

TULARE LOCAL HEALTH CARE DISTRICT dba TULARE REGIONAL MEDICAL CENTER

Finance Committee Meeting

Tuesday, April 24, 2018, 6:30 P.M.

TRMC Administrative Offices (Annex Lab Building, 2nd Floor)

869 North Cherry Street, Tulare. CA (Enter parking lot from Merritt Avenue)

Finance Committee Members: Mike Jamaica and Senovia Gutierrez

AGENDA

- **Call to Order:** 1) Roll Call; 2) Welcome and Introductions

- **Public Comment:** The public may comment on any item of public interest within the jurisdiction of the Tulare Local Healthcare District Board of Directors. In the interest of time and equal opportunity, speakers are requested to observe a 3-minute maximum time limit (subject to change at the Chair's direction). In accordance with the Brown Act, if a member of the public addresses an item not on the posted agenda, no response, or action on the item may occur during the meeting.

- **Finance Committee Recommendations:** Review and recommend the following to the Board for approval:
 - Draft November Financial Statement and related comments, Balance Sheet and Statement of Revenue and Expenses
 - Revenue Cycle Update
 - Accounts Payable Update
 - Supplemental Payment Recoveries Update
 - Cash Report Update, including near term projections.
 - State Audit - Update on the Auditors program and plan.

- Other

- Adjourn

Tulare Local Healthcare District dba Tulare Regional Medical Center

Agenda Item: CFO Reports

Board Meeting Date: April 25, 2018

1) Draft November, 2017 Balance Sheet and Statement of Revenue and Expenses - Notes and Disclaimer:

The November Statements were prepared based on the following facts:

There has not been a financial audit of the Tulare Local Health Care District dba Tulare Regional Medical Center's accounting books and records for the FYE June 30, 2017. As such, there are numerous items that we believe need to be adjusted to the FYE 6/30/17 financial statements, and these will need to be addressed in-depth at the time the District can afford to hire independent auditors and sufficient internal financial staff needed to prepare and perform an audit.

In the meantime, and in order to close the books and prepare a draft statement for the 5 months ended November 30, 2017 (FYE 2018), we have attempted to identify adjustments that are allocable to the FYE 2017 statements, and simultaneously identify those items that appear to be allocable to the FYE 2018 statements.

The premise that we used to develop these draft statements was to, as best could be determined, adjust the November 30 Balance Sheet items to the most appropriate supportable documentation, e.g., bank statement balances, gross accounts receivable and corresponding expected net collections, the latest Supplemental payment program estimates, and accounts payable invoices or accruals for certain expenses.

As such, we are unable to make any conclusive representations as to the accuracy or completeness of the Tulare Local Health Care District dba Tulare Regional Medical Center DRAFT November 30, 2017 Financial Statements. The FYE's 2017 and FYE 2018 books and records must be further analyzed, reconciled, and stated in accordance with uniform and accepted accounting procedures, and audited by an independent financial auditor.

- 2) Revenue Cycle Update – An update of current activities and accomplishments, along with projected activities is included.
- 3) Accounts Payable Update as of April 19, 2018 - A summary of the outstanding payables is attached.
- 4) Supplemental Payment Recoveries – A summary of supplemental payments achieved since November 27, 2017 will be addressed.
- 5) Cash Report Update as of April 19, including near-term projections is included.
- 6) State Audit - An oral update will be provided at the meeting.

TULARE REGIONAL MEDICAL CENTER
 Balance Sheet for the period ended 11/30/2017
 Unaudited - See Attached Notes and Disclaimer

KEY COMPONENTS	Prior Month October	Current Month November	Last Year November	Increase/ (Decrease)	Inc/(Dec) percentage
Cash and cash equivalents	\$144,022	\$676,773	\$4,268,925	(\$3,592,151)	(84.1%)
Gross pt accounts receivable	62,597,519	57,827,103	63,424,147	(5,597,043)	(8.8%)
Net pt accounts receivable	6,470,446	3,995,801	46,734,049	(42,738,248)	(91.4%)
Misc receivables	4,559,083	4,978,523	17,006,201	(12,027,677)	(70.7%)
Net capital assets	167,252,808	167,703,205	162,382,821	5,320,384	3.3%
TOTAL ASSETS	\$200,936,164	\$200,105,376	\$248,309,238	(\$48,203,860)	(19.4%)
Accounts payable	31,046,848	32,678,890	12,895,909	19,782,981	153.4%
Est current 3rd party payor settlements	447,166	3,636,537	(563,808)	4,200,345	(745.0%)
Debt borrowings, net of curr maturities	102,075,809	102,286,803	100,010,224	2,276,579	2.3%
TOTAL LIABILITIES	148,327,618	153,252,944	123,446,341	29,806,604	24.1%
Total Net Assets	52,608,544	46,852,433	124,692,730	(77,840,296)	(62.4%)
TOTAL LIABILITIES & NET ASSETS	\$200,936,162	\$200,105,377	\$248,309,239	(\$48,203,860)	(19.4%)

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TULARE REGIONAL MEDICAL CENTER
Balance Sheet for the period ended 11/30/2017
Unaudited - See Attached Notes and Disclaimer

	Prior Monrh October	Current Month November	Last Year November	Increase/ (Decrease)	Inc/(Dec) percentage
Current assets:					
Cash and cash equivalents	\$144,022	\$676,773	\$4,268,925	(\$3,592,151)	(84.1%)
Ltd use assets avail for curr debt srvc	6,166,780	6,166,780	4,457,119	1,709,661	38.4%
Patient accounts receivable:					
Gross pt accounts receivable	62,597,519	57,827,103	63,424,147	(5,597,043)	(8.8%)
Contractual allowances	(46,966,435)	(44,673,063)	(13,110,471)	(31,562,592)	240.7%
Provision for bad debts & charity	(9,160,638)	(9,158,239)	(3,579,627)	(5,578,612)	155.8%
Net pt accounts receivable	6,470,446	3,995,801	46,734,049	(42,738,248)	(91.4%)
Other receiv. & phys. advances					
Tax revenue receivable	8,072,939	8,715,443	6,011,293	2,704,150	45.0%
Misc receivables	4,559,083	4,978,523	17,006,201	(12,027,677)	(70.7%)
Physician advances	11,104	13,604	264,962	(251,358)	(94.9%)
Total other receivables	12,643,126	13,707,570	23,282,456	(9,574,885)	(41.1%)
Inventories	1,219,958	1,264,387	1,338,572	(74,185)	(5.5%)
Prepaid expenses & deposits	865,615	870,845	1,083,669	(212,824)	(19.6%)
Total current assets	27,509,947	26,682,156	81,164,790	(54,482,632)	(67.1%)
Assets limited as to use:					
GO bond construction fund	-	-	-	-	0.0%
Restricted trust funds, other	5,722,468	5,269,074	4,033,215	1,235,859	30.6%
Total limited use assets	5,722,468	5,269,074	4,033,215	1,235,859	30.6%
Capital assets:					
Land & land improvements	3,301,871	3,301,871	3,301,871	-	0.0%
Bldgs & bldg improvements	45,382,391	45,382,391	44,849,285	533,106	1.2%
Leasehold improvements	607,391	607,391	607,391	-	0.0%
Major movable equipment	38,203,793	38,203,793	36,034,123	2,169,669	6.0%
Construction in progress	144,642,596	145,303,556	141,093,576	4,209,980	3.0%
Gross capital assets	232,138,042	232,799,002	225,886,246	6,912,756	3.1%
Accumulated depreciation	(64,885,234)	(65,095,797)	(63,503,425)	(1,592,372)	2.5%
Net capital assets	167,252,808	167,703,205	162,382,821	5,320,384	3.3%
Bond issuance costs & other assets	450,941	450,941	558,245	(107,304)	(19.2%)
Intercompany receivable	-	-	170,167	(170,167)	(100.0%)
TOTAL ASSETS	\$200,936,164	\$200,105,376	\$248,309,238	(\$48,203,860)	(19.4%)
Current liabilities:					
Current maturities of debt borrowings	\$1,360,453	\$1,221,613	\$890,945	\$330,668	37.1%
Accounts payable	31,046,848	32,678,890	12,895,909	19,782,981	153.4%
Other accrued liabilities	5,431,532	5,062,569	5,324,950	(262,380)	(4.9%)
Accrued payroll & related liabilities	-	-	8,969	(8,969)	(100.0%)
Est current 3rd party payor settlements	447,166	3,636,537	(563,808)	4,200,345	(745.0%)
Self insurance program accrual	460,000	360,000	158,327	201,673	127.4%
Total current liabilities	38,745,999	42,959,609	18,715,292	24,244,318	129.5%
Long-term liabilities:					
Deferred revenue	7,505,810	8,006,532	4,720,825	3,285,707	69.6%
Debt borrowings, net of curr maturities	102,075,809	102,286,803	100,010,224	2,276,579	2.3%
TOTAL LIABILITIES	148,327,618	153,252,944	123,446,341	29,806,604	24.1%
Net assets:					
Retained Earnings	66,490,805	63,030,061	92,371,042	(29,340,980)	(31.8%)
Increase in net assets	(13,882,261)	(16,177,628)	32,321,688	(48,499,316)	(150.1%)
Total net assets	52,608,544	46,852,433	124,692,730	(77,840,296)	(62.4%)
Intercompany payable	-	-	170,168	(170,168)	(100.0%)
TOTAL LIABILITIES & NET ASSETS	\$200,936,162	\$200,105,377	\$248,309,239	(\$48,203,860)	(19.4%)

TULARE REGIONAL MEDICAL CENTER
Statement of Revenue and Expenses
For the Five Months Ending November 30, 2017
Unaudited - See Attached Notes and Disclaimer

KEY COMPONENTS	July	August	September	October	November	YTD FY18	YTD FY17
Total Operating Revenue	6,781,433	5,498,707	4,041,865	(6,084,796)	175,580	10,412,789	61,483,794
Professional Fees	591,421	607,690	493,803	512,355	369,868	2,575,137	2,800,794
Physician Fees	511,275	648,489	554,215	526,485	(45,536)	2,194,928	2,069,483
Purchased Services	954,973	885,348	576,983	594,088	(53,904)	2,957,488	3,912,024
Purchased HCCA Labor	2,929,903	3,901,480	2,685,135	2,357,921	1,907,655	13,782,094	14,770,166
Operating Expenses before D&A	6,082,746	7,471,274	5,243,440	4,548,868	2,419,006	25,765,334	29,891,121
EBITDA	698,687	(1,972,567)	(1,201,575)	(10,633,664)	(2,243,426)	(15,352,545)	31,592,673
Excess of Revenues over Expenses	592,423	(2,085,674)	(1,319,137)	(11,069,877)	(2,295,367)	(16,177,632)	31,976,563

TULARE REGIONAL MEDICAL CENTER
Statement of Revenue and Expenses
For the Five Months Ending November 30, 2017
Unaudited - See Attached Notes and Disclaimer

	July	August	September	October	November	YTD FY18	YTD FY17
Net patient revenue	\$5,265,408	\$4,000,227	\$2,977,089	(\$4,142,461)	(\$76,297)	\$8,023,966	\$56,240,328
Supplemental funds	1,254,200	1,254,200	697,850	(2,290,051)	212,141	1,128,340	4,195,876
Other operating revenue	261,825	244,280	366,926	347,716	39,736	1,260,483	1,047,590
Total operating revenue	6,781,433	5,498,707	4,041,865	(6,084,796)	175,580	10,412,789	61,483,794
Salaries & wages	-	5,548	-	98	-	5,646	38
Employee benefits	-	-	-	-	-	0	54
Professional fees	591,421	607,690	493,803	512,355	369,868	2,575,137	2,800,794
Professional fees, physicians	511,275	648,489	554,215	526,485	(45,536)	2,194,928	2,069,483
Supplies	625,652	687,290	466,864	195,233	97,739	2,072,778	4,126,023
Purchased services	954,973	885,348	576,983	594,088	(53,904)	2,957,488	3,912,024
Purchased HCCA Labor	2,929,903	3,901,480	2,685,135	2,357,921	1,907,655	13,782,094	14,770,166
Repairs & maintenance	11,742	35,132	22,258	16,406	36,572	122,110	325,922
Utilities & phone	139,238	153,704	185,169	127,088	(45,002)	560,197	690,492
Building & equipment rental	73,339	164,350	59,251	36,257	53,545	386,742	332,970
Insurance	119,930	92,325	97,414	83,705	83,705	477,079	320,168
Other operating expenses	125,273	289,918	102,348	99,232	14,364	631,135	542,987
Operating expenses before D&A	6,082,746	7,471,274	5,243,440	4,548,868	2,419,006	25,765,334	29,891,121
EBITDA	698,687	(1,972,567)	(1,201,575)	(10,633,664)	(2,243,426)	(15,352,545)	31,592,673
Depreciation & amortization	(216,566)	(216,566)	(216,566)	(216,378)	(210,562)	(1,076,638)	(960,403)
Property tax income	145,090	145,090	151,023	(155,369)	429,009	714,843	1,795,727
Investment income	29,152	22,650	9,747	(2,828)	(208,799)	(150,078)	19,601
Interest expense	(63,940)	(64,281)	(61,766)	(61,638)	(61,589)	(313,214)	(199,449)
Grants & contributions	-	-	-	-	-	0	(271,987)
Other income	-	-	-	-	-	-	401
Total other revenue/(expenses)	(106,264)	(113,107)	(117,562)	(436,213)	(51,941)	(825,087)	383,890
Excess of revenues over expenses	592,423	(2,085,674)	(1,319,137)	(11,069,877)	(2,295,367)	(16,177,632)	31,976,563
Increase in net assets	\$592,423	(\$2,085,674)	(\$1,319,137)	(\$11,069,877)	(\$2,295,367)	(\$16,177,632)	\$31,976,563

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TO: Board of Directors, Tulare Local Healthcare District
Finance Committee, Tulare Local Healthcare District
Larry Blitz, Interim CEO, Tulare Regional Medical Center
Dan Heckathorne, Interim CFO, Tulare Regional Medical Center

FROM: Gwynn Smith, Revenue Cycle, Wipfli LLP
Teresa Jacques, Interim Controller, Tulare Regional Medical Center

DATE: April 20, 2108

RE: Revenue Cycle Milestones

Tasks In Process:

- HRG collections are approximately \$375,000.
- Cash posting is continuing the process of working backwards to reconcile the deposits prior to February 1, 2018 in addition to reconciling the zero pay remittances.
- Dedicated staff to balance forward the self-pay balances from the MS4 system to Cerner so that HRG can send patient statements on both MS4 and Cerner accounts.
 - Projected completion date is mid-May.
- Access to the Kinnser (Home Health) system was obtained. The accounts receivable is being reviewed for collectability. Most of the recorded accounts receivable balances have already been collected.
- Obtained access to the ER pro fee files from late September through October 29th and the staff are still in the process of coding and billing these claims.
- About 60% of the prior balances from Mineral King Lab have been rebilled. Collections thus far are \$5300.
- MS4 and Nextgen 3rd party accounts have been reviewed and determined that there is no collectability.
- The Managed Medi-Cal plans denied our request to open up the billing periods but are going to consider claims that were billed and not paid. We are preparing a spreadsheet with the data to send to the plans. We expect to complete this task by the end of April.
- **Future Action Items:**
 - Managing the vendor working the accounts receivable
 - Review collectability of old Cerner AR
 - Medicare certification application
 - Medi-Cal provider application
 - Review charge capture workflows
 - Credit balances
 - Cerner work flow improvements

TULARE REGIONAL MEDICAL CENTER

Summary of Accounts Payables as of April 19, 2018

TRMC Bankruptcy Status	Date Range: Accrual as of 03.31.2018	0-30	31-60	61-90	91-120	121 +	Grand Total
Post-Petition	\$ 1,160,000	\$ 602,267	\$ 810,493	\$ 314,811	\$ 1,280,243	\$ 3,114,154	\$ 7,281,967
Pre-Petition*						\$ 27,918,992	\$ 27,918,992
Grand Total	\$ 1,160,000	\$ 602,267	\$ 810,493	\$ 314,811	\$ 1,280,243	\$ 31,033,146	\$ 35,200,959

* These amounts subject to change upon completion of bankruptcy plan

Final Balance	Balance at 11/30/2017	Notes:	Wipfli/HFS
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PPS RECONCILIATION			
	133,590.00	Per Schedule 2014-2017: Hillman	
	21,324.00	Per Schedule 2014-2017: Kingsburg	
	(6,530.00)	Per Schedule 2014-2017: Earlimart	
	<u>138,391.00</u>	Per Schedule 2014-2017: Lindsay	
	286,775.00		286,775.00

MCAL OP SUPPLEMENTAL AB915			
	150,196.00	2014 Actual = \$150,196	150,196.00
	202,429.00	2015 Actual = \$202,429	202,429.00
	212,877.00	2016 Actual = \$212,877	212,877.00
	603,473.00	2017 Actual = \$252,372 ACA + \$706,202/2 for Traditional	603,473.00
	150,868.25	2018 Est = 603,473/12*4*.75	
	1,319,843.25		

MEDICARE 2017 COST REPORT			
	(96,698.00)	From Re-Filed Cost Report 4/9/18	(96,698.00)
		A/R Collections (conservative estimate)	
			1,359,052.00
			<u>500,000.00</u>
			<u><u>1,859,052.00</u></u>

TULARE REGIONAL MEDICAL CENTER

Cash Forecast as of April 20, 2018

A		T	U	V	W	X	Y	Z	AA	AB	AC	AD
TULARE REGIONAL MEDICAL CENTER		3/30	4/6	4/13	4/20	SUB-TOTAL	4/27	5/4	5/11	5/18	5/25	6/1
1	CASH IN											
2	Receipts	61,887	94,224	126,579	35,228	1,737,880	90,000	110,000	160,000	125,000	100,000	100,000
3	DSH Payment	0	0	0	0	49,818	0	0	0	0	0	0
4	Property Taxes	0	0	0	533,831	1,639,870	0	0	0	0	109,419	0
5	Evolution	0	8,125	0	0	75,313	0	0	0	0	0	0
6	Other Extraordinary Receipts	331,391	733,312	0	(302,715)	2,093,668	351,101	(450,000)	1,050,000	150,196	252,372	0
7	Total Cash In	393,278	835,661	126,579	266,344	5,596,549	441,101	(340,000)	1,210,000	275,196	461,791	100,000
8	EXPENSES											
9	Payroll & Related Expenses	115,316	22,203	146,869	0	1,112,092	126,352	22,203	148,946	0	115,005	56,144
10	Insurance	0	156,652	0	0	685,417	63,218	0	0	0	0	63,218
11	Utilities/Phone/Internet	0	72,620	20,639	4,660	478,270	87,000	25,000	0	6,200	87,000	25,000
12	Legal/ Bankruptcy Counsel	0	0	0	0	200,000	0	10,000	0	0	0	0
13	Consulting & Purchased Services	0	77,697	0	77,697	416,597	15,899	77,697	0	15,000	20,000	107,995
14	Physicians	0	0	0	0	0	0	0	0	0	0	0
15	Software Fees	0	0	0	0	42,583	0	0	0	0	0	0
16	Supplies	0	0	0	0	0	0	0	0	0	0	0
17	Leases and Rentals	0	7,928	0	0	57,256	7,851	69,055	5,000	5,000	25,000	69,055
18	Revenue Bonds	0	0	0	0	103,179	0	0	103,179	0	0	0
19	County of Tulare Revenue Bond	0	0	0	0	784,664	0	0	0	0	0	0
20	IGT Advances	0	443,483	0	0	443,483	0	0	620,053	0	0	0
21	Other	37,846	37,595	41,145	39,259	661,171	113,000	45,000	50,000	50,000	50,000	50,000
22	Post-Petition Expense Catch-up	0	0	0	0	0	0	0	0	0	0	0
23	Bankruptcy Cure	0	0	0	0	0	0	0	0	0	0	0
24	Evolution Repairs	0	0	0	0	0	27,000	0	0	0	0	0
25	Total Expense	153,162	818,178	208,654	121,616	4,984,712	440,319	248,954	927,178	76,200	297,005	371,411
26	Difference	240,116	17,483	(82,075)	144,728	611,837	782	(588,954)	282,822	198,996	164,786	(271,411)
27	Cash Balance Forward	531,701	549,184	467,109	611,837	612,619	612,619	23,665	306,487	505,483	670,269	398,858