provided by Coastal Health Partners. The Hospital performance is combined with the District performance, which includes the Coastal Health Partners medical group.

Analysis

A summary level budget was prepared using calendar year 2022 October YTD actuals and key performance metrics to build a base budget for 2023. Volume assumptions and inflationary factors were layered onto the base budget. Initiatives were created to quantify the improvement actions at the Hospital as well as incremental expenses being added.

The District budget was prepared using the calendar year 2022 October YTD actuals. Volumes are assumed flat and inflationary factors were layered onto the base budget. Payer contracting estimates were added in for 2023.

The budgets will be presented in more detail at the Hospital Corporation's Board of Director's meeting and the District Board meeting.

Financial Impact

The Hospital's projected EBITDA loss for 2022 is (\$21,153,446). The initiatives provide for \$29,820,655 improvement. The projected EBITDA for 2023 is \$3,378,979.

The District projected EBITDA loss for 2023 is (\$6,659,983). The combined EBITDA loss is budgeted at (\$3,432,498).

Attachment(s)

1. Pajaro Valley Healthcare District Hospital Corporation 2023 Budget
2. Pajaro Valley Healthcare District 2023 Budget

Pajaro Valley Healthcare District Hospital Corporation
(Watsonville Community Hospital)
2023 Budget
As of December 2022

	ACTUAL 2021	PROJECTED 2022	BUDGET 2023
Inpatient Revenue	405,742,348	387,548,801	412,974,509
Outpatient Revenue	541,964,278	578,779,155	609,993,782
Total Revenue	947,706,626	966,327,956	1,022,968,291
Deductions From Revenue:	818,735,235	836,830,518	867,147,926
Net Revenue	128,971,391	129,497,438	155,820,365
Provision for Bad Debts	9,350,298	1,630,432	1,321,461
Collectible Patient Revenue	119,621,093	127,867,005	154,498,903
Other Revenue	2,618,989	1,921,071	1,375,126
Total Net Operational Revenue	122,240,082	129,788,077	155,874,030
Salaries & Wages	58,412,216	60,215,217	67,559,594
Employee Benefits	17,896,224	22,666,621	23,987,044
Registry	7,973,372	8,758,750	6,206,003
Labor Subtotal	84,281,812	91,640,588	97,752,641
Professional Fees Medical	7,071,885	8,934,968	9,937,220
Supplies	12,472,144	10,165,687	11,050,258
Repairs & Maintenance	1,521,417	1,167,148	1,226,746
Utilities	1,571,936	1,856,658	1,951,465
Purchased Services	17,885,312	23,349,140	13,951,993
Lease Cost and Rent	1,623,919	1,386,912	2,311,227
Property Taxes & Insurance	5,553,664	3,050,676	3,206,454
Grant Expenses	-	-	-
Other Expenses	10,081,798	9,239,746	10,957,045
Management Fees	-	150,000	150,000
Total Operating Exp	142,063,887	150,941,523	152,495,051
EBITDA	(19,823,805)	(21,153,446)	3,378,979
Depreciation & Amortization	2,791,075	2,197,388	-
MPT Lease & Other Finance Leases	7,251,732	7,390,741	151,494
Net Income/Loss from Operations	(29,866,612)	(30,741,575)	3,227,485
Non-Operating Expense/Income	-	30,698,034	
Net Income / (Loss)	(29,866,612)	(43,541)	3,227,485

Pajaro Valley Health Care District
2023 Budget
As of December 2022

	PROJECTED	BUDGET
	2022	2023
Clinic Revenue		
Outpatient Revenue	5,827,808	5,827,808
Deductions From Revenue	3,385,191	3,228,200
Net Patient Revenue before Bad Debt	2,442,617	2,599,608
Provision for Bad Debt	27,626	29,402
Collectible Patient Revenue	2,414,991	2,570,206
Other Revenue	254,498	232,551
Net Revenue	2,669,489	2,802,757
Clinic Operating Expenses		
Physician Salaries & Wages	2,768,545	2,469,238
Physician Benefits	423,787	389,311
Non-Physician Salaries and Wages	552,198	568,764
Non-Physician Benefits	285,990	294,570
Supplies	78,947	81,315
Medical Spec Fees	152,719	157,301
Purchased Services	278,182	286,527
Physician Recruiting	-	-
Lease Cost and Rent	224,229	230,956
Repairs & Maintenance	1,380	1,421
Marketing	-	50,000
Utilities	14,233	14,660
Other Operating Exp	45,274	46,632
Prop Taxes & Ins	113,409	114,543
Total Operating Expenses (Clinic)	4,938,893	4,705,238
EBITDA Clinic/1206(b)	(2,269,404)	(1,902,480)
Depreciation & Amortization	19,470	19,470
Net Income/Loss from Clinic Operations	(2,288,874)	(1,921,950)
District Operating Expenses		
Salaries and Wages	184,082	-
Benefits	95,330	-
Purchased Services (Legal, Insurance and Accounting)	21,812	120,000
Rents (Capture as Interest)	1,257,834	3,773,503
Property Insurance (MPT)	257,836	864,000
Total Operating Expenses	1,816,894	4,757,503
EBITDA District	(1,816,894)	(4,757,503)
Depreciation & Amortization	376,778	1,140,000
Net Income/(Loss)	(2,193,672)	(5,897,503)
Combined EBITDA	(4,086,298)	(6,659,983)

2022 includes a full year of clinic operations and District operations from 9/1/22 - 12/31/22
2023 reflects moving the MPT leases from the Hospital into the District Budget



Watsonville Community Hospital – 2023 Budget



Agenda

- Process Overview
- Volume Assumptions
- Revenue Budget
- Expense Budget
- Initiatives Impact to EBITDA
- Quarterly Forecast
- WCH Foundation Budget - 501(c)3
- 2023 Financial Plan



Process Overview

- The 2023 Budget is prepared with high level key performance metrics.
- Oct YTD 2022 data is annualized to present a full year comparison to prior years.
- An overall inflation rate of 3% is applied to the expenses.
- Volume projections for 2023 are applied against 2022 performance to create a base 2023 budget.
- 2023 initiatives and removal of non-recurring costs are applied to the 2023 base budget to develop the 2023 budget.



Volume Assumptions

Statistic	2021	2022*	2023**
Admissions	4,071	3,933	4,095
Adjusted Admissions	9,567	9,808	10,098
Discharges	4,075	3,971	4,133
Patient Days	14,460	14,680	15,371
Adjusted Patient Days	33,981	36,605	37,688
ADC	39.6	40.2	42.1
ED Visits	27,764	31,032	31,377
OP Visits	63,011	67,557	69,060
Surgeries	1,893	1,885	2,476
ALOS	3.55	3.73	3.75

**2022 is Oct YTD Annualized*

*** 2023 includes 2% IP & OP increase, 1% ED increase and 6.5% Surgery increase plus the initiatives impact when known*



Revenue

Account	2021	2022*	2023**
IP Gross Revenue	405,742,348	387,548,801	412,974,509
OP Gross Revenue	541,964,278	578,779,155	609,993,782
Total Patient Revenue	947,706,626	966,327,956	1,022,968,291
Deductions from Revenue	818,735,235	836,830,518	867,147,926
Bad Debt Provision	9,350,298	1,630,432	1,321,461
Collectible Patient Revenue	119,621,093	127,867,005	154,498,903
Collectible Patient Revenue %	12.6%	13.2%	15.1%
Other Revenue	2,618,989	1,921,071	1,375,126
Total Net Operating Revenue	122,240,082	129,788,077	155,874,030

*Volume increases applied to current payer & service mix project a 2.6% increase.
Initiatives add \$29.8M more in net revenue.*



Expenses

Account	2021	2022*	2023
Salaries & Wages	58,412,216	60,215,217	67,559,594
Employee Benefits	17,896,224	22,666,621	23,987,044
Registry	7,973,372	8,758,750	6,206,003
Professional Fees Medical	7,071,885	8,934,968	9,937,220
Supplies	12,472,144	10,165,687	11,050,258
Purchased Services (incl R&M)	19,406,729	24,516,288	15,178,739
Property Tax & Insurance	5,553,664	3,050,676	3,206,454
Other Expenses	13,277,653	12,633,316	15,369,738
Total Operating Expense	142,063,887	150,941,446	152,495,051
EBITDA	(19,823,805)	(21,153,446)	3,378,979
MPT & Other Leases	7,251,732	7,390,741	151,494
Net Income/(Loss)**	(29,866,612)	(30,741,575)	3,227,485

**2022 is Oct YTD Annualized*

*** Excludes Depreciation & Amortization*



2023 Initiatives EBITDA Impact

Initiative	EBITDA	Notes
Transition Costs	10,659,438	Eliminate non-recurring cost
Payer Contracts	11,945,975	New contract rates
Da Vinci	909,504	New Robot – 233 added procedures
CDM Optimization	700,000	
Cath Lab (Yr 1)	73,028	235 new procedures
Pro Fees	(511,000)	New ICU group increased cost
Supplies (GPO & Sales Tax)	1,270,000	Implement Vizient, Sales tax exemption
Salaries (Merit & Bonus)	(984,948)	Merit & Bonus expansion
Open Positions	(2,069,343)	Net fill 50% of current openings
Premium Pay Reduction	500,000	Reduce OT/DT from 4% to 2%
Contract Labor Reduction	3,000,000	Reduce Registry expense by 50%
Misc (Rev Cycle & Expense)	5,028,000	Market Basket Updates, Retro Pymts, 401a contribution, CHA fees & Marketing
Total	29,820,655	



Quarterly Forecast

- Some initiatives start later in the year and/or take time to ramp up.
- Based on Quarterly assumptions – expect actual performance to differ.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
EBITDA Impact	5,297,329	7,869,005	8,283,599	8,370,721
Net Income/ (Loss) Projection	(1,350,963)	1,220,713	1,635,307	1,722,428
Cummulative Budget Projection	(1,350,963)	(130,250)	1,505,057	3,227,485



2023 Financial Plan

- Monitor & Report on monthly performance.
- Manage cash flow; adjust initiatives that add cost as needed.
- Quarterly updates to 2023 Summary level budget.
- Identify additional initiatives as needed.
- Capture actual performance at department level.
- Develop department level reporting.
- Educate Managers & Directors – develop accountability to labor productivity standards.
- Start 2024 budget in late summer.