SAN GORGONIO MEMORIAL HOSPITAL

**AGENDA**

**REGULAR MEETING OF THE FINANCE COMMITTEE**
**A COMMITTEE OF THE BOARD OF DIRECTORS**

**Tuesday, March 26, 2024**
**9:00 AM**
**Administration Boardroom**
**600 N. Highland Springs Avenue, Banning, CA 92220**

**In compliance with the Americans with Disabilities Act,** if you need special assistance to participate in this meeting, please contact the Administration Office at (951) 769-2101. **Notification 48 hours prior to the meeting** will enable the Hospital to make reasonable arrangement to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II].

TAB

I. Call to Order — S. DiBiasi

II. Public Comment

A five-minute limitation shall apply to each member of the public who wishes to address the Finance Committee of the Hospital Board of Directors on any matter under the subject jurisdiction of the Committee. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to "share" his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff for future study, research, completion and/or future Committee Action.) (PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.)

On behalf of the San Gorgonio Memorial Hospital Board of Directors, we want you to know that the Board/Committee acknowledges the comments or concerns that you direct to this Committee. While the Board/Committee may wish to occasionally respond immediately to questions or comments if appropriate, they often will instruct the CEO, or other Administrative Executive personnel, to do further research and report back to the Board/Committee prior to responding to any issues raised. If you have specific questions, you will receive a response either at the meeting or shortly thereafter. The Board/Committee wants to ensure that it is fully informed before responding, and so if your questions are not addressed during the meeting, this does not indicate a lack of interest on the Board/Committee's part; a response will be forthcoming.

**OLD BUSINESS**

III. *** Proposed Action – Approval of Minutes** — S. DiBiasi
- February 27, 2024, regular meeting — A

San Gorgonio Memorial Hospital Board of Directors
Finance Committee – Regular Meeting
March 26, 2024

**NEW BUSINESS**

IV. *** Proposed Action – Recommend Approval to Hospital Board** D. Heckathorne B
- **February 2024 Financial Report (Unaudited)**
- **ROLL CALL**

V. Future Agenda Items

VI. Next Meeting – April 30, 2024 @ 9:00 AM.

VII. Adjournment S. DiBiasi

*** Requires Action**

In accordance with The Brown Act, Section 54957.5, all public records relating to an agenda item on this agenda are available for public inspection at the time the document is distributed to all, or a majority of all, members of the Committee. Such records shall be available at the Hospital office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

**Certification of Posting**

I certify that on March 21, 2024, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of San Gorgonio Memorial Hospital - Finance Committee, and on the San Gorgonio Memorial Hospital website said time being at least 72 hours in advance of the regular meeting of the Finance Committee *(Government Code Section 54954.2)*.

Executed at Banning, California, on March 21, 2024

Ariel Whitley

Ariel Whitley, Executive Assistant

# TAB A

MINUTES: Not Yet Approved by Committee

REGULAR MEETING OF THE
SAN GORGONIO MEMORIAL HOSPITAL
BOARD OF DIRECTORS

FINANCE COMMITTEE
February 27, 2024

The regular meeting of the San Gorgonio Memorial Hospital Board of Directors Finance Committee was held on Tuesday, February 27, 2024, in the Administration Boardroom, 600 N. Highland Springs Avenue, Banning, California.

Members Present: Susan DiBiasi (Chair), Darrell Petersen, Ron Rader, Steve Rutledge

Members Absent: None

Required Staff: Steve Barron (CEO), Daniel Heckathorne (CFO), John Peleuses (VP, Ancillary & Support Services), Ariel Whitley (Executive Assistant), Angela Brady (CNE), Karan P. Singh, MD (CMO)

<table>
<tr><th>AGENDA ITEM</th><th>DISCUSSION</th><th>ACTION / FOLLOW-UP</th></tr>
<tr><td>Call To Order</td><td>Susan DiBiasi called the meeting to order at 9:02 am.</td><td></td></tr>
<tr><td>Public Comment</td><td>No public present.</td><td></td></tr>
<tr><td colspan="3">OLD BUSINESS</td></tr>
<tr><td>Proposed Action - Approve Minutes<br><br>January 30, 2024, regular meeting</td><td>Susan DiBiasi asked for any changes or corrections to the minutes of the January 30, 2024, regular meeting. There were none.</td><td>The minutes of the January 30, 2024, regular meeting will stand correct as presented.</td></tr>
<tr><td colspan="3">NEW BUSINESS</td></tr>
<tr><td>Proposed Action - Recommend Approval to Hospital Board and District Board to enter a consulting arrangement with Craneware for provision of the Trisus Pricing Analyzer and Transparency Service</td><td>As of July 1, 2024, the federal CMS law will require price transparency reporting which includes many multiples of reporting in contrast to the existing law. Craneware will be terminating the existing transparency model and has developed a much more comprehensive model needed to comply with the new CMS regulations.<br><br>ROLL CALL:<br><br>
<table>
<tr><td>DiBiasi</td><td>Yes</td><td>Petersen</td><td>Absent</td></tr>
<tr><td>Rader</td><td>Yes</td><td>Rutledge</td><td>Yes</td></tr>
</table>
Motion carried.<br><br>Darrell Petersen joined the meeting at 9:25 am.</td><td>M.S.C. (Rader/Rutledge), the SGMH Finance Committee voted to recommend approval to enter into a consulting arrangement with Craneware for provision of the Trisus Pricing Analyzer and Transparency Service to the Hospital Board and District Board.</td></tr>
</table>

<table>
<tr><th>AGENDA ITEM</th><th>DISCUSSION</th><th>ACTION / FOLLOW-UP</th></tr>
<tr><td>Proposed Action – Recommend Approval to Hospital Board of Directors - Monthly Financial Report (Unaudited) – January 2024</td><td>Daniel Heckathorne, CFO, reviewed the Unaudited January 2024 finance report as included in the committee packets.<br><br>The month of January resulted in negative $3.04M EBIDA compared to budgeted negative EBIDA of $1.81M vs. a negative $4.11M Flex Budget.<br><br>There were a few adjustments and items of note:<ul><li>Patient Days, Emergency, and Surgery volumes were all below budget.</li><li>The Average Length of Stay and Case Mix Index for all patients were over the previous January by 14.7% and 8.6% respectively.</li><li>California Paid Sick Leave (CPSL) accrued costs (including FICA) totaled $985K in the month of January.</li><li>A Non-EBIDA $452K donation for purchase of the C-Arm and Portable X-Ray machine was booked in January</li></ul>ROLL CALL:<br><br><table><tr><td>DiBiasi</td><td>Yes</td><td>Petersen</td><td>Yes</td></tr><tr><td>Rader</td><td>Yes</td><td>Rutledge</td><td>Yes</td></tr></table>Motion carried.</td><td>M.S.C. (Rader/Rutledge), the SGMH Finance Committee voted to recommend approval of the Unaudited January 2024 Financial report to the Hospital Board of Directors.</td></tr>
<tr><td>Future Agenda Items</td><td><ul><li>None.</li></ul></td><td></td></tr>
<tr><td>Next Meeting</td><td>The next regular Finance Committee meeting will be held on March 26, 2024 @ 9:00 am.</td><td></td></tr>
<tr><td>Adjournment</td><td>The meeting was adjourned at 10:11 am.</td><td></td></tr>
</table>

In accordance with The Brown Act, *Section 54957.5*, all reports, and handouts discussed during this Open Session meeting are public records and are available for public inspection. These reports and/or handouts are available for review at the Hospital Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

# TAB B

SAN GORGONIO
MEMORIAL HOSPITAL

# SAN GORGONIO MEMORIAL HOSPITAL
## BANNING, CALIFORNIA

**Unaudited Financial Statements**

**for**

**EIGHT MONTHS ENDING FEBRUARY 29, 2024**

**FY 2024**

**Certification Statement:**
**To the best of my knowledge, I certify for the hospital that the attached financial statements, except for the uncertainty of IGT revenue accruals, do not contain any untrue statement of a material fact or omit to state a material fact that would make the financial statements misleading. I further certify that the financial statements present in all material respsects the financial condition and results of operation of the hospital and all related organizations reported herein.**
**Note: Because these reports are prepared for internal users only, they do not purport to conform to the principles contained in U.S. GAAP.**

Certified by:
*Daniel R. Heckathorne*
**Daniel R. Heckathorne**

CFO

## San Gorgonio Memorial Hospital

## Financial Report - Executive Summary

For the Month of February, 2024 and Eight Months Ended February 29, 2024 (Unaudited)

**Profit/Loss (EBIDA) Summary (MTD) Negative and (YTD) Negative (comparisons to Budget)**

**Month** - The month of February resulted in negative $2.05M Earnings before Interest, Depreciation and Amortization (EBIDA) compared to budgeted negative EBIDA of $1.45M vs. a negative $3.30M Flex Budget.
**YTD –** Eight months ending in February resulted in negative $20.34M Earnings before Interest, Depreciation and Amortization (EBIDA) compared to budgeted negative EBIDA of $9.64M and a Flex Budget loss of $15.57M.

Note: If the unaccrued Supplemental funds, projected DSH and P4P funds, along with provision for lease principal payments were booked, the YTD EBIDA would be a negative $8.54M compared to the actual negative booked $20.34M.

**Month –** Adjustments and Items of Note:

- Patient Days, Emergency, and Surgery volumes were all below budget.
- Several Balance Sheet items were impacted, including the first repayment of the QIP Bridge loan, payoff of the Mindray patient monitors, funding of IGT payments, receipt of Supplemental Funding advances, and a draw from the Line of Credit. (See Balance Sheet/Cash Flow section.)

**Month** – February's inpatient average daily census was 20.1, and under the budgeted 24.2. Conversely, the Adjusted Patient Days were 0.5% over budget (1,852 vs. 1,841), while Patient Days were 17% under budget (582 vs. 702). Emergency Visits were 6.6% under budget (3,329 vs. 3,564), and Surgeries were 24% under budget (89 vs. 117).
**YTD** - Inpatient average daily census was 22.0 compared to the budgeted 23.2, and Patient Days were 5.5% below budget (5,357 vs. 5,668). Adjusted Patient Days are basically on target, Emergency Visits were 6.2% under budget (28,182 vs. 30,033) and Surgeries were 21% under budget (810 vs. 1,018) which was 14% below the previous YTD's 946 cases.

**Patient Revenues (MTD) Negative Variance (YTD) Negative Variance**
**Month** - Net Patient Revenues in February were $4.71M, or $350K under budget. Other items of note included the fact that gross Inpatient Revenues were 19% ($2.92M) under budget, while gross Outpatient Revenues were 7.1% ($1.78M) over budget. As discussed in the past, Inpatient Revenues pay about 16.8% of charges, compared to Outpatient Revenues which pay about 9.6% of charges.
**YTD** – Net Patient Revenues through February were $35.3M compared to budgeted $43.4M (-19%) In November there was a $504K favorable adjustment to Deductions from Revenues Expense to reverse estimated Medicare Outlier Repayments payable, and there was a one-time $3.52M negative adjustment for Contractual Allowance Reserves, which was based on the latest reconciliation of cash collections compared to previously estimated collections. Finally, the impact of Surgeries being 21% below budget also has impacted the Net Patient Revenues variance.

**Total Operating Revenues (MTD) Negative Variance & (YTD) Negative Variance**
**Month** – Operating Revenue in February was $406K under budget. This is impacted by the Net Patient Revenues being $350K under budget and the Non-Patient Revenues being $56K under budget.
**YTD** - Operating Revenue through February was $8.75M under budget, impacted by the Net Patient Revenues being $8.15M under budget and the Non-Patient Revenues being $601K under budget.

**Operating Expenses (MTD) Negative & (YTD) Negative Variance**

**Month** - Operating Expenses in February were $7.38M, which was over budget by $201K and over the Flex Budget by $321K. Key items that impacted Expenses were: 1) Salaries, Wages, Benefits, and Contract Labor were collectively $44K over budget and $114K over the Flex budget. This was impacted by a) Wages and Benefits being $4K over budget, which included a) the 3.0% salary increase implemented in October, b) Contract Labor being $$40K over budget, and c) the Adjusted Patient Days workload being at budget; 2) Physician Fees were $70K over budget driven by variances of $47K in anesthesia expense and $24K for Radiology services; 3) Purchased Services were $29K over budget in spite of the Legal Fees being $122K under budget, as several service agreements in Diagnostic Imaging and Lab were incurred in February; 4) Supplies were $57K below budget due in large part to low inpatient and surgery volumes; 5) Repairs and Maintenance were $21K over budget as we are preparing for the upcoming inspection; and 6) Other Expenses were $135K over budget including payment of the annual District Hospital Leadership dues of $79K.

**Year-to Date –** Operating Expenses through February were $61.00M and were over budget by $1.95M and over the Flex Budget by $2.48M. Key items that impacted Expenses were: 1) Salaries and Wages, Benefits, and Contract Labor were collectively $2.20M over budget and $2.14M over the Flex budget. This was driven by the following: a) The $527K State Mandated California Paid Sick Leave program that was accrued in July plus the additional $985K additional accrual in January; b) Contract Labor was over budget by $665K due to several nurse staffing vacancies in OB and ER along with orientation of 2 new grads in the ER; and c) an additional $153K increase for re-valuing the PTO bank to reflect the 3.0% Wage increase in late October; 2) Physician Fees are $469K over budget largely impacted by the $510K anesthesia expense reconciliation in December; 3) Purchased Services are $619K over budget which included Legal Fees exceeding budget by $647K; 4) Supplies are the most notable item under budget by $665K, again reflected by lower than anticipated intensities of services, including Surgeries and Emergency visits being under budget; and 5) Repairs and Maintenance are over budget by $139K largely to significant maintenance work occurring in September, October, and January.

**Balance Sheet/Cash Flow**

Patient cash collections in February totaled $5.82M compared to $4.75M in December and November's $4.51M. Gross Accounts Receivable Days in February were 61.6 compared to January's 66.1 and December's 64.1. Cash Balances were $11.40M compared to $14.06M in January and $6.17M in December. The main reason for the increase was receipt of a $4M advance from a local health plan against upcoming Supplemental funds that are due to the District. Net Accounts Receivable decreased to $8.73M compared to $9.87M in January and $9.52M in December.

Other changes of note included receipt of $1.33M from the Foundation/Morongo for payment of the Mindray Heart Monitors. Accounts Payable decreased to $8.74M in February compared to $8.89M in January and $10.08M in December. Assets Whose Use is Limited increased by $8.91M mostly attributable to the IGT advances of $9.16M for future Rate Range, QIP and HQAF income. The first repayment ($1.41M) for the QIP Bridge loan was made in February, and the outstanding Line of Credit balance was increased to $12M, up from $8M in January. Finally, a liability is in place $1.5M for FY 2022 payable to Medicare for estimated overpayments for outliers and sequestration funds.

**Summary**

**Positive takeaways**:

1) Adjusted Patient Days met budget in spite of other workloads being below budget.
2) Cash balances have been sufficient to meet IGT and Loan repayment requirements.

**Negative takeaways:**

1) Labor costs were over budget in February mostly due to Contract Labor costs.
2) Surgeries continue to lag behind budget and prior year levels.
3) February's EBIDA, adjusted for pending Supplemental Income, DSH & P4P offset by reserving for Cash Payments required for Leases was a negative $487K, and the YTD is a negative $8.54M.

## SGMH FEBRUARY 2024 SIGNIFICANT EXTRAORDINARY ITEMS IMPACTING EBIDA

3/20/2024

| EXPENSE | | INCOME | | GAIN/(LOSS) |
|---|---|---|---|---|
| **SALARIES / BENEFITS/ CONTRACT LABOR** | | **REVENUES** | | |
| TOTAL LABOR OVER BUDGET | 44,084 | NET REVENUES UNDER BUDGET | (350,216) | |
| **OTHER EXPENSE** | | | | |
| RADIOLOGY FEES OVER BUDGET | 24,000 | | | |
| ANESTHESIA FEES OVER BUDGET | 47,400 | **OTHER REVENUES** | | |
| PURCHASED SERVICES OVER BUDGET | 29,256 | OTHER REVENUES UNDER BUDGET | (55,327) | |
| REPAIRS/MAINTENANCE OVER BUDGET | 20,925 | | | |
| OTHER EXPENSE - DHLF ANNUAL DUES | 79,041 | | | |
| SUPPLIES UNDER BUDGET | (57,511) | | | |
| **EXTRAORDINARY NEGATIVE EXPENSES** | **187,195** | **EXTRAORDINARY POSITIVE (NEGATIVE) REVENUES** | **(405,543)** | **(592,738)** |

Note: These variances are not intended to account for all variances, but are meant to highlight key or unusual variations.

## STATISTICS

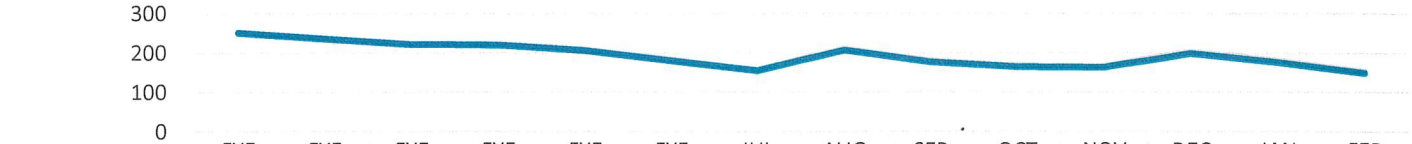
| | |
|---|---|
| Inpatient Admissions/Discharges (Monthly Average) | Represents number of patients admitted/discharged into and out of the hospital. |
| Patient Days (Monthly Average) | Each day a patient stays in the hospital is counted as a patient day. This count is normally done at midnight. |
| Average Daily Census (Inpatient) | Equals the average number of inpatients in the hospital on any given day or month. |
| Average Length of Stay (Inpatient) | Represents that average number of days that inpatients stay in the hospital. |
| Emergency Visits (Monthly Average) | Represents the number of patients who sought services at the emergency room. |
| Surgery Cases - Excluding G.I. (Monthly Average) | Equals the number of patients who had a surgical procedure(s) performed. |
| G.I. Cases (Monthly) | Number of patients who had a gastrointestinal exam performed. |
| Newborn Deliveries (Monthly) | Number of babies delivered. |

## PRODUCTIVITY

| | |
|---|---|
| Worked FTEs ( includes Registry FTEs) | Represents an equivalancy of full-time staff worked. One FTE is equivalent of working 40 hours per week, 80 hours per pay period, 173.3 hours per 30 day month, or 2,080 hours in a 52 week year. This calculation divides the number of hours worked by the number of hours in the respective work period (40, 80, etc.) Example: 340 hours worked in an 80 hour pay period = 4.25 FTE's |
| Worked FTES per APD | Divides the Total Worked FTE's by the daily average of the Adjusted Patient Days. |
| Paid FTEs ( includes Registry FTEs) | Represents an equivalancy of full-time staff paid. One FTE is equivalent of working 40 hours per week, 80 hours per pay period, 173.3 hours per 30 day month, or 2,080 hours in a 52 week year. This calculation divides the number of hours paid (includes all hours paid consisting of worked hours, PTO hours, sick pay, etc.) by the number of hours in the respective work period (40, 80, etc.) Example: 500 hours paid in an 80 hour pay period = 6.25 FTE's. |
| Paid FTES per APD | Divides the Total Paid FTE's by the daily average of the Adjusted Patient Days. |
| ADJUSTED PATIENT DAYS | This is a blend of total patient days stayed in the hospital for a month, plus an equivalency factor (based on average inpatient revenue per patient day) applied to the outpatient revenues in order to account for outpatient workloads. |

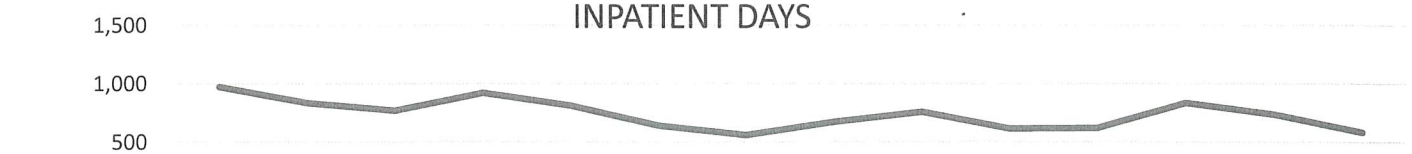
# SAN GORGONIO MEMORIAL HOSPITAL

## INPATIENT DISCHARGES




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DISCHARGES | 253 | 238 | 224 | 222 | 209 | 182 | 157 | 210 | 180 | 168 | 166 | 202 | 179 | 153 |

## INPATIENT DAYS




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PAT. DAYS | 969 | 833 | 767 | 917 | 808 | 636 | 559 | 670 | 754 | 611 | 617 | 831 | 733 | 582 |

## AVERAGE LENGTH OF STAY

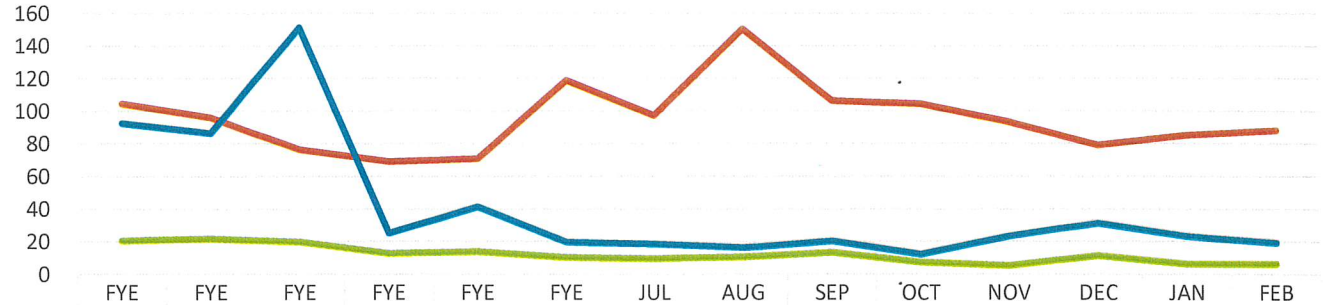

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALOS | 3.83 | 3.50 | 3.43 | 4.13 | 3.87 | 3.49 | 3.56 | 3.19 | 4.19 | 3.64 | 3.72 | 4.11 | 4.09 | 3.80 |

## EMERGENCY VISITS


| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| VISITS | 3,714 | 3,641 | 3,500 | 2,775 | 3,281 | 3,485 | 3,271 | 3,584 | 3,502 | 3,585 | 3,489 | 3,836 | 3,586 | 3,329 |

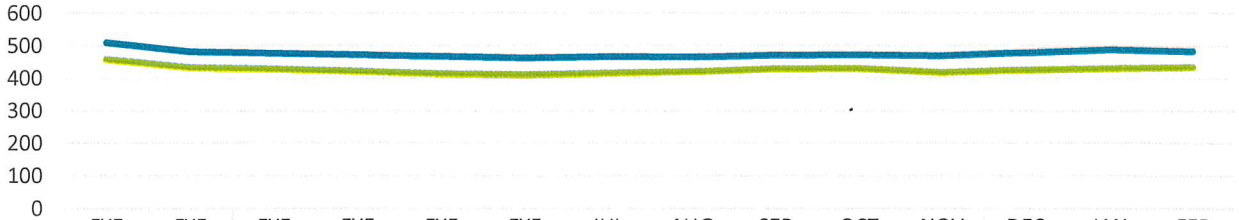
# SAN GORGONIO MEMORIAL HOSPITAL

## SURGERY CASES, G.I. CASES, N/B DELIVERIES



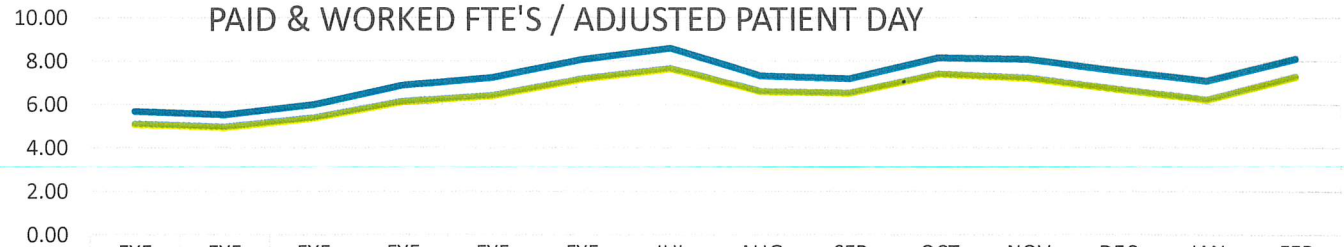

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SURG. | 105 | 97 | 77 | 70 | 71 | 119 | 98 | 151 | 107 | 105 | 94 | 80 | 86 | 89 |
| G.I. CASES | 93 | 87 | 152 | 26 | 42 | 20 | 19 | 17 | 21 | 13 | 24 | 32 | 24 | 20 |
| BIRTHS | 21 | 22 | 21 | 13 | 15 | 11 | 10 | 11 | 14 | 8 | 6 | 12 | 7 | 7 |

## PAID & WORKED FTE'S




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P FTE's | 511 | 484 | 479 | 474 | 470 | 465 | 470 | 468 | 475 | 475 | 472 | 482 | 492 | 487 |
| W FTE's | 461 | 436 | 431 | 425 | 417 | 414 | 420 | 423 | 433 | 433 | 422 | 429 | 434 | 438 |

## PAID & WORKED FTE'S / ADJUSTED PATIENT DAY



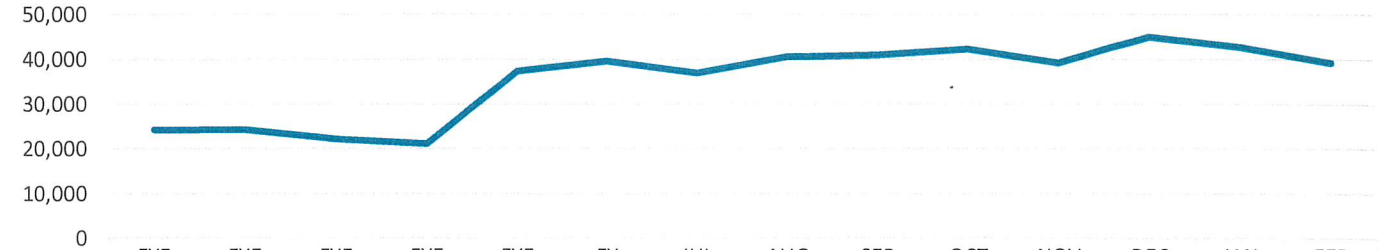

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PFTES/APD | 5.69 | 5.55 | 6.01 | 6.89 | 7.27 | 8.10 | 8.62 | 7.35 | 7.21 | 8.19 | 8.12 | 7.59 | 7.13 | 8.16 |
| WFTES/APD | 5.13 | 5.00 | 5.41 | 6.18 | 6.45 | 7.21 | 7.70 | 6.65 | 6.57 | 7.46 | 7.26 | 6.77 | 6.28 | 7.33 |

**INCOME STATEMENT**

| | |
|---|---|
| Gross Patient Revenue (000's) (Monthly Ave.) | Represents total charges (before discounts and allowances) made for all patient services provided. |
| Net Patient Revenue (NPR) (000's) (Monthly Ave.) | Equals the sum of all (patient) charges for services provided that are due to the hospital, less estimated adjustments for discounts and other contractual disallowances for which the patients may be entitled. |
| NPR as % of Gross | Reflects the percentage of Gross Patient Revenues (charges) that are expected to be collected. Calculated by dividing Net Patient Revenue by the Gross Patient Revenue. |
| Total Operating Revenue (000's) (Monthly Ave.) | This reflects all Revenues available for payment of Operating Expenses. This includes Net Patient Revenue plus all other forms of miscellaneous Revenues. |
| Salaries, Wages, Benefits & Contract Labor (000's) (Monthly Ave.) | Represents the total staffing expenses of the Hospital |
| SWB + Contract Labor as % of Total Operating Revenue | Identifies what portion the Operating Revenues are spent on staffing costs. |
| Total Operating Expense (TOE) (000's)(Monthly Ave.) | Operating Expense reflects all costs needed to fund the Hospital's business operations. |
| TOE as % of Total Operating Revenue | Identifies the relationship that Operating Expenses have to the Total Operating Revenues. |
| EBIDA (000's)(Monthly Average) | Earnings Before Interest, Depreciation, and Amortization. This reflects the difference between Net Operating Revenues and Total Operating Expense. This is a quick measurment of the Hospital's ability to meet its financial obligations and have additional funds for equipment replacement and future growth of the organization. |
| EBIDA as % of NPR | This measurement is a guage of the surplus (or deficit) of funds available for operations and future growth. |
| Net Patient Revenue vs. Total Labor Expense | This measurement illustrates that Net Patient Revenues basically only cover Total Labor Expense, and that all of the Other Revenues and Supplemental Incomes are necessary to cover the remaining operational Expenses and EBIDA required to operate the Hospital. |
| Operating Revenues (Normalized), Expenses, Staffing Expenses, and EBIDA (Normalized) | This graph illustrates the "normalization" of Operating Revenues and EBIDA, by reallocating proportionate Supplemental Revenues and related Expenses into the current month and YTD results. |

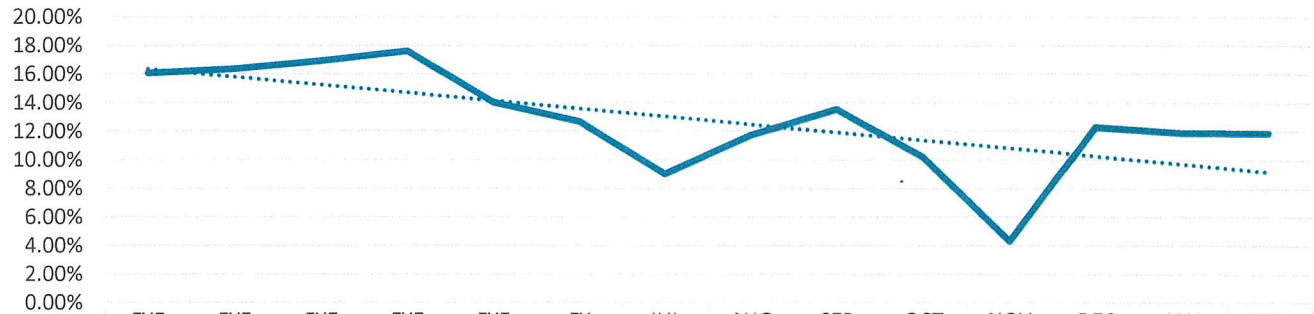
# SAN GORGONIO MEMORIAL HOSPITAL

## GROSS PATIENT REVENUE (000's)



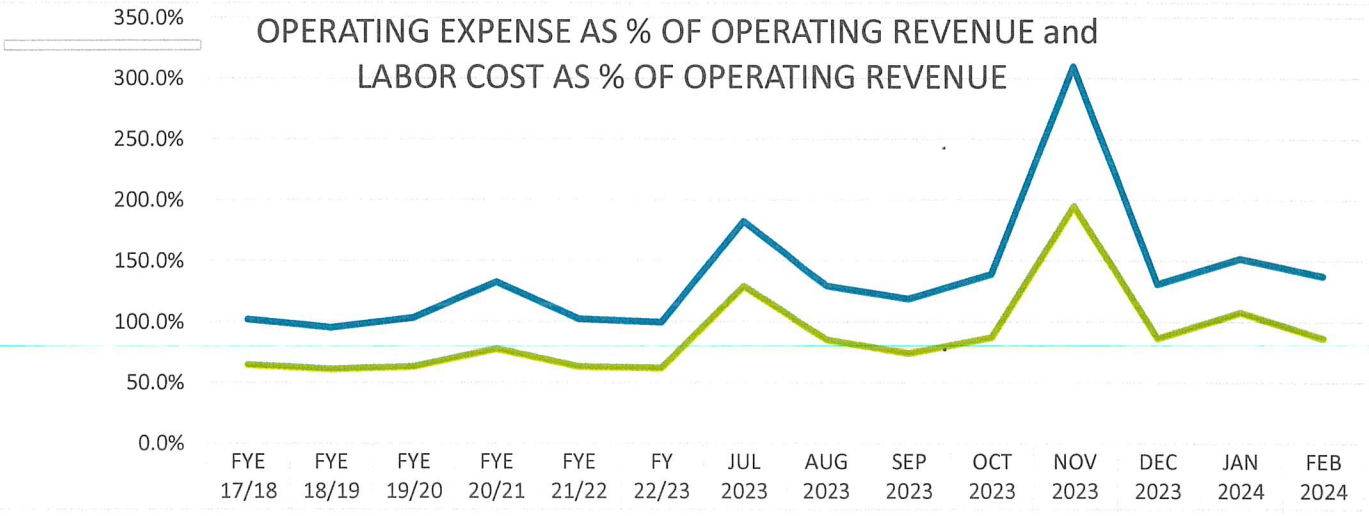

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GPR | 24,382 | 24,433 | 22,416 | 21,265 | 37,535 | 39,748 | 37,092 | 40,735 | 41,124 | 42,496 | 39,371 | 45,203 | 42,997 | 39,459 |

## NET PATIENT REVENUE AS % OF GROSS



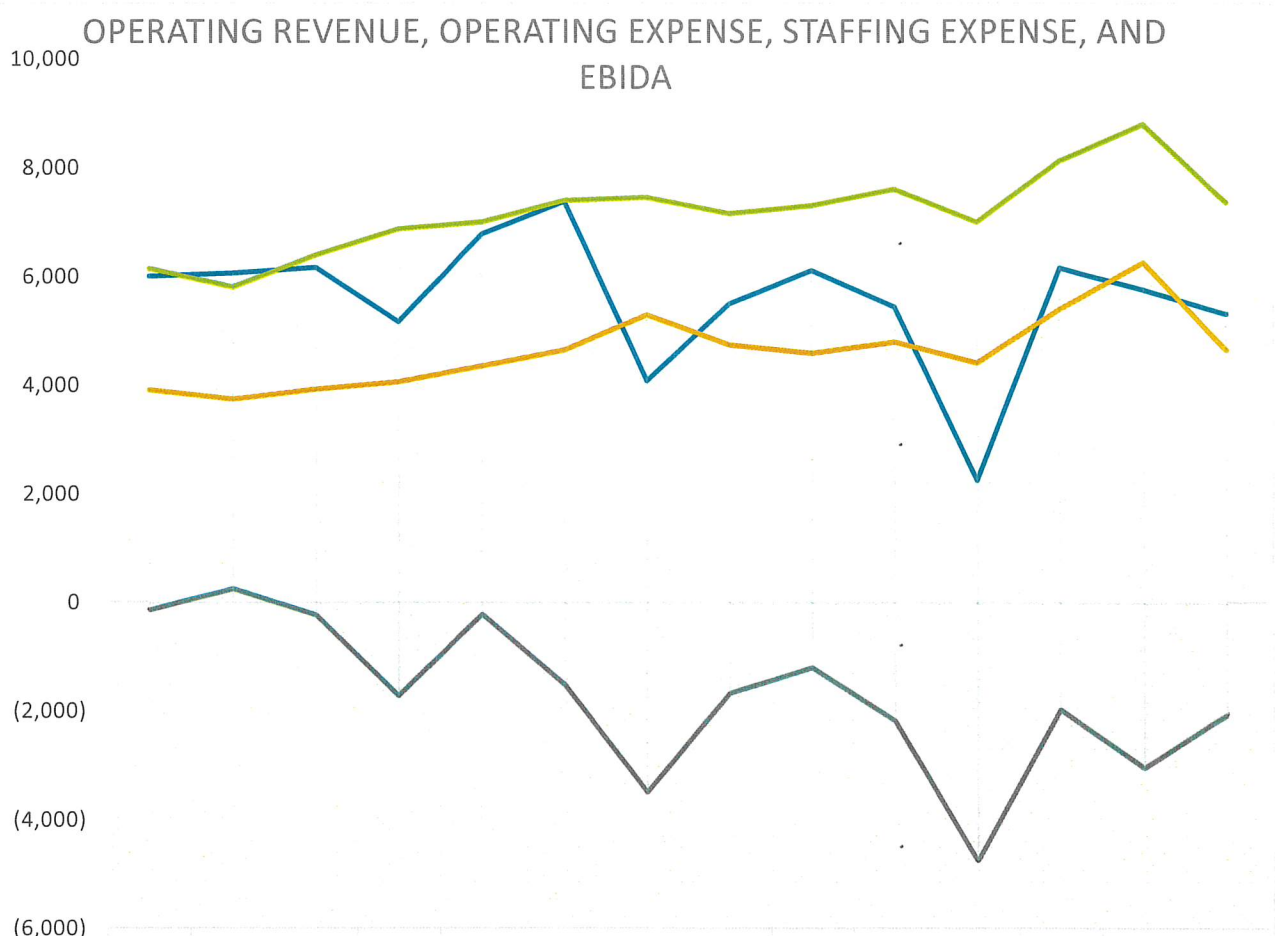

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NPR%GROSS | 16.08% | 16.38% | 16.93% | 17.61% | 14.05% | 12.72% | 9.05% | 11.78% | 13.59% | 10.27% | 4.38% | 12.36% | 11.97% | 11.94% |

## OPERATING EXPENSE AS % OF OPERATING REVENUE and LABOR COST AS % OF OPERATING REVENUE

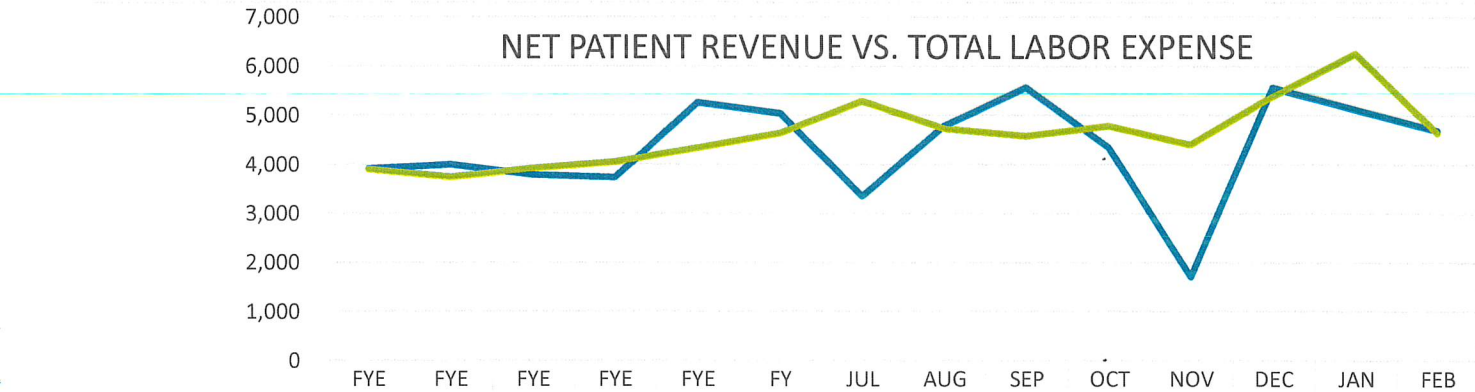



| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OP EXP%OP REV | 102.3% | 95.8% | 103.8% | 133.3% | 103.2% | 100.2% | 183.0% | 130.4% | 119.5% | 139.8% | 310.6% | 131.9% | 152.7% | 138.6% |
| LABOR%OP REV | 65.2% | 61.9% | 63.8% | 78.8% | 64.1% | 63.0% | 130.1% | 86.4% | 75.1% | 88.2% | 195.7% | 87.7% | 108.8% | 87.5% |

# SAN GORGONIO MEMORIAL HOSPITAL

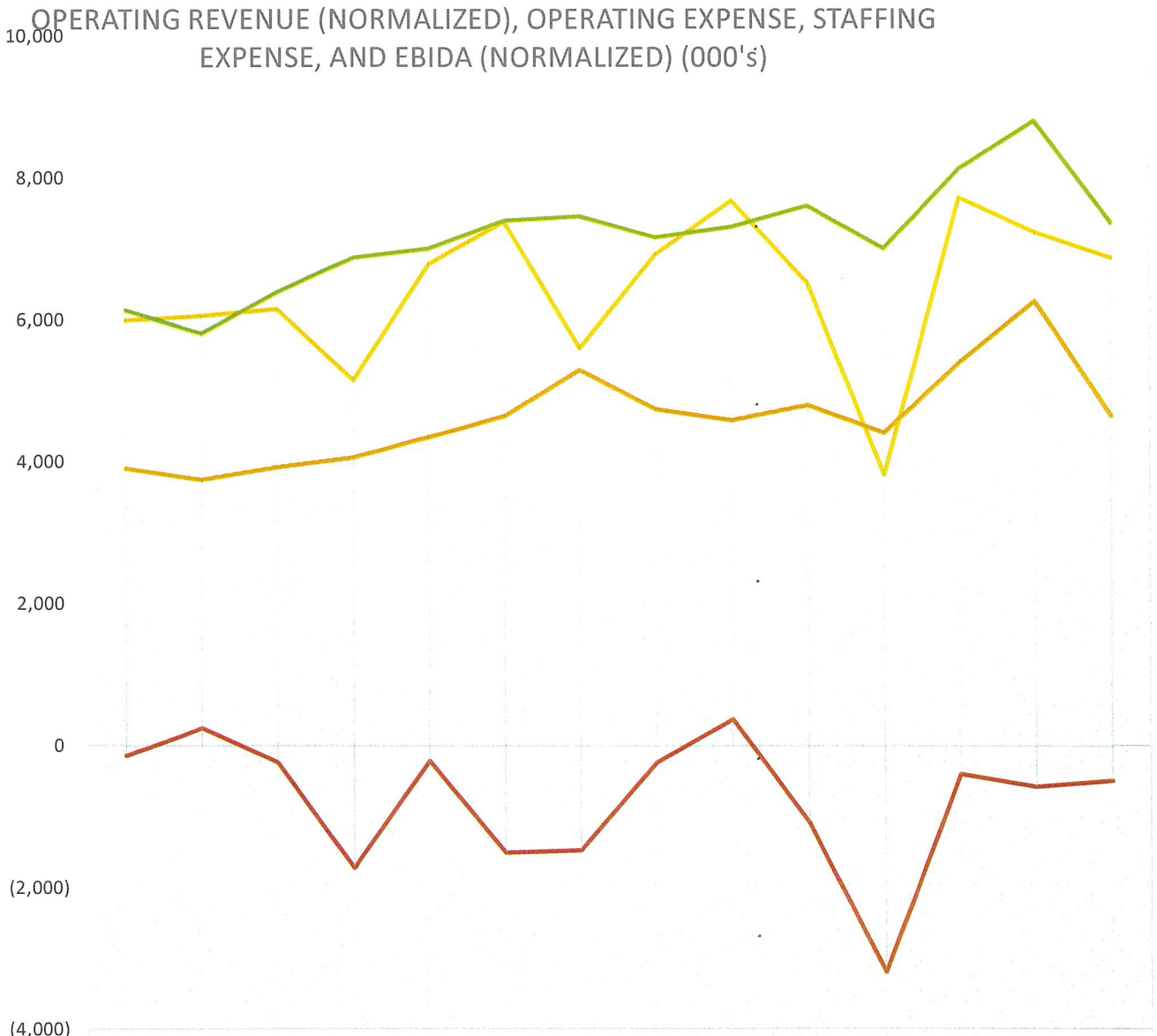



| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OP REV | 6,006 | 6,069 | 6,165 | 5,160 | 6,791 | 7,391 | 4,078 | 5,495 | 6,118 | 5,442 | 2,256 | 6,167 | 5,772 | 5,325 |
| OP EXP | 6,147 | 5,817 | 6,398 | 6,878 | 7,007 | 7,403 | 7,461 | 7,164 | 7,310 | 7,610 | 7,006 | 8,132 | 8,811 | 7,378 |
| STAFF EXP | 3,915 | 3,755 | 3,932 | 4,065 | 4,354 | 4,654 | 5,303 | 4,746 | 4,593 | 4,802 | 4,416 | 5,411 | 6,277 | 4,662 |
| EBIDA | (141) | 252 | (233) | (1,719 | (216) | (1,512 | (3,483 | (1,668 | (1,192 | (2,168 | (4,750 | (1,965 | (3,029 | (2,053 |




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET PAT REV | 3,921 | 4,003 | 3,795 | 3,744 | 5,275 | 5,057 | 3,358 | 4,799 | 5,587 | 4,366 | 1,723 | 5,588 | 5,145 | 4,712 |
| LABOR EXP | 3,915 | 3,755 | 3,932 | 4,065 | 4,354 | 4,654 | 5,303 | 4,746 | 4,593 | 4,802 | 4,416 | 5,411 | 6,277 | 4,662 |

# SAN GORGONIO MEMORIAL HOSPITAL




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FY 22/23 | JUL 2023 | AUG 2023 | SEP 2023 | OCT 2023 | NOV 2023 | DEC 2023 | JAN 2024 | FEB 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REV NORMAL | 6,006 | 6,069 | 6,165 | 5,160 | 6,791 | 7,391 | 5,609 | 6,925 | 7,684 | 6,527 | 3,822 | 7,734 | 7,245 | 6,892 |
| OP EXP | 6,147 | 5,817 | 6,398 | 6,878 | 7,007 | 7,403 | 7,461 | 7,164 | 7,310 | 7,610 | 7,006 | 8,132 | 8,811 | 7,378 |
| LABOR EXP | 3,915 | 3,755 | 3,932 | 4,065 | 4,354 | 4,654 | 5,303 | 4,746 | 4,593 | 4,802 | 4,416 | 5,411 | 6,277 | 4,662 |
| EBIDA NORMAL | (141) | 252 | (233) | (1,719) | (216) | (1,499) | (1,469) | (238) | 374 | (1,083) | (3,184) | (398) | (571) | (487) |

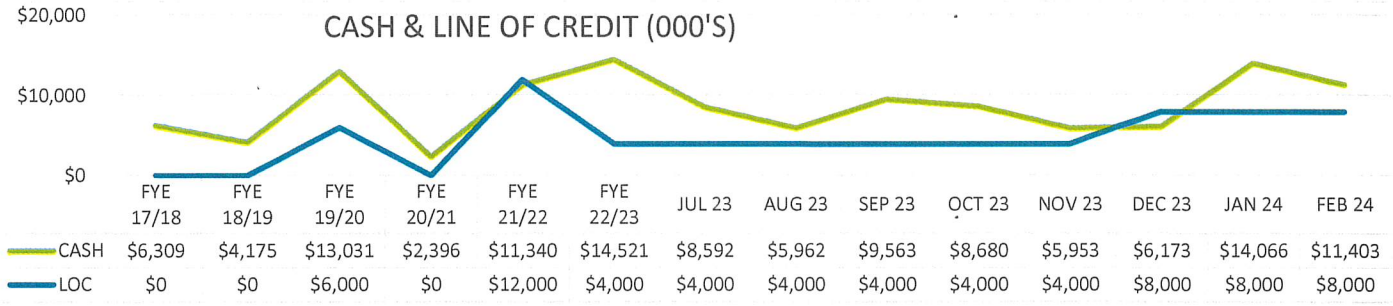
**SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL - BANNING, CA** | **Month-to- Month FYE June 30, 2024** | **Statement of Revenue and Expense**

| | FYE18/19 | FYE19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | FYE 23/24 | FYE 23/24 | FYE 23/24 | FYE 23/24 | FYE 23/24 | FYE 23/24 | FYE 23/24 | FYE 23/24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MONTHLY AVE. | MONTHLY AVE. | MONTHLY AVE. | MONTHLY AVE. | 12 MONTHLY AVE. | 7/31/2023 | 8/31/2023 | 9/30/2023 | 10/31/2023 | 11/30/2023 | 12/31/2023 | 1/31/2024 | 2/29/2024 |
| **Gross Patient Revenue** | | | | | | | | | | | | | |
| Inpatient Revenue | $ 7,667,883 | $ 7,401,282 | $ 9,331,371 | $ 16,603,390 | $ 14,171,780 | $ 12,272,477 | $ 13,826,953 | $ 15,201,247 | $ 14,429,560 | $ 13,489,069 | $ 19,103,480 | $ 14,920,563 | $ 12,466,980 |
| Inpatient Psych/Rehab Revenue | 0 | 0 | 0 | 0 | | - | - | - | - | - | - | - | - |
| Outpatient Revenue | 16,765,365 | 15,067,104 | 11,933,682 | 20,932,075 | 25,575,741 | 24,819,128 | 26,907,760 | 25,923,098 | 28,065,983 | 25,881,729 | 26,099,576 | 28,076,461 | 26,992,400 |
| Long Term Care Revenue | 0 | 0 | 0 | 0 | | - | - | - | - | - | - | - | - |
| Home Health Revenue | 0 | 0 | 0 | 0 | 0 | - | - | - | - | - | - | - | - |
| **Total Gross Patient Revenue** | 24,433,247 | 22,468,386 | 21,265,053 | 37,535,465 | 39,747,521 | 37,091,605 | 40,734,713 | 41,124,345 | 42,495,543 | 39,370,798 | 45,203,056 | 42,997,024 | 39,459,380 |
| **Deductions From Revenue** | | | | | | | | | | | | | |
| Discounts and Allowances | (19,588,148) | (17,845,730) | (16,635,734) | (31,267,149) | (33,545,205) | (32,843,917) | (34,825,978) | (34,572,937) | (37,124,786) | (36,796,629) | (38,595,300) | (36,989,290) | (33,921,141) |
| Bad Debt Expense | (858,023) | (653,280) | (824,395) | (1,045,570) | (1,047,941) | (864,969) | (964,980) | (950,573) | (901,941) | (808,712) | (924,718) | (847,519) | (776,660) |
| GI HMO Discounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charity Care | (56,168) | (86,517) | (41,362) | (136,947) | (97,443) | (24,281) | (144,312) | (13,958) | (103,164) | (42,458) | (94,878) | (15,178) | (49,310) |
| **Total Deductions From Revenue** | (20,502,339) | (18,585,527) | (17,501,490) | (32,449,666) | (34,690,589) | (33,733,167) | (35,935,270) | (35,537,468) | (38,129,891) | (37,647,799) | (39,614,896) | (37,851,987) | (34,747,111) |
| | -83.9% | -82.7% | -82.3% | -86.5% | -87.3% | -90.9% | -88.2% | -86.4% | -89.7% | -95.6% | -87.6% | -88.0% | -88.1% |
| **Net Patient Revenue** | 3,930,908 | 3,882,859 | 3,763,563 | 5,085,799 | 5,056,932 | 3,358,438 | 4,799,443 | 5,586,877 | 4,365,652 | 1,722,999 | 5,588,160 | 5,145,037 | 4,712,269 |
| **Non- Patient Revenues** | | | | | | | | | | | | | |
| Supplemental Revenues | 1,485,337 | 1,157,326 | 869,707 | 501,407 | 941,881 | 35,377 | 136,446 | 0 | 481,713 | 0 | 0 | 93,504 | 0 |
| Grants & Other Op Revenues | 205,590 | 750,434 | 505,190 | 725,066 | 986,421 | 115,377 | 158,046 | 129,370 | 193,230 | 131,437 | 177,703 | 131,682 | 211,609 |
| Clinic Net Revenues | 22,382 | 15,743 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Subsidies Measure D | 196,524 | 199,469 | 209,744 | 229,405 | 213,402 | 246,994 | 246,994 | 246,994 | 246,994 | 246,994 | 246,994 | 246,994 | 246,994 |
| Tax Subsidies Prop 13 | 115,388 | 114,061 | 142,552 | 146,104 | 189,707 | 154,500 | 154,500 | 154,500 | 154,500 | 154,500 | 154,500 | 154,500 | 154,500 |
| Tax Subsidies County Suplmtl Funds | 16,159 | 9,064 | 16,163 | 25,561 | 2,308 | 167,258 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Non-Patient Revenues** | 2,041,381 | 2,246,097 | 1,743,355 | 1,627,542 | 2,333,719 | 719,506 | 695,986 | 530,864 | 1,076,437 | 532,931 | 579,197 | 626,680 | 613,103 |
| **Total Operating Revenue** | 5,972,289 | 6,128,956 | 5,506,919 | 6,713,341 | 7,390,651 | 4,077,944 | 5,495,429 | 6,117,741 | 5,442,089 | 2,255,930 | 6,167,357 | 5,771,717 | 5,325,372 |
| **Operating Expenses** | | | | | | | | | | | | | |
| Salaries and Wages | 2,941,226 | 3,104,224 | 3,125,159 | 3,420,974 | 3,634,721 | 4,119,595 | 3,674,360 | 3,550,566 | 3,776,105 | 3,194,719 | 4,333,628 | 5,126,248 | 3,539,249 |
| Fringe Benefits | 702,477 | 752,708 | 856,889 | 830,599 | 938,301 | 1,013,089 | 970,221 | 848,892 | 1,033,920 | 978,795 | 955,047 | 1,005,066 | 994,090 |
| Contract Labor | 106,628 | 59,516 | 114,886 | 99,977 | 81,255 | 170,728 | 101,775 | 193,746 | 176,561 | 242,190 | 122,459 | 145,922 | 129,020 |
| Physicians Fees | 246,631 | 331,858 | 350,783 | 330,533 | 299,739 | 280,402 | 260,382 | 307,954 | 290,783 | 282,650 | 798,595 | 462,618 | 382,672 |
| Purchased Services | 513,857 | 691,337 | 772,336 | 892,521 | 863,657 | 840,396 | 941,985 | 1,007,492 | 1,002,184 | 1,078,252 | 802,077 | 936,912 | 929,948 |
| Supply Expense | 685,518 | 751,025 | 903,883 | 995,446 | 953,253 | 700,018 | 814,829 | 906,328 | 861,780 | 762,898 | 650,227 | 648,726 | 832,331 |
| Utilities | 75,471 | 80,680 | 92,287 | 111,192 | 93,037 | 104,939 | 107,960 | 76,274 | 88,098 | 97,211 | 115,692 | 103,927 | 91,014 |
| Repairs and Maintenance | 58,325 | 58,592 | 139,712 | 77,524 | 76,806 | 61,860 | 69,232 | 147,878 | 136,677 | 92,822 | 44,993 | 141,551 | 102,566 |
| Insurance Expense | 85,267 | 103,277 | 110,683 | 112,745 | 119,548 | 185,434 | 133,116 | 147,115 | 138,116 | 128,116 | 146,380 | 38,130 | 130,918 |
| All Other Operating Expenses | 70,922 | 160,745 | 148,752 | 101,142 | 151,928 | 59,602 | 47,639 | 68,331 | 55,072 | 93,494 | 117,737 | 173,637 | 218,160 |
| IGT Expense | 58,743 | 109,484 | 172,366 | 0 | 91,499 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leases and Rentals | 76,150 | 79,233 | 79,424 | 37,952 | 99,514 | 25,370 | 42,245 | 55,457 | 50,740 | 54,691 | 45,049 | 28,370 | 28,370 |
| 1206 (b) CLINIC | 98,810 | 94,628 | 34,096 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | 5,720,023 | 6,377,306 | 6,901,255 | 7,010,605 | 7,403,258 | 7,561,433 | 7,163,744 | 7,310,033 | 7,610,036 | 7,005,838 | 8,131,884 | 8,811,107 | 7,378,338 |
| **EBIDA** | 252,266 | (248,351) | (1,394,337) | (297,264) | (12,606) | (3,483,489) | (1,668,315) | (1,192,292) | (2,167,947) | (4,749,908) | (1,964,527) | (3,039,390) | (2,052,966) |
| **Interest, Depreciation, and Amortization** | | | | | | | | | | | | | |
| Depreciation Expense | 497,808 | 506,497 | 494,721 | 472,317 | 495,039 | 514,671 | 515,528 | 605,920 | 571,451 | 569,523 | 577,088 | 640,273 | 626,702 |
| Interest & Amortization Expense | 418,193 | 422,094 | 447,994 | 391,606 | 484,663 | 434,111 | 445,099 | 383,794 | 405,597 | 370,607 | 369,556 | 442,597 | 453,676 |
| **Total Interest, Depr, & Amort.** | 916,000 | 928,591 | 942,715 | 863,923 | 979,702 | 948,782 | 960,627 | 989,714 | 977,048 | 940,130 | 946,644 | 1,082,870 | 1,080,378 |
| **Non-Operating Revenue:** | | | | | | | | | | | | | |
| Contributions & Other | 7,745 | 27,759 | 7,121 | 25,068 | 132,587 | 13,926 | 1,225,118 | 21,774 | 13,626 | 415,400 | 13,626 | 465,626 | 224,765 |
| Tax Subsidies for GO Bonds - M-A | 692,457 | 666,966 | 598,410 | 616,059 | 660,979 | 627,353 | 627,353 | 627,353 | 627,353 | 627,353 | 627,353 | 627,353 | 627,353 |
| **Total Non Operating Revenue/(Expense)** | 700,202 | 694,725 | 605,531 | 641,127 | 793,566 | 641,279 | 1,852,471 | 649,127 | 640,979 | 1,042,753 | 640,979 | 1,092,979 | 852,118 |
| **Total Net Surplus/(Loss)** | 36,467 | (482,217) | (1,731,521) | (520,060) | (198,742) | (3,790,992) | (776,471) | (1,532,879) | (2,504,016) | (4,647,285) | (2,270,192) | (3,029,281) | (2,281,226) |
| Change in Interest in Foundation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extra-ordinary Loss | 0 | (689,574) | (650) | (284,792) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Increase/(Decrease in Unrestricted Net Assets** | $ 36,467 | $ (1,171,791) | $ (1,732,171) | $ (804,852) | $ (198,742) | $ (3,790,992) | $ (776,471) | $ (1,532,879) | $ (2,504,016) | $ (4,647,285) | $ (2,270,192) | $ (3,029,281) | $ (2,281,226) |
| **Total Profit Margin** | 0.6% | -7.9% | -31.4% | -7.7% | -2.7% | -93.0% | -14.1% | -25.1% | -46.0% | -206.0% | -36.8% | -52.5% | -42.8% |
| **EBIDA %** | 4.2% | -4.1% | -25.3% | -4.4% | -0.2% | -85.4% | -30.4% | -19.5% | -39.8% | -210.6% | -31.9% | -52.7% | -38.6% |
| **Actual EBIDA for Month** | | | | | | (3,483,489) | (1,668,315) | (1,192,292) | (2,167,947) | (4,749,908) | (1,964,527) | (3,039,390) | (2,052,966) |
| **Adjustments to EBIDA to account for Cash Impact of GASB Lease Reclassification** | | | | | | (55,132) | (55,132) | (55,132) | (55,132) | (55,132) | (55,132) | (55,132) | (55,132) |
| **Adjustment for Normalization of Supplemental Income Incl DSH & P4P (Net of Current Month Receipts)** | | | | | | 1,586,070 | 1,485,001 | 1,621,447 | 1,139,734 | 1,621,447 | 1,621,447 | 1,527,943 | 1,621,447 |
| **Effective EBIDA after Normalization of Supplementals & Adjustments for Cash Outlays for Leases** | | | | | | (1,952,551) | (238,446) | 374,023 | (1,083,345) | (3,183,593) | (398,212) | (1,566,579) | (486,651) |
| | | | | | | YTD | (2,190,997) | (1,816,973) | (2,900,318) | (6,083,911) | (6,482,123) | (8,048,701) | (8,535,352) |

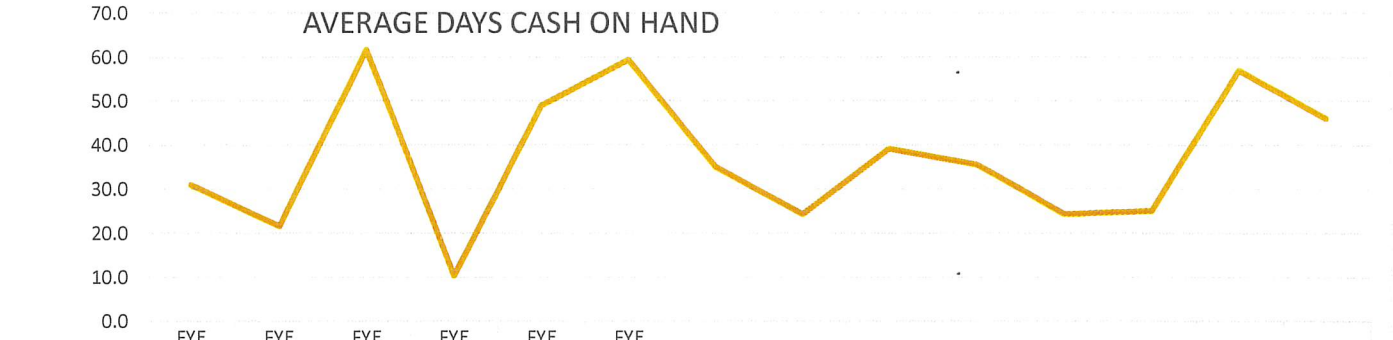
**BALANCE SHEET (Period End)**

| | |
|---|---|
| Cash (000's) | Represents all unrestricted cash in the bank at each month-end. |
| Days Cash on Hand | Calculated by dividing amount of Cash on Hand by the historical average daily amount of cash requirmements to cover operating expenses. |
| Accounts Receivable - Net (000's) | Equals the sum of all (patient) accounts that are due to the hospital, less estimated adjustments for discounts and other contractual disallowances for which the patients may be entitled. |
| A/R Days - Net | This measures the average number of days it takes to collect payment of the Net Accounts Receivable. Lower values are desired. |
| Current Ratio (Current Assets/Current Liabilities) | A measure that illustrates the ability for the hospital to pay its obligations that come due over the course of the next year. The greater the Current Assets as compared to the Current Liabilities, the stronger position the organization is in to pay its upcoming obligations. Desired position is greater than 1:00 to 1:00, preferably at least 1:25 to 1:00 or greater. |
| Quick Ratio | This measures the Cash + Net Accounts Receivable compared to the Current Liabilities. Desired ratio is greater than 1.00 : 1.00. |
| Accounts Payable (000's) | Reflects payment obligations of the Hospital as of a point in time. Excludes Loans, Payroll and other Debt obligations. Lower values are desired. |
| Accounts Payable Days | Reflects the average number of days that it takes to pay routine bills. Lower numbers are desired. Calculated by dividing the Accounts Payable amount by the historical average daily cost of routine expenses. |
| Line of Credit Balance (000's) | The amount that is currently borrowed from a lending institution as of a given point in time. |

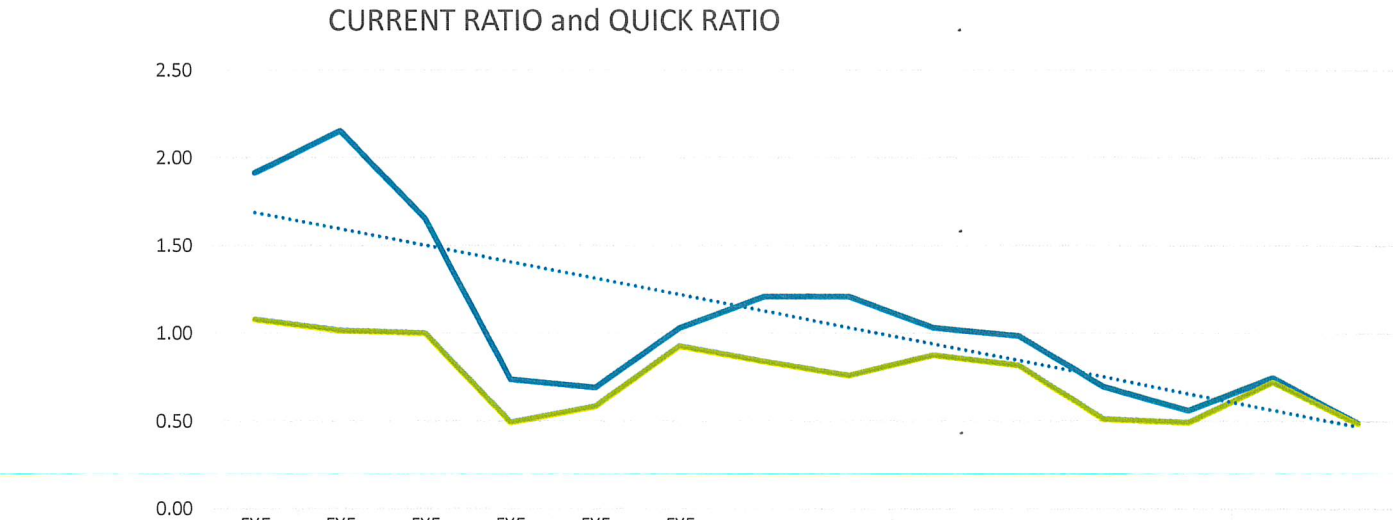
# SAN GORGONIO MEMORIAL HOSPITAL




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CASH | $6,309 | $4,175 | $13,031 | $2,396 | $11,340 | $14,521 | $8,592 | $5,962 | $9,563 | $8,680 | $5,953 | $6,173 | $14,066 | $11,403 |
| LOC | $0 | $0 | $6,000 | $0 | $12,000 | $4,000 | $4,000 | $4,000 | $4,000 | $4,000 | $4,000 | $8,000 | $8,000 | $8,000 |



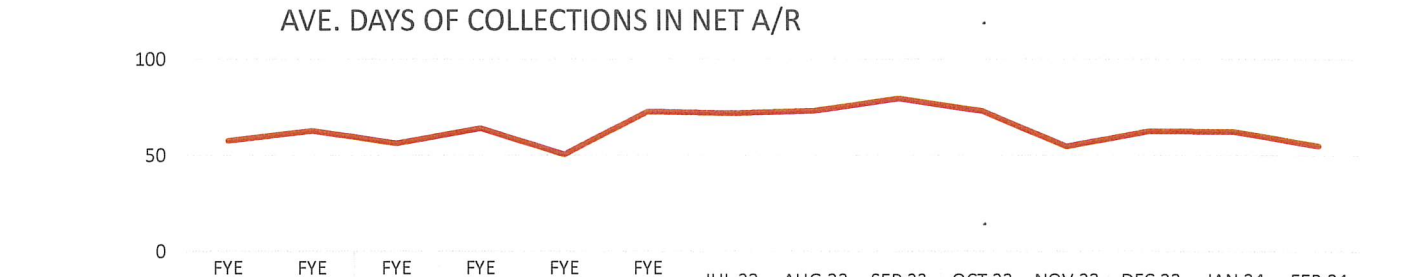

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DCOH | 31.2 | 21.8 | 62.0 | 10.6 | 49.2 | 59.7 | 35.3 | 24.6 | 39.4 | 35.8 | 24.6 | 25.4 | 57.3 | 46.3 |



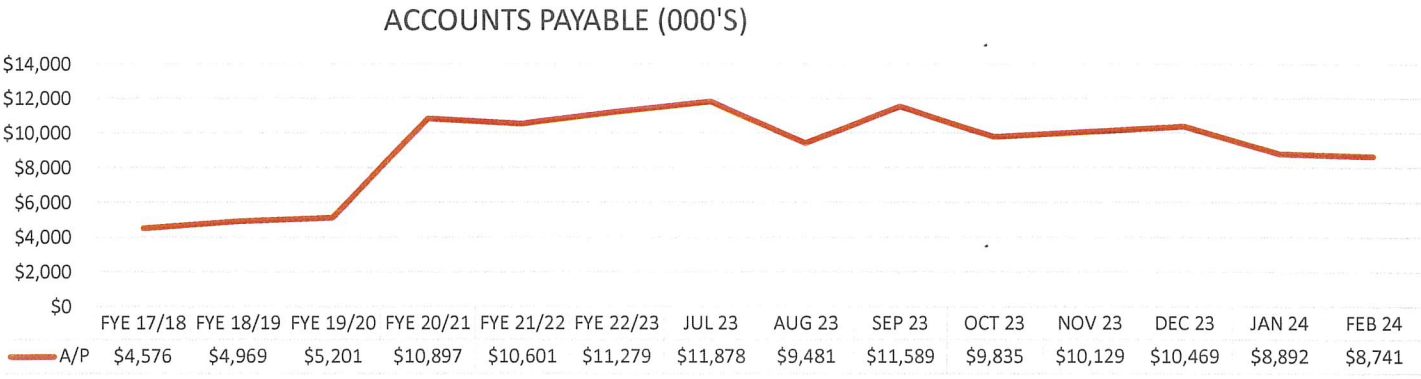

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT | 1.92 | 2.16 | 1.66 | 0.74 | 0.70 | 1.03 | 1.21 | 1.21 | 1.04 | 0.99 | 0.70 | 0.57 | 0.75 | 0.50 |
| QUICK | 1.08 | 1.02 | 1.00 | 0.50 | 0.59 | 0.93 | 0.84 | 0.76 | 0.88 | 0.82 | 0.52 | 0.50 | 0.73 | 0.49 |

# SAN GORGONIO MEMORIAL HOSPITAL

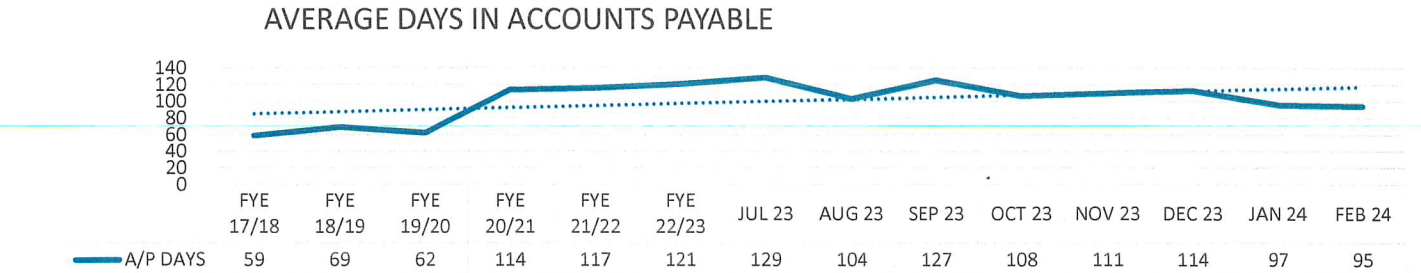

| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET A/R | $7,470 | $8,330 | $7,089 | $7,939 | $8,495 | $12,177 | $11,706 | $11,869 | $13,045 | $11,872 | $8,544 | $9,922 | $9,875 | $8,728 |




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET DAYS | 58 | 63 | 57 | 64 | 51 | 73 | 72 | 74 | 80 | 74 | 55 | 63 | 63 | 55 |




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A/P | $4,576 | $4,969 | $5,201 | $10,897 | $10,601 | $11,279 | $11,878 | $9,481 | $11,589 | $9,835 | $10,129 | $10,469 | $8,892 | $8,741 |




| | FYE 17/18 | FYE 18/19 | FYE 19/20 | FYE 20/21 | FYE 21/22 | FYE 22/23 | JUL 23 | AUG 23 | SEP 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A/P DAYS | 59 | 69 | 62 | 114 | 117 | 121 | 129 | 104 | 127 | 108 | 111 | 114 | 97 | 95 |

| | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | | | | |
| 2 | **INCOME STATEMENT** | **FEBRUARY 2024 BUDGET** | **FEBRUARY 2024 ACTUAL** | **VARIANCE FEBRUARY ACTUAL TO BUDGET** | **VARIANCE PER CENTAGE** | | **FEBRUARY 2024 YTD BUDGET** | **FEBRUARY 2024 YTD ACTUAL** | **VARIANCE FEBRUARY YTD ACTUAL TO BUDGET** | **YTD VARIANCE PER CENTAGE** |
| 3 | **NET INCOME** | (1,801,726) | (2,281,226) | **(479,500)** | **-26.6%** | | (8,155,622) | (20,832,342) | (12,676,720) | **-155.4%** |
| 4 | **EBIDA** | (1,446,544) | (2,052,966) | **(606,422)** | **-41.9%** | | (9,638,944) | (20,344,155) | (10,705,211) | **-111.1%** |
| 5 | | | | | | | | | | |
| 6 | **TOTAL OPERATING REVENUE** | 5,730,915 | 5,325,372 | (405,543) | -7.1% | | 49,412,504 | 40,653,579 | (8,758,925) | -17.7% |
| 7 | NET PATIENT REVENUE | 5,062,485 | 4,712,269 | (350,216) | -6.9% | | 43,436,828 | 35,278,875 | (8,157,953) | -18.8% |
| 13 | OTHER OPERATING REVENUE | 668,430 | 613,103 | (55,327) | -8.3% | | 5,975,676 | 5,374,704 | (600,972) | -10.1% |
| 20 | | | | | | | | | | |
| 21 | **TOTAL OPERATING EXPENSE** | 7,177,459 | 7,378,338 | 200,879 | 2.8% | | 59,051,448 | 60,997,734 | (1,946,286) | -3.3% |
| 34 | | | | | | | | | | |
| 35 | **NON-OPERATING REVENUE & EXPENSE** | 655,777 | 852,118 | 196,341 | 29.9% | | 9,221,471 | 7,412,685 | (1,808,786) | -19.6% |
| 39 | TOTAL INTEREST & DEPRECIATION | 1,010,959 | 1,080,378 | 69,419 | 6.9% | | 7,738,149 | 7,900,872 | (162,723) | -2.1% |
| 42 | | | | | | | | | | |
| 43 | Page 1 of 1 | Wednesday, March 20, 2024 4:54:04 PM | | | | | | | | |

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | |
| 2 | **BALANCE SHEET** | **JUNE 2023** | **DECEMBER 2023** | **JANUARY 2024** | **FEBRUARY 2024** | **VARIANCE JANUARY TO FEBRUARY** | **VARIANCE PERCENTAGE** |
| 3 | **TOTAL ASSETS** | **112,558,570** | **104,958,733** | **112,391,784** | **116,795,348** | **4,403,564** | **3.9%** |
| 4 | **CURRENT ASSETS** | 29,638,354 | 19,794,071 | 24,748,448 | 20,163,177 | (4,585,271) | -18.5% |
| 16 | ASSETS WHICH USE IS LIMITED | 9,102,770 | 13,828,639 | 16,738,243 | 25,652,223 | 8,913,980 | 53.3% |
| 17 | NET PROPERTY, PLANT, AND EQUIPMENT | 73,452,527 | 71,482,689 | 71,054,280 | 71,131,575 | 77,295 | 0.1% |
| 24 | OTHER ASSETS | 364,919 | (146,666) | (149,187) | (151,627) | (2,440) | 1.6% |
| 25 | | | | | | | |
| 26 | **TOTAL LIABILITIES & FUND BALANCE** | **112,558,570** | **104,958,668** | **112,391,706** | **116,795,275** | **(4,403,569)** | **-3.9%** |
| 27 | **TOTAL LIABILITIES** | **148,421,077** | **164,602,704** | **175,065,023** | **181,749,818** | **(6,684,795)** | **-3.8%** |
| 28 | **CURRENT LIABILITES** | 28,682,871 | 32,185,743 | 32,865,186 | 40,708,106 | (7,842,920) | -23.9% |
| 39 | **LONG TERM LIABILITIES** | 119,738,206 | 132,416,961 | 142,199,837 | 141,041,712 | 1,158,125 | 0.8% |
| 41 | **NET ASSETS** | (35,862,507) | (59,644,036) | (62,673,317) | (64,954,543) | 2,281,226 | -3.6% |
| 45 | | | | | | | |
| 46 | Page 1 of 1 | | | | | | |

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# SAN GORGONIO MEMORIAL HOSPITAL

| | | FY23 | FY 24 | FY 24 | | FY 23 | FY 24 | FY 24 | | FY 23 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 02/28/23 | 02/29/24 | 02/29/24 | | 2023 | 2024 | 2024 | | 2023 |
| | | ACTUAL | ACTUAL | BUDGET | | 8 MOS YTD ACTUAL | 8 MOS YTD ACTUAL | 8 MOS.YTD BUDGET | | YR END TOTAL |
| | | | | | | | | | | |
| [1] | Total Acute Patient Days | 597 | 582 | 702 | | 5,431 | 5,357 | 5,668 | | 7,636 |
| [2] | Average Daily Census | 21.3 | 20.1 | 24.2 | | 22.3 | 22.0 | 23.2 | | 20.9 |
| [3] | Average Acute Length of Stay | 3.7 | 3.8 | 3.9 | | 3.6 | 3.8 | 3.5 | | 3.5 |
| [4] | Patient Discharges | 162 | 153 | 181 | | 1,512 | 1,415 | 1,612 | | 2,186 |
| [5] | Adjusted Patient Days | 1,644 | 1,852 | 1,841 | | 14,513 | 15,244 | 15,267 | | 21,460 |
| [6] | Observation Days | 264 | 346 | 269 | | 2,084 | 2,519 | 2,269 | | 3,160 |
| [7] | Total Emergency Room Visits | 2,956 | 3,329 | 3,564 | | 28,115 | 28,182 | 30,033 | | 41,821 |
| [8] | Average ED Visits Per Day | 106 | 115 | 123 | | 116 | 116 | 123 | | 115 |
| [9] | Total Surgeries (Excluding G.I.'s) | 107 | 89 | 117 | | 946 | 810 | 1,018 | | 1,433 |
| [10] | Deliveries/Births | 11 | 7 | 10 | | 96 | 75 | 101 | | 131 |

8/

| | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | | | | |
| 2 | **INCOME STATEMENT** | **FEBRUARY 2024 BUDGET** | **FEBRUARY 2024 ACTUAL** | **VARIANCE FEBRUARY ACTUAL TO BUDGET** | **VARIANCE PER CENTAGE** | | **FEBRUARY 2024 YTD BUDGET** | **FEBRUARY 2024 YTD ACTUAL** | **VARIANCE FEBRUARY YTD ACTUAL TO BUDGET** | **YTD VARIANCE PER CENTAGE** |
| 3 | **NET INCOME** | (1,801,726) | (2,281,226) | **(479,500)** | **-26.6%** | | (8,155,622) | (20,832,342) | (12,676,720) | **-155.4%** |
| 4 | **EBIDA** | (1,446,544) | (2,052,966) | **(606,422)** | **-41.9%** | | (9,638,944) | (20,344,155) | (10,705,211) | **-111.1%** |
| 5 | | | | | | | | | | |
| 6 | **TOTAL OPERATING REVENUE** | 5,730,915 | 5,325,372 | (405,543) | -7.1% | | 49,412,504 | 40,653,579 | (8,758,925) | -17.7% |
| 7 | NET PATIENT REVENUE | 5,062,485 | 4,712,269 | (350,216) | -6.9% | | 43,436,828 | 35,278,875 | (8,157,953) | -18.8% |
| 8 | GROSS REVENUE FROM PATIENT SERVICES | 40,597,327 | 39,459,380 | (1,137,947) | -2.8% | | 338,119,298 | 328,476,464 | (9,642,834) | -2.9% |
| 9 | TOTAL INPATIENT REVENUE | 15,387,064 | 12,466,980 | (2,920,084) | -19.0% | | 125,873,399 | 115,710,329 | (10,163,070) | -8.1% |
| 10 | TOTAL OUTPATIENT REVENUE | 25,210,263 | 26,992,400 | 1,782,137 | 7.1% | | 212,245,899 | 212,766,135 | 520,236 | 0.2% |
| 11 | DEDUCTIONS FROM REVENUE | (35,534,842) | (34,747,111) | 787,731 | -2.2% | | (294,682,470) | (293,197,589) | 1,484,881 | -0.5% |
| 12 | | | | | | | | | | |
| 13 | OTHER OPERATING REVENUE | 668,430 | 613,103 | (55,327) | -8.3% | | 5,975,676 | 5,374,704 | (600,972) | -10.1% |
| 14 | OTHER REVENUE - RATE RANGE | 0 | 0 | 0 | 0.0% | | 0 | 0 | 0 | 0.0% |
| 15 | OTHER REVENUE - OTHER SUPPLEMENTALS | 0 | 0 | 0 | 0.0% | | 434,000 | 481,713 | 47,713 | 11.0% |
| 16 | OTHER REVENUE - DSH | 0 | 0 | 0 | 0.0% | | 56,236 | 99,536 | 43,300 | 77.0% |
| 17 | OTHER REVENUE - P4P | 0 | 8,283 | 8,283 | 0.0% | | 138,000 | 214,608 | 76,608 | 55.5% |
| 18 | OTHER REVENUE - OTHER | 258,603 | 203,326 | (55,277) | -21.4% | | 2,068,824 | 1,199,637 | (869,187) | -42.0% |
| 19 | OPERATNG TAX REVENUES | 409,827 | 401,494 | (8,333) | -2.0% | | 3,278,616 | 3,379,210 | 100,594 | 3.1% |
| 20 | | | | | | | | | | |
| 21 | **TOTAL OPERATING EXPENSE** | 7,177,459 | 7,378,338 | 200,879 | 2.8% | | 59,051,448 | 60,997,734 | (1,946,286) | -3.3% |
| 22 | TOTAL LABOR EXPENSE | 4,618,275 | 4,662,359 | 44,084 | 1.0% | | 38,191,388 | 40,395,991 | (2,204,603) | -5.8% |
| 23 | WAGES | 3,539,986 | 3,539,249 | (737) | 0.0% | | 29,481,686 | 31,314,470 | (1,832,784) | -6.2% |
| 24 | EMPLOYEE BENEFITS | 989,689 | 994,090 | 4,401 | 0.4% | | 7,993,281 | 7,799,120 | 194,161 | 2.4% |
| 25 | CONTRACT LABOR | 88,600 | 129,020 | 40,420 | 45.6% | | 716,421 | 1,282,401 | (565,980) | -79.0% |
| 26 | PHYSICIAN FEES | 312,187 | 382,672 | 70,485 | 22.6% | | 2,497,496 | 3,066,056 | (568,560) | -22.8% |
| 27 | PURCHASED SERVICES | 900,692 | 929,948 | 29,256 | 3.2% | | 7,039,558 | 7,539,246 | (499,688) | -7.1% |
| 28 | SUPPLY EXPENSE | 889,842 | 832,331 | (57,511) | -6.5% | | 7,426,647 | 6,177,137 | 1,249,510 | 16.8% |
| 29 | UTILITIES | 100,148 | 91,014 | (9,134) | -9.1% | | 851,957 | 785,115 | 66,842 | 7.8% |
| 30 | REPAIRS AND MAINTENANCE | 81,641 | 102,566 | 20,925 | 25.6% | | 660,082 | 797,579 | (137,497) | -20.8% |
| 31 | INSURANCE | 146,289 | 130,918 | (15,371) | -10.5% | | 1,170,312 | 1,047,326 | 122,986 | 10.5% |
| 32 | OTHER EXPENSES | 83,011 | 218,160 | 135,149 | 162.8% | | 851,016 | 833,672 | 17,344 | 2.0% |
| 33 | LEASE AND RENTALS | 45,374 | 28,370 | (17,004) | -37.5% | | 362,992 | 355,612 | 7,380 | 2.0% |
| 34 | | | | | | | | | | |
| 35 | **NON-OPERATING REVENUE & EXPENSE** | 655,777 | 852,118 | 196,341 | 29.9% | | 9,221,471 | 7,412,685 | (1,808,786) | -19.6% |
| 36 | OTHER NON-OPERATING REVENUE | 28,424 | 224,765 | 196,341 | 690.8% | | 4,202,647 | 2,393,861 | (1,808,786) | -43.0% |
| 37 | NON-OPERATING TAX REVENUE | 627,353 | 627,353 | 0 | 0.0% | | 5,018,824 | 5,018,824 | 0 | 0.0% |
| 38 | EXTRAORDINARY REVENUE | 0 | 0 | 0 | 0.0% | | 0 | 0 | 0 | 0.0% |
| 39 | TOTAL INTEREST & DEPRECIATION | 1,010,959 | 1,080,378 | 69,419 | 6.9% | | 7,738,149 | 7,900,872 | (162,723) | -2.1% |
| 40 | DEPRECIATION | 572,172 | 626,702 | 54,530 | 9.5% | | 4,227,853 | 4,595,835 | (367,982) | -8.7% |
| 41 | INTEREST & AMORTIZATION | 438,787 | 453,676 | 14,889 | 3.4% | | 3,510,296 | 3,305,037 | 205,259 | 5.8% |
| 42 | | | | | | | | | | |
| 43 | Page 1 of 1 | Wednesday, March 20, 2024 4:54:04 PM | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | | | | |
| 2 | **INCOME STATEMENT** | **FEBRUARY 2024 FLEX BUDGET** | **FEBRUARY 2024 ACTUAL** | **VARIANCE FEBRUARY ACTUAL TO FLEX BUDGET** | **VARIANCE PER CENTAGE** | | **FEBRUARY 2024 YTD FLEX BUDGET** | **FEBRUARY 2024 YTD ACTUAL** | **VARIANCE FEBRUARY YTD ACTUAL TO FLEX BUDGET** | **YTD VARIANCE PER CENTAGE** |
| 3 | **NET INCOME** | (3,653,696) | (2,281,226) | 1,372,470 | **37.6%** | | (14,077,556) | (20,832,342) | (6,754,786) | **-48.0%** |
| 4 | **EBIDA** | (3,299,557) | (2,052,966) | 1,246,591 | **37.8%** | | (15,570,773) | (20,344,155) | (4,773,382) | **-30.7%** |
| 5 | | | | | | | | | | |
| 6 | **TOTAL OPERATING REVENUE** | 3,757,747 | 5,325,372 | 1,567,625 | -41.7% | | 42,940,219 | 40,653,579 | (2,286,640) | 5.3% |
| 7 | NET PATIENT REVENUE | 3,089,317 | 4,712,269 | 1,622,952 | -52.5% | | 36,621,472 | 35,278,875 | (1,342,597) | 3.7% |
| 8 | GROSS REVENUE FROM PATIENT SERVICES | 37,915,246 | 39,459,380 | 1,544,134 | -4.1% | | 323,303,632 | 328,476,464 | 5,172,832 | -1.6% |
| 9 | TOTAL INPATIENT REVENUE | 12,701,112 | 12,466,980 | (234,132) | 1.8% | | 119,542,203 | 115,710,329 | (3,831,874) | 3.2% |
| 10 | TOTAL OUTPATIENT REVENUE | 25,214,134 | 26,992,400 | 1,778,266 | -7.1% | | 203,761,429 | 212,766,135 | 9,004,706 | -4.4% |
| 11 | DEDUCTIONS FROM REVENUE | (34,825,929) | (34,747,111) | 78,818 | 0.2% | | (286,682,160) | (293,197,589) | (6,515,429) | -2.3% |
| 12 | | | | | | | | | | |
| 13 | OTHER OPERATING REVENUE | 668,430 | 613,103 | (55,327) | 8.3% | | 6,318,747 | 5,374,704 | (944,043) | 14.9% |
| 14 | OTHER REVENUE - RATE RANGE | 0 | 0 | 0 | 0.0% | | 0 | 0 | 0 | 0.0% |
| 15 | OTHER REVENUE - OTHER SUPPLEMENTALS | 0 | 0 | 0 | 0.0% | | 889,571 | 481,713 | (407,858) | 45.8% |
| 16 | OTHER REVENUE - DSH | 0 | 0 | 0 | 0.0% | | 56,236 | 99,536 | 43,300 | -77.0% |
| 17 | OTHER REVENUE - P4P | 0 | 8,283 | 8,283 | 0.0% | | 138,000 | 214,608 | 76,608 | -55.5% |
| 18 | OTHER REVENUE - OTHER | 258,603 | 203,326 | (55,277) | 21.4% | | 1,956,324 | 1,199,637 | (756,687) | 38.7% |
| 19 | OPERATNG TAX REVENUES | 409,827 | 401,494 | (8,333) | 2.0% | | 3,278,616 | 3,379,210 | 100,594 | -3.1% |
| 20 | | | | | | | | | | |
| 21 | **TOTAL OPERATING EXPENSE** | 7,057,304 | 7,378,338 | 321,034 | -4.5% | | 58,510,992 | 60,997,734 | (2,486,742) | 4.3% |
| 22 | TOTAL LABOR EXPENSE | 4,548,650 | 4,662,359 | 113,709 | -2.5% | | 38,260,765 | 40,395,991 | (2,135,226) | 5.6% |
| 23 | WAGES | 3,504,928 | 3,539,249 | 34,321 | -1.0% | | 29,773,360 | 31,314,470 | (1,541,110) | 5.2% |
| 24 | EMPLOYEE BENEFITS | 971,145 | 994,090 | 22,945 | -2.4% | | 7,870,422 | 7,799,120 | 71,302 | -0.9% |
| 25 | CONTRACT LABOR | 72,577 | 129,020 | 56,443 | -77.8% | | 616,983 | 1,282,401 | (665,418) | 107.9% |
| 26 | PHYSICIAN FEES | 378,853 | 382,672 | 3,819 | -1.0% | | 2,597,495 | 3,066,056 | (468,561) | 18.0% |
| 27 | PURCHASED SERVICES | 877,402 | 929,948 | 52,546 | -6.0% | | 6,919,843 | 7,539,246 | (619,403) | 9.0% |
| 28 | SUPPLY EXPENSE | 796,624 | 832,331 | 35,707 | -4.5% | | 6,841,934 | 6,177,137 | 664,797 | -9.7% |
| 29 | UTILITIES | 100,148 | 91,014 | (9,134) | 9.1% | | 851,957 | 785,115 | 66,842 | -7.8% |
| 30 | REPAIRS AND MAINTENANCE | 81,354 | 102,566 | 21,212 | -26.1% | | 658,854 | 797,579 | (138,725) | 21.1% |
| 31 | INSURANCE | 146,289 | 130,918 | (15,371) | 10.5% | | 1,170,312 | 1,047,326 | 122,986 | -10.5% |
| 32 | OTHER EXPENSES | 82,621 | 218,160 | 135,539 | -164.0% | | 846,880 | 833,672 | 13,208 | -1.6% |
| 33 | LEASE AND RENTALS | 45,363 | 28,370 | (16,993) | 37.5% | | 362,952 | 355,612 | 7,340 | -2.0% |
| 34 | | | | | | | | | | |
| 35 | **NON-OPERATING REVENUE & EXPENSE** | 655,777 | 852,118 | 196,341 | -29.9% | | 9,221,471 | 7,412,685 | (1,808,786) | 19.6% |
| 36 | OTHER NON-OPERATING REVENUE | 28,424 | 224,765 | 196,341 | -690.8% | | 4,202,647 | 2,393,861 | (1,808,786) | 43.0% |
| 37 | NON-OPERATING TAX REVENUE | 627,353 | 627,353 | 0 | 0.0% | | 5,018,824 | 5,018,824 | 0 | 0.0% |
| 38 | EXTRAORDINARY REVENUE | | | | | | 0 | 0 | 0 | 0.0% |
| 39 | TOTAL INTEREST & DEPRECIATION | 1,009,916 | 1,080,378 | 70,462 | -7.0% | | 7,728,254 | 7,900,872 | (172,618) | 2.2% |
| 40 | DEPRECIATION | 571,129 | 626,702 | 55,573 | -9.7% | | 4,217,958 | 4,595,835 | (377,877) | 9.0% |
| 41 | INTEREST & AMORTIZATION | 438,787 | 453,676 | 14,889 | -3.4% | | 3,510,296 | 3,305,037 | 205,259 | -5.8% |
| 42 | | | | | | | | | | |
| 43 | Page 1 of 1 | | | | | | | | | |

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| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | |
| 2 | **BALANCE SHEET** | **JUNE 2023** | **DECEMBER 2023** | **JANUARY 2024** | **FEBRUARY 2024** | **VARIANCE JANUARY TO FEBRUARY** | **VARIANCE PERCENTAGE** |
| 3 | **TOTAL ASSETS** | **112,558,570** | **104,958,733** | **112,391,784** | **116,795,348** | **4,403,564** | **3.9%** |
| 4 | **CURRENT ASSETS** | 29,638,354 | 19,794,071 | 24,748,448 | 20,163,177 | (4,585,271) | -18.5% |
| 5 | CASH & EQUIVALENTS | 14,521,085 | 6,174,780 | 14,066,154 | 11,403,144 | (2,663,010) | -18.9% |
| 6 | NET PATIENT ACCOUNTS RECEIVABLE | 12,177,379 | 9,521,666 | 9,874,552 | 8,727,661 | (1,146,891) | -11.6% |
| 7 | HOSPITAL ACCOUNTS RECEIVABLE | 86,192,181 | 90,684,885 | 93,057,632 | 86,742,095 | (6,315,537) | -6.8% |
| 8 | LESS: ALLOWANCE FOR BAD DEBTS | (74,014,802) | (81,163,219) | (83,183,080) | (78,014,434) | 5,168,646 | -6.2% |
| 9 | OTHER CURRENT ASSETS | 2,939,890 | 4,097,625 | 807,742 | 32,372 | (775,370) | -96.0% |
| 10 | TAXES RECEIVABLE | 2,263,620 | 3,192,397 | (127,692) | (891,616) | (763,924) | 598.3% |
| 11 | MISC RECEIVABLE | 64,052 | (693,350) | (864,269) | (905,410) | (41,141) | 4.8% |
| 12 | DUE FROM 3RD PARTIES | (1,097,349) | (1,188,457) | (1,180,265) | (1,139,145) | 41,120 | -3.5% |
| 13 | INVENTORIES | 1,311,782 | 1,952,252 | 2,029,198 | 2,055,785 | 26,587 | 1.3% |
| 14 | PREPAID EXPENSES | 397,785 | 834,783 | 950,770 | 912,758 | (38,012) | -4.0% |
| 15 | | | | | | | |
| 16 | ASSETS WHICH USE IS LIMITED | 9,102,770 | 13,828,639 | 16,738,243 | 25,652,223 | 8,913,980 | 53.3% |
| 17 | NET PROPERTY, PLANT, AND EQUIPMENT | 73,452,527 | 71,482,689 | 71,054,280 | 71,131,575 | 77,295 | 0.1% |
| 18 | PROPERTY, PLANT, AND EQUIPMENT | 166,692,035 | 167,745,456 | 167,809,768 | 168,379,784 | 570,016 | 0.3% |
| 19 | LAND & LAND IMPROVEMENTS | 4,828,182 | 4,828,182 | 4,828,182 | 4,828,182 | 0 | 0.0% |
| 20 | BUILDINGS & BUILDING IMPROVEMENTS | 129,281,491 | 129,281,491 | 129,281,491 | 129,281,491 | 0 | 0.0% |
| 21 | FIXED EQUIPMENT | 29,262,127 | 29,228,687 | 29,253,252 | 29,539,960 | 286,708 | 1.0% |
| 22 | CONSTRUCTION IN PROGRESS | 3,320,235 | 4,407,096 | 4,446,843 | 4,730,151 | 283,308 | 6.4% |
| 23 | LESS: ACCUMULATED DEPRECIATION | 364,919 | (146,666) | (149,187) | (151,627) | (2,440) | 1.6% |
| 24 | OTHER ASSETS | 364,919 | (146,666) | (149,187) | (151,627) | (2,440) | 1.6% |
| 25 | | | | | | | |
| 26 | **TOTAL LIABILITIES & FUND BALANCE** | **112,558,570** | **104,958,668** | **112,391,706** | **116,795,275** | **(4,403,569)** | **-3.9%** |
| 27 | **TOTAL LIABILITIES** | **148,421,077** | **164,602,704** | **175,065,023** | **181,749,818** | **(6,684,795)** | **-3.8%** |
| 28 | **CURRENT LIABILITES** | 28,682,871 | 32,185,743 | 32,865,186 | 40,708,106 | (7,842,920) | -23.9% |
| 29 | ACCOUNTS PAYABLE | 11,278,786 | 10,083,644 | 8,892,365 | 8,741,320 | 151,045 | 1.7% |
| 30 | PAYROLL PAYABLES | 6,484,769 | 5,557,165 | 7,099,787 | 6,762,104 | 337,683 | 4.8% |
| 31 | SALARIES & WAGES PAYABLE | 579,682 | (774,910) | 277,264 | 161,843 | 115,421 | 41.6% |
| 32 | PAYROLL TAXES & DEDUCTIONS PAYABLE | 3,235,802 | 3,604,352 | 4,094,800 | 2,902,043 | 1,192,757 | 29.1% |
| 33 | ACCRUED PTO & SICK DAYS PAYABLE | 2,669,285 | 2,727,723 | 2,727,723 | 3,698,218 | (970,495) | -35.6% |
| 34 | LINE OF CREDIT | 4,043,719 | 8,054,535 | 8,056,337 | 12,058,140 | (4,001,803) | -49.7% |
| 35 | OTHER CURRENT LIABILITIES | 6,875,597 | 8,490,399 | 8,816,697 | 13,146,542 | (4,329,845) | -49.1% |
| 36 | ACCRUED INTEREST PAYABLE | 1,609,780 | 3,581,044 | 3,941,980 | 4,302,917 | (360,937) | -9.2% |
| 37 | OTHER CURRENT LIABILITIES | 5,265,817 | 4,909,355 | 4,874,717 | 8,843,625 | 3,968,908 | 81.4% |
| 38 | | | | | | | |
| 39 | **LONG TERM LIABILITIES** | 119,738,206 | 132,416,961 | 142,199,837 | 141,041,712 | 1,158,125 | 0.8% |
| 40 | | | | | | | |
| 41 | **NET ASSETS** | (35,862,507) | (59,644,036) | (62,673,317) | (64,954,543) | 2,281,226 | -3.6% |
| 42 | NET ASSETS - UNRESTRICTED | (35,862,507) | (59,644,036) | (62,673,317) | (64,954,543) | 2,281,226 | -3.6% |
| 43 | NET ASSETS - BEGINNING OF PERIOD | (33,723,881) | (44,122,201) | (44,122,201) | (44,122,201) | 0 | 0.0% |
| 44 | CURRENT YEAR NET GAIN/(LOSS) | (2,138,626) | (15,521,835) | (18,551,116) | (20,832,342) | (2,281,226) | 12.3% |
| 45 | | | | | | | |
| 46 | Page 1 of 1 | | | | | | |

12

| | B | C | D | E | F | G | J |
|---|---|---|---|---|---|---|---|
| 1 | **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT & HOSPITAL** | | | | | | **CASH FLOW** |
| 2 | | | | | | | |
| 3 | | | | | | **Current Month** | **Y-T-D** |
| 4 | | | | | | **2/29/2024** | **2/29/2024** |
| 5 | **BEGINNING CASH BALANCES** | | | | | | |
| 6 | | Cash: Beginning Balances- Hospital | | | | $ (801,381) | $ 10,775,913 |
| 7 | | Cash: Beginning Balances- District | | | | 14,867,535 | 2,808,453 |
| 8 | | Cash: Beginning Balances Totals | | | | **$ 14,066,154** | **$ 13,584,366** |
| 9 | | | | | | | |
| 10 | **Receipts** | | | | | | |
| 11 | | | Patient Collections | | | $ 5,823,367 | $ 38,721,514 |
| 12 | | | Tax Subsidies/Measure D/Prop 13 | | | 401,494 | $ 3,211,952 |
| 13 | | | Misc Tax Subsidies | | | - | $ 167,258 |
| 14 | | | Donations/Grants/Loans | | | 1,325,795 | $ 11,527,869 |
| 15 | | | Supplemental Funding (Rate Range, Etc.) | | | 4,000,000 | $ 4,653,536 |
| 16 | | | Draws/(Paydown) of LOC Balances | | | 4,000,000 | $ 4,000,000 |
| 17 | | | Other Revenues/Receipts/Transfers | | | 225,186 | $ 6,447,443 |
| 18 | **TOTAL RECEIPTS** | | | | | **$ 15,775,842** | **$ 68,729,572** |
| 19 | | | | | | | |
| 20 | **Disbursements** | | | | | | |
| 21 | | | Wages, Benefits, & Contract Labor | | | $ 4,662,359 | $ 39,311,274 |
| 22 | | | Other Operating Costs | | | 3,075,979 | $ 21,005,698 |
| 23 | | | Capital Spending | | | 599,153 | $ 1,671,784 |
| 24 | | | Debt Service Payments | | | 2,547,795 | $ 2,798,778 |
| 25 | | | Other - Changes in Accounts Payable, Other | | | 7,553,566 | $ 6,123,260 |
| 26 | **TOTAL DISBURSEMENTS** | | | | | **$ 18,438,852** | **$ 70,910,794** |
| 27 | | | | | | | |
| 28 | **TOTAL CHANGE in CASH** | | | | | **$ (2,663,010)** | **$ (2,181,222)** |
| 29 | | | | | | | |
| 30 | **ENDING CASH BALANCES** | | | | | | |
| 31 | | Ending Balances- Hospital | | | | $ 4,036,356 | $ 7,491,349 |
| 32 | | Ending Balances- District | | | | 7,366,788 | 3,911,795 |
| 33 | | Ending Balances- Totals | | | | **$ 11,403,144** | **$ 11,403,144** |
| 34 | | | | | | | |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | LOC Current Balances | | | | | $ 12,000,000 | $ 8,000,000 |
| 38 | LOC Interest Expense Incurred | | | | | 27,200 | $ 121,217 |
| 39 | | | | | | | |
| 40 | | | | | | | |

DISTRICT HOSPITAL
LEADERSHIP FORUM

March 11, 2024

Megan Brubaker
Department of Health Care Access and Information
Office of Health Care Affordability
2020 West El Camino Avenue, Suite 1200
Sacramento, CA 95833
Email: OHCA@hcai.ca.gov

**Subject: DHLF Comments on the Proposed Statewide Health Care Spending Target Recommendations to the Board**

Dear Ms. Brubaker:

On behalf of California's 33 district and municipal hospitals, the District Hospital Leadership Forum (DHLF) appreciates the opportunity to provide comments on the Office of Health Care Affordability (OHCA) staff recommendation for a proposed statewide health care spending target. **OHCA staff's recommendation does not adequately consider the factors driving health care spending growth, nor does it consider significant investments needed in health care (e.g., Medi-Cal program). Unfortunately, if the OHCA Board were to adopt the proposed staff recommendation of a 3% annual target over 2025-2029, underserved communities would experience reductions of essential health care services, potentially exacerbating health disparities and perpetuating inequality for low-income Californians.**

District and municipal hospitals, with publicly elected Boards of Directors; are proud to be local governments responsible for providing the health care needs of their communities. Over two-thirds are considered rural, and more than half have a critical access hospital (CAH) designation. On an annual basis, approximately 50% of their inpatient days are for services provided to Medi-Cal beneficiaries, collectively they deliver 20,000 babies, and provide over 3.5 million outpatient visits. They serve as the safety-net providers in their communities with few alternatives—providing health care services to significant levels of uninsured and Medi-Cal patients.

District and municipal hospitals are grateful for the Administration and Legislature's swift action in 2023 to establish the Distressed Hospital Loan Program (DHLP). ***More than 30% of district and municipal hospitals qualified as distressed and received DHLP loans totaling more than 50% of the available funds in the program.*** Given that district and municipal hospitals only represent 8% of hospitals statewide, qualifying for this level of support with short-term loans should provide a current financial status for these providers and the inherent risk of access to health care in the communities they serve. The concerns from our hospital leaders stated below are not intended to paint worst case scenarios—they are concerns founded on this reality for health care in many rural and underserved communities in our state.

***OHCA's proposed 3% annual target fails to account for the impact to access and quality of health care for Californians—especially, those in underserved areas that district and municipal hospitals serve.***

Feedback from district and municipal hospital leaders is clear—adopting a 3% annual target will have *dire effects* on the health of communities in which they serve. Fundamentally, if the OHCA Board adopts a 3% annual target they are assuming that all existing health care spending and investments occurring today are happening in the right place and at the right levels. That means, funding for programs like Medi-Cal—which provides health care to more than 1 out of 3 Californians or 1 out of 2 children in California—are at sustainable levels today.

As evident by the Governor himself with the most recent budget proposals, this could not be further from the truth. ***Significant new spending is needed to transform the Medi-Cal program and place it on a sustainable pathway moving forward.*** This is precisely why the Administration and Legislature passed AB 119 (Chapter 13, Statutes of 2023) which required the Department of Health Care Services (DHCS) to pursue the implementation of a new Managed Care Organization (MCO) Tax, raising more than $32 billion off managed care plans over a 3.75-year period. The federal government approved the proposal in December, and now the Governor is proposing to use a portion of the new tax proceeds to support more than $25 billion in new Targeted Provider Rate (TRI) increases for the Medi-Cal program. The Administration and DHCS have even acknowledged publicly, the proposed new TRI investments do not provide enough added resources to raise the level of Medi-Cal provider reimbursement for all, and instead are *targeting these investments in areas and for providers that need them the most.*

Adopting a statewide 3% annual target across all payers beginning in CY 2025, will effectively lock California into these existing inequities which will have irreversible and detrimental impacts to the future of health care in communities that need help the most. Proposed investments like TRI, or significant expansions to existing "self-financed" Medi-Cal supplemental payments, would be restricted and force providers into tough decisions as they evaluate whether they can afford to continue to maintain existing levels of participation in the Medi-Cal program. As result, our hospital leaders believe there will be a direct correlation in the implementation of an annual 3% spending target that does not acknowledge or allow for significant Medi-Cal investments and the reduction of essential health care services for underserved communities across the state. Specifically, it means scaling back on specialized care for chronic conditions, such as diabetes management or prenatal care, which are crucial for maintaining overall health and well-being for their communities. Any discretionary investments that happen today in community outreach programs and supportive services aimed at supporting the Governor's CalAIM initiatives and addressing social determinants of health may be at risk of being slashed, further deepening the impact on these underserved populations.

Maintaining access to essential health care in many underserved communities across California relies heavily on public providers like district and municipal hospitals. ***They are the safety-net providers in their communities and provide more than just life-saving care***. Even though many hospitals/health systems may have recovered from the COVID-19 pandemic—some large health systems even acquiring other hospitals—unfortunately, the district and municipal hospitals are not in that same position. Simply put, they have not fully recovered—they are experiencing

significant workforce challenges, and their current financial state is not sustainable as evident by the high proportion needing DHLP loans. The bottom line, capping overall growth in health care spending to 3% on annual basis, assumes health care spending in their communities is in the right place and currently is at satisfactory levels. The reality is this decision will force these communities to reevaluate what services can be provided. District and municipal hospitals will have to explore ways to reduce costs (e.g., new investments, staffing), and the concerns raised by leaders are, this will lead to an increased risk in hospital bankruptcies (e.g., Hazel Hawkins) and/or closures (e.g., Madera)—targeting those underserved communities in California that need help the most.

***OHCA's proposed methodology fails to consider known factors that influence health care spending (e.g., demographic factors, delivery system investments, medical inflation and pharmaceutical pricing, labor costs, and new health care policies) and the treatment of Medi-Cal supplemental payments.***

The OHCA staff's recommendation to base the annual growth target on the 20-year historical period of median household income in California, does not consider the statutory requirements when establishing a methodology defined in Health and Safety Code (HSC) 127502(d). More specifically, the methodology does not consider any of the provisions summarized below:

> *(d)(3)—Trends & COVID: Historical trends in Medi-Cal, Medicare, and Commercial Health Coverage. Differential treatment of 2020 and 2021 calendar years due to the impacts of COVID-19.*
>
> *(d)(4)—Factors, including, but not limited to: health care employment cost index, labor costs, consumer price index for urban wage earners and clerical workers, impacts due to known emerging diseases, trends in the price of health care technologies, provider payer mix, state or local mandates such as required capital improvement projects, and any relevant state and federal policy changes impacting covered benefits, provider reimbursement, and costs.*
>
> *(d)(5)(A)—Medi-Cal: the provision of nonfederal share associated with Medi-Cal payments.*
>
> *(d)(5)(B)(i)—Medi-Cal: supplemental payments for Medi-Cal services and underinsured patients.*
>
> *(d)(5)(B)(ii)—Medi-Cal: nonfederal share and fees (e.g., Hospital Tax 24% Fee for Children's Coverage, 20% Administrative Fees on Intergovernmental Transfers).*
>
> *(d)(5)(B)(iii)—Medi-Cal: health care-related taxes (e.g., MCO Tax, Hospital Tax)*
>
> *(d)(5)(C)—Medi-Cal: Methodology that cannot jeopardize federal requirements for federal financial participation (e.g., actuarial soundness requirements when developing Medi-Cal capitations).*

The Legislature carefully considered and ensured in the authorizing legislation these requirements for any OHCA annual target to take into consideration the interactions with the Medi-Cal program. Unfortunately, the OHCA staff's recommendation completely disregarded the statutory required consideration of the Medi-Cal program and clearly did not acknowledge the specific importance of Medi-Cal supplemental payments and health care related taxes which serve to support the Medi-Cal program. Today, the Medi-Cal program accounts for roughly 30% of all health care spending in the state on an annual basis. In state fiscal year 2023-24, the Medi-Cal Program has an annual budget totaling more than $150 billion, with nearly $24 billion or ***25% of the annual budget supported by non-federal sources that are not attributed to the state***

***General Fund*** (e.g., MCO Taxes, Skilled Nursing Facility Fees, Ground Emergency Medical Transportation Quality Assurance Fees, Private Hospital Taxes, Public Hospital Certified Public Expenditures, or Intergovernmental Transfers, etc.)[1]. The interaction this critical revenue source plays on the California health care market—supporting 15 million Californians—cannot be understated. ***It also means, when a district or municipal hospital receives funding for Medi-Cal services, that it is likely to be Medi-Cal revenue supported by the governmental entity rather than the state General Fund.*** When it shows up in the Medi-Cal budget or what the Medi-Cal managed care plans will report to OHCA later this year as total payments, for the provider, that's not actually the net patient revenue the hospital can count on—rather OHCA will be seeing it from a gross revenue perspective. This further adds to the importance and why the Legislature wrote into statue the requirement for the OHCA annual spending target methodology to take these factors into account.

Medi-Cal safety-net providers, including district and municipal hospitals who primarily provide services to Medi-Cal and Medicare beneficiaries (75%+ government payer mix), are concerned by how the proposed annual spending target will reconcile with anticipated spending growth over the next few years, which is projected for Medi-Cal to grow between 5-6% annually (projections by DHCS and the Legislative Analyst's Office[2]).

The proposed methodology also fails to consider known factors that influence health care spending (e.g., demographic factors, delivery system investments, medical inflation and pharmaceutical pricing, labor costs, and new health care policies).

***Aging population—***Not only does the proposed methodology lock in existing spending inequities, but also fails to consider an aging population in California. While California's overall population has stagnated recently (~40 million people), the Department of Finance projects the proportion of Californians aged 65+ will continue to grow relative to the under 65-year-old populations. Our leaders are shocked to see this important demographic factor completely omitted. Health care spending in an aging society will place more of a burden on the health care system which will apply more pressure on annual per capita spending, especially over an extended period (e.g., 2025-2029). The trend of aging populations choosing to move/retire in more rural communities due to housing affordability, is something that has been happening for the past several decades and will disproportionally impact the communities in which district and municipal hospitals serve. Additionally, DHCS also expects significant changes in the low-income dual eligible populations with the implementation of a D-SNP requirements for all Medi-Cal managed care plans by 2027. For the reasons stated above—aging societal demands on health care system especially in underserved communities and the changing dual-eligible market dynamics going live soon—hospital leaders do not understand how any credible target chooses to ignore these factors.

***Medical inflation and pharmaceutical pricing—***Absent from the proposed methodology, are adjustments for well-known factors and uncontrollable medical inflation—pharmaceuticals, medical devices, and new technologies. According to the U.S. Department of Health and Human Services[3], pharmaceutical prices for essential medications increased by 15.2% over the period between January 2022 to January 2023. Unfortunately, these significant increases place a heavy

[1] November 2023 Medi-Cal Local Assistance Estimate (Link)
[2] December 2023 Legislative Analyst Office Medi-Cal Fiscal Outlook (Link)
[3] October 2023 Report, Assistant Secretary for Planning and Evaluation (ASPE), HHS (Link)

burden on patients and the health care systems who cannot control these prices. This does not include other significant increases in costs for medical devices such as prosthetics or implantable devices, or other advancements in medical technology. Unlike payers (HSC 127500.2(o)), full integrated delivery systems (HSC 127500.2(h), providers (HSC 127500.2(q), physician organizations (HSC 127500.2(p), and health care entities (HSC 127500.2(k), pharmaceutical and medical device manufactures, and technology industry, are not subject to any oversight or enforcement under the current purview of the OHCA. Not only will this create a division across the industry as we collectively strive to improve health care affordability for the consumers of California, but leaving out this factor or ignoring the rapid growth in the annual spending targets will force the entities subject to enforcement actions by OHCA to cut other "controllable" areas of spending (e.g., services, staffing, new investments). Effectively, it will create a race to the bottom and areas of investment, or "*good spending*" will suffer.

***Labor costs and new health care policies—***The proposed methodology also fails to consider other required adjustments contemplated carefully by the legislature (*HSC 127502(d)(4)*) which would account for the rising labor costs and other state or legislatively-required health care policies. District and municipal hospitals are no different than the rest of the hospital industry—a sizable portion of their overall cost structure is attributed to salaries and wages for their staff. For our critical access district hospitals (CAHs), that staff may also include physicians who are employed. The collective impact from recent statutory requirements like Senate Bill 525 (Chapter 890, Statutes of 2023) which increases health care worker minimum wage and the outstanding costs of complying with the state's 2030 seismic standards, cannot be ignored. Statewide, these policy decisions will add *billions* in new health care spending over the next few years, and for district and municipal hospitals the impact will be significant. The proposed methodology fails to consider these realities and other state mandated policies. Without clear acknowledgment and consider of these factors in the first annual spending target, leaders are worried this will create a precedent that sends a message to the Legislature that similar actions that increase future health care costs do not impact spending.

### *Legislation allows for the OHCA Board to adopt a single year target—there is no requirement to adopt a five-year target.*

It is not clear to district and municipal hospital leaders why the OHCA staff believe a five-year recommendation fixed at 3% is best for "*improving health care affordability, access, and equity of health care for Californians (HSC 127500.5).*" Especially, when OHCA staff's recommendation will enact irreparable harm to underserved communities by failing to comply with statutory requirements, ignoring the importance of Medi-Cal and the necessary investments proposed by the Governor, and lastly failing to consider factors outside the control of those being regulated by this new office.

We urge the OHCA Board—*a Board that the Legislature envisioned would be independent*—to evaluate the timelines within the authorizing legislation and not rush towards creating enforceable spending targets without a data-driven and more credible target-setting process. This important decision by the OHCA Board to establish the first annual spending target will create precedence for years to come and should not ignore critical factors that influence health care spending.

***We urge the OHCA Board to specifically consider the following:***

- Use the March 27th OHCA Board meeting to publicly review and discuss with OHCA staff the feedback collected through this public comment process. Be transparent!

- Return the recommendation back to OHCA staff and have them revise the methodology only to assume CY 2025. This work to revise the methodology can be done between the March 27th and April 24th OHCA Board meetings. In April, request for OHCA staff to return with a revised CY 2025 recommendation that satisfies the statutory requirements, adjustments for factors that influence spending, and intent of the legislation.

- Approve only a CY 2025 target during the May 22nd OHCA Board meeting. Additionally, request the OHCA staff present their proposed workplan for developing the CY 2026 target and request they take into account the actual data that will be collected by the Office later this year.

We appreciate the opportunity to provide our comments and stand ready to assist the OHCA staff in developing a thoughtful, data-driven approach to establishing spending target that does not sacrifice the delivery of health care in underserved communities across California.

Sincerely,

Ryan Witz
Senior Vice President, Finance Policy

Cc:
Elizabeth Landsberg, Director, Department of Health Care Access and Information (HCAI)
Vishaal Pegany, Deputy Director, HCAI OHCA
Members of the Health Care Affordability Board:

David M. Carlisle, MD, PhD
Secretary Dr. Mark Ghaly
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan

Michelle Baass, Director, Department of Health Care Services (DHCS)
Lindy Harrington, Assistant Medicaid Director, DHCS
Sarah Brooks, Chief Deputy Director, Health Care Programs, DHCS
Rafael Davtian, Deputy Director, Health Care Financing, DHCS

Press Releases

# Health Systems near their breaking point. Labor costs continue to increase while dollars collected from payers decrease.

HFMA

Like

March 6, 2024 7:00 am

**CHICAGO — March 6, 2024 —** Eighty four percent of health systems cite lower reimbursement from payers as a top cause of low operational margins, according to a report published by the Healthcare Financial Management Association (HFMA) and Eliciting Insights, a healthcare strategy and market research company.

Further confounding health system margin struggles is the increased administrative burden placed on providers by payers. 82% of CFOs said payer denials have increased significantly since pre-pandemic levels. 19% of health systems have discontinued at least one Medicare Advantage plan and 61% are planning to or considering dropping Medicare Advantage payers, the top offenders of administrative burden.

**Top Causes of Margin Pressure Among Health Systems**

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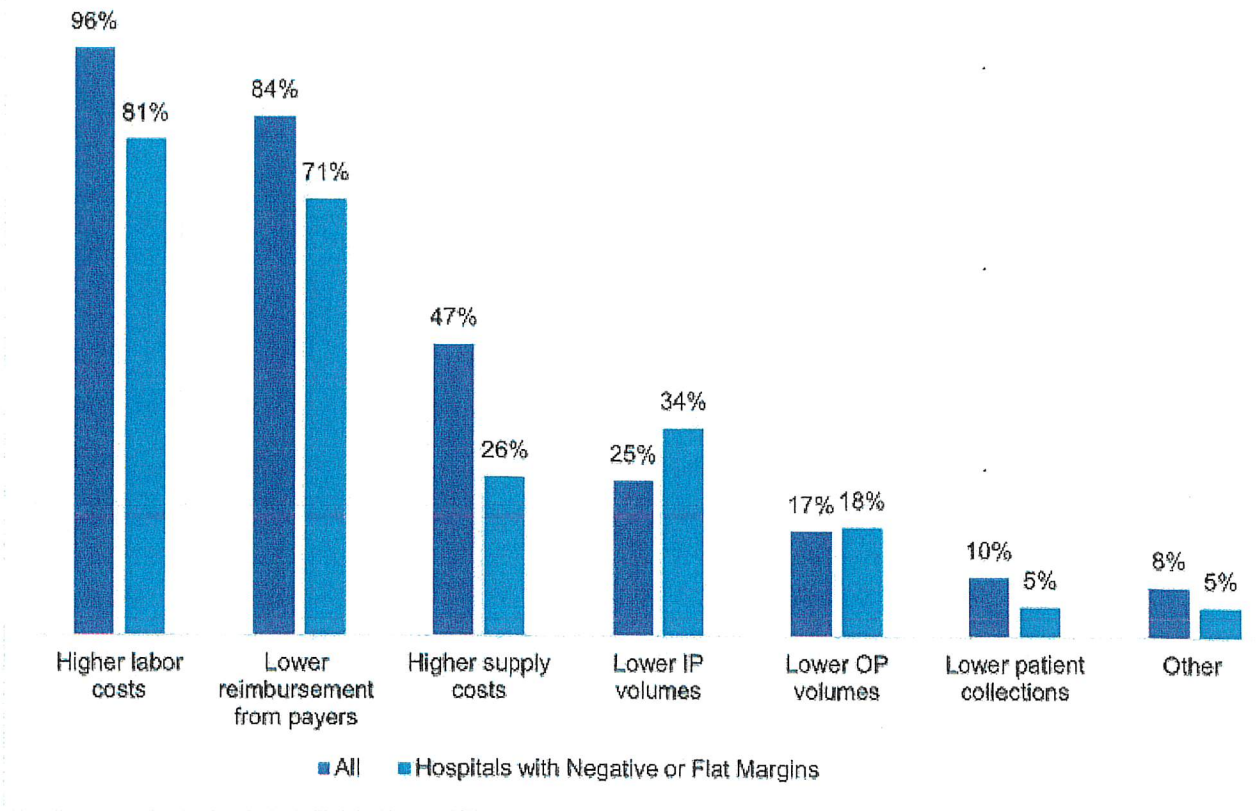


Higher labor costs are the biggest drivers of margin pressure based on 96% of health system CFOs, with 99% of CFOs indicating that nursing is the top driver of labor shortages. Other roles such as lab technicians and radiology technicians are also experiencing shortages.

Most systems are looking at traditional cost reduction methods such as reducing labor costs, optimizing supply chain and delaying technology implementations. These methods are not enough to move the needle on margin, leaving health systems looking for other cost savings. The report finds health systems are paring back on capital and real estate investments (40%), reducing less profitable service lines (32%), and 26% are looking to outsource revenue cycle roles.

Reducing operational costs is one piece of the puzzle, but health systems need more revenue to truly improve margins.

"Recovering from the pandemic, we have seen a slight overall improvement in average operating margins over the past three years," said HFMA Chief Partnership Executive Todd Nelson FHFMA, MBA. "However, this study validates that there are many health systems still struggling to find a positive margin. While health plans are modestly increasing reimbursement, they are also ratcheting up prior authorization requirements and denials, which raises the overall cost to collect for health systems."

Ninety percent of health systems cite denials as the top challenge for Revenue Cycle teams. 62% of health systems report Medicare Advantage as "significantly more difficult to work with" relative to Commercial or Medicare plans. Medicare Advantage plans often have different clinical policies than Medicare and other commercial plans which leads to more denials. Health systems are frustrated; 19% have already dropped one or more Medicare Advantage plan.

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When it comes to maximizing payer reimbursement, "It's all about denials," says Trish Rivard, CEO of Eliciting Insights. "We are hearing loud and clear that health systems are struggling with denials — 82% of health systems tell us their denial rate is up relative to 2019. This is a tremendous opportunity for the RCM vendor community to develop advanced tools that create solutions leveraging robotic process automation, AI and advanced analytics.

While margins remain tight, *HFMA Health System CFO Pain Points 2024: Margin Challenges & Opportunities for Vendors*, reveals that over 15% of health systems are expecting large budget increases for key areas such as cybersecurity and automation.

The report provides actionable insights into the health system CFO pain points, as well as 2026 budget and labor predictions, and is based on survey responses of 135 health system Chief Financial Officers and qualitative interviews with CFOs conducted in the first quarter of 2024.

The 42-page report is available for purchase online from Eliciting Insights or HFMA. It will be provided to HFMA Peer Review customers as an added benefit.

## About HFMA

The Healthcare Financial Management Association (HFMA) equips its more than 110,000 members to navigate a complex healthcare landscape. Finance professionals in the full range of work settings, including hospitals, health systems, physician practices and health plans, trust HFMA to provide the guidance and tools to help them lead their organizations, and the industry, forward. HFMA is a not-for-profit, nonpartisan organization that advances healthcare by collaborating with other key stakeholders to address industry challenges and providing guidance, education, practical tools and solutions, and thought leadership. We lead the financial management of healthcare.

## About Eliciting Insights

Eliciting Insights is a healthcare strategy and market research firm that leverages decades of experience in HCIT, digital health and RCM, and a proprietary panel of thousands of healthcare executives to deliver bespoke insights to help investors and technology firms make strategic business decisions.

## Press inquiries should be directed to:

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