



August 12, 2022

## NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an open Finance, Property, Services and Acquisition Committee meeting at 10:00AM on Wednesday August 17, 2022 in the Kaweah Health Support Services Building, 520 West Mineral King Avenue, Copper Room (2<sup>nd</sup> Floor), Visalia, CA.

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page <https://www.kaweahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT  
Mike Olmos, Secretary/Treasurer

A handwritten signature in black ink that reads "Cindy Moccio".

Cindy Moccio  
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:  
Governing Board  
Legal Counsel  
Executive Team  
Chief of Staff  
<http://www.kaweahdelta.org>

# **KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS FINANCE, PROPERTY, SERVICES & ACQUISITION COMMITTEE**

Wednesday August 17, 2022

Kaweah Health Medical Center – Support Services Building  
520 W. Mineral King Avenue – 2<sup>nd</sup> floor Copper Room Conference Room

ATTENDING: Directors: David Francis & Mike Olmos; Malinda Tupper, Chief Financial Officer; Marc Mertz, Chief Strategy Officer & Acting Chief Executive Officer; Kevin Morrison, Director of Facilities Planning; Jennifer Stockton, Director of Finance, Deborah Volosin, Director of Community Engagement; Kim Ferguson, Director of Reimbursement; Cindy Moccio, Recording

1. **OPEN MEETING – 10:00AM**
2. **CALL TO ORDER** – *David Francis, Board President*
3. **PUBLIC PARTICIPATION** – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the jurisdictions of the Board are requested to identify themselves at this time. For those who are unable to attend the beginning of the Board meeting during the public participation segment but would like to address the Board, please contact the Board Clerk (Cindy Moccio 559-624-2330) or [cmoccio@kaweahhealth.org](mailto:cmoccio@kaweahhealth.org) to make arrangements to address the Board.
4. **FINANCIALS** – Review of the most current fiscal year financial results and budget.  
*Malinda Tupper – Chief Financial Officer*
5. **BUDGET INITIATIVES – CONTRACTS / UNDERPAYMENTS** – Review of budget initiatives.  
*Malinda Tupper – Chief Financial Officer and Kim Ferguson, Director of Reimbursement*
6. **STANFORD CARDIOTHORACIC SURGERY PHYSICIAN STAFFING** – Discussion relative to [potential surgeon deployment](#) model and [proforma](#) with Stanford Health Care.  
*Marc Mertz, Chief Strategy Officer & Acting Chief Executive Officer*
7. **BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM (BHCIP) GRANT FOR BEHAVIORAL HEALTH** – Review and discussion of State grant opportunity.  
*Marc Mertz, Chief Strategy Officer & Acting Chief Executive Officer; Theresa Croushore, Director of Behavioral Health ; and Jennifer Stockton, Director of Finance*

8. **OUTPATIENT PSYCHIATRY CLINIC PRO FORMA** – Review and discussion relative to an outpatient psychiatry clinic.

*Marc Mertz, Chief Strategy Officer & Acting Chief Executive Officer; Theresa Croushore, Director of Behavioral Health ; and Jennifer Stockton, Director of Finance*

9. **SEQUOIA GATEWAY** – Status update relative to the Sequoia Gateway project.

*Marc Mertz, Chief Strategy Officer & Acting Chief Executive Officer*

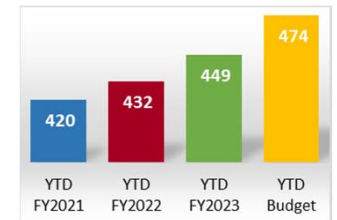
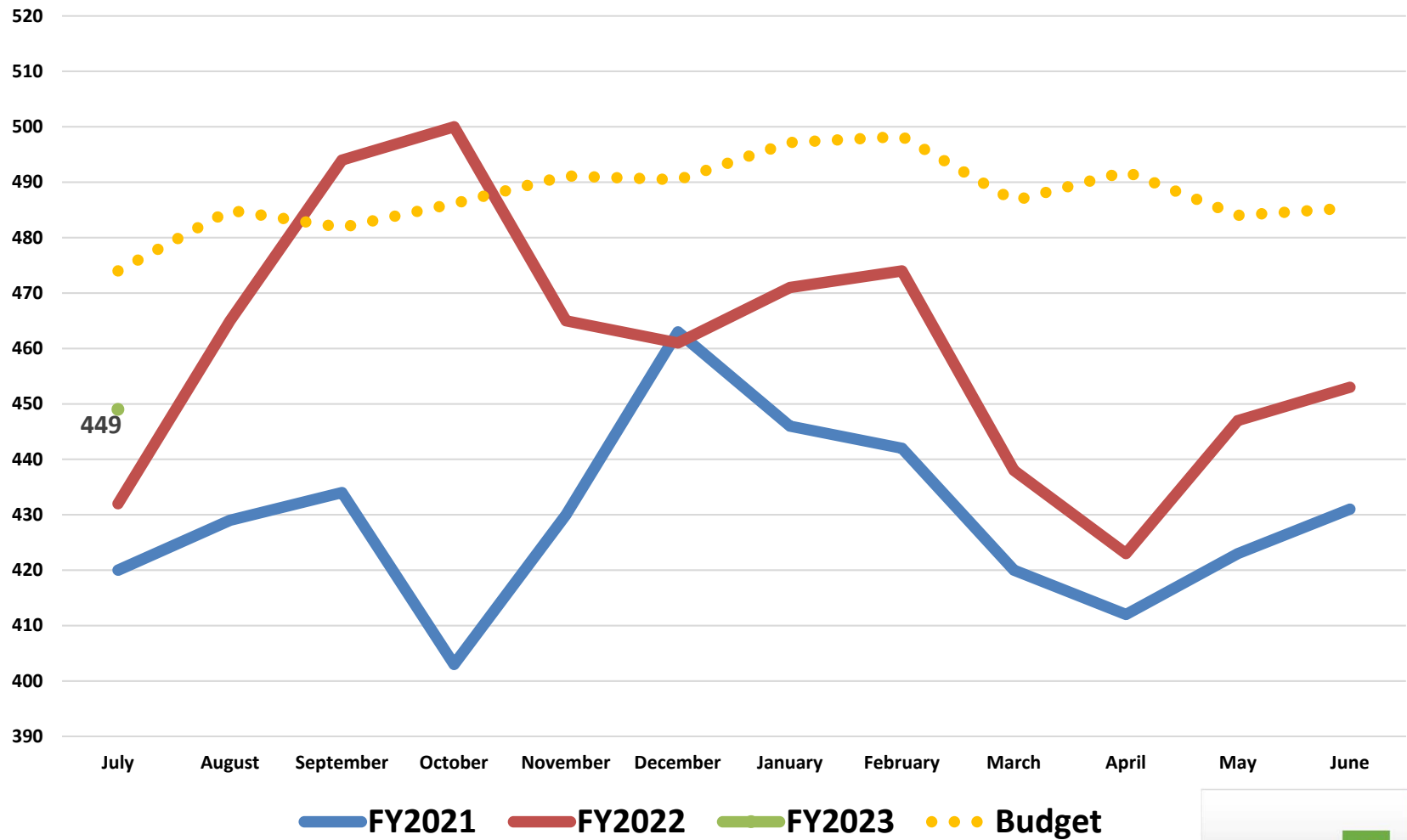
10. **ADJOURN** – *David Francis, Board President*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.*

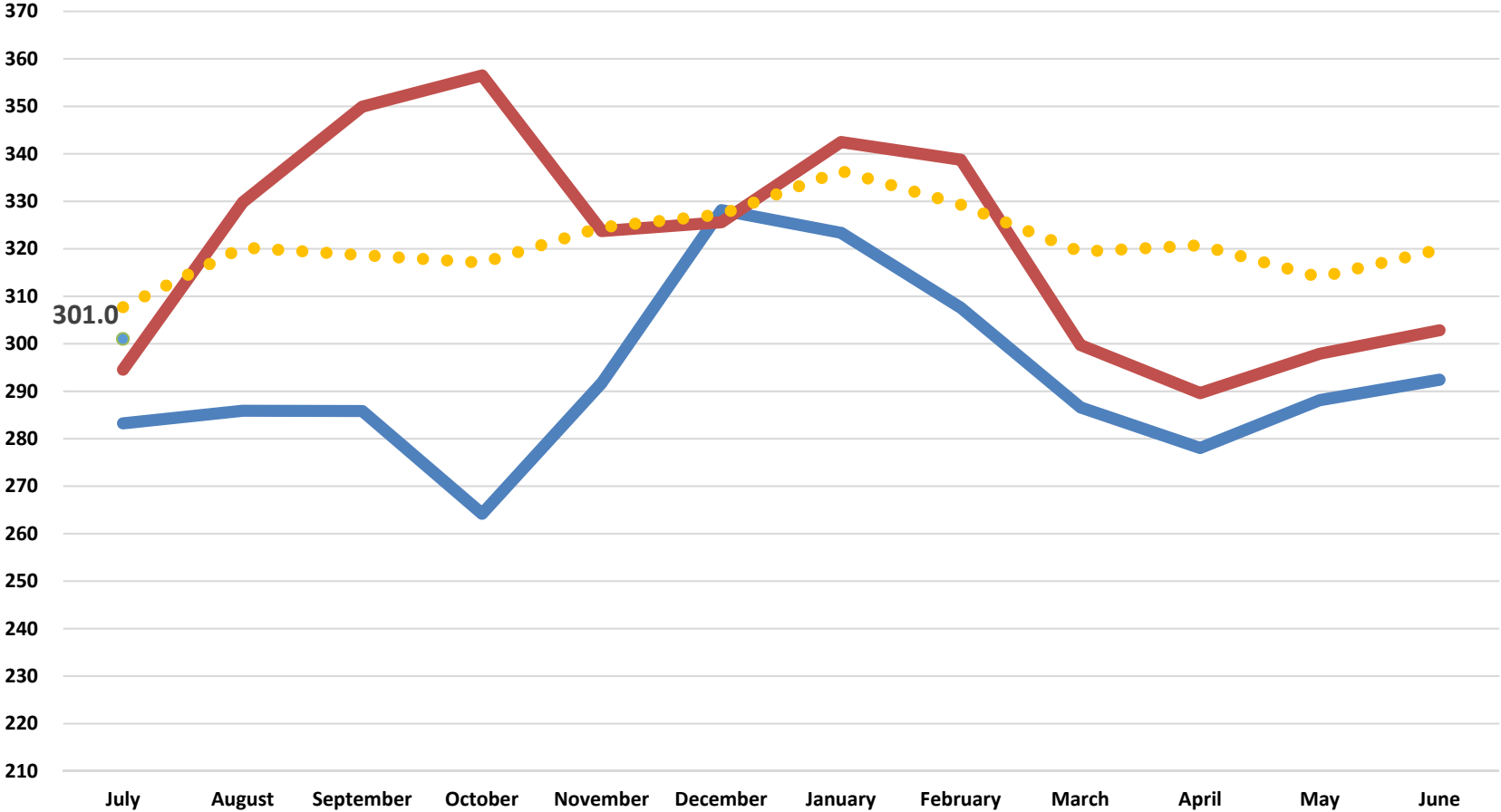
# CFO Financial Report

## August 17, 2022

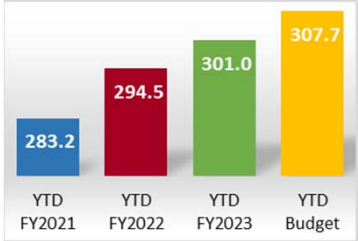
# Average Daily Census



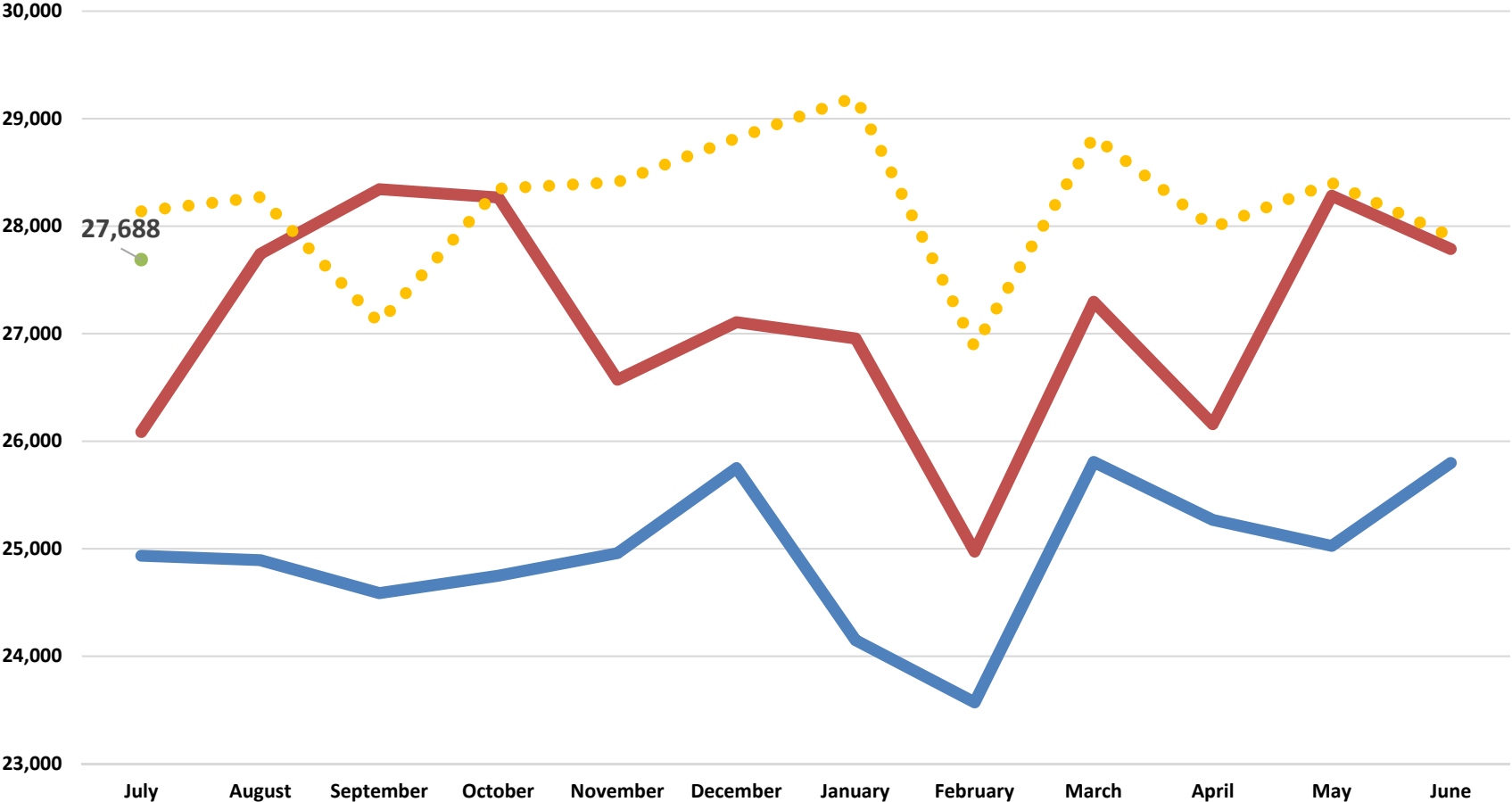
# Medical Center – Avg. Patients Per Day



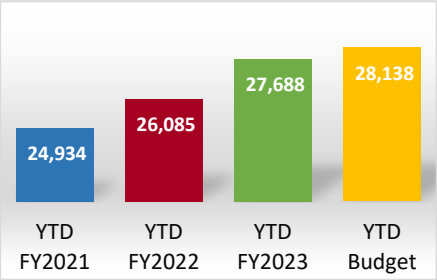
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



# Adjusted Patient Days



— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget



## Statistical Results – Fiscal Year Comparison (July)

|                                 | Actual Results |               |               | Budget        | Budget Variance |                |
|---------------------------------|----------------|---------------|---------------|---------------|-----------------|----------------|
|                                 | Jul 2021       | Jul 2022      | % Change      | Jul 2022      | Change          | % Change       |
| <b>Average Daily Census</b>     | <b>432</b>     | <b>449</b>    | <b>3.9%</b>   | <b>474</b>    | <b>(25)</b>     | <b>(5.3%)</b>  |
| <b>KDHCD Patient Days:</b>      |                |               |               |               |                 |                |
| Medical Center                  | 9,131          | 9,331         | 2.2%          | 9,539         | (208)           | (2.2%)         |
| Acute I/P Psych                 | 1,063          | 1,225         | 15.2%         | 1,621         | (396)           | (24.4%)        |
| Sub-Acute                       | 829            | 899           | 8.4%          | 829           | 70              | 8.4%           |
| Rehab                           | 533            | 565           | 6.0%          | 578           | (13)            | (2.2%)         |
| TCS-Ortho                       | 384            | 368           | (4.2%)        | 413           | (45)            | (10.9%)        |
| TCS                             | 409            | 504           | 23.2%         | 514           | (10)            | (1.9%)         |
| NICU                            | 533            | 482           | (9.6%)        | 500           | (18)            | (3.6%)         |
| Nursery                         | 506            | 536           | 5.9%          | 600           | (64)            | (10.7%)        |
| <b>Total KDHCD Patient Days</b> | <b>13,388</b>  | <b>13,910</b> | <b>3.9%</b>   | <b>14,594</b> | <b>(684)</b>    | <b>(4.7%)</b>  |
| <b>Total Outpatient Volume</b>  | <b>44,702</b>  | <b>42,191</b> | <b>(5.6%)</b> | <b>48,146</b> | <b>(5,955)</b>  | <b>(12.4%)</b> |



# Other Statistical Results – Fiscal Year Comparison (July)

|  | Actual Results |               |                |               | Budget        | Budget Variance |                |
|--|----------------|---------------|----------------|---------------|---------------|-----------------|----------------|
|  | Jul 2021       | Jul 2022      | Change         | % Change      | Jul 2022      | Change          | % Change       |
| <b>Adjusted Patient Days</b>                       | <b>26,085</b>  | <b>27,688</b> | <b>1,603</b>   | <b>6.1%</b>   | <b>28,132</b> | <b>(444)</b>    | <b>(1.6%)</b>  |
| <b>Outpatient Visits</b>                           | <b>44,702</b>  | <b>42,191</b> | <b>(2,511)</b> | <b>(5.6%)</b> | <b>48,146</b> | <b>(5,955)</b>  | <b>(12.4%)</b> |
| OB Deliveries                                      | 381            | 396           | 15             | 3.9%          | 391           | 5               | 1.3%           |
| ED Total Registered                                | 7,307          | 7,493         | 186            | 2.5%          | 7,091         | 402             | 5.7%           |
| Physical & Other Therapy Units                     | 18,871         | 18,347        | (524)          | (2.8%)        | 19,181        | (834)           | (4.3%)         |
| Surgery Minutes – General & Robotic<br>(I/P & O/P) | 1,069          | 1,014         | (55)           | (5.1%)        | 1,084         | (70)            | (6.5%)         |
| Endoscopy Procedures (I/P & O/P)                   | 538            | 510           | (28)           | (5.2%)        | 597           | (87)            | (14.6%)        |
| Radiology/CT/US/MRI Proc (I/P & O/P)               | 16,923         | 15,964        | (959)          | (5.7%)        | 16,770        | (806)           | (4.8%)         |
| Urgent Care - Demaree                              | 3,150          | 2,967         | (183)          | (5.8%)        | 2,200         | 767             | 34.9%          |
| KHMG RVU   | 29,319         | 27,558        | (1,761)        | (6.0%)        | 32,424        | (4,886)         | (15.0%)        |
| RHC Registrations                                  | 9,110          | 8,171         | (939)          | (10.3%)       | 9,890         | (1,719)         | (17.4%)        |
| Hospice Days                                       | 4,308          | 3,826         | (482)          | (11.2%)       | 4,283         | (457)           | (10.7%)        |
| Home Health Visits                                 | 2,865          | 2,521         | (344)          | (12.0%)       | 3,006         | (485)           | (16.1%)        |
| Dialysis Treatments                                | 1,693          | 1,464         | (229)          | (13.5%)       | 1,541         | (77)            | (5.0%)         |
| Cath Lab Minutes (IP & OP)                         | 367            | 313           | (54)           | (14.7%)       | 391           | (78)            | (19.9%)        |
| Urgent Care - Court                                | 5,683          | 4,823         | (860)          | (15.1%)       | 3,250         | 1,573           | 48.4%          |
| O/P Rehab Units                                    | 19,398         | 16,277        | (3,121)        | (16.1%)       | 19,444        | (3,167)         | (16.3%)        |
| Radiation Oncology Treatments (I/P & O/P)          | 2,010          | 1,637         | (373)          | (18.6%)       | 2,467         | (830)           | (33.6%)        |
| GME Clinic visits                                  | 1,203          | 871           | (332)          | (27.6%)       | 1,200         | (329)           | (27.4%)        |
| Infusion Center                                    | 433            | 289           | (144)          | (33.3%)       | 433           | (144)           | (33.3%)        |

## July Financial Comparison (000's)

|  | Actual Results |                  | Budget           | Budget Variance  |               |
|--|----------------|------------------|------------------|------------------|---------------|
|  | July 2021      | July 2022        | July 2022        | Change           | % Change      |
| <b>Operating Revenue</b>               |                |                  |                  |                  |               |
| Net Patient Service Revenue            | \$51,502       | \$52,368         | \$55,189         | (\$2,822)        | (5.1%)        |
| Other Operating Revenue                | 15,035         | 18,113           | 18,450           | (338)            | (1.8%)        |
| <b>Total Operating Revenue</b>         | <b>66,537</b>  | <b>70,480</b>    | <b>73,640</b>    | <b>(3,159)</b>   | <b>(4.3%)</b> |
| <b>Operating Expenses</b>              |                |                  |                  |                  |               |
| Employment Expense                     | 32,678         | 41,319           | 37,767           | 3,552            | 9.4%          |
| Other Operating Expense                | 32,735         | 37,087           | 37,148           | (61)             | (0.2%)        |
| <b>Total Operating Expenses</b>        | <b>65,413</b>  | <b>78,406</b>    | <b>74,914</b>    | <b>3,492</b>     | <b>4.7%</b>   |
| <b>Operating Margin</b>                | <b>\$1,124</b> | <b>(\$7,926)</b> | <b>(\$1,275)</b> | <b>(\$6,651)</b> |               |
| Stimulus Funds                         | 0              | 97               | 255              | (158)            |               |
| <b>Operating Margin after Stimulus</b> | <b>\$1,124</b> | <b>(\$7,829)</b> | <b>(\$1,020)</b> | <b>(\$6,809)</b> |               |
| Non Operating Revenue (Loss)           | 582            | 455              | 371              | 84               |               |
| <b>Excess Margin</b>                   | <b>\$1,706</b> | <b>(\$7,374)</b> | <b>(\$649)</b>   | <b>(\$6,725)</b> |               |

|                                     |      |         |        |
|-------------------------------------|------|---------|--------|
| <b>Operating Margin %</b>           | 1.7% | (11.2%) | (1.7%) |
| <b>OM after Stimulus%</b>           | 1.7% | (11.1%) | (1.4%) |
| <b>Excess Margin %</b>              | 2.5% | (10.4%) | (0.9%) |
| <b>Operating Cash Flow Margin %</b> | 6.5% | (6.6%)  | 2.9%   |

## July Financial Comparison (000's)

|  | Actual Results |                  |                 | Budget           | Budget Variance  |               |
|--|----------------|------------------|-----------------|------------------|------------------|---------------|
|  | Jul 2021       | Jul 2022         | % Change        | Jul 2022         | Change           | % Change      |
| <b>Operating Revenue</b>               |                |                  |                 |                  |                  |               |
| Net Patient Service Revenue            | \$51,502       | \$52,368         | 1.7%            | \$55,189         | (\$2,822)        | (5.1%)        |
| Supplemental Gov't Programs            | 4,286          | 5,042            | 17.6%           | 5,257            | (216)            | (4.1%)        |
| Prime/QIP Program                      | 667            | 743              | 11.4%           | 757              | (14)             | (1.9%)        |
| Premium Revenue                        | 4,902          | 5,901            | 20.4%           | 6,459            | (558)            | (8.6%)        |
| Management Services Revenue            | 3,172          | 2,932            | (7.6%)          | 3,478            | (546)            | (15.7%)       |
| Other Revenue                          | 2,009          | 3,495            | 74.0%           | 2,499            | 996              | 39.9%         |
| Other Operating Revenue                | 15,035         | 18,113           | 20.5%           | 18,450           | (338)            | (1.8%)        |
| <b>Total Operating Revenue</b>         | <b>66,537</b>  | <b>70,480</b>    | <b>5.9%</b>     | <b>73,640</b>    | <b>(3,159)</b>   | <b>(4.3%)</b> |
| <b>Operating Expenses</b>              |                |                  |                 |                  |                  |               |
| Salaries & Wages                       | 27,474         | 29,176           | 6.2%            | 29,484           | (308)            | (1.0%)        |
| Contract Labor                         | 1,116          | 5,864            | 425.3%          | 2,274            | 3,590            | 157.9%        |
| Employee Benefits                      | 4,087          | 6,279            | 53.6%           | 6,008            | 270              | 4.5%          |
| <b>Total Employment Expenses</b>       | <b>32,678</b>  | <b>41,319</b>    | <b>26.4%</b>    | <b>37,767</b>    | <b>3,552</b>     | <b>9.4%</b>   |
| Medical & Other Supplies               | 9,596          | 9,593            | (0.0%)          | 10,312           | (719)            | (7.0%)        |
| Physician Fees                         | 7,922          | 8,892            | 12.2%           | 8,997            | (104)            | (1.2%)        |
| Purchased Services                     | 1,100          | 2,937            | 166.9%          | 1,672            | 1,265            | 75.7%         |
| Repairs & Maintenance                  | 2,074          | 2,237            | 7.9%            | 2,619            | (383)            | (14.6%)       |
| Utilities                              | 688            | 715              | 3.9%            | 722              | (7)              | (0.9%)        |
| Rents & Leases                         | 475            | 510              | 7.5%            | 579              | (68)             | (11.8%)       |
| Depreciation & Amortization            | 2,635          | 2,657            | 0.8%            | 2,834            | (177)            | (6.2%)        |
| Interest Expense                       | 555            | 589              | 6.1%            | 611              | (22)             | (3.6%)        |
| Other Expense                          | 1,450          | 1,631            | 12.5%           | 2,162            | (531)            | (24.6%)       |
| Humana Cap Plan Expenses               | 3,472          | 4,404            | 26.8%           | 3,205            | 1,199            | 37.4%         |
| Management Services Expense            | 2,768          | 2,921            | 5.5%            | 3,436            | (515)            | (15.0%)       |
| <b>Total Other Expenses</b>            | <b>32,735</b>  | <b>37,087</b>    | <b>13.3%</b>    | <b>37,148</b>    | <b>(61)</b>      | <b>(0.2%)</b> |
| <b>Total Operating Expenses</b>        | <b>\$1,124</b> | <b>(\$7,926)</b> | <b>(805.3%)</b> | <b>(\$1,275)</b> | <b>(\$6,651)</b> | <b>521.7%</b> |
| <b>Operating Margin</b>                | 0              | 97               | 100.0%          | 255              | (158)            | (62.0%)       |
| Stimulus Funds                         | \$1,124        | (\$7,829)        | (796.7%)        | (\$1,020)        | (\$6,809)        | 668%          |
| <b>Operating Margin after Stimulus</b> | <b>\$1,124</b> | <b>(\$7,926)</b> | <b>(805.3%)</b> | <b>(\$1,275)</b> | <b>(\$6,651)</b> | <b>522%</b>   |
| <b>Nonoperating Income</b>             |                |                  |                 |                  |                  |               |
| Nonoperating Revenue (Loss)            | 582            | 455              | (21.8%)         | 371              | 84               | 22.5%         |
| <b>Excess Margin</b>                   | <b>\$1,706</b> | <b>(\$7,374)</b> | <b>(532.3%)</b> | <b>(\$649)</b>   | <b>(\$6,725)</b> | <b>1037%</b>  |

|                           |      |         |  |        |
|---------------------------|------|---------|--|--------|
| <b>Operating Margin %</b> | 1.7% | (11.2%) |  | (1.7%) |
| <b>OM after Stimulus%</b> | 1.7% | (11.1%) |  | (1.4%) |
| <b>Excess Margin %</b>    | 2.5% | (10.4%) |  | (0.9%) |

# Bond Covenant Ratios

| <b>BOND COVENANT FORECAST (Consolidated financial statements)</b>                                     |                 |                 |                |                 |
|---|-----------------|-----------------|----------------|-----------------|
|   | Unaudited       | Annualized      |                |                 |
|   | Jun-22          | Jul-22          | FY23 Budget    | FY23 Projection |
| <b>DAYS CASH ON HAND COMPUTATION</b>  |                 |                 |                |                 |
| Cash, cash equivalents and board designated funds   | \$ 295,495,602  | \$ 265,136,708  | \$ 279,071,696 | \$ 242,232,472  |
| Total operating expenses  | \$ 893,566,916  | \$ 923,168,052  | \$ 906,206,822 | \$ 909,284,128  |
| Less depreciation and amortization  | (32,354,374)    | (31,283,236)    | (34,003,152)   | (34,003,152)    |
| Adjusted operating expenses   | \$ 861,212,542  | \$ 891,884,816  | \$ 872,203,670 | \$ 875,280,976  |
| Number of days in the period  | 365             | 365             | 365            | 365             |
| Average daily adjusted operating expenses   | \$ 2,359,486    | \$ 2,443,520    | \$ 2,389,599   | \$ 2,398,030    |
| <b>Days cash on hand</b>  | <b>125.2</b>    | <b>108.5</b>    | <b>116.8</b>   | <b>101.0</b>    |
| <b>Requirement Measured at 6/30</b>   |                 |                 |                | <b>90</b>       |
| <b>LONG-TERM DEBT SERVICE COVERAGE RATIO CALCULATION</b>  |                 |                 |                |                 |
| Net income (loss)   | \$ (13,204,515) | \$ (86,820,248) | \$ (6,841,790) | \$ (9,919,096)  |
| Depreciation and amortization   | 32,354,374      | 31,283,236      | 34,003,152     | 34,003,152      |
| Interest (non-GO)   | 7,393,006       | 6,930,021       | 7,190,000      | 7,190,000       |
| GO Bond tax revenue (net of interest)   | (1,780,979)     | (1,912,095)     | (2,014,032)    | (2,014,032)     |
| Net income available for debt service   | \$ 24,761,886   | \$ (50,519,085) | \$ 32,337,330  | \$ 29,260,024   |
| Maximum annual debt service (without GO bonds)  | \$ 17,559,131   | \$ 17,559,131   | \$ 17,559,131  | \$ 17,559,131   |
| <b>Long-term debt service coverage ratio</b>  | <b>1.41</b>     | <b>(2.88)</b>   | <b>1.84</b>    | <b>1.67</b>     |
| <b>Requirement:</b>   |                 |                 |                |                 |
| <b>Measured at 12/31 and 6/30 - if below must fund Reserve Fund (\$17M)</b>                           |                 |                 |                | <b>1.35</b>     |
| <b>Measured at 6/30 - if below must employ independent consultant or have 75 days cash on hand</b>    |                 |                 |                | <b>1.25</b>     |
| <b>After compliance with independent consultant recommendations (or with 75 days COH) - not below</b> |                 |                 |                | <b>1.10</b>     |

\*\*\*FY 22 Assumes exclusion of unrealized losses on District's investments as extraordinary non-cash item

## Kaweah Health Medical Group

### Fiscal Year Financial Comparison (000's)

|                                  | Actual Results FYTD July - July |                  |              | Budget FYTD    | Budget Variance | FYTD           |
|----------------------------------|---------------------------------|------------------|--------------|----------------|-----------------|----------------|
|                                  | Jul 2021                        | Jul 2022         | % Change     | Jul 2022       | Change          | % Change       |
| <b>Operating Revenue</b>         |                                 |                  |              |                |                 |                |
| Net Patient Service Revenue      | \$3,269                         | \$3,622          | 10.8%        | \$3,993        | (\$371)         | (9.3%)         |
| Other Revenue                    | 61                              | 55               | (8.7%)       | 100            | (45)            | (45.0%)        |
| Other Operating Revenue          | 61                              | 55               | (8.7%)       | 100            | (45)            | (45.0%)        |
| <b>Total Operating Revenue</b>   | <b>3,329</b>                    | <b>3,677</b>     | <b>10.4%</b> | <b>4,094</b>   | <b>(416)</b>    | <b>(10.2%)</b> |
| <b>Operating Expenses</b>        |                                 |                  |              |                |                 |                |
| Salaries & Wages                 | 955                             | 984              | 3.1%         | 1,055          | (71)            | (6.7%)         |
| Employee Benefits                | 172                             | 207              | 20.3%        | 216            | (8)             | (3.9%)         |
| <b>Total Employment Expenses</b> | <b>1,127</b>                    | <b>1,191</b>     | <b>5.7%</b>  | <b>1,271</b>   | <b>(80)</b>     | <b>(6.3%)</b>  |
| Medical & Other Supplies         | 454                             | 597              | 31.5%        | 574            | 24              | 4.1%           |
| Physician Fees                   | 2,155                           | 2,210            | 2.5%         | 2,396          | (186)           | (7.8%)         |
| Purchased Services               | 74                              | 79               | 5.8%         | 87             | (8)             | (9.4%)         |
| Repairs & Maintenance            | 187                             | 237              | 26.5%        | 233            | 4               | 1.8%           |
| Utilities                        | 34                              | 53               | 55.3%        | 45             | 9               | 19.7%          |
| Rents & Leases                   | 206                             | 217              | 5.3%         | 222            | (5)             | (2.3%)         |
| Depreciation & Amortization      | 67                              | 59               | (12.3%)      | 64             | (5)             | (8.3%)         |
| Interest Expense                 | 0                               | 0                | (100.0%)     | 0              | 0               | 0.0%           |
| Other Expense                    | 97                              | 87               | (9.4%)       | 155            | (67)            | (43.4%)        |
| <b>Total Other Expenses</b>      | <b>3,275</b>                    | <b>3,539</b>     | <b>8.1%</b>  | <b>3,775</b>   | <b>(236)</b>    | <b>(6.2%)</b>  |
| <b>Total Operating Expenses</b>  | <b>4,402</b>                    | <b>4,730</b>     | <b>7.5%</b>  | <b>5,046</b>   | <b>(315)</b>    | <b>(6.3%)</b>  |
| Stimulus Funds                   | 0                               | 0                | 0.0%         | 0              | 0               | 0.0%           |
| <b>Excess Margin</b>             | <b>(\$1,073)</b>                | <b>(\$1,053)</b> | <b>1.8%</b>  | <b>(\$952)</b> | <b>(\$101)</b>  | <b>(10.6%)</b> |
| <b>Excess Margin %</b>           | <b>(32.2%)</b>                  | <b>(28.6%)</b>   |              | <b>(23.3%)</b> |                 |                |

# Month of July - Budget Variances

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- **Net Patient Revenues:** Net patient revenue was under budget by \$2.8M (5.1%) in July. This decrease was mainly due to the lower than anticipated volume in inpatient services and several outpatient areas. There was also a decrease in the acuity of the patients resulting in a slightly lower than budgeted rate of reimbursement.
- **Salaries and Contract Labor:** The \$3.3M unfavorable variance is primarily due to the increase in the amount of contract labor utilized during the month (\$3.6M) and shift bonuses (\$791K) paid in July. We also paid \$758K of unbudgeted COVID supplemental sick pay in July. While costs are up, the productivity ratios are favorable in terms of worked hours per volume.
- **Purchase services:** In July, there was \$1.2M of grant related expense that was offset in the other revenue section on the income statement.
- **Humana Cap Plan expenses:** Third party claims for our Humana Medicare Advantage lives were \$1.2M higher than expected in July.

# Trended Financial Comparison (000's)

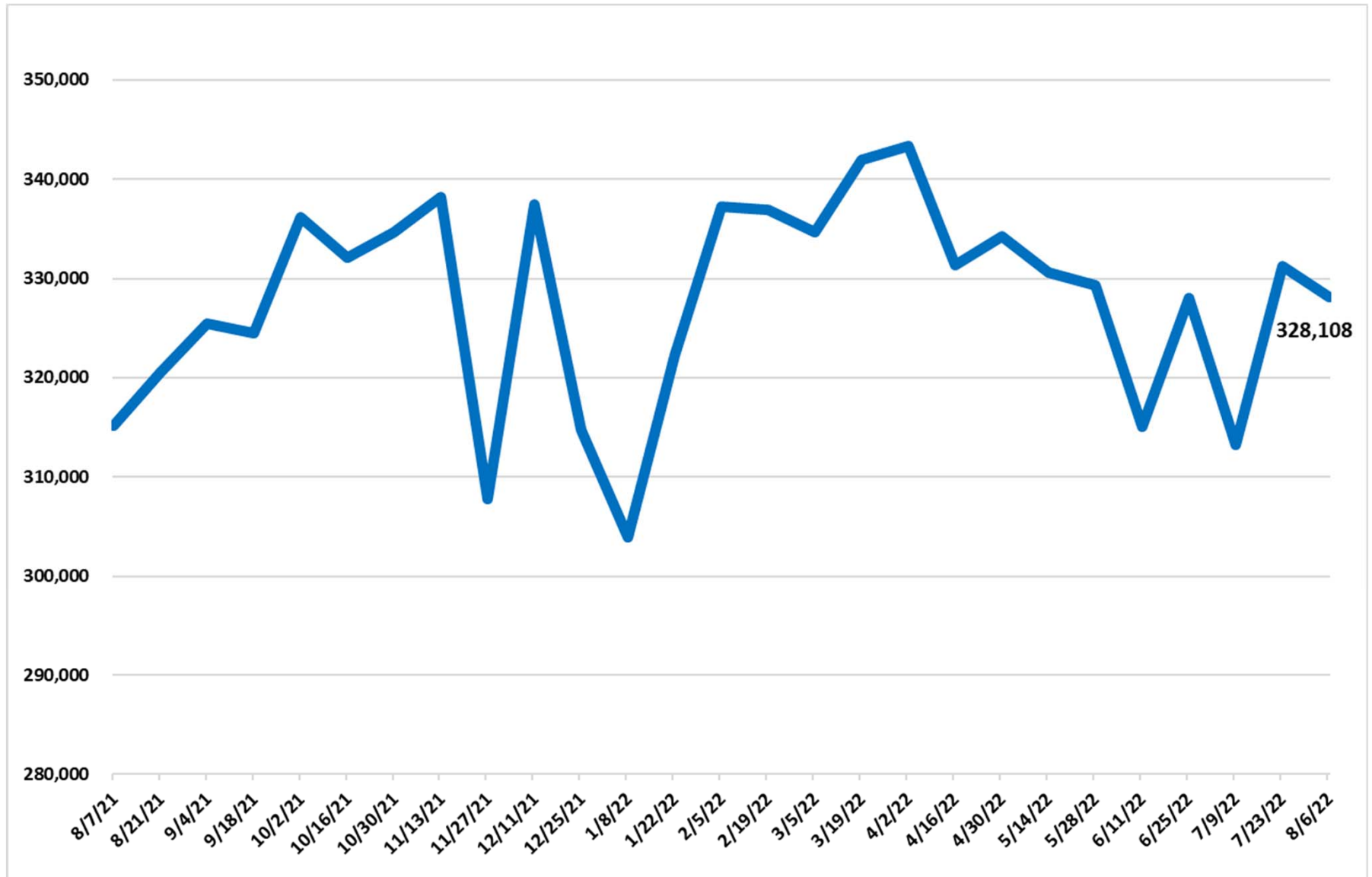
Kaweah Delta Health Care District

Trended Income Statement (000's)

|  | Adjusted Patient Days |                  |                  |                  |                 |                |               |                  |                  |                  |                  |                   |                  |
|--|-----------------------|------------------|------------------|------------------|-----------------|----------------|---------------|------------------|------------------|------------------|------------------|-------------------|------------------|
|  | 26,085                | 27,742           | 28,344           | 28,267           | 26,571          | 27,106         | 26,955        | 24,973           | 27,296           | 26,159           | 28,283           | 27,788            | 27,688           |
|  | Jul-21                | Aug-21           | Sep-21           | Oct-21           | Nov-21          | Dec-21         | Jan-22        | Feb-22           | Mar-22           | Apr-22           | May-22           | Jun-22            | Jul-22           |
| <b>Operating Revenue</b>               |                       |                  |                  |                  |                 |                |               |                  |                  |                  |                  |                   |                  |
| Net Patient Service Revenue            | \$51,502              | \$49,714         | \$57,879         | \$55,674         | \$54,846        | \$51,115       | \$56,862      | \$47,933         | \$52,555         | \$49,729         | \$56,673         | \$50,790          | \$52,368         |
| Supplemental Gov't Programs            | 4,286                 | 4,286            | 4,286            | 4,383            | 11,778          | 10,297         | 4,383         | 5,579            | 5,192            | 6,983            | 4,383            | 8,334             | 5,042            |
| Prime Program                          | 667                   | 667              | 667              | 667              | 667             | 667            | 3,285         | 667              | 667              | 667              | 3,282            | 3,282             | 743              |
| Premium Revenue                        | 4,902                 | 5,425            | 5,163            | 5,156            | 5,054           | 5,173          | 5,272         | 6,574            | 5,772            | 9,112            | 5,948            | 5,943             | 5,901            |
| Management Services Revenue            | 3,172                 | 3,298            | 3,523            | 3,137            | 2,690           | 2,921          | 2,536         | 2,910            | 2,988            | 2,885            | 2,813            | 3,188             | 2,932            |
| Other Revenue                          | 2,009                 | 2,348            | 1,873            | 2,250            | 1,974           | 2,300          | 1,993         | 1,796            | 1,990            | 3,789            | 2,126            | 2,743             | 3,495            |
| Other Operating Revenue                | 15,036                | 16,024           | 15,513           | 15,592           | 22,162          | 21,358         | 17,469        | 17,526           | 16,609           | 23,436           | 18,552           | 23,490            | 18,113           |
| <b>Total Operating Revenue</b>         | <b>66,537</b>         | <b>65,737</b>    | <b>73,391</b>    | <b>71,266</b>    | <b>77,008</b>   | <b>72,473</b>  | <b>74,331</b> | <b>65,459</b>    | <b>69,164</b>    | <b>73,165</b>    | <b>75,225</b>    | <b>74,280</b>     | <b>70,480</b>    |
| <b>Operating Expenses</b>              |                       |                  |                  |                  |                 |                |               |                  |                  |                  |                  |                   |                  |
| Salaries & Wages                       | 27,474                | 28,198           | 31,872           | 30,538           | 28,408          | 29,967         | 29,407        | 27,297           | 30,503           | 28,987           | 28,998           | 27,936            | 29,176           |
| Contract Labor                         | 1,116                 | 1,358            | 1,721            | 1,872            | 1,745           | 3,238          | 4,958         | 3,882            | 1,299            | 5,784            | 7,813            | 6,650             | 5,864            |
| Employee Benefits                      | 4,087                 | 3,878            | 4,728            | 4,217            | 3,481           | 4,161          | 4,566         | 4,923            | 6,119            | 6,057            | 3,229            | 16,653            | 6,279            |
| <b>Total Employment Expenses</b>       | <b>32,678</b>         | <b>33,434</b>    | <b>38,321</b>    | <b>36,627</b>    | <b>33,634</b>   | <b>37,366</b>  | <b>38,931</b> | <b>36,102</b>    | <b>37,920</b>    | <b>40,828</b>    | <b>40,040</b>    | <b>51,239</b>     | <b>41,319</b>    |
| Medical & Other Supplies               | 9,596                 | 13,004           | 11,942           | 11,714           | 10,623          | 10,687         | 10,913        | 10,406           | 11,180           | 10,685           | 11,914           | 7,187             | 9,593            |
| Physician Fees                         | 7,922                 | 8,527            | 7,736            | 9,674            | 10,261          | 9,479          | 9,210         | 8,812            | 9,045            | 8,829            | 9,329            | 9,538             | 8,892            |
| Purchased Services                     | 1,100                 | 1,368            | 1,680            | 1,683            | 1,565           | 1,745          | 1,261         | 1,511            | 1,304            | 1,914            | 2,038            | 1,758             | 2,937            |
| Repairs & Maintenance                  | 2,074                 | 2,425            | 2,425            | 2,702            | 2,330           | 2,331          | 2,324         | 2,588            | 2,251            | 2,204            | 2,380            | 2,358             | 2,237            |
| Utilities                              | 688                   | 740              | 696              | 860              | 760             | 654            | 753           | 736              | 723              | 753              | 794              | 822               | 715              |
| Rents & Leases                         | 475                   | 519              | 487              | 474              | 522             | 505            | 528           | 525              | 515              | 519              | 585              | 517               | 510              |
| Depreciation & Amortization            | 2,635                 | 2,632            | 2,636            | 2,634            | 2,636           | 2,631          | 2,614         | 2,634            | 2,583            | 2,649            | 2,610            | 3,460             | 2,657            |
| Interest Expense                       | 555                   | 646              | 499              | 501              | 500             | 498            | 655           | 671              | 671              | 671              | 826              | 700               | 589              |
| Other Expense                          | 1,450                 | 1,466            | 1,641            | 1,563            | 1,557           | 1,804          | 2,110         | 1,731            | 2,019            | 1,907            | 2,812            | 2,528             | 1,631            |
| Humana Cap Plan Expenses               | 3,472                 | 2,503            | 3,642            | 3,982            | 3,130           | 2,902          | 2,327         | 2,617            | 5,196            | 3,413            | 2,850            | 2,407             | 4,404            |
| Management Services Expense            | 2,768                 | 3,115            | 3,734            | 2,988            | 2,628           | 2,462          | 2,570         | 2,835            | 3,003            | 3,380            | 2,268            | 3,227             | 2,921            |
| <b>Total Other Expenses</b>            | <b>32,735</b>         | <b>36,945</b>    | <b>37,116</b>    | <b>38,774</b>    | <b>36,512</b>   | <b>35,698</b>  | <b>35,266</b> | <b>35,066</b>    | <b>38,491</b>    | <b>36,924</b>    | <b>38,405</b>    | <b>34,502</b>     | <b>37,087</b>    |
| <b>Total Operating Expenses</b>        | <b>65,413</b>         | <b>70,379</b>    | <b>75,437</b>    | <b>75,402</b>    | <b>70,146</b>   | <b>73,064</b>  | <b>74,197</b> | <b>71,168</b>    | <b>76,412</b>    | <b>77,752</b>    | <b>78,445</b>    | <b>85,742</b>     | <b>78,406</b>    |
| <b>Operating Margin</b>                | <b>\$1,124</b>        | <b>(\$4,642)</b> | <b>(\$2,046)</b> | <b>(\$4,136)</b> | <b>\$6,862</b>  | <b>(\$591)</b> | <b>\$134</b>  | <b>(\$5,709)</b> | <b>(\$7,247)</b> | <b>(\$4,588)</b> | <b>(\$3,220)</b> | <b>(\$11,461)</b> | <b>(\$7,926)</b> |
| Stimulus Funds                         | \$0                   | \$438            | \$0              | \$137            | \$6,542         | \$0            | \$0           | \$93             | \$9,345          | \$0              | \$0              | \$3,028           | \$97             |
| <b>Operating Margin after Stimulus</b> | <b>\$1,124</b>        | <b>(\$4,204)</b> | <b>(\$2,046)</b> | <b>(\$3,999)</b> | <b>\$13,404</b> | <b>(\$591)</b> | <b>\$134</b>  | <b>(\$5,616)</b> | <b>\$2,098</b>   | <b>(\$4,588)</b> | <b>(\$3,220)</b> | <b>(\$8,433)</b>  | <b>(\$7,829)</b> |
| Nonoperating Revenue (Loss)            | 582                   | 552              | (388)            | 595              | 587             | 2,495          | 568           | 693              | (9,815)          | (568)            | (436)            | (3,356)           | 455              |
| <b>Excess Margin</b>                   | <b>\$1,706</b>        | <b>(\$3,651)</b> | <b>(\$2,434)</b> | <b>(\$3,404)</b> | <b>\$13,991</b> | <b>\$1,904</b> | <b>\$702</b>  | <b>(\$4,924)</b> | <b>(\$7,718)</b> | <b>(\$5,156)</b> | <b>(\$3,656)</b> | <b>(\$11,789)</b> | <b>(\$7,374)</b> |

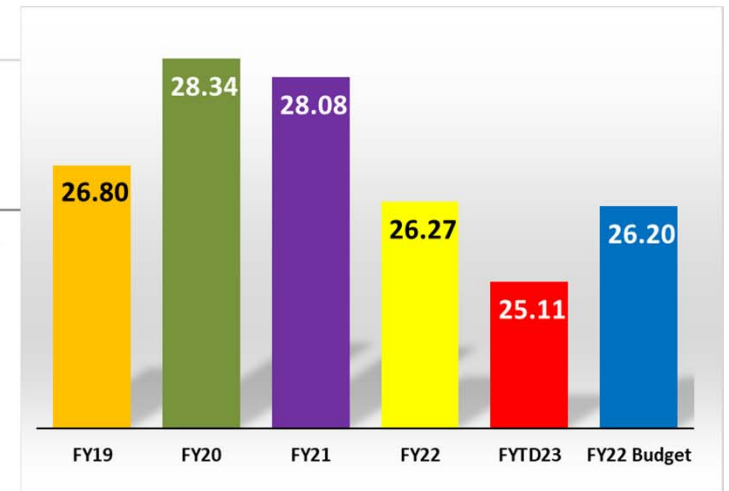
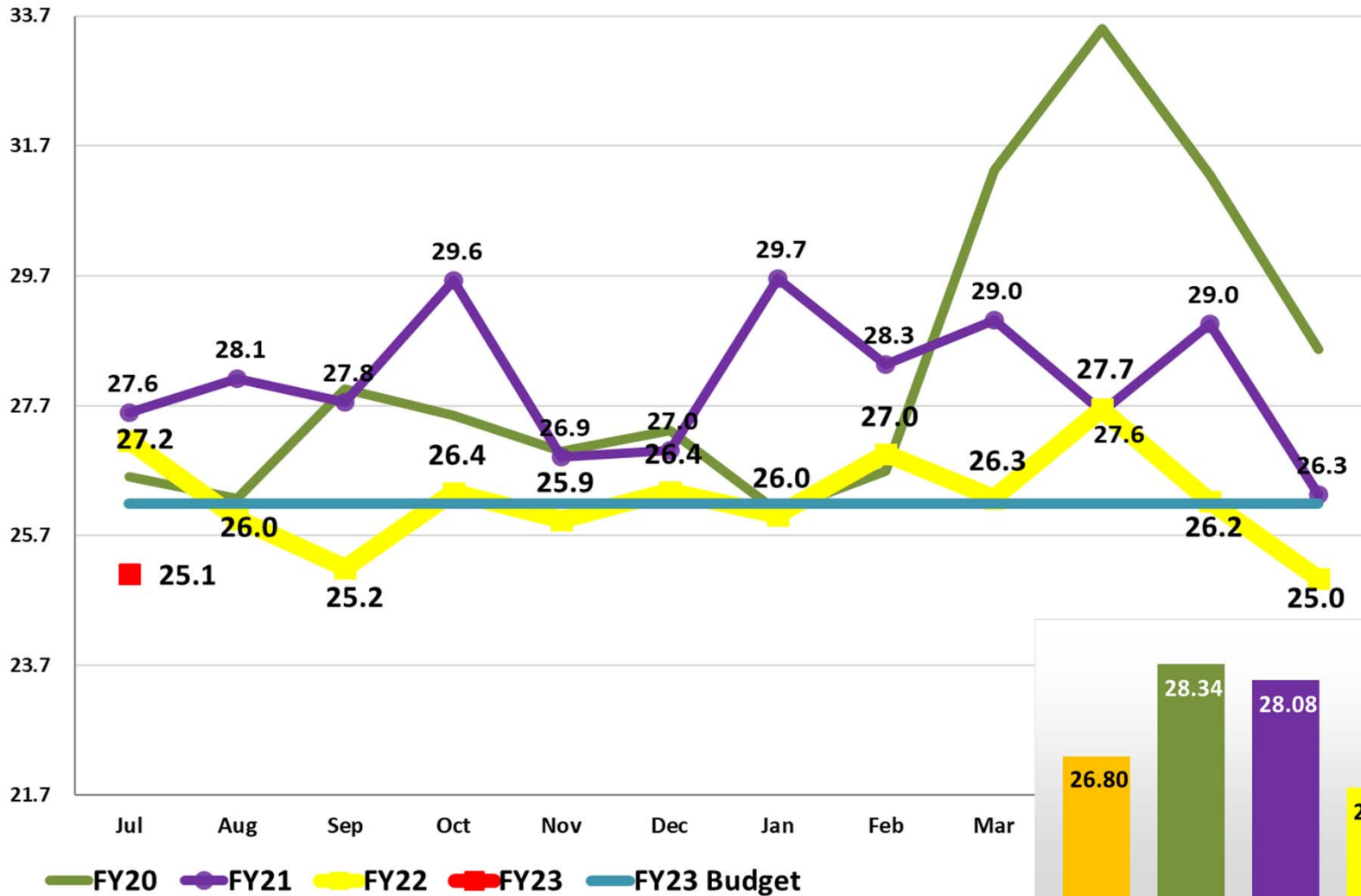


# Productive Hours

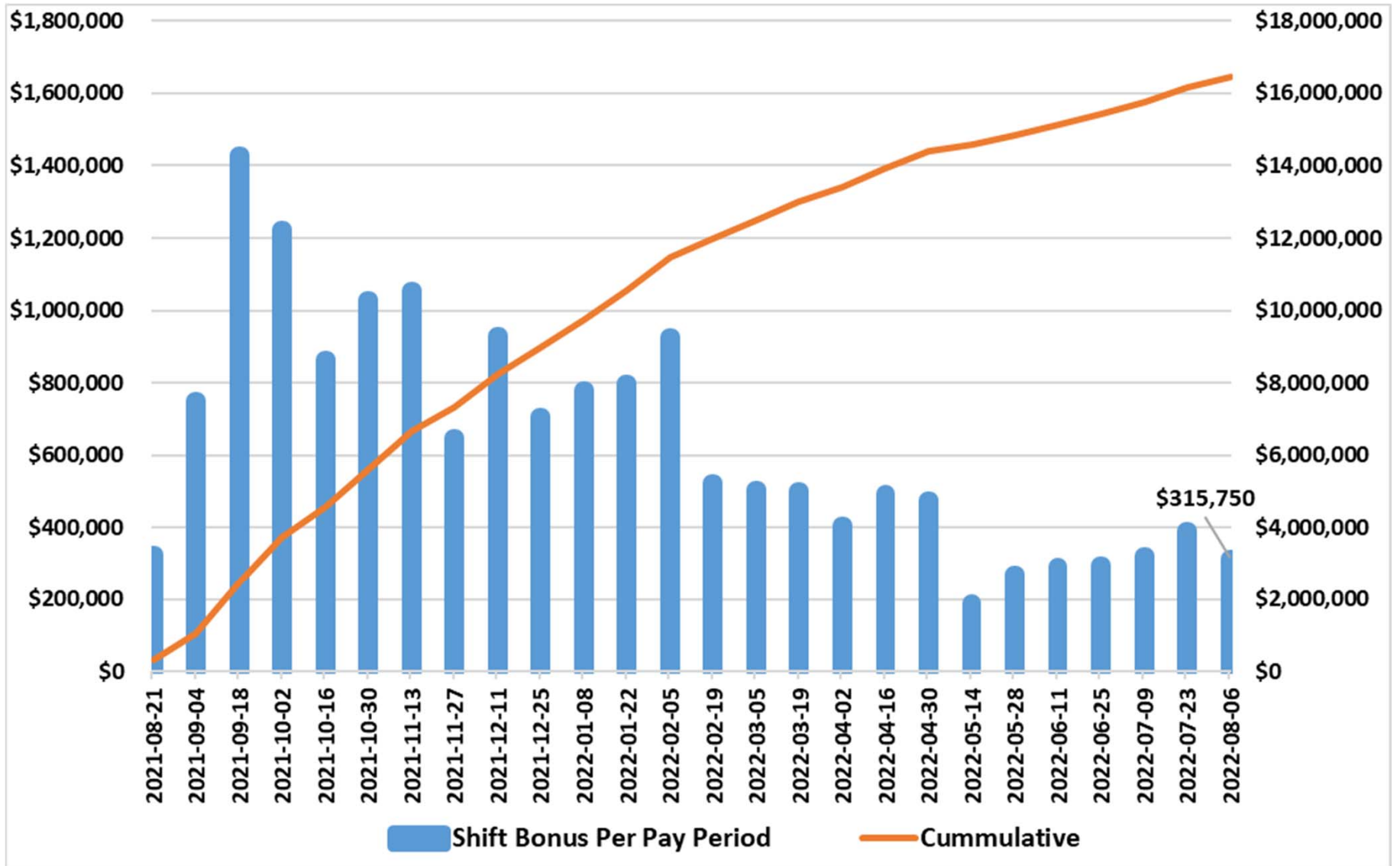




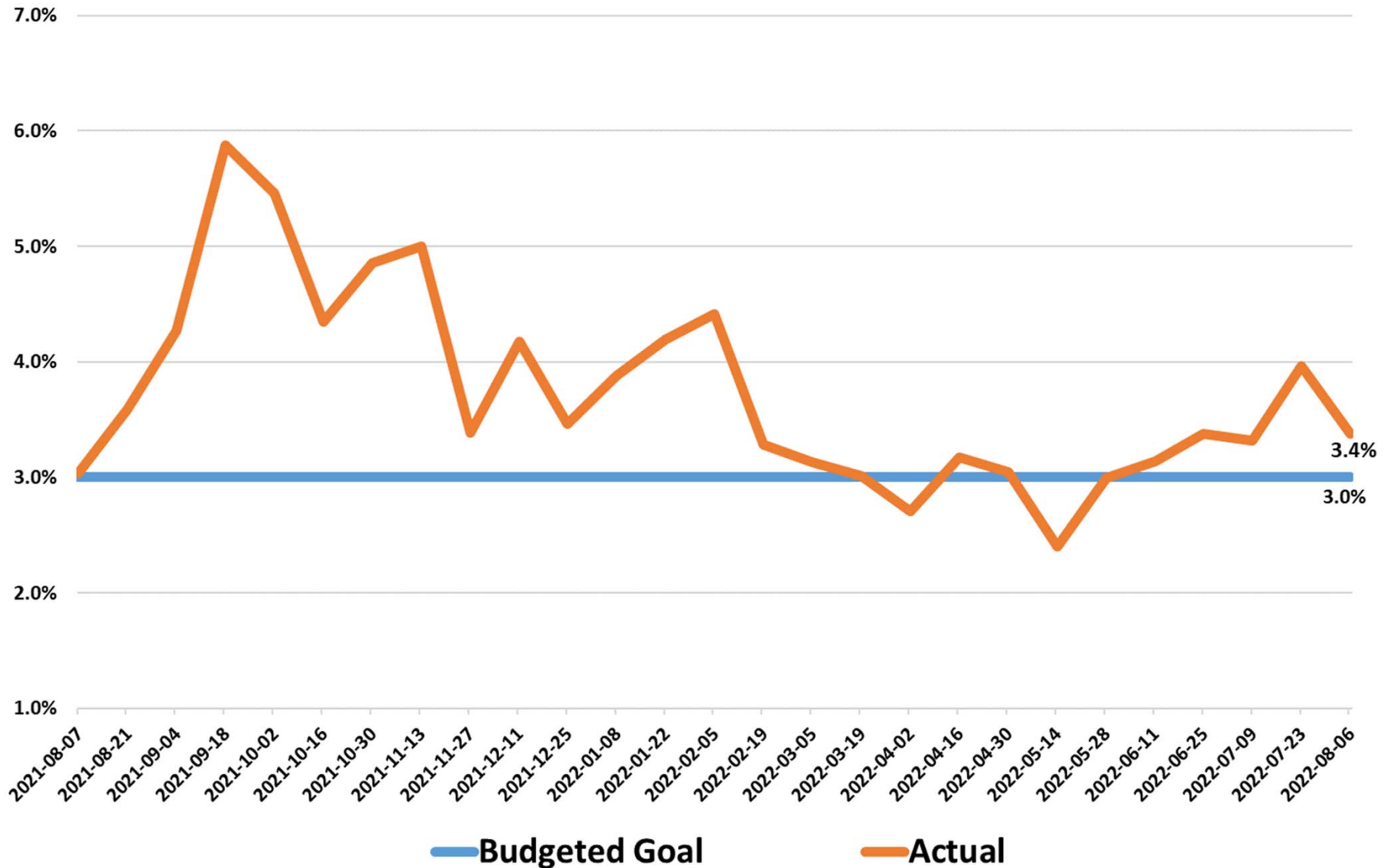
# Productivity: Worked Hours/Adjusted Patient Days



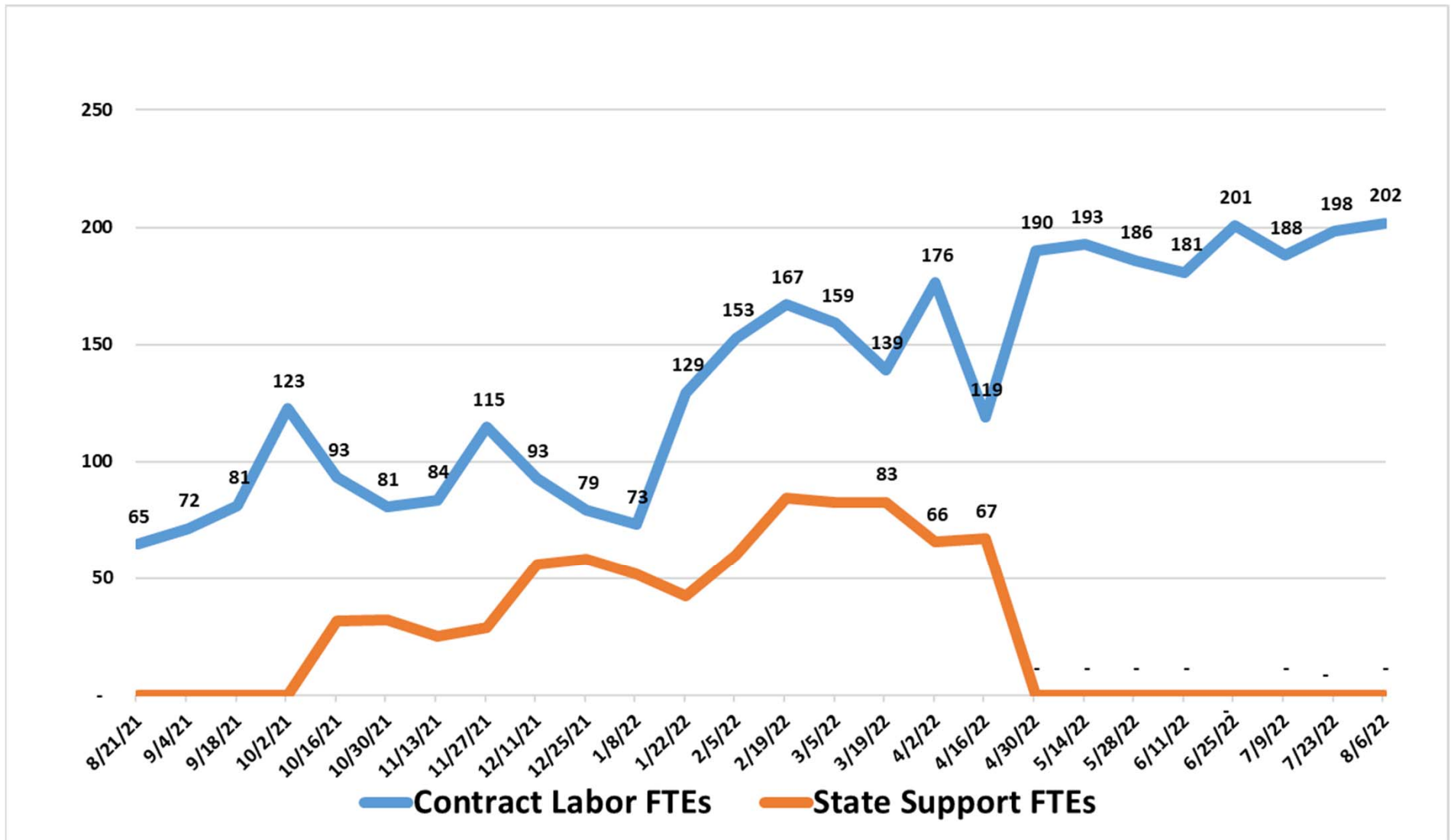
# Shift Bonus



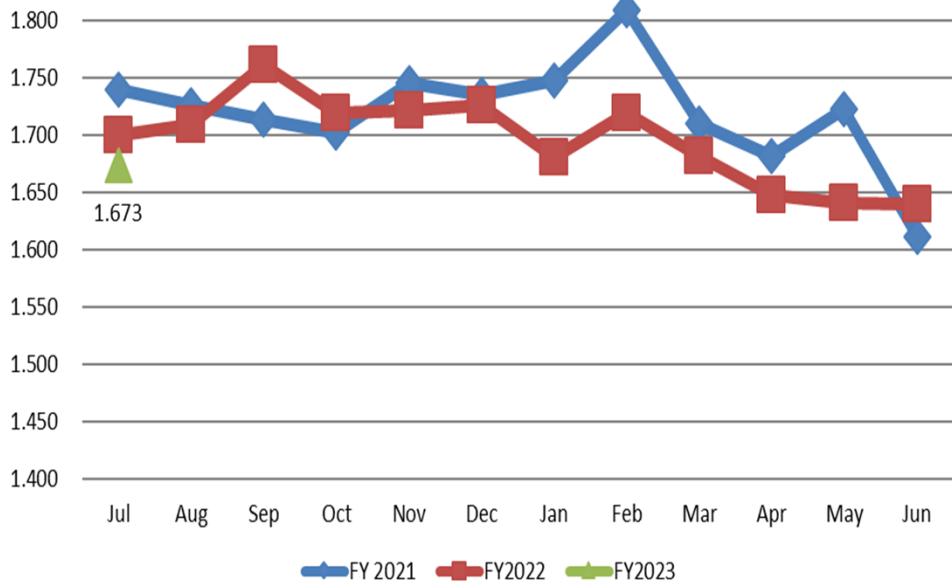
# Overtime as a % of Productive Hours and \$



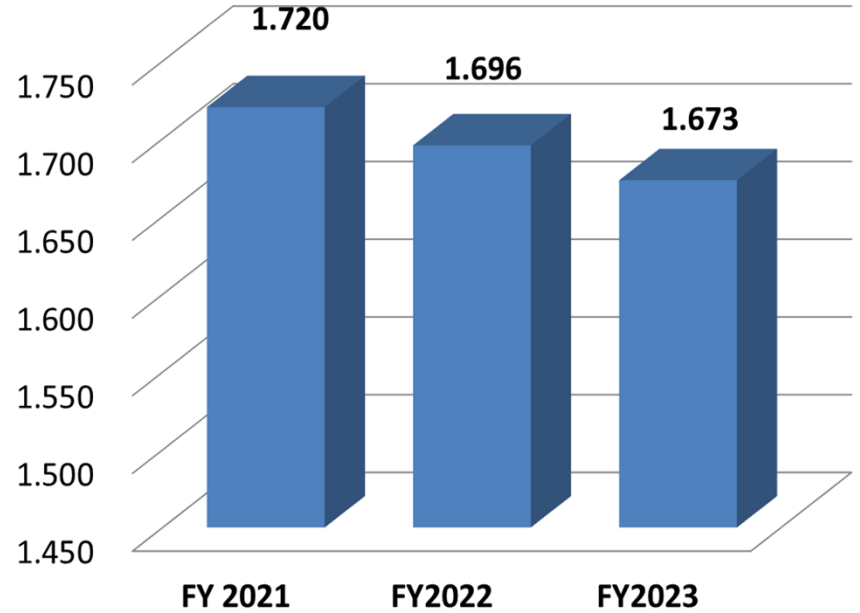
# Contract Labor Full Time Equivalents (FTEs)



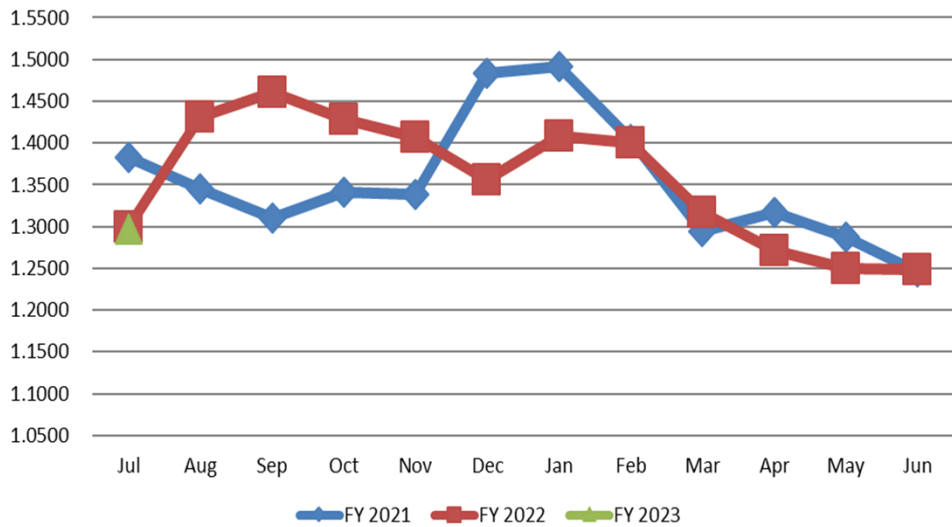
**Case Mix Index w/o Normal Newborns**



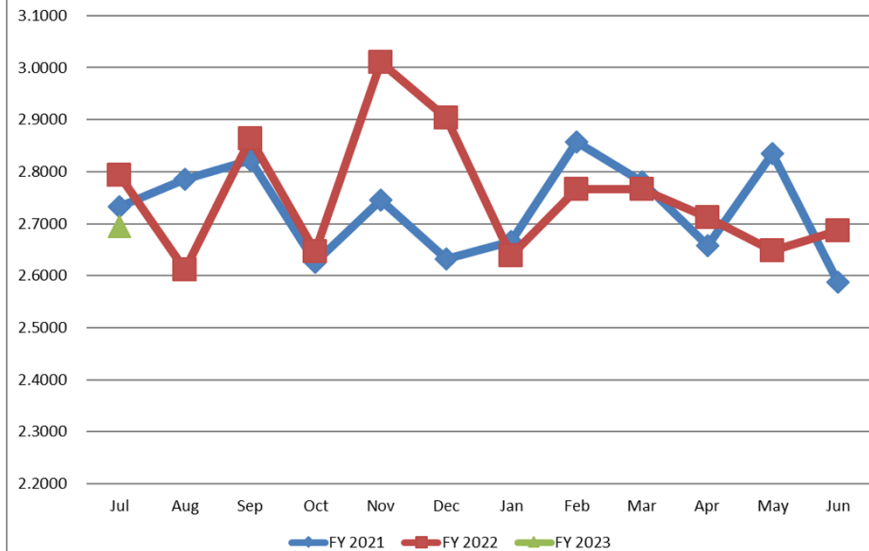
**Case Mix Index w/o Normal Newborns - All**



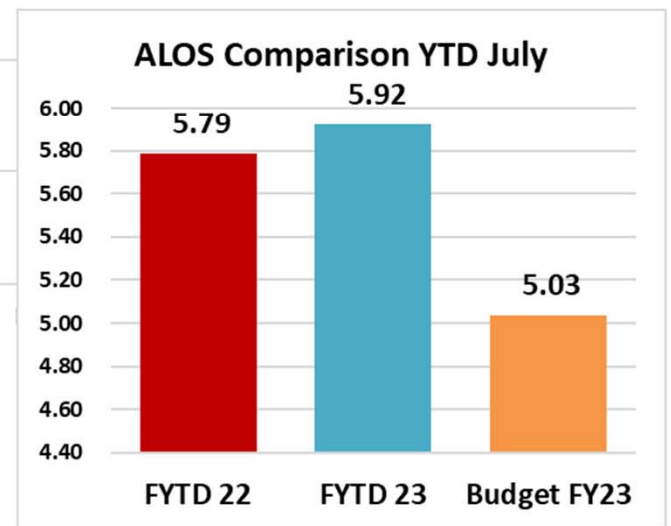
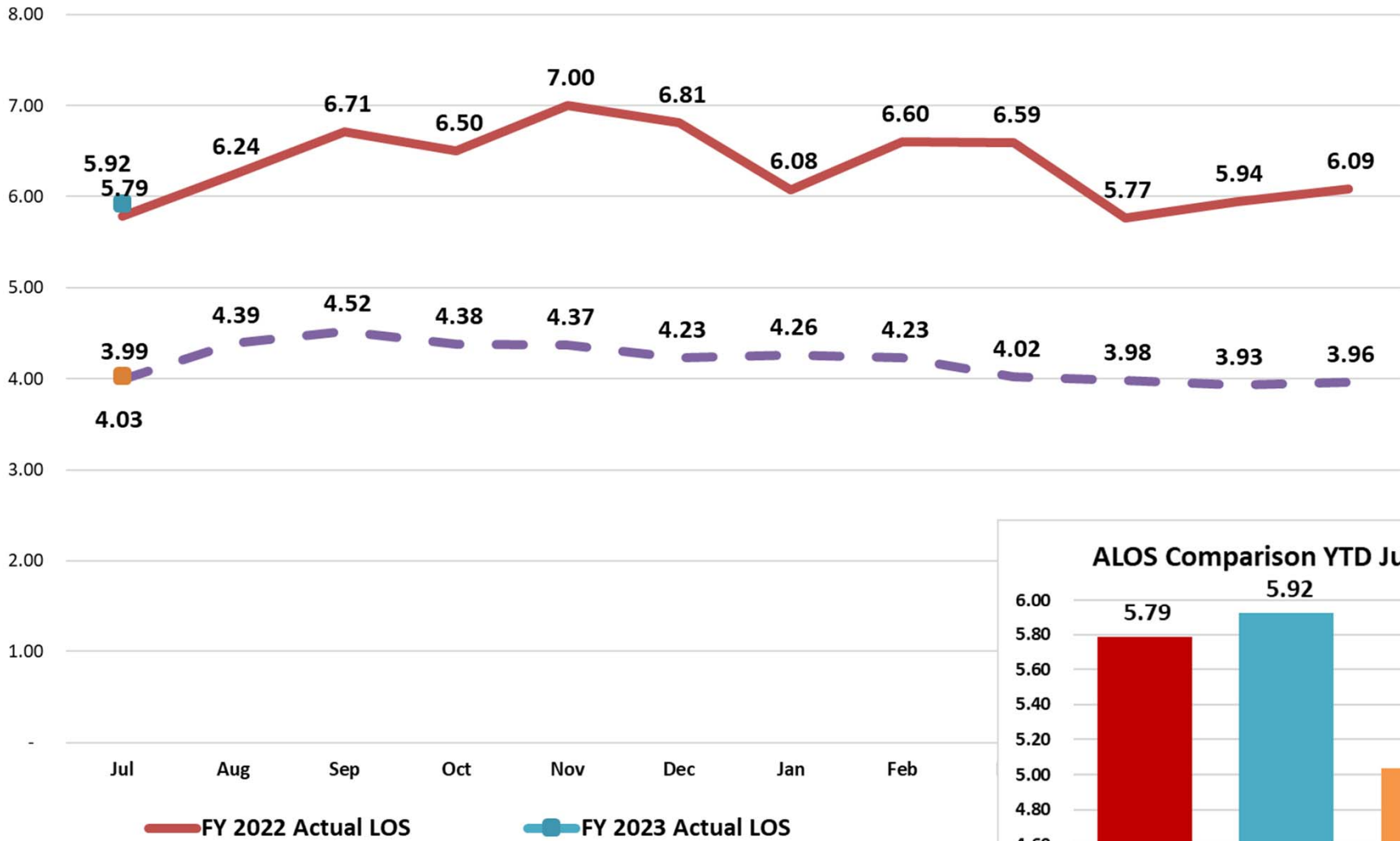
**Case Mix **Medical** w/o Normal Newborns**



**Case Mix Index **Surgical** w/o Normal Newborns**



# Average Length of Stay versus National Average (GMLOS)



## Average Length of Stay versus National Average (GMLOS)

|                | Including COVID Patients |             |             | Excluding COVID Patients |             |             | Gap Diff    | %          |
|----------------|--------------------------|-------------|-------------|--------------------------|-------------|-------------|-------------|------------|
|                | ALOS                     | GMLOS       | GAP         | ALOS                     | GMLOS       | GAP         |             |            |
| Mar-20         | 5.20                     | 4.04        | 1.16        | 5.17                     | 4.03        | 1.14        | 0.02        | 2%         |
| Apr-20         | 5.30                     | 4.25        | 1.05        | 5.20                     | 4.17        | 1.03        | 0.02        | 1%         |
| May-20         | 5.25                     | 4.16        | 1.09        | 4.74                     | 4.06        | 0.68        | 0.40        | 37%        |
| Jun-20         | 5.61                     | 4.11        | 1.50        | 4.98                     | 3.95        | 1.03        | 0.47        | 31%        |
| Jul-20         | 5.61                     | 4.32        | 1.29        | 5.01                     | 4.05        | 0.96        | 0.33        | 25%        |
| Aug-20         | 5.70                     | 4.23        | 1.47        | 5.00                     | 3.95        | 1.05        | 0.42        | 28%        |
| Sep-20         | 5.93                     | 4.17        | 1.76        | 5.33                     | 4.00        | 1.33        | 0.43        | 24%        |
| Oct-20         | 5.21                     | 4.09        | 1.12        | 4.98                     | 3.98        | 1.00        | 0.12        | 10%        |
| Nov-20         | 5.66                     | 4.21        | 1.45        | 5.40                     | 4.07        | 1.33        | 0.12        | 8%         |
| Dec-20         | 6.32                     | 4.50        | 1.82        | 5.16                     | 3.97        | 1.19        | 0.63        | 34%        |
| Jan-21         | 7.07                     | 4.72        | 2.35        | 5.61                     | 4.15        | 1.46        | 0.90        | 38%        |
| Feb-21         | 6.73                     | 4.37        | 2.36        | 5.64                     | 4.01        | 1.63        | 0.73        | 31%        |
| Mar-21         | 5.75                     | 4.07        | 1.68        | 5.04                     | 3.92        | 1.12        | 0.56        | 33%        |
| Apr-21         | 5.39                     | 3.98        | 1.41        | 5.21                     | 3.89        | 1.32        | 0.09        | 7%         |
| May-21         | 5.57                     | 4.00        | 1.57        | 5.34                     | 3.92        | 1.42        | 0.15        | 10%        |
| Jun-21         | 5.75                     | 3.90        | 1.85        | 5.67                     | 3.88        | 1.79        | 0.06        | 3%         |
| Jul-21         | 5.78                     | 3.99        | 1.79        | 5.68                     | 3.94        | 1.74        | 0.05        | 3%         |
| Aug-21         | 6.24                     | 4.39        | 1.85        | 5.95                     | 4.05        | 1.90        | (0.05)      | -3%        |
| Sep-21         | 6.71                     | 4.52        | 2.19        | 5.88                     | 4.08        | 1.80        | 0.39        | 18%        |
| Oct-21         | 6.50                     | 4.38        | 2.12        | 5.33                     | 4.00        | 1.33        | 0.79        | 37%        |
| Nov-21         | 7.00                     | 4.37        | 2.63        | 5.75                     | 3.95        | 1.80        | 0.83        | 32%        |
| Dec-21         | 6.81                     | 4.23        | 2.58        | 6.11                     | 3.98        | 2.13        | 0.45        | 17%        |
| Jan-22         | 6.08                     | 4.26        | 1.82        | 5.96                     | 3.97        | 1.99        | (0.17)      | -9%        |
| Feb-22         | 6.60                     | 4.23        | 2.37        | 5.86                     | 3.82        | 2.04        | 0.33        | 14%        |
| Mar-22         | 6.59                     | 4.02        | 2.57        | 5.66                     | 3.89        | 1.77        | 0.80        | 31%        |
| Apr-22         | 5.76                     | 3.98        | 1.78        | 5.64                     | 3.95        | 1.69        | 0.09        | 5%         |
| May-22         | 5.95                     | 3.93        | 2.02        | 5.60                     | 3.90        | 1.70        | 0.32        | 16%        |
| Jun-22         | 6.14                     | 3.97        | 2.17        | 5.70                     | 3.90        | 1.80        | 0.37        | 17%        |
| Jul-22         | 5.92                     | 4.03        | 1.89        | 5.64                     | 3.87        | 1.77        | 0.12        | 6%         |
| <b>Average</b> | <b>6.00</b>              | <b>4.19</b> | <b>1.82</b> | <b>5.46</b>              | <b>3.98</b> | <b>1.48</b> | <b>0.34</b> | <b>19%</b> |

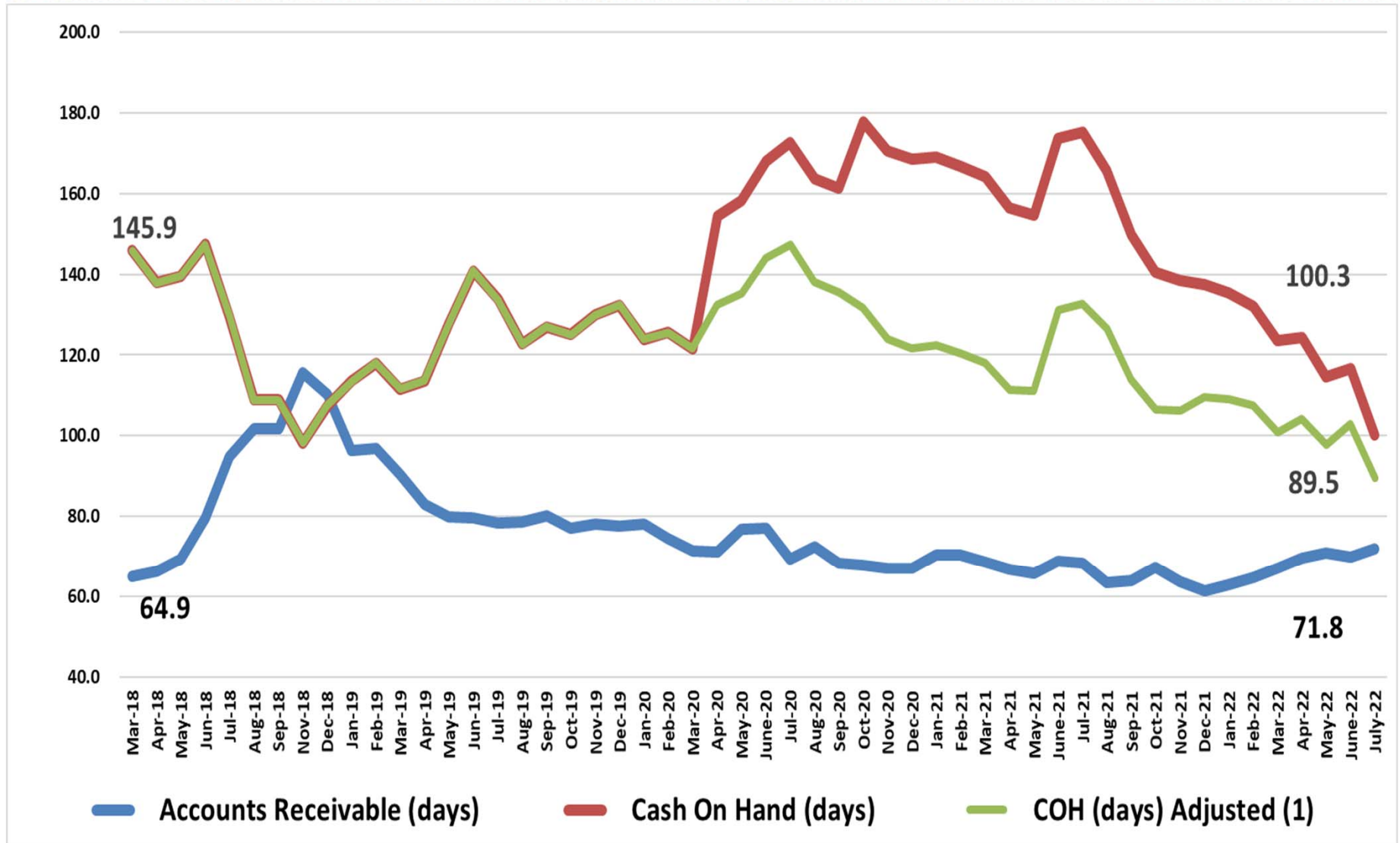


# Opportunity Cost of Reducing LOS to National Average - \$82M FY22





# Trended Liquidity Ratios



(1) Adjusted for Medicare accelerated payments and the deferral of employer portion of FICA as allowed by the CARES act.

**KAWEAH DELTA HEALTH CARE DISTRICT**

**RATIO ANALYSIS REPORT**

**JULY 31, 2022**

|  | Current<br>Month<br>Value | Prior<br>Month<br>Value | June 30,<br>2022<br>Unaudited<br>Value | 2020 Moody's<br>Median Benchmark |               |        |
|--|---------------------------|-------------------------|--|----------------------------------|---------------|--------|
|  |                           |                         |  | Aa                               | A             | Baa    |
| <b>LIQUIDITY RATIOS</b>                  |                           |                         |  |                                  |               |        |
| Current Ratio (x)                        | 2.3                       | 2.0                     | 2.0                                    | 1.5                              | <b>1.7</b>    | 1.8    |
| Accounts Receivable (days)               | 71.8                      | 69.8                    | 69.8                                   | 47.2                             | <b>46.3</b>   | 45.9   |
| Cash On Hand (days)                      | 100.3                     | 116.7                   | 116.7                                  | 334.8                            | <b>261.4</b>  | 207.2  |
| Cushion Ratio (x)                        | 15.1                      | 17.4                    | 17.4                                   | 45.9                             | <b>28.8</b>   | 19     |
| Average Payment Period (days)            | 49.9                      | 59.5                    | 59.5                                   | 100.5                            | <b>89.4</b>   | 95.2   |
| <b>CAPITAL STRUCTURE RATIOS</b>          |                           |                         |  |                                  |               |        |
| Cash-to-Debt                             | 114.0%                    | 128.2%                  | 128.2%                                 | 285.0%                           | <b>200.8%</b> | 149.7% |
| Debt-To-Capitalization                   | 31.8%                     | 31.4%                   | 31.4%                                  | 24.8%                            | <b>31.7%</b>  | 40.1%  |
| Debt-to-Cash Flow (x)                    | (4.2)                     | 16.2                    | 16.2                                   | 2.4                              | <b>3</b>      | 3.9    |
| Debt Service Coverage                    | (3.0)                     | 0.8                     | 0.8                                    | 7.5                              | <b>5.2</b>    | 3.7    |
| Maximum Annual Debt Service Coverage (x) | (2.9)                     | 0.8                     | 0.8                                    | 6.6                              | <b>4.4</b>    | 3      |
| Age Of Plant (years)                     | 14.8                      | 14.2                    | 14.2                                   | 10.6                             | <b>11.8</b>   | 12.9   |
| <b>PROFITABILITY RATIOS</b>              |                           |                         |  |                                  |               |        |
| Operating Margin                         | (11.2%)                   | (4.1%)                  | (4.1%)                                 | 2.2%                             | <b>1.4%</b>   | 0.6%   |
| Excess Margin                            | (10.4%)                   | (2.8%)                  | (2.8%)                                 | 6.3%                             | <b>4.8%</b>   | 3.0%   |
| Operating Cash Flow Margin               | (6.7%)                    | 0.5%                    | 0.5%                                   | 7.4%                             | <b>7.6%</b>   | 6.2%   |
| Return on Assets                         | (10.0%)                   | (2.8%)                  | (2.8%)                                 | 4.4%                             | <b>3.8%</b>   | 2.8%   |

# KAWEAH DELTA HEALTH CARE DISTRICT

## CONSOLIDATED INCOME STATEMENT (000's)

FISCAL YEAR 2022 & 2023

| Fiscal Year                   | Operating Revenue   |                         |                         | Operating Expenses |                   |                   |                         |                          |                    |                  | Operating Income   | Non-Operating Income | Net Income     | Operating Margin % | Excess Margin |
|-------------------------------|---------------------|-------------------------|-------------------------|--------------------|-------------------|-------------------|-------------------------|--------------------------|--------------------|------------------|--------------------|----------------------|----------------|--------------------|---------------|
|                               | Net Patient Revenue | Other Operating Revenue | Operating Revenue Total | Personnel Expense  | Physician Fees    | Supplies Expense  | Other Operating Expense | Operating Expenses Total |                    |                  |                    |                      |                |                    |               |
| <b>2022</b>                   |                     |                         |                         |                    |                   |                   |                         |                          |                    |                  |                    |                      |                |                    |               |
| Jul-21                        | 51,502              | 15,035                  | 66,537                  | 32,678             | 7,922             | 9,596             | 15,217                  | 65,413                   | 1,124              | 582              | 1,706              | 1.7%                 | 2.5%           |                    |               |
| Aug-21                        | 49,714              | 16,024                  | 65,737                  | 33,434             | 8,527             | 13,004            | 15,414                  | 70,379                   | (4,642)            | 990              | (3,651)            | (7.1%)               | (5.5%)         |                    |               |
| Sep-21                        | 57,879              | 15,513                  | 73,391                  | 38,332             | 7,736             | 11,942            | 17,438                  | 75,448                   | (2,056)            | (388)            | (2,445)            | (2.8%)               | (3.3%)         |                    |               |
| Oct-21                        | 55,674              | 15,592                  | 71,266                  | 36,627             | 9,674             | 11,714            | 17,386                  | 75,402                   | (4,136)            | 732              | (3,403)            | (5.8%)               | (4.7%)         |                    |               |
| Nov-21                        | 54,846              | 22,162                  | 77,008                  | 33,634             | 10,261            | 10,623            | 15,629                  | 70,146                   | 6,862              | 7,129            | 13,991             | 8.9%                 | 16.6%          |                    |               |
| Dec-21                        | 51,115              | 21,796                  | 72,911                  | 37,366             | 9,479             | 10,687            | 15,532                  | 73,064                   | (153)              | 2,057            | 1,904              | (0.2%)               | 2.5%           |                    |               |
| Jan-22                        | 56,862              | 17,469                  | 74,331                  | 38,931             | 9,210             | 10,913            | 15,143                  | 74,197                   | 134                | 568              | 702                | 0.2%                 | 0.9%           |                    |               |
| Feb-22                        | 47,933              | 17,525                  | 65,458                  | 36,102             | 8,812             | 10,406            | 15,848                  | 71,168                   | (5,710)            | 787              | (4,924)            | (8.7%)               | (7.4%)         |                    |               |
| Mar-22                        | 52,555              | 16,609                  | 69,164                  | 37,920             | 9,045             | 11,180            | 18,266                  | 76,412                   | (7,247)            | (470)            | (7,717)            | (10.5%)              | (11.2%)        |                    |               |
| Apr-22                        | 49,729              | 23,436                  | 73,165                  | 40,828             | 8,829             | 10,685            | 17,410                  | 77,752                   | (4,588)            | (568)            | (5,156)            | (6.3%)               | (7.1%)         |                    |               |
| May-22                        | 56,673              | 18,552                  | 75,225                  | 40,040             | 9,329             | 11,914            | 17,162                  | 78,445                   | (3,220)            | (436)            | (3,656)            | (4.3%)               | (4.9%)         |                    |               |
| Jun-22                        | 50,790              | 23,474                  | 74,264                  | 51,319             | 9,801             | 8,179             | 18,683                  | 87,983                   | (13,719)           | 19               | (13,699)           | (18.5%)              | (18.4%)        |                    |               |
| <b>2022 FY Total</b>          | <b>\$ 635,270</b>   | <b>\$ 223,187</b>       | <b>\$ 858,457</b>       | <b>\$ 457,212</b>  | <b>\$ 108,626</b> | <b>\$ 130,842</b> | <b>\$ 199,128</b>       | <b>\$ 895,808</b>        | <b>\$ (37,351)</b> | <b>\$ 11,002</b> | <b>\$ (26,349)</b> | <b>(4.4%)</b>        | <b>(3.0%)</b>  |                    |               |
| <b>2023</b>                   |                     |                         |                         |                    |                   |                   |                         |                          |                    |                  |                    |                      |                |                    |               |
| Jul-22                        | 52,368              | 18,113                  | 70,480                  | 41,319             | 8,892             | 9,593             | 18,601                  | 78,406                   | (7,926)            | 552              | (7,374)            | (11.2%)              | (10.4%)        |                    |               |
| <b>2023 FY Total</b>          | <b>\$ 52,368</b>    | <b>\$ 18,113</b>        | <b>\$ 70,480</b>        | <b>\$ 41,319</b>   | <b>\$ 8,892</b>   | <b>\$ 9,593</b>   | <b>\$ 18,601</b>        | <b>\$ 78,406</b>         | <b>\$ (7,926)</b>  | <b>\$ 552</b>    | <b>\$ (7,374)</b>  | <b>(11.2%)</b>       | <b>(10.4%)</b> |                    |               |
| <b>FYTD Budget</b>            | <b>55,189</b>       | <b>18,705</b>           | <b>73,895</b>           | <b>37,767</b>      | <b>8,997</b>      | <b>10,312</b>     | <b>17,839</b>           | <b>74,914</b>            | <b>(1,020)</b>     | <b>371</b>       | <b>(649)</b>       | <b>(1.4%)</b>        | <b>(0.9%)</b>  |                    |               |
| <b>Variance</b>               | <b>\$ (2,822)</b>   | <b>\$ (593)</b>         | <b>\$ (3,414)</b>       | <b>\$ 3,552</b>    | <b>\$ (104)</b>   | <b>\$ (719)</b>   | <b>\$ 762</b>           | <b>\$ 3,492</b>          | <b>\$ (6,906)</b>  | <b>\$ 181</b>    | <b>\$ (6,725)</b>  |                      |                |                    |               |
| <b>Current Month Analysis</b> |                     |                         |                         |                    |                   |                   |                         |                          |                    |                  |                    |                      |                |                    |               |
| Jul-22                        | \$ 52,368           | \$ 15,182               | \$ 67,549               | \$ 41,319          | \$ 8,892          | \$ 9,593          | \$ 18,601               | \$ 78,406                | \$ (10,857)        | \$ 3,486         | \$ (7,371)         | (16.1%)              | (10.4%)        |                    |               |
| <b>Budget</b>                 | <b>55,189</b>       | <b>18,705</b>           | <b>73,895</b>           | <b>37,767</b>      | <b>8,997</b>      | <b>10,312</b>     | <b>17,839</b>           | <b>74,914</b>            | <b>(1,020)</b>     | <b>371</b>       | <b>(649)</b>       | <b>(1.4%)</b>        | <b>(0.9%)</b>  |                    |               |
| <b>Variance</b>               | <b>\$ (2,822)</b>   | <b>\$ (3,524)</b>       | <b>\$ (6,345)</b>       | <b>\$ 3,552</b>    | <b>\$ (104)</b>   | <b>\$ (719)</b>   | <b>\$ 762</b>           | <b>\$ 3,492</b>          | <b>\$ (9,837)</b>  | <b>\$ 3,115</b>  | <b>(6,722)</b>     |                      |                |                    |               |

# KAWEAH DELTA HEALTH CARE DISTRICT

FISCAL YEAR 2022 & 2023

| Fiscal Year                   | Patient Days   | ADC         | Adjusted       |               | DFR & Bad Debt % | Net Patient Revenue/ Ajusted Patient Day | Personnel Expense/ Ajusted Patient Day | Physician Fees/ Ajusted Patient Day | Supply Expense/ Ajusted Patient Day | Total                                  |  | Physician Fees/ Net Patient Revenue | Supply Expense/ Net Patient Revenue | Total Operating Expense/ Net Patient Revenue |
|-------------------------------|----------------|-------------|----------------|---------------|------------------|--|--|-------------------------------------|-------------------------------------|--|--|-------------------------------------|-------------------------------------|--|
|                               |                |             | Patient Days   | I/P Revenue % |                  |  |  |                                     |                                     | Operating Expense/ Ajusted Patient Day | Personnel Expense/ Net Patient Revenue |                                     |                                     |  |
| <b>2022</b>                   |                |             |                |               |                  |  |  |                                     |                                     |  |  |                                     |                                     |  |
| Jul-21                        | 13,388         | 432         | 26,085         | 51.3%         | 76.2%            | 1,974                                    | 1,253                                  | 304                                 | 368                                 | 2,508                                  | 63.4%                                  | 15.4%                               | 18.6%                               | 127.0%                                       |
| Aug-21                        | 14,421         | 465         | 27,742         | 52.0%         | 77.3%            | 1,792                                    | 1,205                                  | 307                                 | 469                                 | 2,537                                  | 67.3%                                  | 17.2%                               | 26.2%                               | 141.6%                                       |
| Sep-21                        | 14,836         | 495         | 28,344         | 52.3%         | 75.0%            | 2,042                                    | 1,352                                  | 273                                 | 421                                 | 2,662                                  | 66.2%                                  | 13.4%                               | 20.6%                               | 130.4%                                       |
| Oct-21                        | 15,518         | 501         | 28,267         | 54.9%         | 75.8%            | 1,970                                    | 1,296                                  | 342                                 | 414                                 | 2,667                                  | 65.8%                                  | 17.4%                               | 21.0%                               | 135.4%                                       |
| Nov-21                        | 13,969         | 466         | 26,571         | 52.6%         | 74.8%            | 2,064                                    | 1,266                                  | 386                                 | 400                                 | 2,640                                  | 61.3%                                  | 18.7%                               | 19.4%                               | 127.9%                                       |
| Dec-21                        | 14,305         | 461         | 27,106         | 52.8%         | 76.4%            | 1,886                                    | 1,378                                  | 350                                 | 394                                 | 2,695                                  | 73.1%                                  | 18.5%                               | 20.9%                               | 142.9%                                       |
| Jan-22                        | 14,611         | 471         | 26,955         | 54.2%         | 74.3%            | 2,109                                    | 1,444                                  | 342                                 | 405                                 | 2,753                                  | 68.5%                                  | 16.2%                               | 19.2%                               | 130.5%                                       |
| Feb-22                        | 13,263         | 474         | 24,973         | 53.1%         | 75.8%            | 1,919                                    | 1,446                                  | 353                                 | 417                                 | 2,850                                  | 75.3%                                  | 18.4%                               | 21.7%                               | 148.5%                                       |
| Mar-22                        | 13,570         | 438         | 27,296         | 49.7%         | 76.7%            | 1,925                                    | 1,389                                  | 331                                 | 410                                 | 2,799                                  | 72.2%                                  | 17.2%                               | 21.3%                               | 145.4%                                       |
| Apr-22                        | 12,698         | 423         | 26,159         | 48.5%         | 77.0%            | 1,901                                    | 1,561                                  | 338                                 | 408                                 | 2,972                                  | 82.1%                                  | 17.8%                               | 21.5%                               | 156.4%                                       |
| May-22                        | 13,858         | 447         | 28,283         | 49.0%         | 74.6%            | 2,004                                    | 1,416                                  | 330                                 | 421                                 | 2,774                                  | 70.7%                                  | 16.5%                               | 21.0%                               | 138.4%                                       |
| Jun-22                        | 13,603         | 453         | 27,788         | 49.0%         | 77.7%            | 1,828                                    | 1,847                                  | 353                                 | 294                                 | 3,166                                  | 101.0%                                 | 19.3%                               | 16.1%                               | 173.2%                                       |
| <b>2022 FY Total</b>          | <b>168,040</b> | <b>460</b>  | <b>325,602</b> | <b>51.6%</b>  | <b>75.9%</b>     | <b>1,951</b>                             | <b>1,404</b>                           | <b>334</b>                          | <b>402</b>                          | <b>2,751</b>                           | <b>72.0%</b>                           | <b>17.1%</b>                        | <b>20.6%</b>                        | <b>141.0%</b>                                |
| <b>2023</b>                   |                |             |                |               |                  |  |  |                                     |                                     |  |  |                                     |                                     |  |
| Jul-22                        | 13,910         | 449         | 27,688         | 50.2%         | 75.6%            | 1,891                                    | 1,492                                  | 321                                 | 346                                 | 2,832                                  | 78.9%                                  | 17.0%                               | 18.3%                               | 149.7%                                       |
| <b>2023 FY Total</b>          | <b>13,910</b>  | <b>449</b>  | <b>27,688</b>  | <b>50.2%</b>  | <b>75.6%</b>     | <b>1,891</b>                             | <b>1,492</b>                           | <b>321</b>                          | <b>346</b>                          | <b>2,832</b>                           | <b>78.9%</b>                           | <b>17.0%</b>                        | <b>18.3%</b>                        | <b>149.7%</b>                                |
| <b>FYTD Budget</b>            | <b>14,594</b>  | <b>471</b>  | <b>28,132</b>  | <b>51.9%</b>  | <b>75.2%</b>     | <b>1,962</b>                             | <b>1,342</b>                           | <b>320</b>                          | <b>367</b>                          | <b>2,706</b>                           | <b>68.4%</b>                           | <b>16.3%</b>                        | <b>18.7%</b>                        | <b>135.7%</b>                                |
| <b>Variance</b>               | <b>(684)</b>   | <b>(22)</b> | <b>(445)</b>   | <b>(1.6%)</b> | <b>0.5%</b>      | <b>(70)</b>                              | <b>150</b>                             | <b>1</b>                            | <b>(20)</b>                         | <b>126</b>                             | <b>10.5%</b>                           | <b>0.7%</b>                         | <b>(0.4%)</b>                       | <b>14.0%</b>                                 |
| <b>Current Month Analysis</b> |                |             |                |               |                  |  |  |                                     |                                     |  |  |                                     |                                     |  |
| Jul-22                        | 13,910         | 449         | 27,688         | 50.2%         | 75.6%            | 1,891                                    | 1,492                                  | 321                                 | 346                                 | 2,832                                  | 78.9%                                  | 17.0%                               | 18.3%                               | 149.7%                                       |
| <b>Budget</b>                 | <b>14,594</b>  | <b>471</b>  | <b>28,132</b>  | <b>51.9%</b>  | <b>75.2%</b>     | <b>1,962</b>                             | <b>1,342</b>                           | <b>320</b>                          | <b>367</b>                          | <b>2,706</b>                           | <b>68.4%</b>                           | <b>16.3%</b>                        | <b>18.7%</b>                        | <b>135.7%</b>                                |
| <b>Variance</b>               | <b>(684)</b>   | <b>(22)</b> | <b>(445)</b>   | <b>(1.6%)</b> | <b>0.5%</b>      | <b>(70)</b>                              | <b>150</b>                             | <b>1</b>                            | <b>(20)</b>                         | <b>126</b>                             | <b>10.5%</b>                           | <b>0.7%</b>                         | <b>(0.4%)</b>                       | <b>14.0%</b>                                 |

**KAWEAH DELTA HEALTH CARE DISTRICT  
CONSOLIDATED STATEMENTS OF NET POSITION (000's)**

|  | Jul-22            | Jun-22            | Change             | % Change       | Jun-22<br>(Unaudited) |
|--|-------------------|-------------------|--------------------|----------------|-----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                    |                   |                   |                    |                |                       |
| <b>CURRENT ASSETS</b>                                  |                   |                   |                    |                |                       |
| Cash and cash equivalents                              | \$ 5,034          | \$ 21,693         | \$ (16,659)        | (76.8%)        | \$ 21,693             |
| Current Portion of Board designated and trusted assets | 16,383            | 14,121            | 2,262              | 16.0%          | 14,121                |
| Accounts receivable:                                   |                   |                   |                    |                |                       |
| Net patient accounts                                   | 139,186           | 135,696           | 3,490              | 2.6%           | 135,696               |
| Other receivables                                      | 29,261            | 28,575            | 686                | 2.4%           | 28,575                |
|  | 168,448           | 164,271           | 4,176              | 2.5%           | 164,271               |
| Inventories  | 14,575            | 14,025            | 550                | 3.9%           | 14,025                |
| Medicare and Medi-Cal settlements                      | 55,500            | 57,965            | (2,465)            | (4.3%)         | 57,965                |
| Prepaid expenses                                       | 15,549            | 13,355            | 2,194              | 16.4%          | 13,355                |
| Total current assets                                   | 275,490           | 285,430           | (9,941)            | (3.5%)         | 285,430               |
| <b>NON-CURRENT CASH AND INVESTMENTS -</b>              |                   |                   |                    |                |                       |
| less current portion                                   |                   |                   |                    |                |                       |
| Board designated cash and assets                       | 252,342           | 266,042           | (13,700)           | (5.1%)         | 266,042               |
| Revenue bond assets held in trust                      | 12                | 8                 | 3                  | 38.8%          | 8                     |
| Assets in self-insurance trust fund                    | 1,042             | 1,040             | 2                  | 0.2%           | 1,040                 |
| Total non-current cash and investments                 | 253,396           | 267,091           | (13,695)           | (5.1%)         | 267,091               |
| <b>CAPITAL ASSETS</b>                                  |                   |                   |                    |                |                       |
| Land   | 17,542            | 17,542            | -                  | 0.0%           | 17,542                |
| Buildings and improvements                             | 425,542           | 425,542           | -                  | 0.0%           | 425,542               |
| Equipment  | 325,209           | 325,209           | -                  | 0.0%           | 325,209               |
| Construction in progress                               | 16,469            | 15,620            | 850                | 5.4%           | 15,620                |
|  | 784,762           | 783,912           | 850                | 0.1%           | 783,912               |
| Less accumulated depreciation                          | 461,806           | 459,223           | 2,583              | 0.6%           | 459,223               |
|  | 322,956           | 324,689           | (1,734)            | (0.5%)         | 324,689               |
| Property under capital leases -                        |                   |                   |                    |                |                       |
| less accumulated amortization                          | (410)             | (353)             | (58)               | 16.3%          | (353)                 |
| Total capital assets                                   | 322,545           | 324,337           | (1,791)            | (0.6%)         | 324,337               |
| <b>OTHER ASSETS</b>                                    |                   |                   |                    |                |                       |
| Property not used in operations                        | 1,580             | 1,584             | (4)                | (0.3%)         | 1,584                 |
| Health-related investments                             | 4,508             | 4,620             | (112)              | (2.4%)         | 4,620                 |
| Other  | 12,533            | 12,511            | 22                 | 0.2%           | 12,511                |
| Total other assets                                     | 18,621            | 18,715            | (94)               | (0.5%)         | 18,715                |
| Total assets   | 870,051           | 895,573           | (25,521)           | (2.8%)         | 895,573               |
| <b>DEFERRED OUTFLOWS</b>                               |                   |                   |                    |                |                       |
|  | (35,247)          | (35,209)          | (37)               | 0.1%           | (35,209)              |
| <b>Total assets and deferred outflows</b>              | <b>\$ 834,805</b> | <b>\$ 860,363</b> | <b>\$ (25,558)</b> | <b>(2.97%)</b> | <b>\$ 860,363</b>     |

**KAWEAH DELTA HEALTH CARE DISTRICT  
CONSOLIDATED STATEMENTS OF NET POSITION (000's)**

|   | Jul-22            | Jun-22            | Change             | % Change       | Jun-22<br>(Unaudited) |
|---|-------------------|-------------------|--------------------|----------------|-----------------------|
| <b>LIABILITIES AND NET ASSETS</b>               |                   |                   |                    |                |                       |
| <b>CURRENT LIABILITIES</b>                      |                   |                   |                    |                |                       |
| Accounts payable and accrued expenses           | 54,648            | 63,282            | (8,635)            | (13.6%)        | 63,282                |
| Accrued payroll and related liabilities         | 64,476            | 74,165            | (9,689)            | (13.1%)        | 74,165                |
| Long-term debt, current portion                 | 2,903             | 2,903             | -                  | 0.0%           | 2,903                 |
| Total current liabilities                       | 122,026           | 140,349           | (18,323)           | (13.1%)        | 140,349               |
| <b>LONG-TERM DEBT, less current portion</b>     |                   |                   |                    |                |                       |
| Bonds payable                                   | 248,522           | 248,529           | (7)                | (0.0%)         | 248,529               |
| Capital leases                                  | 72                | 72                | -                  | 0.0%           | 72                    |
| Notes payable                                   | 7,816             | 7,816             | -                  | 0.0%           | 7,816                 |
| Total long-term debt                            | 256,410           | 256,417           | (7)                | (0.0%)         | 256,417               |
| <b>NET PENSION LIABILITY</b>                    | (32,264)          | (32,154)          | (110)              | 0.3%           | (32,154)              |
| <b>OTHER LONG-TERM LIABILITIES</b>              | 30,835            | 30,622            | 213                | 0.7%           | 30,622                |
| Total liabilities                               | 377,007           | 395,233           | (18,227)           |                | 395,233               |
| <b>NET ASSETS</b>                               |                   |                   |                    |                |                       |
| Invested in capital assets, net of related debt | 74,548            | 76,362            | (1,814)            | (2.4%)         | 76,362                |
| Restricted                                      | 33,686            | 31,582            | 2,105              | 6.7%           | 31,582                |
| Unrestricted                                    | 349,564           | 357,186           | (7,622)            | (2.1%)         | 357,186               |
| Total net position                              | 457,798           | 465,130           | (7,332)            | (1.6%)         | 465,130               |
| Total liabilities and net position              | <b>\$ 834,805</b> | <b>\$ 860,363</b> | <b>\$ (25,558)</b> | <b>(2.97%)</b> | <b>\$ 860,363</b>     |

# Focused Review

## Other Operating Revenue

| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023<br>Budget | FY 22 % of<br>Total<br>Operating<br>Revenue |
|---------|---------|---------|---------|-------------------|---|
|---------|---------|---------|---------|-------------------|---|

### Operating Revenue (000's)

|                                |                  |                  |                  |                  |                  |            |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------|
| Net Patient Service Revenue    | <b>\$561,911</b> | <b>\$557,860</b> | <b>\$596,175</b> | <b>\$635,270</b> | <b>\$671,652</b> |            |
| Supplemental Gov't Programs    | 76,471           | 56,575           | 56,082           | 74,171           | 61,903           | 9%         |
| Prime Program                  | 17,717           | 16,196           | 10,668           | 15,850           | 8,911            | 2%         |
| Premium Revenue                | 40,871           | 50,903           | 58,107           | 69,495           | 79,636           | 8%         |
| Management Services            | 31,751           | 32,805           | 34,167           | 36,060           | 40,949           | 4%         |
| Other Revenue                  | 24,212           | 21,422           | 22,673           | 27,628           | 28,943           | 3%         |
| <b>Other Operating Revenue</b> | <b>\$191,023</b> | <b>\$177,901</b> | <b>\$181,697</b> | <b>\$223,203</b> | <b>\$220,343</b> | <b>26%</b> |
| <b>Total Operating Revenue</b> | <b>\$752,933</b> | <b>\$735,761</b> | <b>\$777,872</b> | <b>\$858,474</b> | <b>\$891,994</b> |            |

# Supplemental Gov't Programs (000's)

|                                   | FY 2018         | FY 2019         | FY 2020         | FY 2021         | FY 2022         | FY2023 Budget   |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1.Medi-Cal DSH                    | \$14,304        | \$32,050        | \$21,755        | \$14,164        | \$26,278        | \$14,000        |
| 2.Rate Range                      | \$4,552         | \$22,732        | \$17,770        | \$17,235        | \$24,443        | \$19,000        |
| 3.Fee for Service Expansion Funds | \$10,084        | \$9,687         | (\$3,726)       | \$10,125        | \$7,367         | \$5,488         |
| 4.Hospital Quality Assurance Fee  | \$12,288        | \$12,003        | \$20,776        | \$14,558        | \$16,082        | \$23,415        |
| <b>Supplemental Income</b>        | <b>\$41,227</b> | <b>\$76,471</b> | <b>\$56,575</b> | <b>\$56,082</b> | <b>\$74,171</b> | <b>\$61,903</b> |



# Summary of Programs and Forecast

## 1. Medi-Cal DSH

The Disproportionate Share Hospital (DSH) Program is a Medi-Cal supplemental payment program that was established in 1981. It reimburses hospitals for some of the uncompensated care costs associated with furnishing inpatient hospital services to Medi-Cal beneficiaries and uninsured individuals. Kaweah's share of funding has grown significantly over the years due to the increased patient load and achievement of teaching hospital status a few years ago. *While overall funding levels of DSH have increased over time, there are currently significant reductions contained in federal law which propose to reduce the funding by over 50%. Previous hospital advocacy has been successful in delaying the federal DSH reductions on six prior occasions.*

## 2. Rate Range

Most Medi-Cal beneficiaries are enrolled in Managed Care Plans (MCP). MCP's are paid a per member per month (PMPM) amount by DHCS to arrange and pay for the care of their members. DHCS calculates a lower, midpoint, and upper PMPM rate and pays the MCP's at the lower rate. CMS will provide federal funding as high as the upper rate. Public hospitals provide IGT's to draw down "rate range", the difference between the upper and lower rates, thus providing public hospitals with more federal funding. Rate range increases when additional beneficiaries and services are transitioned to managed care. Over the past decade there has been a large shift in beneficiaries to managed care such that now more than 85% of beneficiaries are in managed care. *Managed care has stabilized but additional services will transition in 2023-2024 which could grow the amount of rate range by 10%-15% in a few years.*

## 3. FFS Inpatient Funds

Assembly Bill 113 (AB 113) established the district and municipal hospital IGT fund in 2011. AB 113 allows hospitals to claim federal funding for the uncompensated portion of inpatient care that hospitals provide to Medi-Cal beneficiaries in the fee-for-service program. The program uses 4 different tiers to determine the allocation of funds based on Charity Revenue, Bad Debt Revenue and Medi-Cal Charges. *The number of beneficiaries in the fee-for-service program has declined in the past decade as more beneficiaries were transitioned to managed care. In January the remaining rural areas transitioned to managed care and thus a small decrease in funding is expected over the next few years.*

## 4. Hospital Quality Assurance Fee

The hospital quality assurance fee (HQAF) was established in 2009 by private hospitals as a way for them to draw down federal funds for the uncompensated portion of care they provide to Medi-Cal beneficiaries (similar to our AB 113 program). When the HQAF was developed public hospitals negotiated to receive funding via this mechanism as well, both in the form of directed grants from private hospitals and from managed care payments based on an IGT. The funding methodology is based on inpatient volume with enhanced payments for hospitals which are critical access or rural. *Public hospital funding is renegotiated each time there is a new HQAF program (roughly every 3 years) and has remained level for a number of years.*

# Prime/QIP Program (000's)

|                    | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   | Budget FY2023 |
|--------------------|----------|----------|----------|----------|----------|----------|---------------|
| Prime/QIP Revenue  | \$15,617 | \$20,444 | \$17,719 | \$16,196 | \$10,668 | \$15,850 | \$8,911       |
| Prime/QIP Expenses | \$1,283  | \$3,400  | \$4,076  | \$2,983  | \$905    | \$1,038  |               |

The DHLF's first quality program was the Public Hospital Redesign and Incentives in Med-Cal (PRIME) starting in 2015. PRIME was a pay for performance program in which California's public health care systems and District Hospitals used evidence-based quality improvement methods to achieve performance targets and improve the health outcomes for patients.

The Prime Program for District hospitals transitioned to another program called Quality Incentive Pool (QIP) Program in CY 2021. QIP is a pay for performance program with metrics focused on improving the quality of healthcare provided to Medi-Cal. While the level of funding is similar to PRIME, the payment mechanism has changed and the funds flow through our Managed Medi-Cal Health Plans – Anthem and Health Net. Due to the shift in payment mechanism, the timing of the cash has been delayed from early 2022 to June 2023.

**QIP 1.0:** Public Hospitals (DPH's) began in 2017 and only the Public Hospitals includes Program Years 1 & 2

- PY1= 7/1/2017-6/30/2018
- PY2=7/1/2018-6/30/2019

**QIP 2.0:**Program Year 3=7/1/2019-6/31/2020 only Public Hospitals

QIP Program Year (PY) 3.5: July 1, 2020-December 31,2020 transition from Prime both DPHs & DMPHs

QIP Program Year (PY) 4: Began 1/1/2021 and was approved by CMS for 3 years to include DMPHs

QIP Program Year (PY) 5= January 1, 2022- December 31, 2022

QIP Program Year (PY) 6= January 1, 2023- December 31, 2023

# Premium Revenue – Humana MA (000's)

|                 | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   |
|-----------------|----------|----------|----------|----------|----------|----------|
| Premium Revenue | \$27,908 | \$33,880 | \$40,871 | \$50,903 | \$57,089 | \$69,495 |

In June 2017, Kaweah began taking global risk through a plan to plan agreement with Humana for their Medicare Managed lives. Kaweah owns 50% of Sequoia Integrated Health (SIH), an Integrated Delivery Network, which wholly owns Sequoia Health Plan, a limited licensed Knox-Keene health plan. Originally there were 8,000 members which has grown to 12,549 in 2022.

| Expense Side   | FY2018<br>8,146<br>members | FY2019<br>9,283<br>members | FY2020<br>10,650<br>members | FY2021<br>11,617<br>members | FY2022<br>12,549<br>members |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Purchase Services:<br>Capitated 3 <sup>rd</sup> Party Claims | \$17,429                   | \$19,151                   | \$23,441                    | \$34,758                    | \$38,443                    |
| Estimated Internal Claims<br>based on direct costs           | \$13,721                   | \$24,431                   | \$27,124                    | \$31,654                    | \$37,210                    |

# Management Revenue (000's)

|                    | FY 2018  | FY 2019  | FY2020   | FY2021   | FY2022   |
|--------------------|----------|----------|----------|----------|----------|
| Management Revenue | \$28,767 | \$31,751 | \$34,167 | \$34,167 | \$36,060 |

**SRCC- RO:** Sequoia Regional Cancer Center which provides management services to the Radiation Oncology Department of the Hospital. Kaweah owns 75%, Hanford Adventist 25%

**SRCC-MO:** Sequoia Regional Cancer Center Medical Oncology which provides management services to a Medical Oncology Physician Group in Visalia and Hanford. Kaweah owns 45%, SOMA 40%, 15% Hanford Adventist

## Expense Side

|                     | FY 2018  | FY 2019  | FY2020   | FY2021   | FY2022   |
|---------------------|----------|----------|----------|----------|----------|
| Management Expenses | \$28,241 | \$31,359 | \$34,447 | \$34,427 | \$34,977 |

# Other Income > Material Items

|   | ACTUAL      |             |               |             | BUDGET        |
|---|-------------|-------------|---------------|-------------|---------------|
|   | FY2019      | FY2020      | FY2021        | FY2022      | FY2023        |
| Retail Pharmacy                           | \$2,279,223 | \$3,545,312 | \$7,857,334   | \$9,014,270 | \$6,859,941   |
| The Lifestyle Center                      | \$2,066,556 | \$2,086,229 | \$814,841     | \$2,966,811 | \$3,210,000   |
| Health Homes                              | \$0         | \$0         | \$998,815     | \$2,799,996 | \$2,800,000   |
| Cafeteria Revenue                         | \$1,855,387 | \$1,822,669 | \$2,196,797   | \$2,238,841 | \$2,476,172   |
| Tax Revenue                               | \$763,336   | \$769,538   | \$1,551,980   | \$1,633,000 | \$1,632,773   |
| Behavioral Health Services - other op rev |             |             | \$1,903,568   | \$1,591,925 | \$1,769,895   |
| KDMF Blue Cross Incentive Program         | \$305,415   | \$319,919   | \$262,785     | \$1,317,648 | \$730,000     |
| KD Foundation Contribution                | \$656,878   | \$1,055,305 | \$1,362,486   | \$1,306,220 | \$963,200     |
| Kaweah Kids Center - Tuition              | \$530,959   | \$490,111   | \$893,888     | \$957,608   | \$958,000     |
| Pharmacy 340B Program                     | \$214,251   | \$640,718   | \$951,704     | \$699,665   | \$790,684     |
| Pharmacy Clinic Other Revenue             | \$179,277   | \$265,333   | \$543,228     | \$632,297   | \$556,812     |
| GME Family Medicine Grant                 | \$0         | \$92,628    | \$288,811     | \$458,375   | \$0           |
| RHC Other Revenue                         | \$0         | \$135,584   | \$365,724     | \$402,119   | \$383,950     |
| Sequoia Surgery Center                    | \$57,765    | \$343,564   | \$807,762     | \$400,726   | \$408,500     |
| DHCS Navigator Grant                      |             |             | \$86,977      | \$363,919   | \$408,500     |
| Well App Grant                            |             |             |               | \$227,600   | \$0           |
| MAHCC Clinic                              |             |             |               | \$263,100   | \$0           |
| Pharmacy & Family HRSA MD Program         | \$150,228   | \$181,789   | \$73,424      | \$249,504   | \$152,386     |
| Medical Record Sales                      | \$107,085   | \$128,815   | \$73,424      | \$206,569   | \$162,000     |
| Kaweah Korner                             | \$269,694   | \$270,782   | \$88,980      | \$156,851   | \$203,000     |
| SRCC Revenue                              | \$141,547   | \$155,273   | \$127,679     | \$131,718   | \$102,000     |
| MATT access points                        |             |             | \$145,829     | \$99,996    | \$0           |
| Diabetes Project Revenue                  | \$68,427    | \$55,522    | \$113,001     | \$90,102    | \$0           |
| Plant Fund Revenue                        | \$84,877    | \$84,953    | \$92,457      | \$79,621    | \$101,286     |
| Vendor Payment Discounts                  | \$98,843    | \$94,970    | \$51,340      | \$66,862    | \$111,100     |
| Sequoia Integrated Health                 | \$153,032   | \$138,600   | \$66,431      | \$20,867    | \$354,949     |
| GME VA Payments                           | \$65,861    | \$74,379    | \$65,783      | \$15,967    | \$78,000      |
| Income from Investments-Laurel CT         | \$0         | \$187,000   | \$77,000      | \$0         | \$143,000     |
| Quail Park Investment Income              | \$3,339,286 | \$231,000   | (\$1,137,149) | (\$989,038) | (\$1,112,646) |

# OPERATION: BACK IN BLACK

|                            |                       |                         |   |                                   |  |                                |  |  |
|----------------------------|-----------------------|-------------------------|---|-----------------------------------|--|--------------------------------|--|--|
| <b>\$47M</b>               | Revenue Cycle         | Contracts/<br>Underpmts | Supplies/<br>Contracted<br>Services   | Through-put                       | Humana MA                                  | Provider Related               | Employee Related                                 |  |
| <b>Impact</b>              | \$2.5M                | \$8M                    | \$4M  | \$8.6M                            | \$10M                                      | \$1M                           | \$12.7M  |  |
| <b>Director<br/>Owner</b>  | Frances Carrera       | Kim Ferguson            | Steve Bajari  | Rebekah Foster<br>/ Kassie Waters | Lori Mulliniks<br>/Sonia Duran-<br>Aguilar | Assigned Physician<br>Director | All Directors \$2.7M<br>Efficiency/\$4M Contract |  |
| <b>Executive<br/>Owner</b> | Malinda Tupper        | Malinda Tupper          | Malinda<br>Tupper/Jag Batth   | Jag Batth/Keri<br>Noeske          | Ryan Gates/Paul<br>Scholfield              | Ben Cripps/Exec Team           | Malinda/Keri/Dianne                              |  |
| <b>BOD meeting<br/>#1</b>  | Oct                   | Aug                     | Jul   | Monthly                           | Nov  | Dec                            | Jan  |  |
| <b>BOD meeting<br/>#2</b>  | Feb                   | Dec                     | Nov   | Monthly                           | Mar  | April                          | May  |  |
| <b>How</b>                 | Initiatives           | Initiatives             | Initiatives   | Initiatives                       | Initiatives                                | Focus Contracts-Ben            | Reduce Hours                                     |  |
|                            | Collections - focus   | Contracts               | Key Director<br>Champions   | Chartis Plan                      | KHMG Plan                                  | Contractual Opportunities      | - Productivity/monitoring                        |  |
|                            | Appeal Accountability | Underpayments           | Molly Niederreiter,<br>Christine Aleman,<br>James, McNulty,<br>Lawrence Headley,<br>Tendai Zinyemba<br>John Leal, Tony<br>Reyes, Jill Anderson<br>Kaweah Shares |                                   |  | Performance/Collections        | - Close Services                                 |  |
|                            | Denial prevention     | IGT negotiations        |   |                                   |  |                                |  | - Reduce utilization                         |
|                            | Service line focus    |                         |   |                                   |  |                                | Provider Documentation<br>Committee: Dr. Boone   | Reduce Rates                                 |
|                            | Charge Capture        |                         |   |                                   |  |                                | Gail Robinson, Keith<br>Adams, Teresa Boyce,     | Pay Practices- unsch OT..                    |
|                            | Self Pay Collections  |                         |   |                                   |  |                                | Malinda/ Keri/Jag/Ryan                           | Reduce Contract Labor:<br>*Retention efforts |
|                            |                       |                         |   |                                   |  |                                | *Contract Invoice Recon                          |  |
|                            |                       |                         |   |                                   |  |                                | *Shift bonus -increase<br>usage/lower rate       |  |
|                            |                       |                         |   |                                   |  |                                | *Patient Assignments                             |  |
|                            |                       |                         |   |                                   |  |                                | *Reduction in Force                              |  |

**OPERATION  
BACK IN  
BLACK**

Managed Care/Reimbursement Team

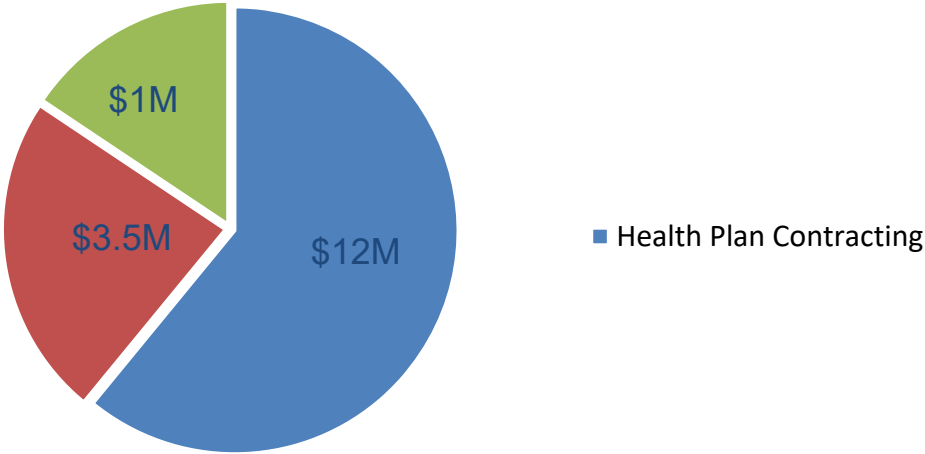
# Managed Care/Reimbursement Team

Health Plan Contracting: \$12M

Underpayment/Reimbursement Opportunities: \$3.5M

Revenue Opportunities or Savings \$1M

**TOTAL OBJECTIVE: \$16.5 MILLION**

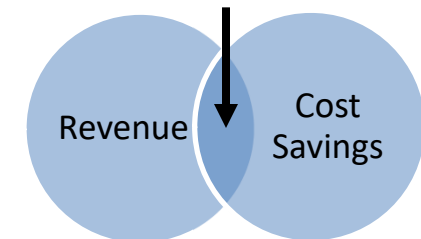




# Health Plan Contracting

**GOAL:** Increase Revenue Through Contract Negotiations By **\$12 Million**

## Contract Renegotiations



## REVENUE

- Unique Position With All Major Health Plan Contracts Presently In Their Renewal Period
  - A typical year results in two health plans being renegotiated for a two to three year window.
  - Presently, all seven major health plans are currently in negotiations
    - Permits an opportunity to negotiate higher reimbursements from the health plans
    - Address reimbursement reductions through health plan policies
    - New contract opportunities that will bring additional volume and revenue

## COST SAVINGS

- Opportunity to minimize the administrative burden and cost shifts from the health plans to Kaweah.
  - Improve contract terms to reduce denials & payment issues.
  - Address policy changes that reduce volumes and delay payments.
  - Rate structure changes to address cost increases, administrative burden and staffing resources.
    - Example: Change rate methodology to move away from daily authorizations required to authorization per case. This will reduce the amount of clinical staff hours used, reduce denials and improve timeliness of collections.

# Underpayments

**GOAL:** Achieve Underpayment Collections of **\$3.5 Million**

## **STRATEGY**

- Fully Staffed
  - (3 FTE's Focused On Revenue Opportunities) (Prior Years, 1 FTE With 2 Open Positions)
  - Increased bandwidth to identify underpayment and revenue enhancement opportunities
  - Cerner contract pricing system managed by same team that negotiates contracts providing expected payment information at a high accuracy rate. This reduces the amount of time the staff have to manually price claims, streamlines the audit and clearly identifies potential underpayments.
- Strategic Coordination of Underpayment Audits
  - Review "high dollar" service lines quarterly
  - Ensure all other service lines are reviewed bi-monthly, quarterly, or annually depending upon volume and dollar impact.
- Cross Department Collaboration
  - Share audit findings with impacted departments to improve efficiencies around securing revenue quicker, reducing denials, and preventing underpayments.
  - Recent examples of audit findings resulting in potential process improvements:
    - Implant Invoice Project
    - L Code Project – Adjustment to coding resulting in payable implants that were previously not being paid.
    - Urgent Care Underpayments



# Other Projects

## – Service Line Audit

- ex: Review billing of lab and x-ray at urgent care, opportunities for additional revenue

## – Chargemaster Changes

- Update areas where charges have dropped below contracted rates

## – Trauma Program Updates

- Trauma criteria changed in 2022, currently updating contracts, billing and coding to adhere to new guidelines which will drive additional reimbursement.

## – Transportation Initiative

- Reduce the cost of ambulance fees to Kaweah

## – Long Stay Committee

- Providing support to committee on laws, regulations and payer obligations to reduce barriers to discharge.

## – Case Management Denials

- Specific to procedural/placement denials and health plan delays (not medical necessity), working with our Attorneys to develop letter templates to appeal these types of denials.

# Statistical Report

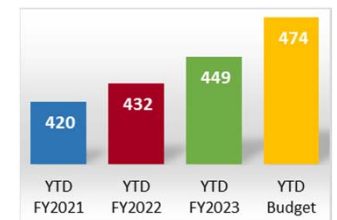
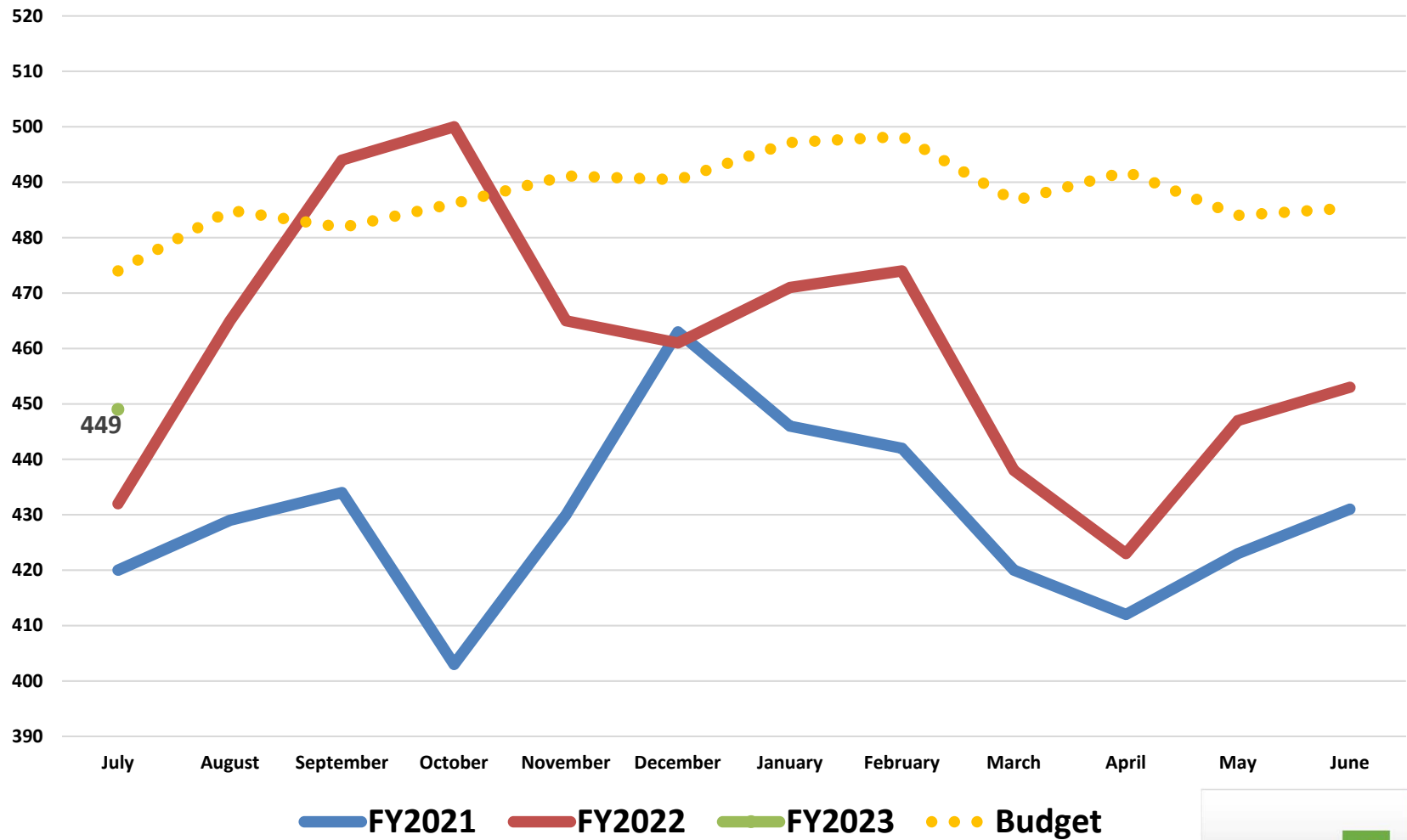
## July 2022



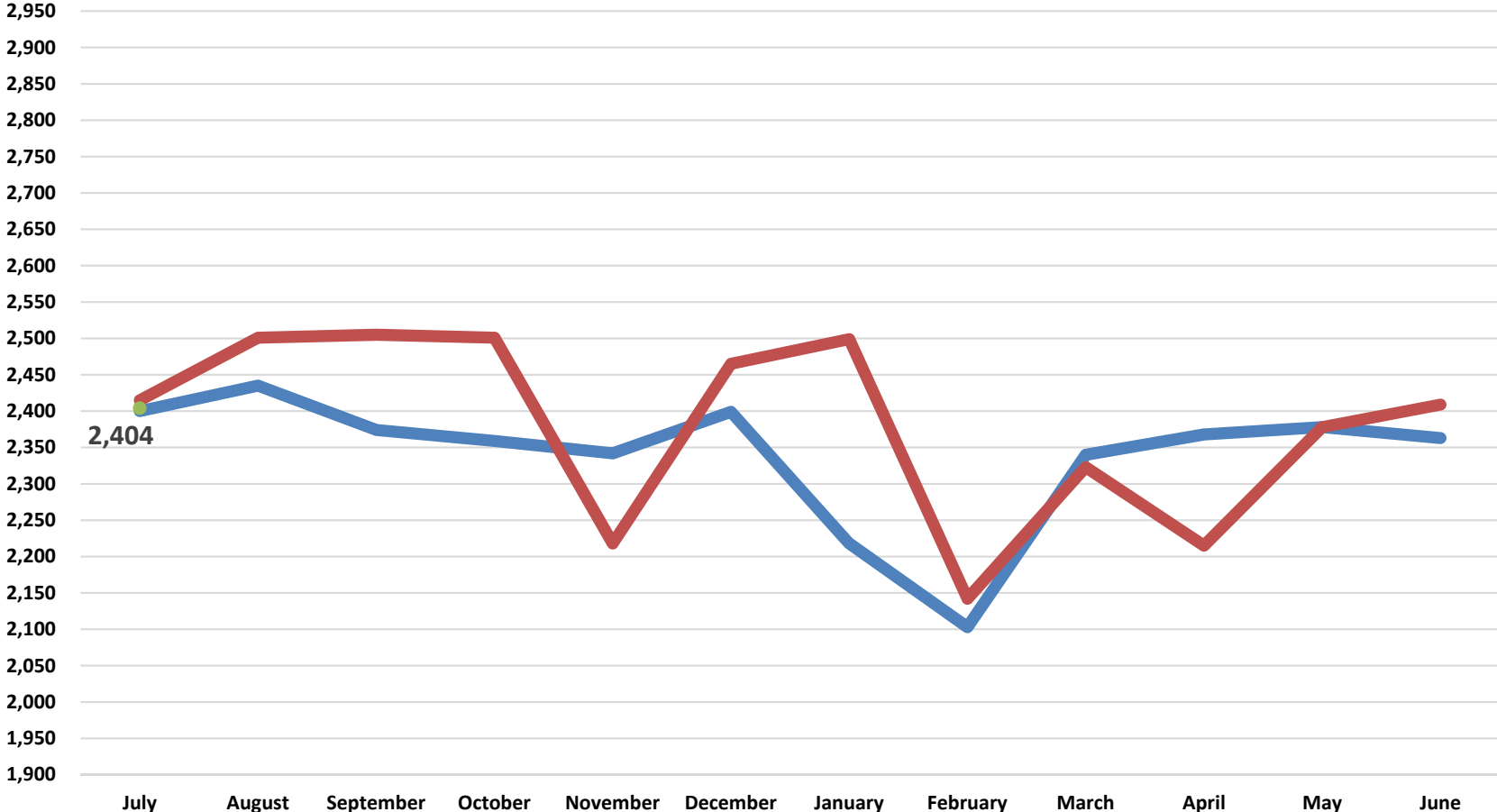
[kawahhealth.org](https://www.kawahhealth.org)



# Average Daily Census



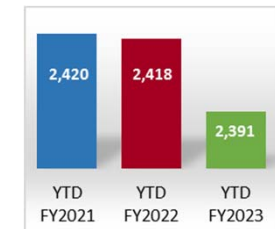
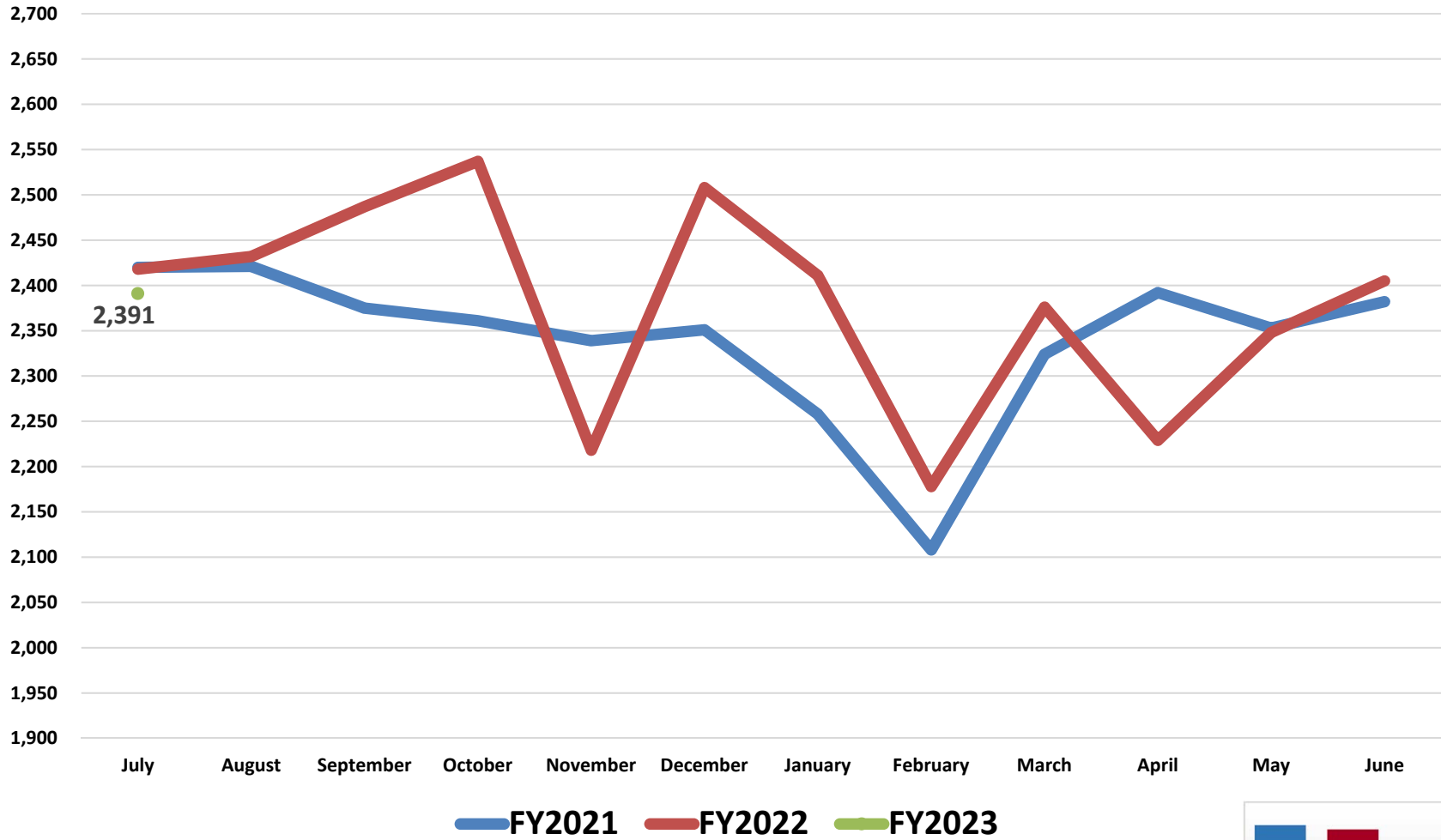
# Admissions



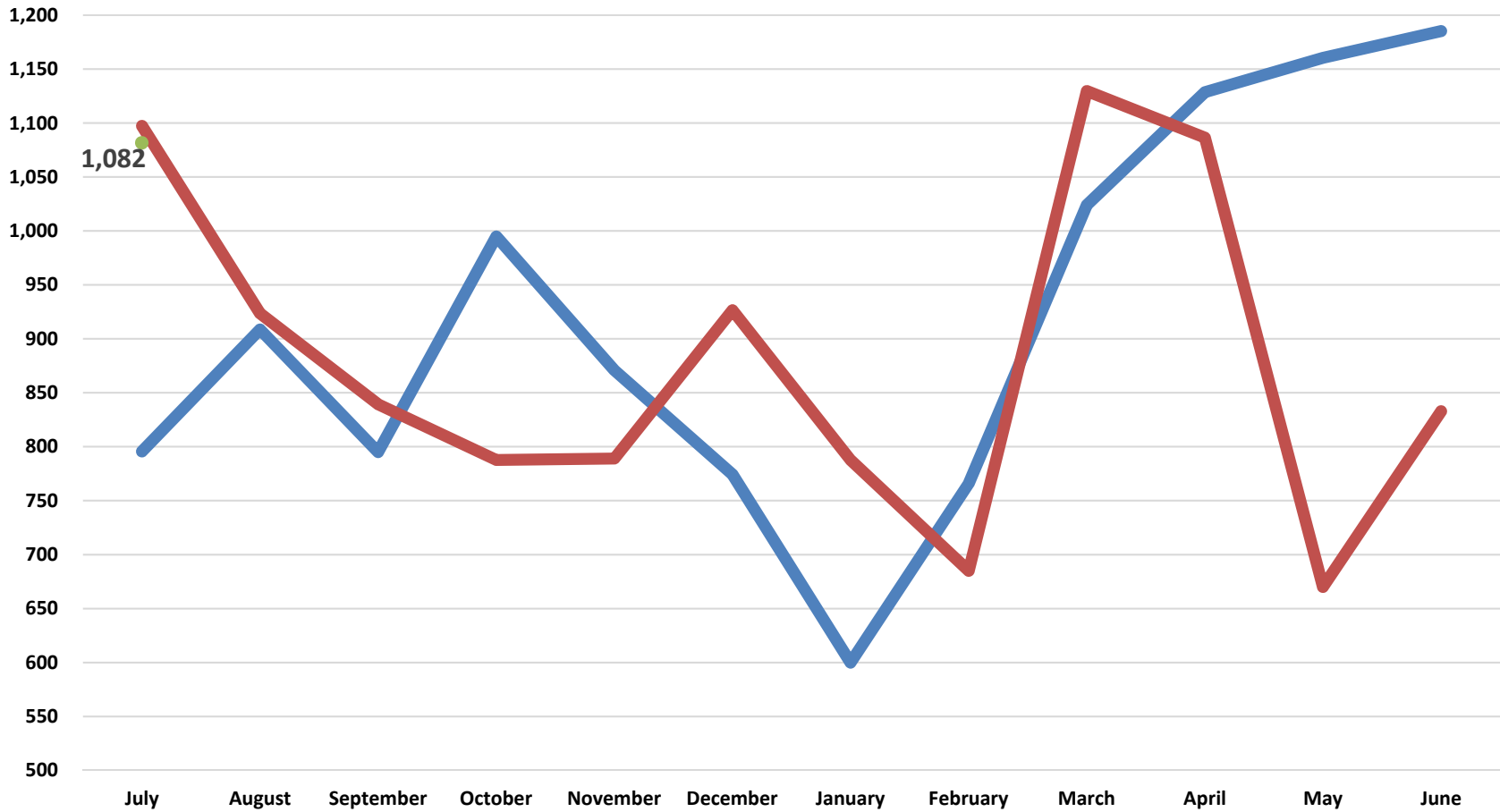
— FY2021 — FY2022 — FY2023



# Discharges



# Observation Days

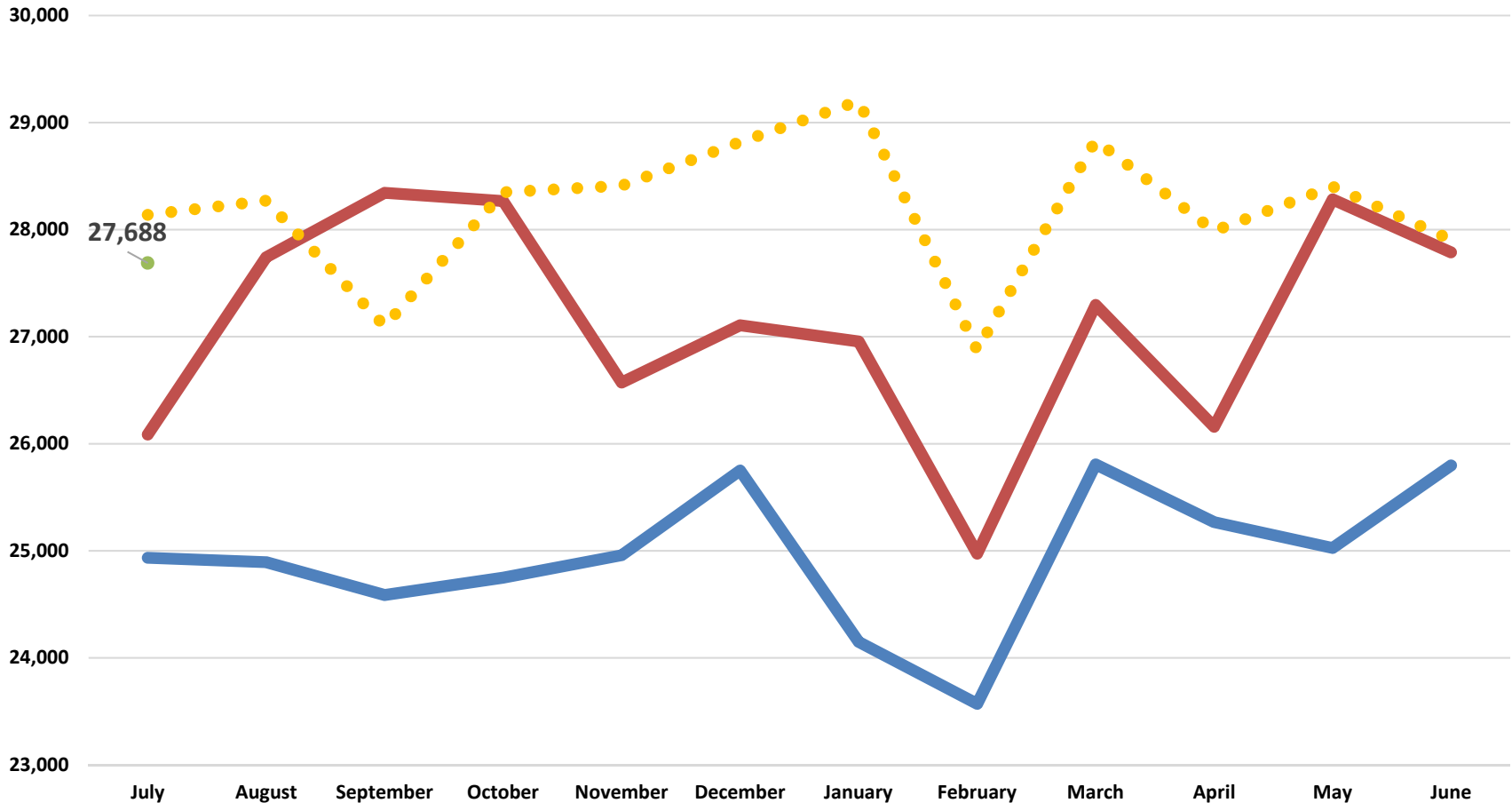


— FY2021 — FY2022 — FY2023

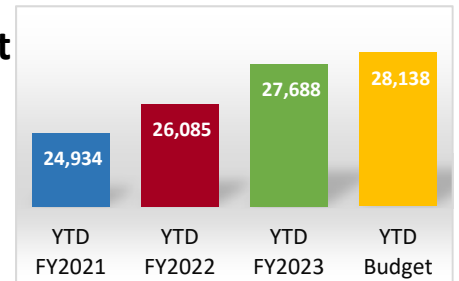




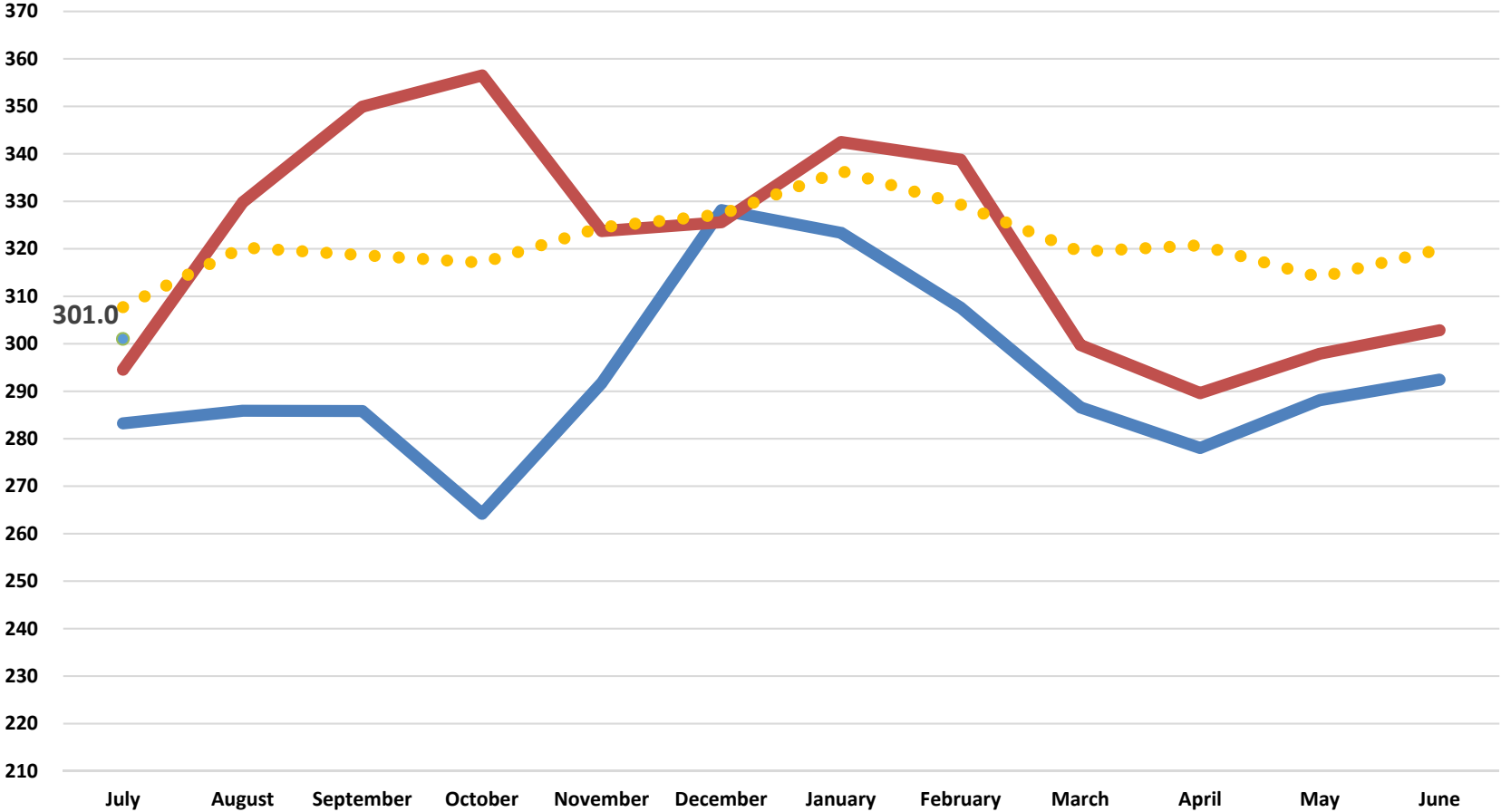
# Adjusted Patient Days



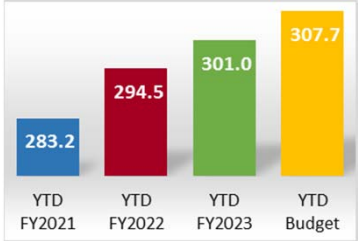
— FY2021   
 — FY2022   
 — FY2023   
 ••• Budget



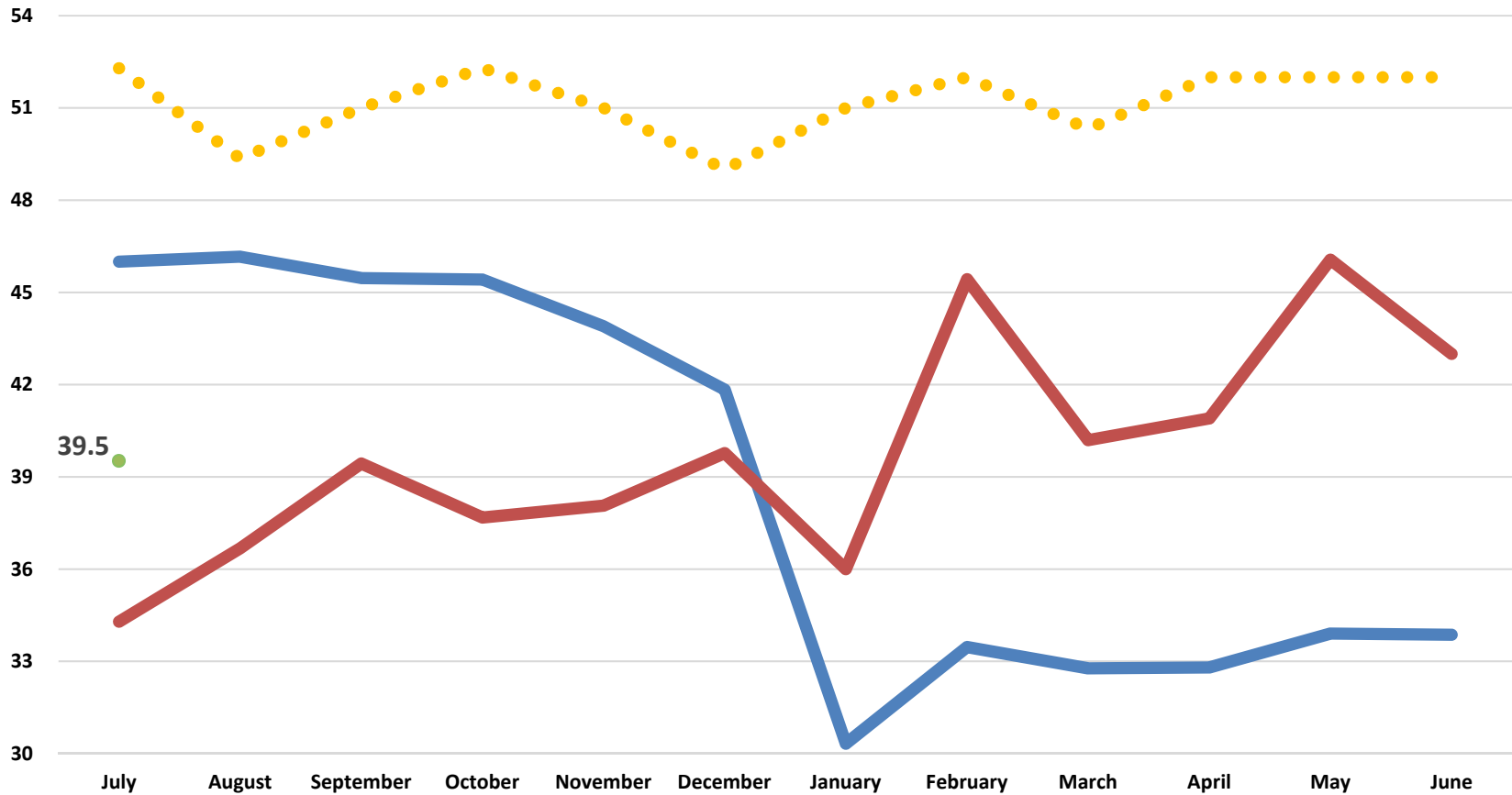
# Medical Center – Avg. Patients Per Day



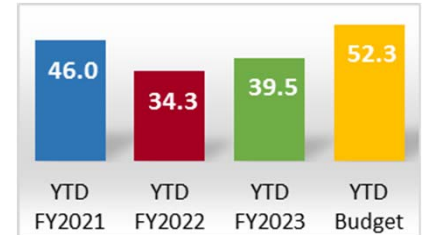
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



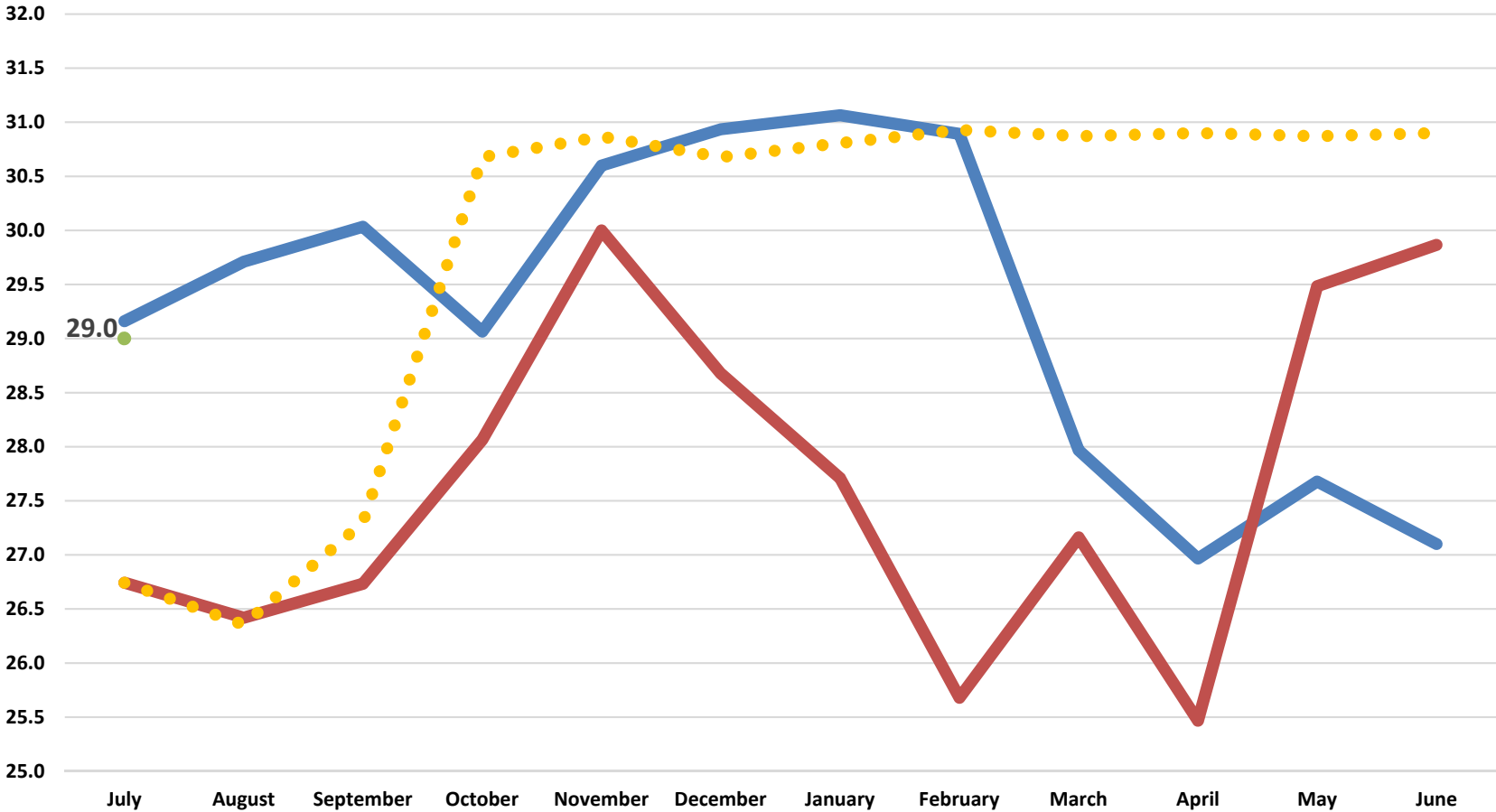
# Acute I/P Psych - Avg. Patients Per Day



— FY2021   
 — FY2022   
 — FY2023   
 ••• Budget



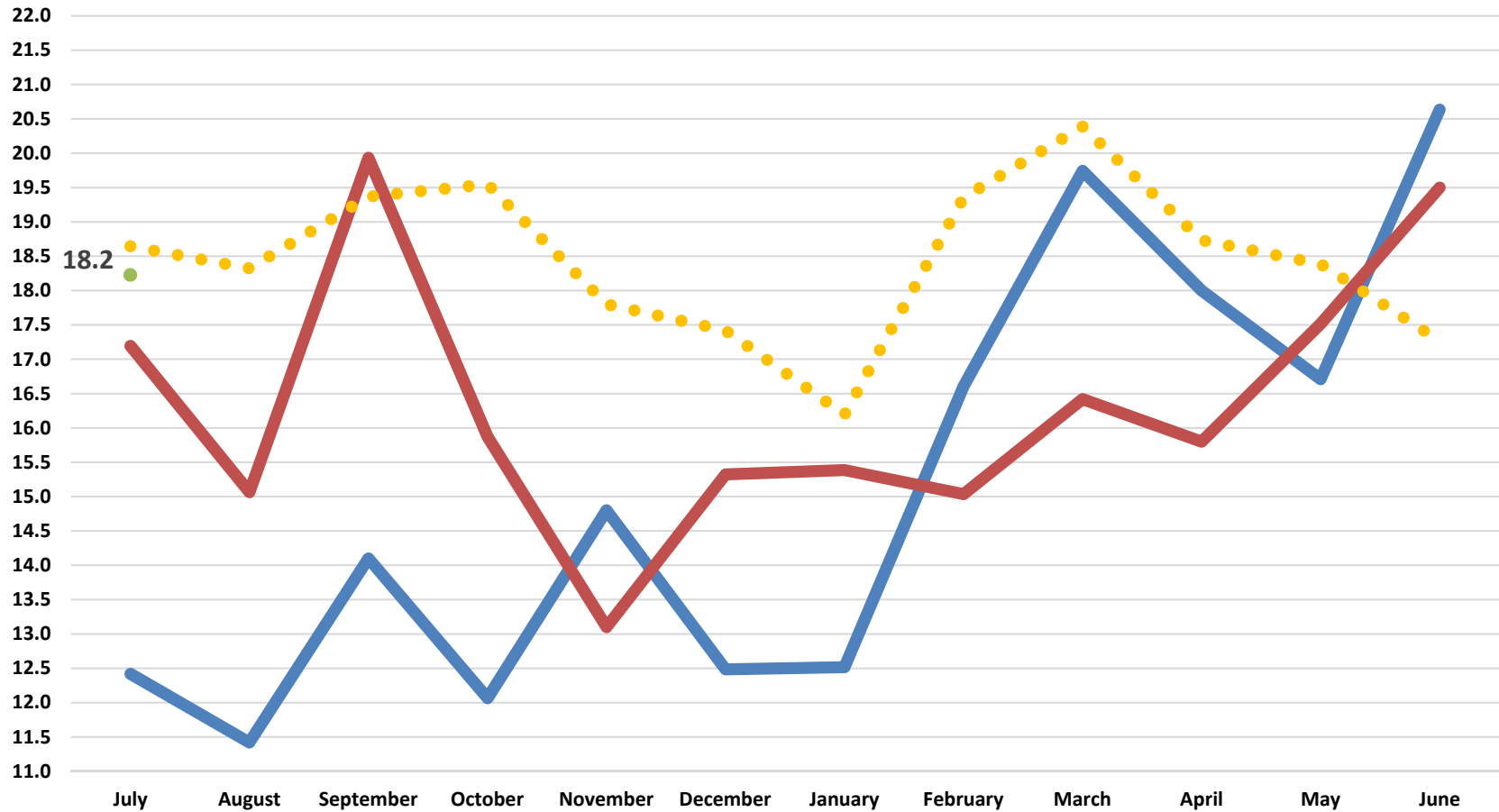
# Sub-Acute - Avg. Patients Per Day



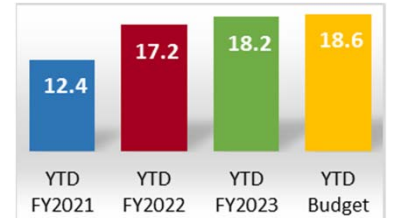
—● FY2021   
 —● FY2022   
 —● FY2023   
 ●●● Budget



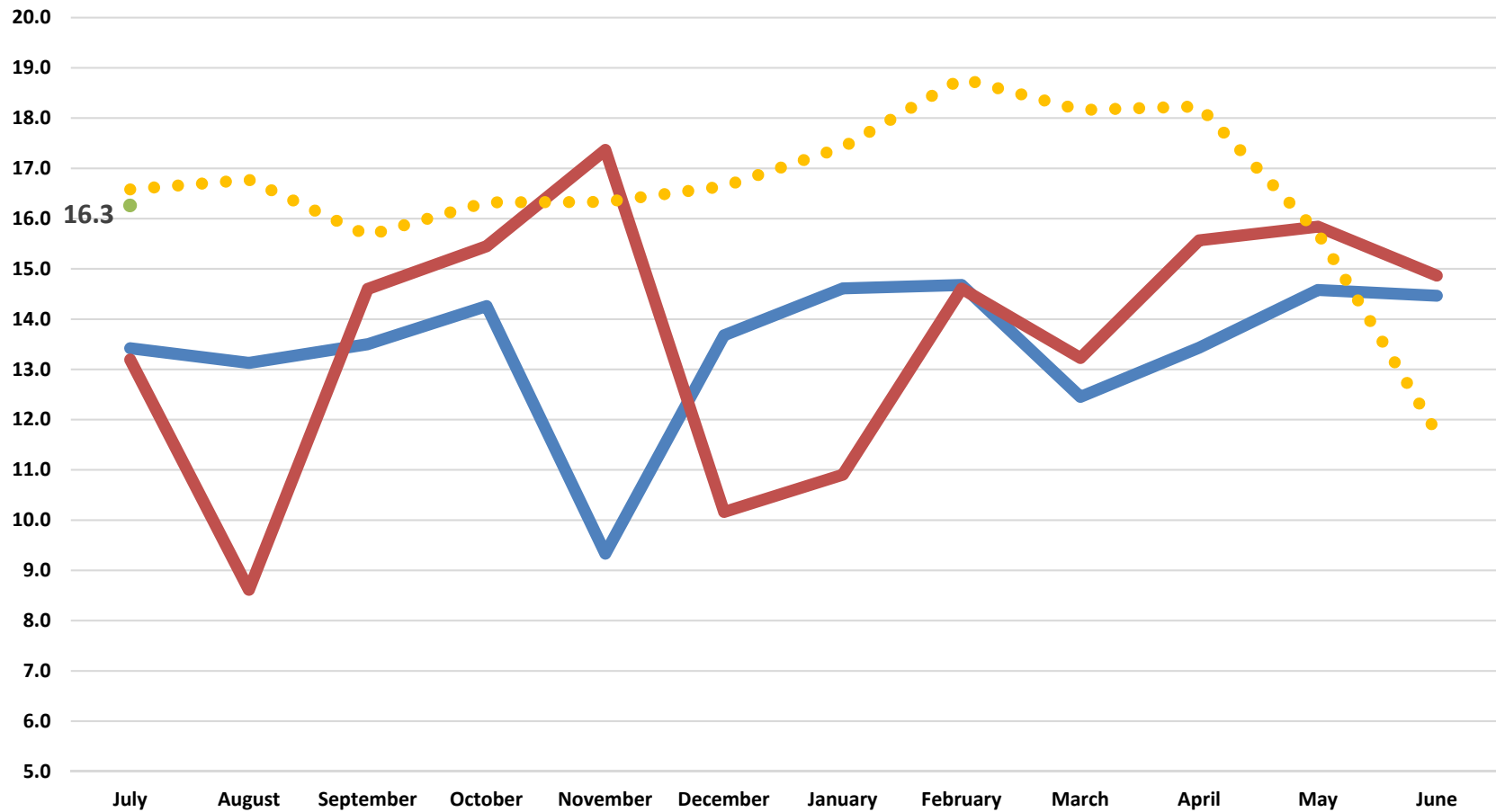
# Rehabilitation Hospital - Avg. Patients Per Day



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



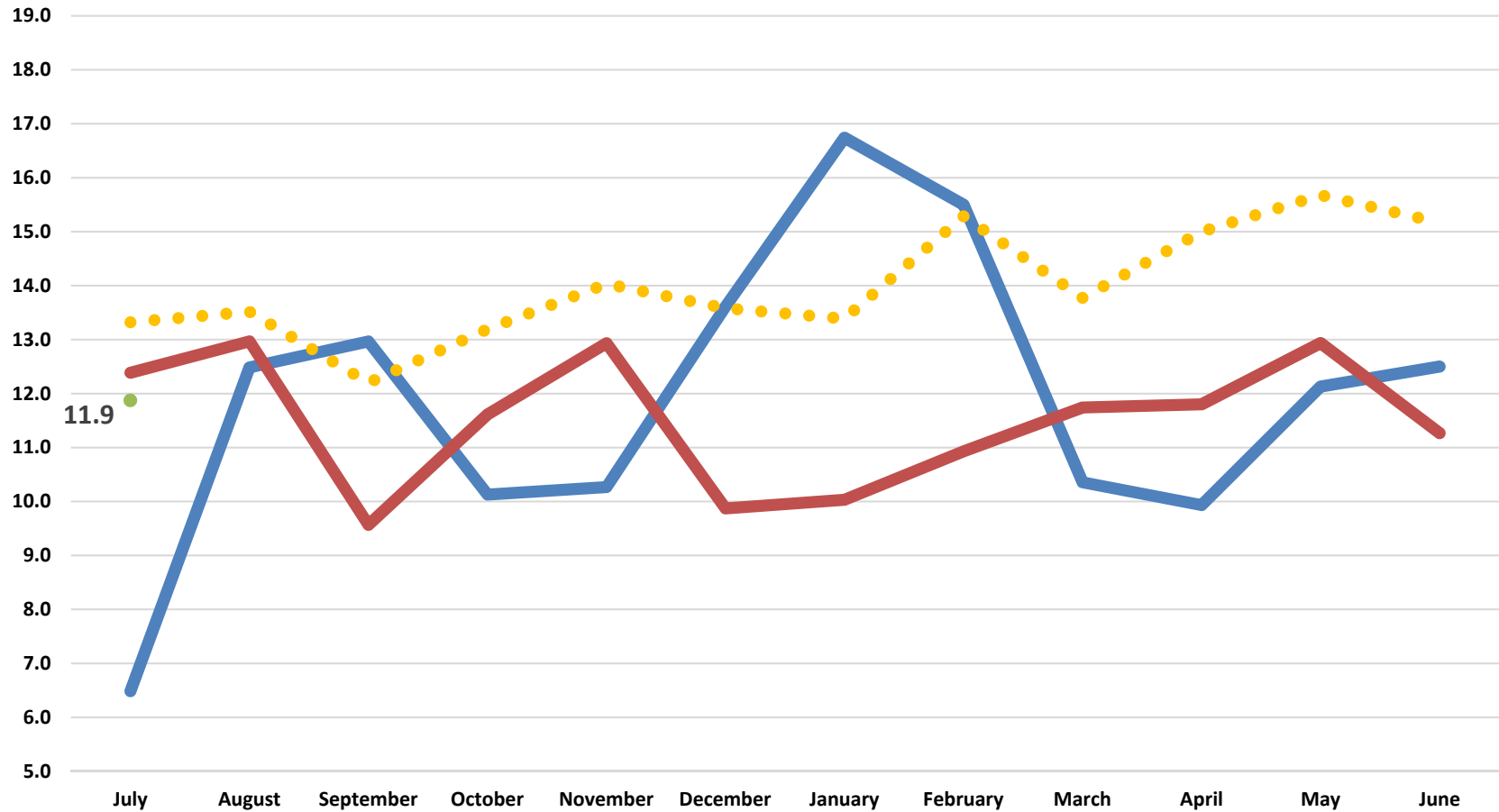
# Transitional Care Services (TCS) - Avg. Patients Per Day



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



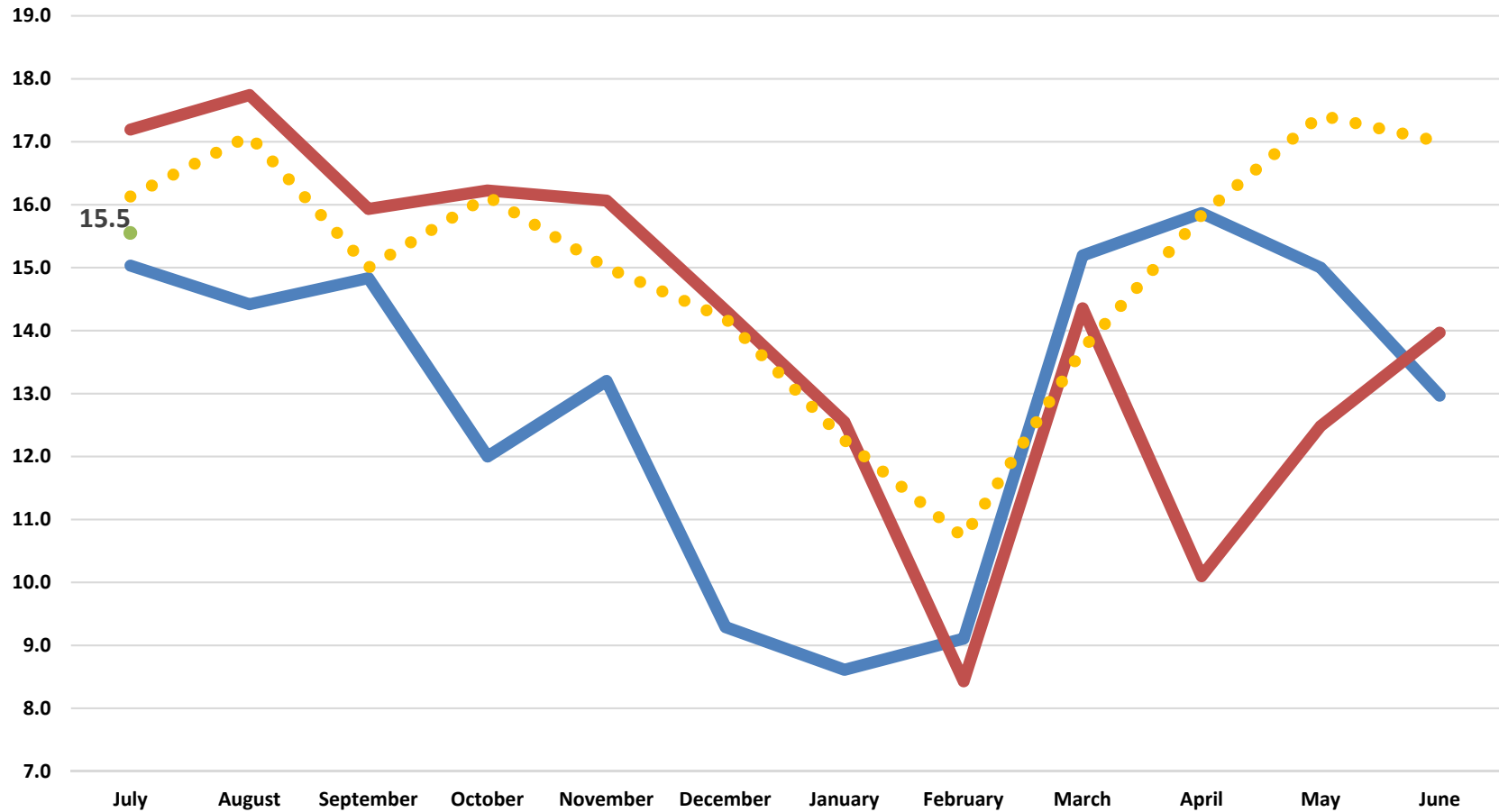
# TCS Ortho - Avg. Patients Per Day



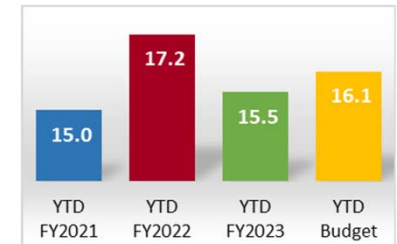
— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget



# NICU - Avg. Patients Per Day

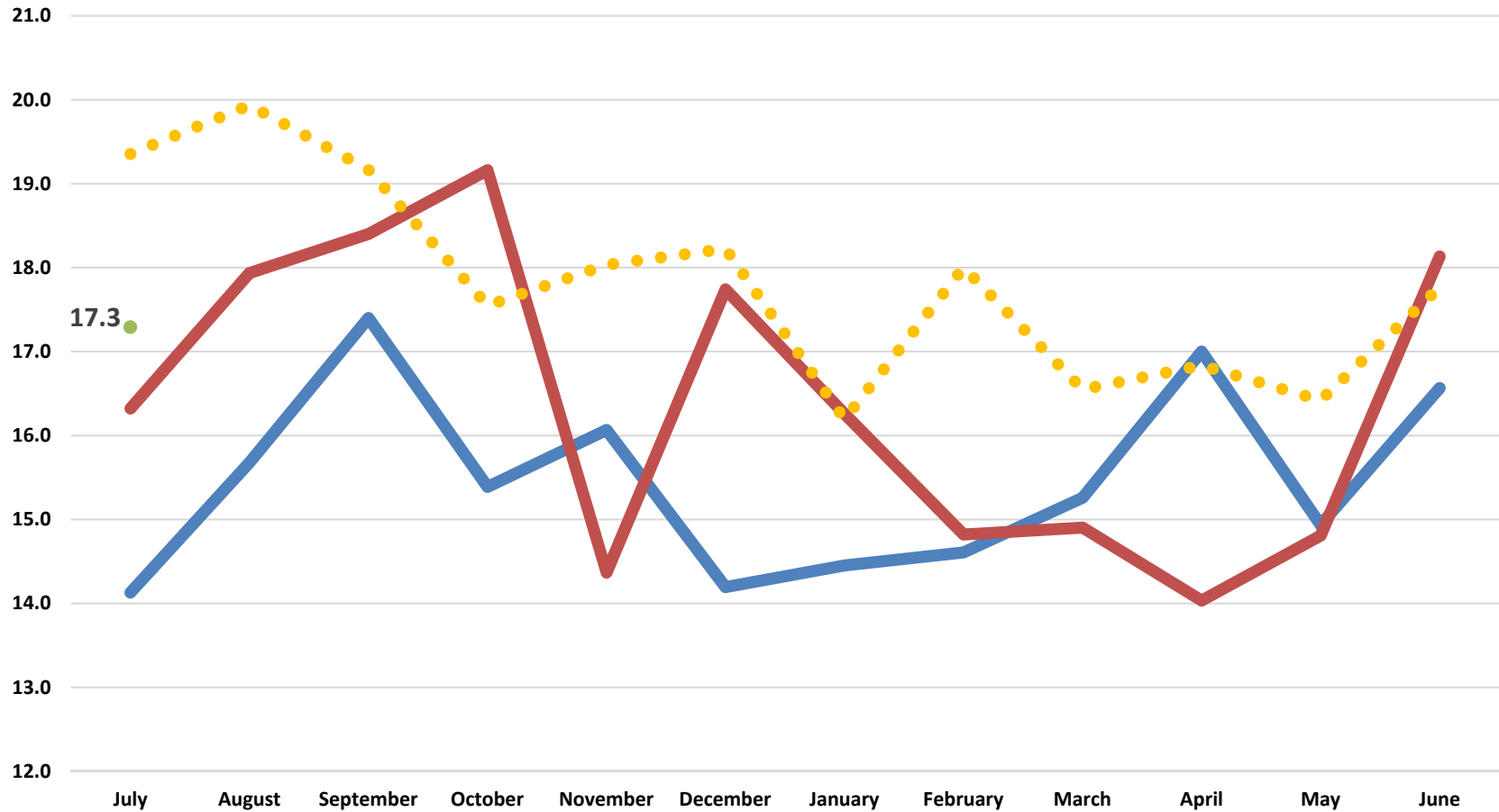


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget





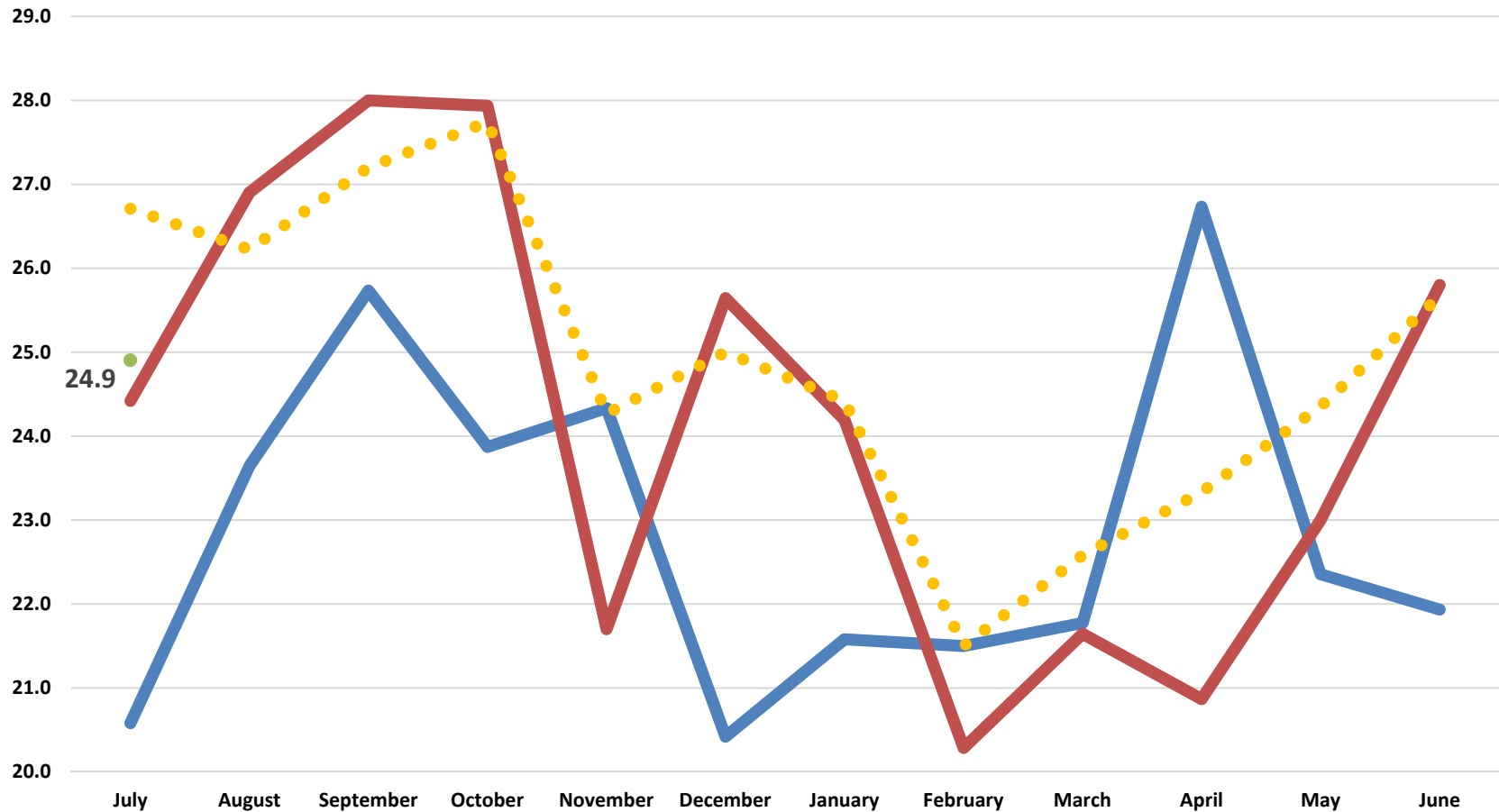
# Nursery - Avg. Patients Per Day



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 14.1          | 16.3          | 17.3          | 19.4          |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

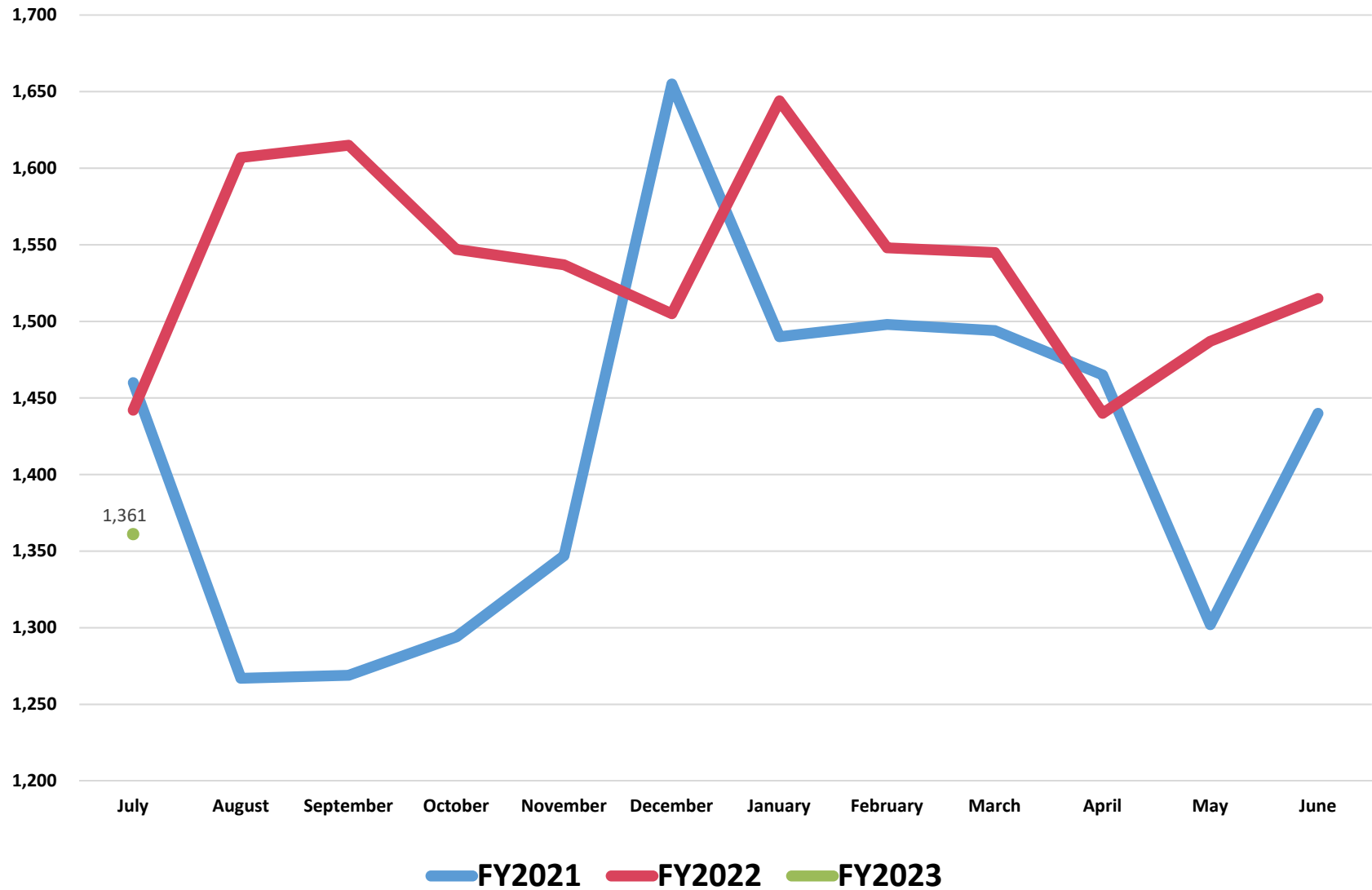
# Obstetrics - Avg. Patients Per Day



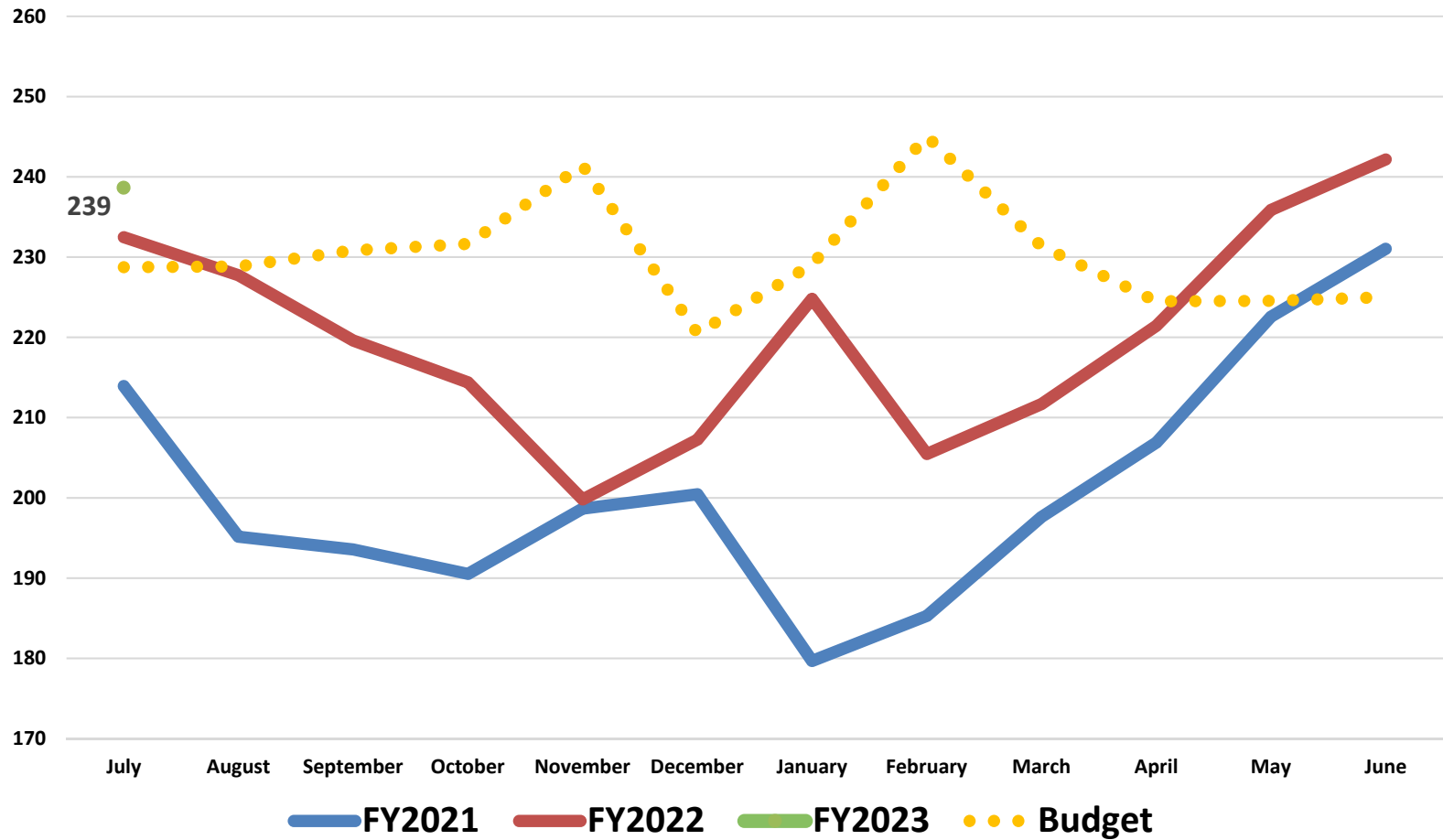
—● FY2021   
 —● FY2022   
 —● FY2023   
 ●●● Budget



# Outpatient Registrations per Day

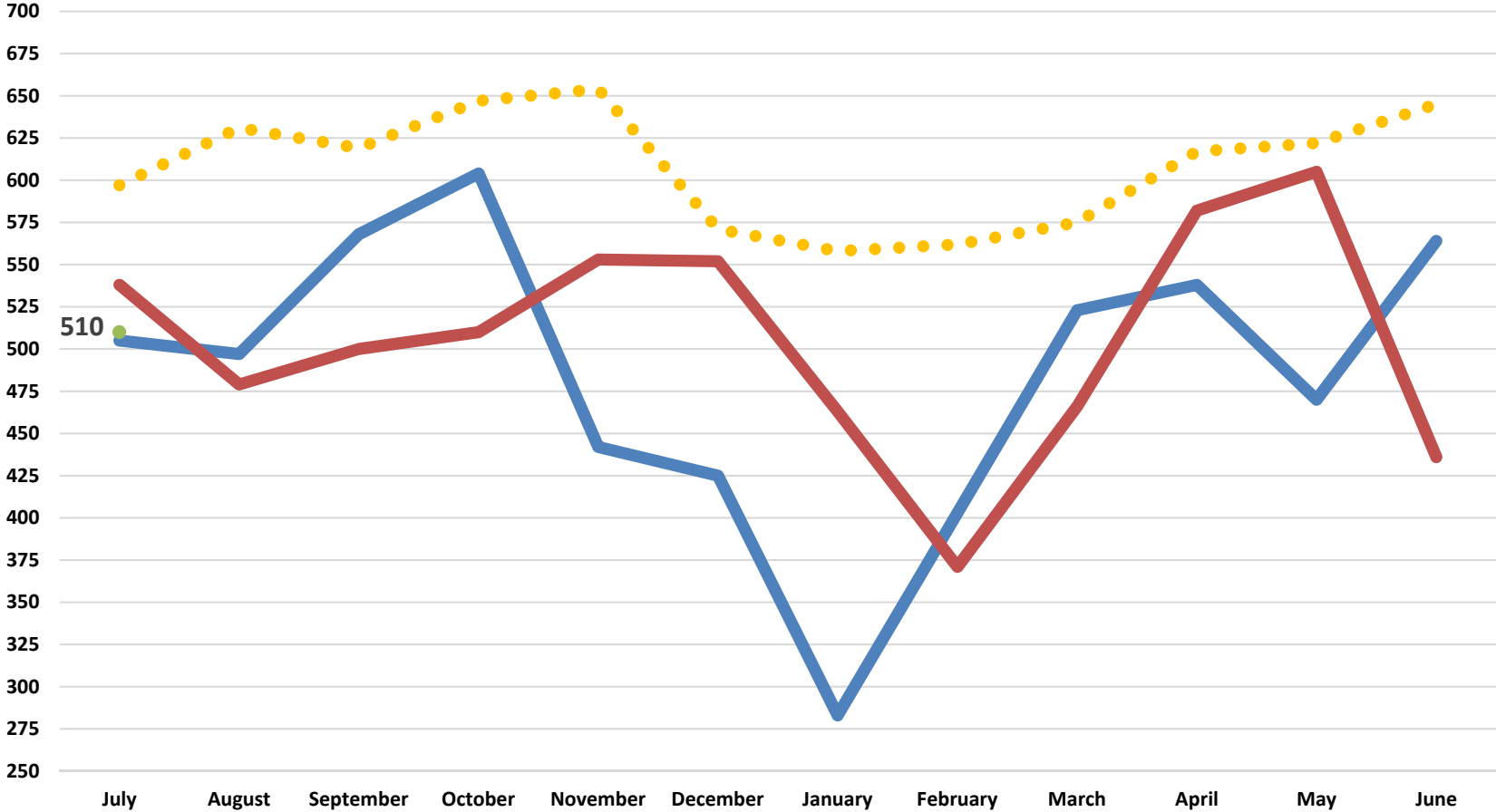


# Emergency Dept – Avg Treated Per Day

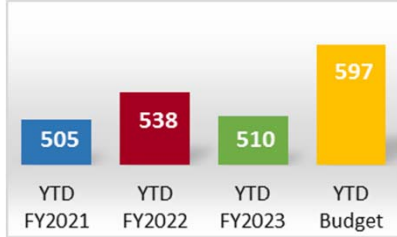


|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 214           | 232           | 239           | 229           |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

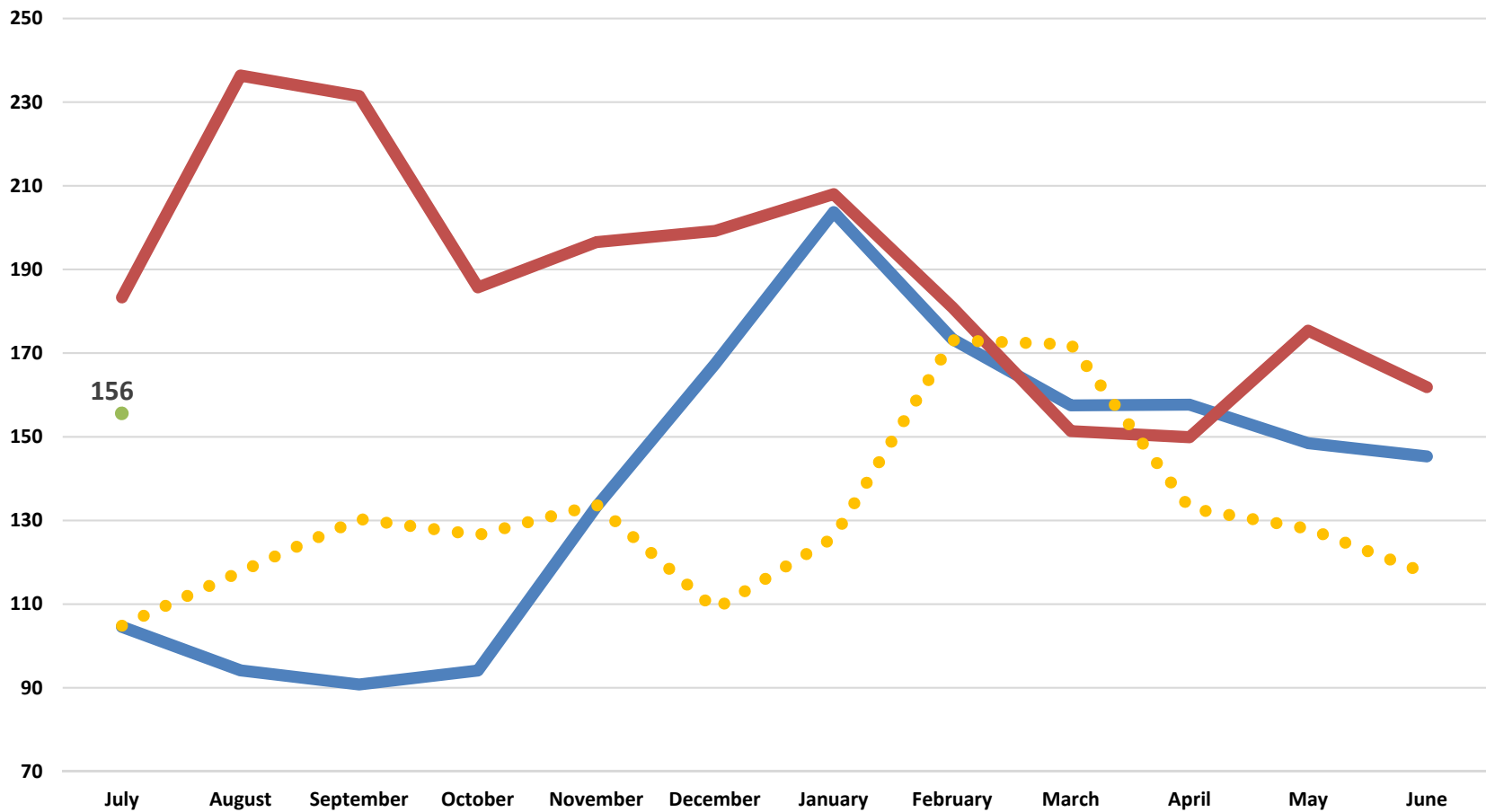
# Endoscopy Procedures



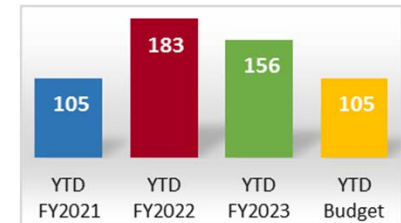
—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**



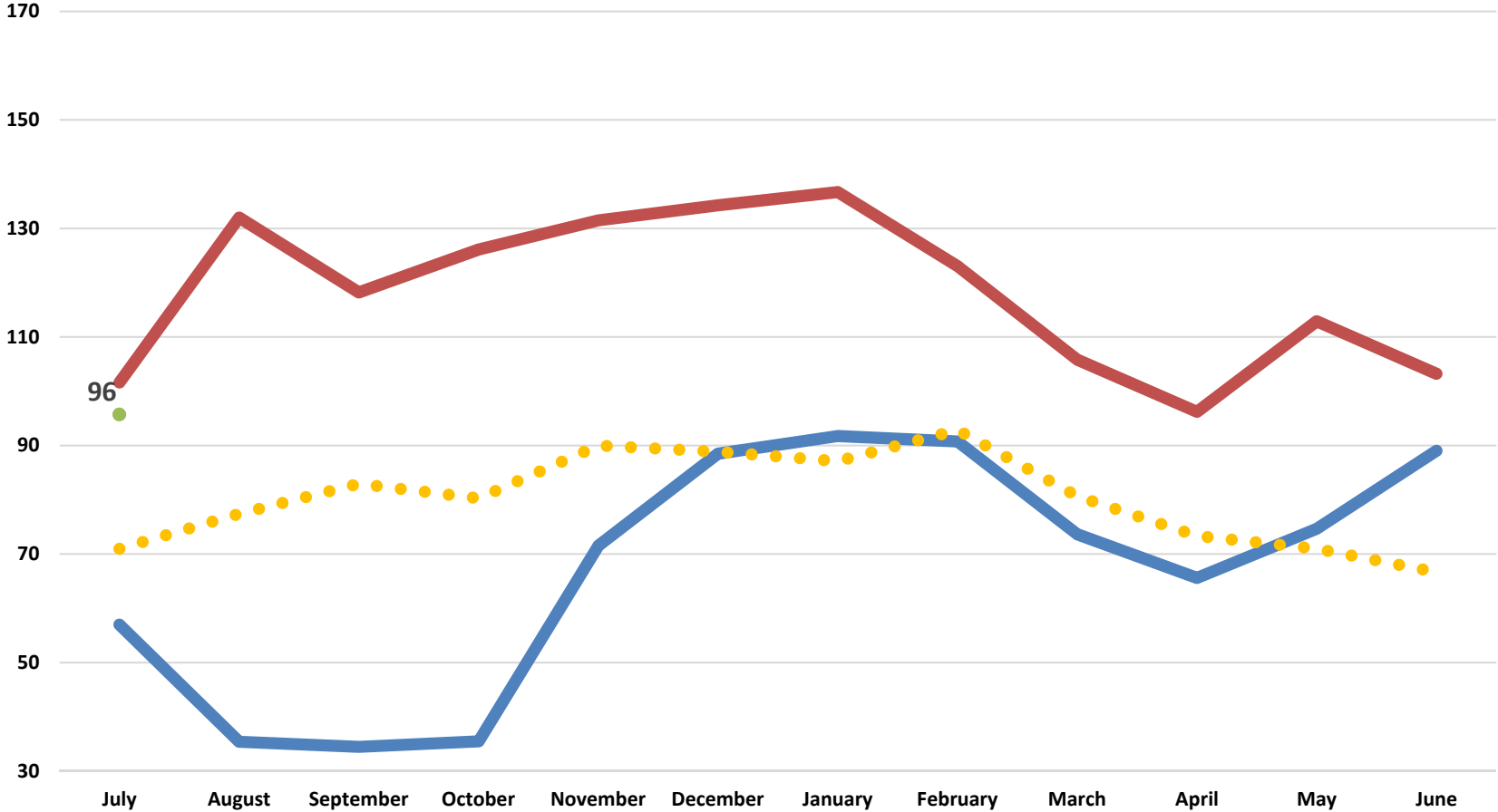
# Urgent Care – Court Average Visits Per Day



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



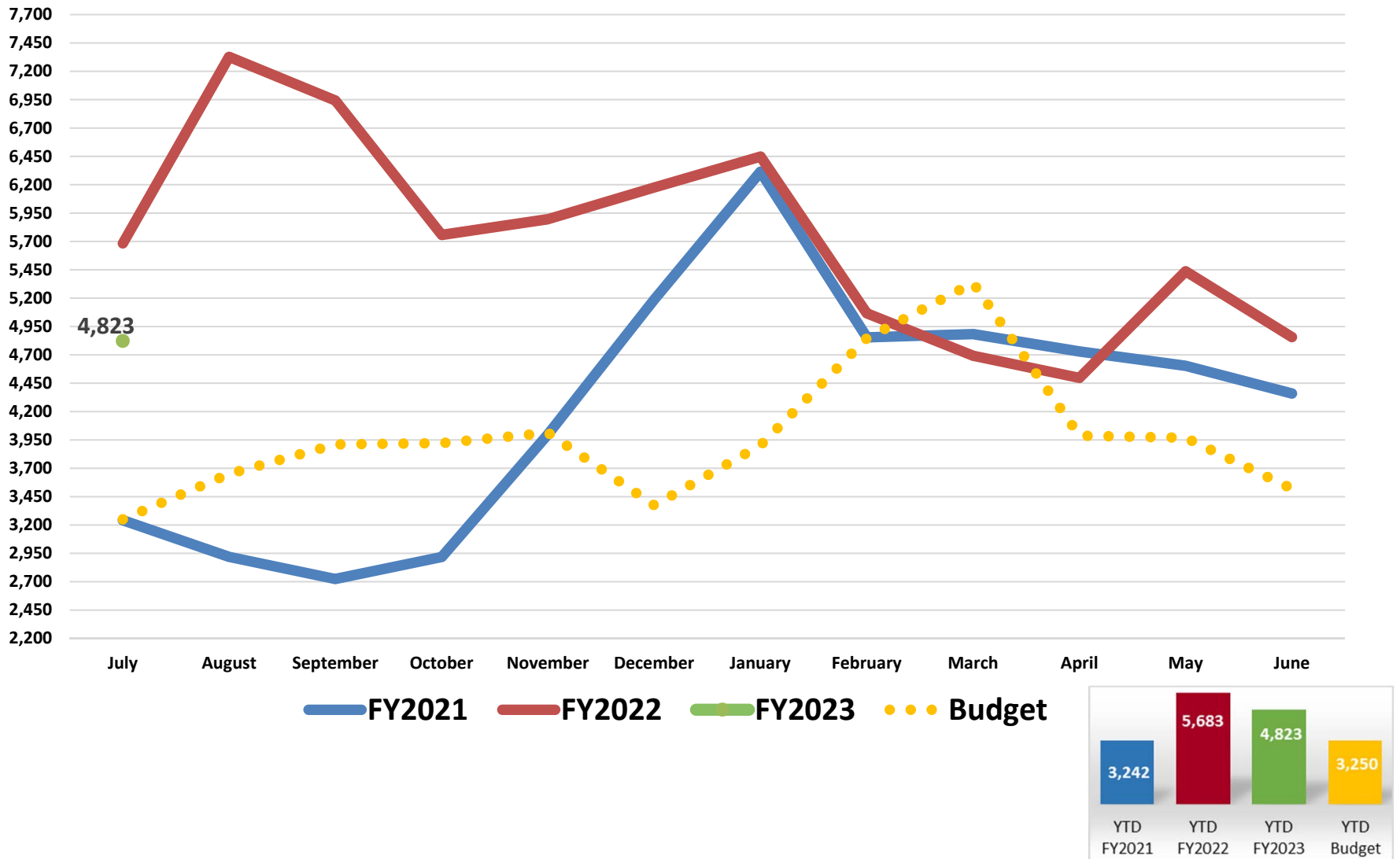
# Urgent Care – Demaree Average Visits Per Day



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

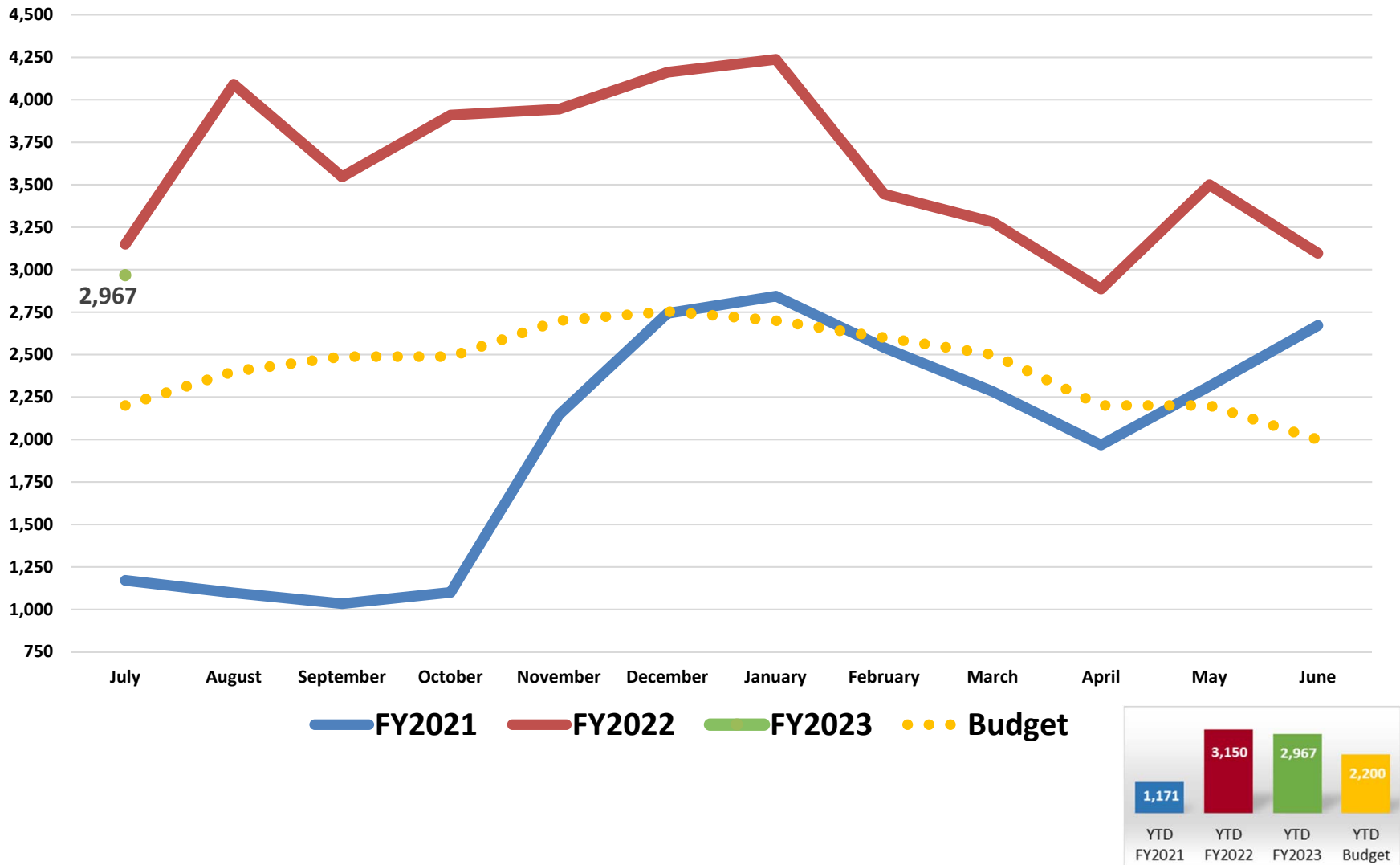


# Urgent Care – Court Total Visits

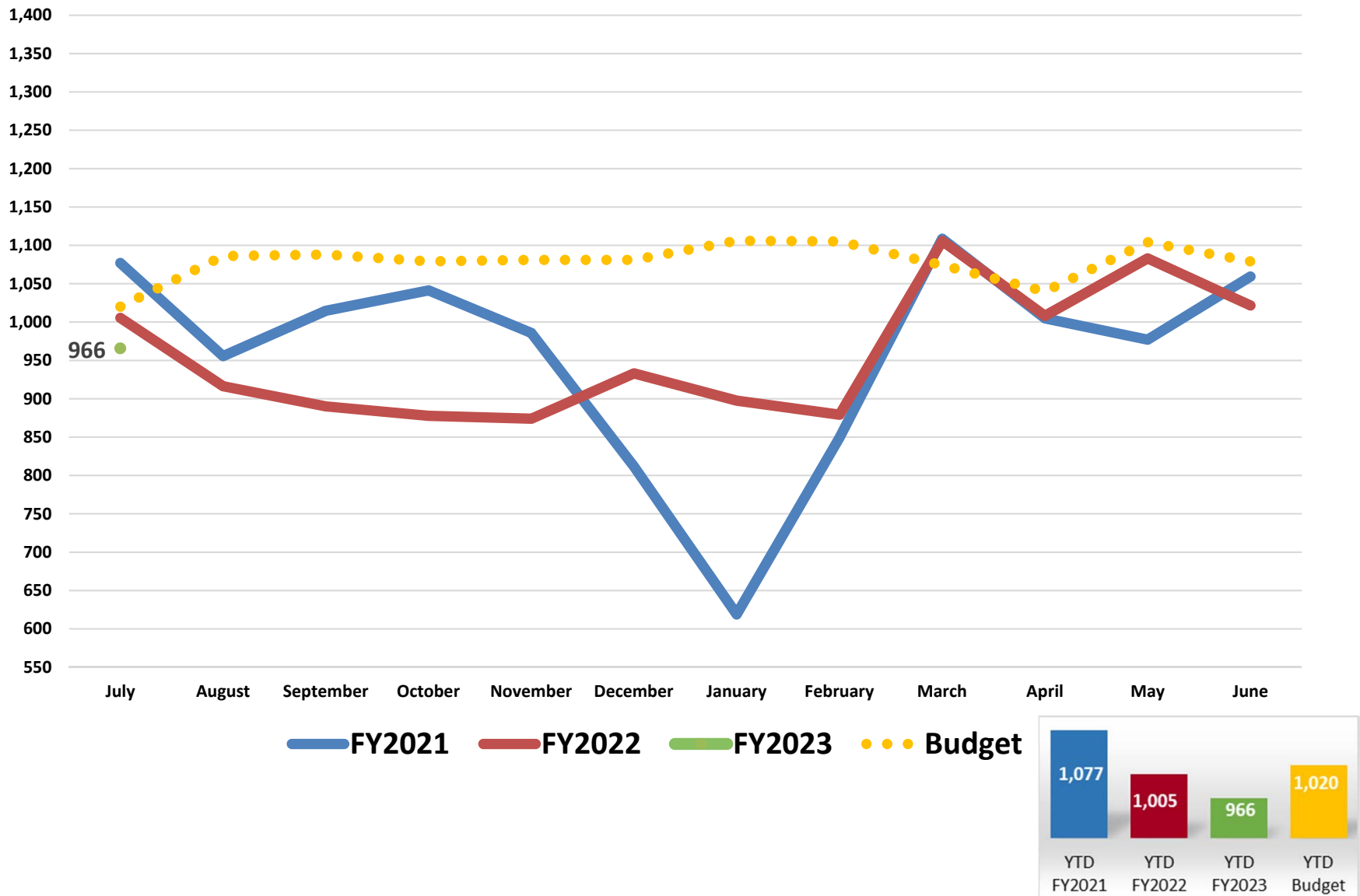




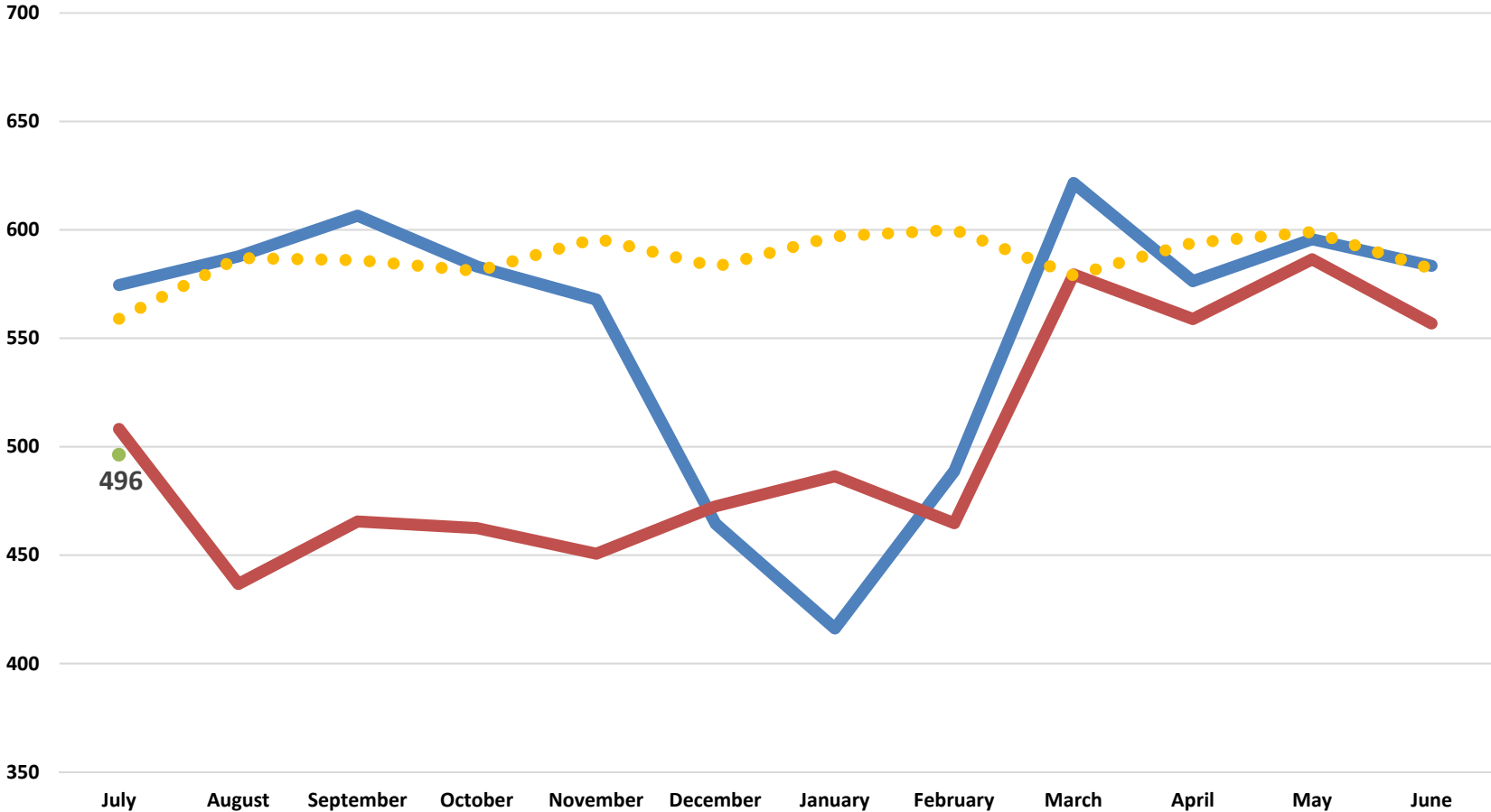
# Urgent Care – Demaree Total Visits



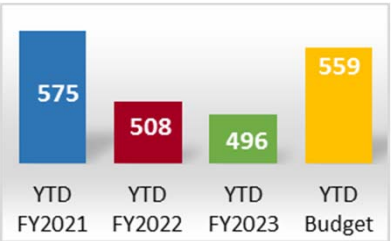
# Surgery (IP & OP) – 100 Min Units



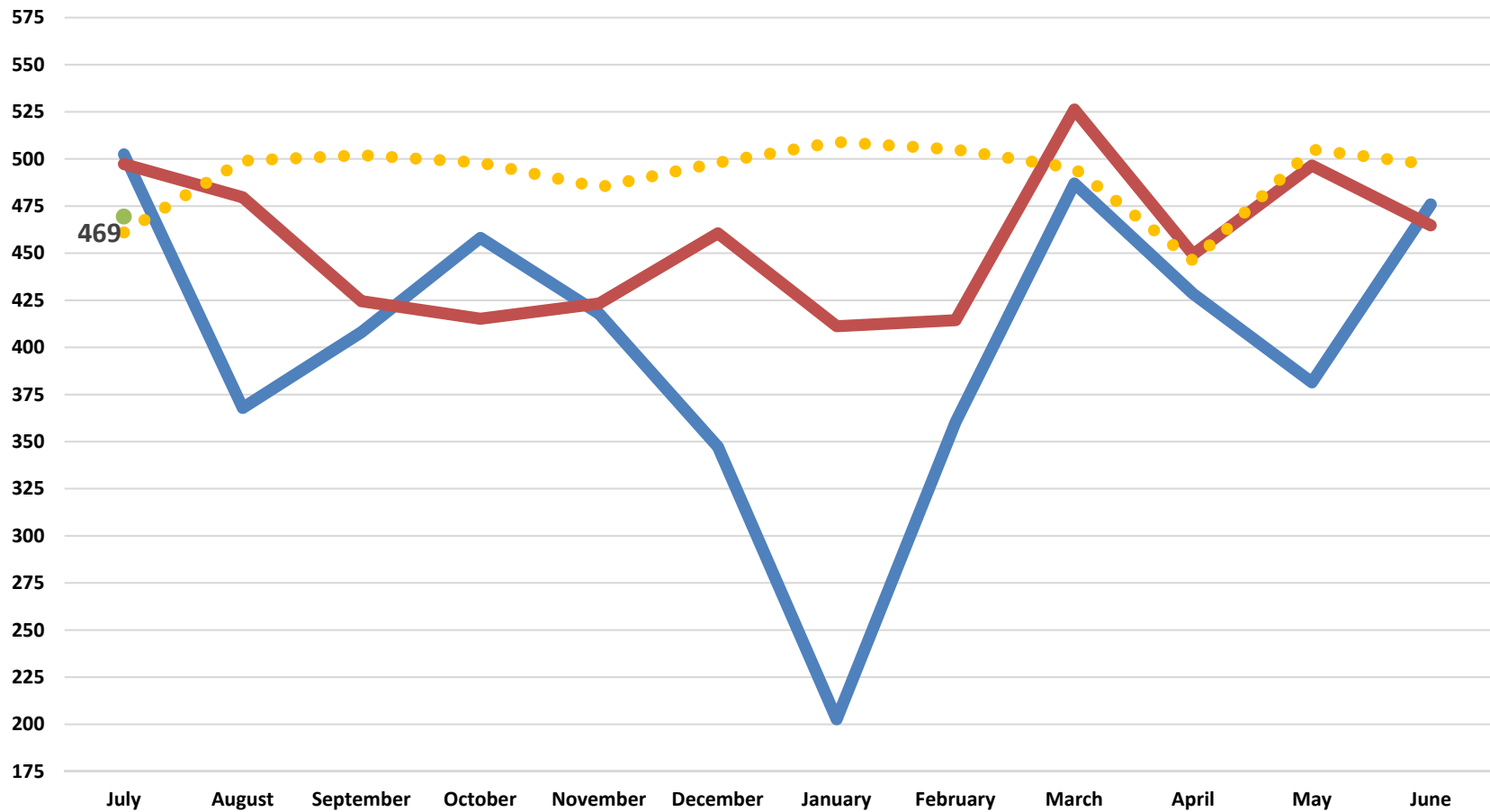
# Surgery (IP Only) – 100 Min Units



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



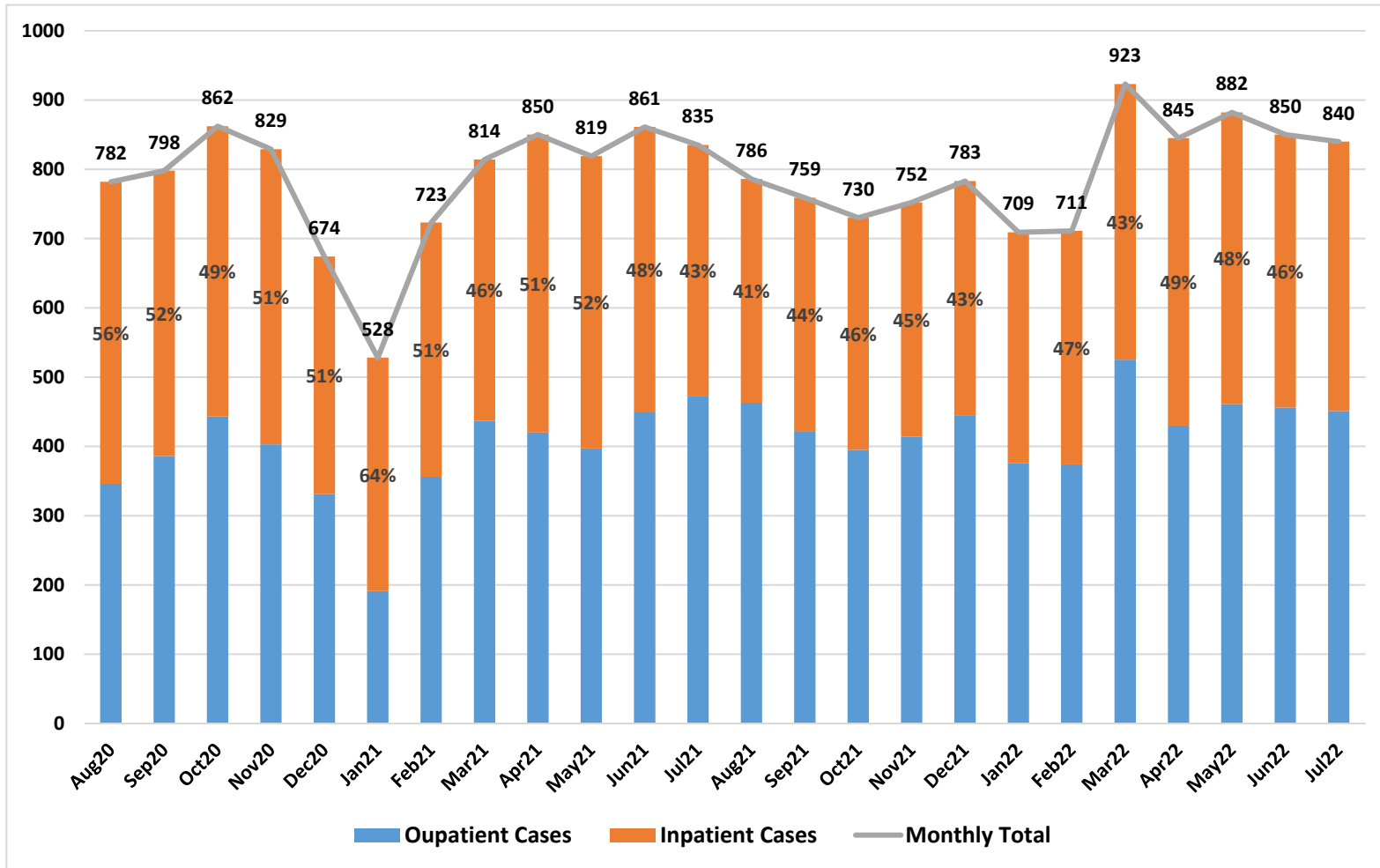
# Surgery (OP Only) – 100 Min Units



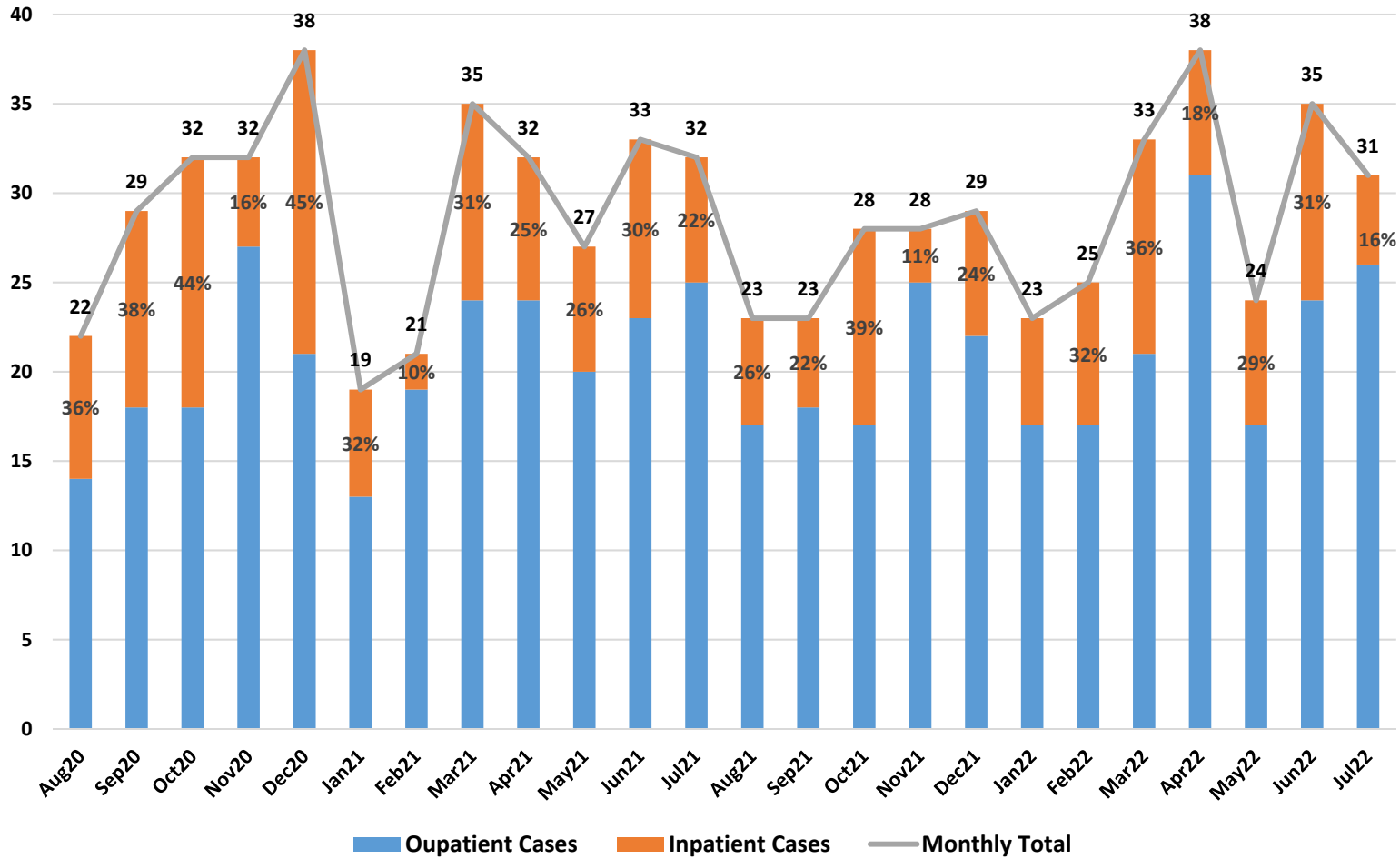
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



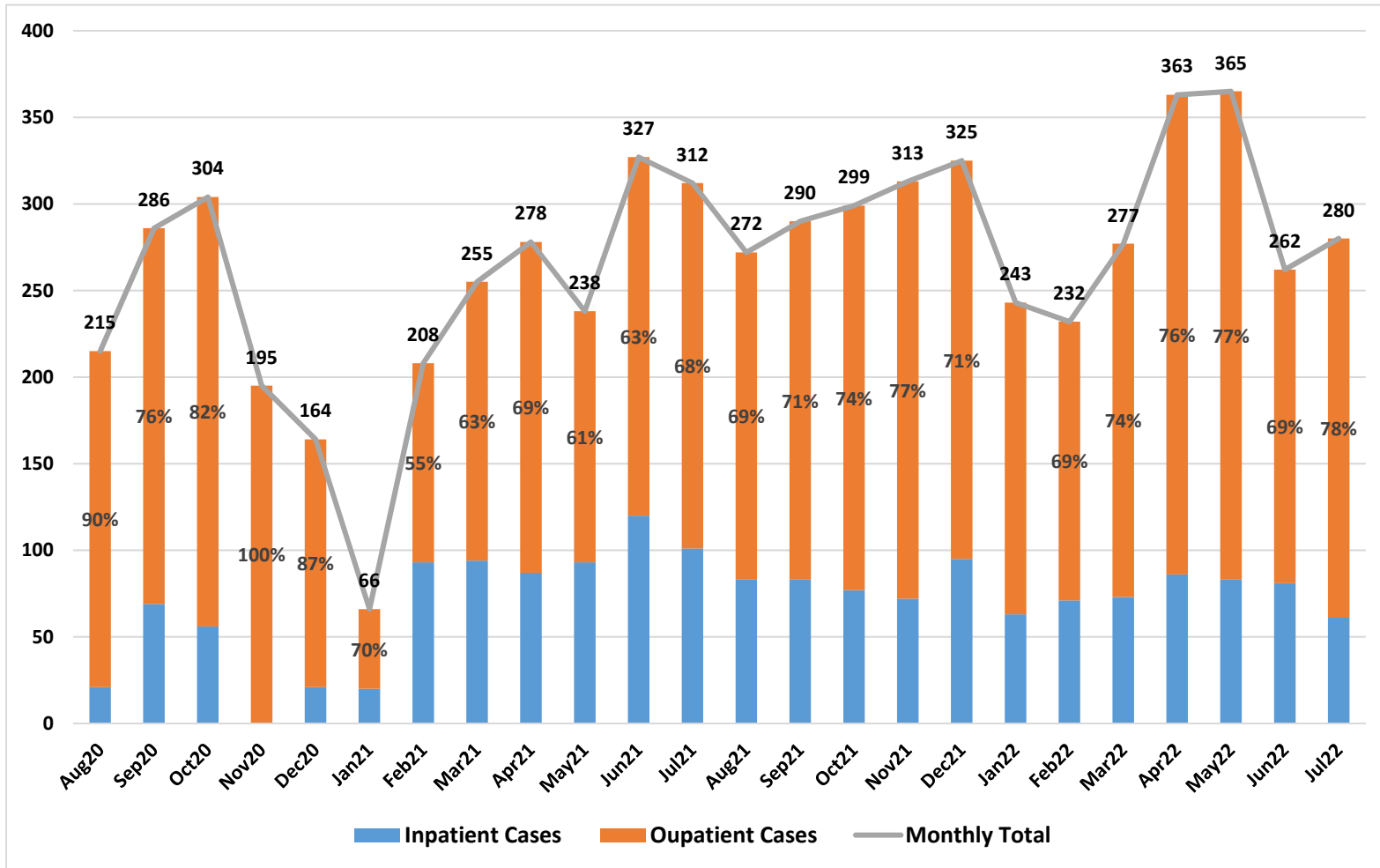
# Surgery Cases



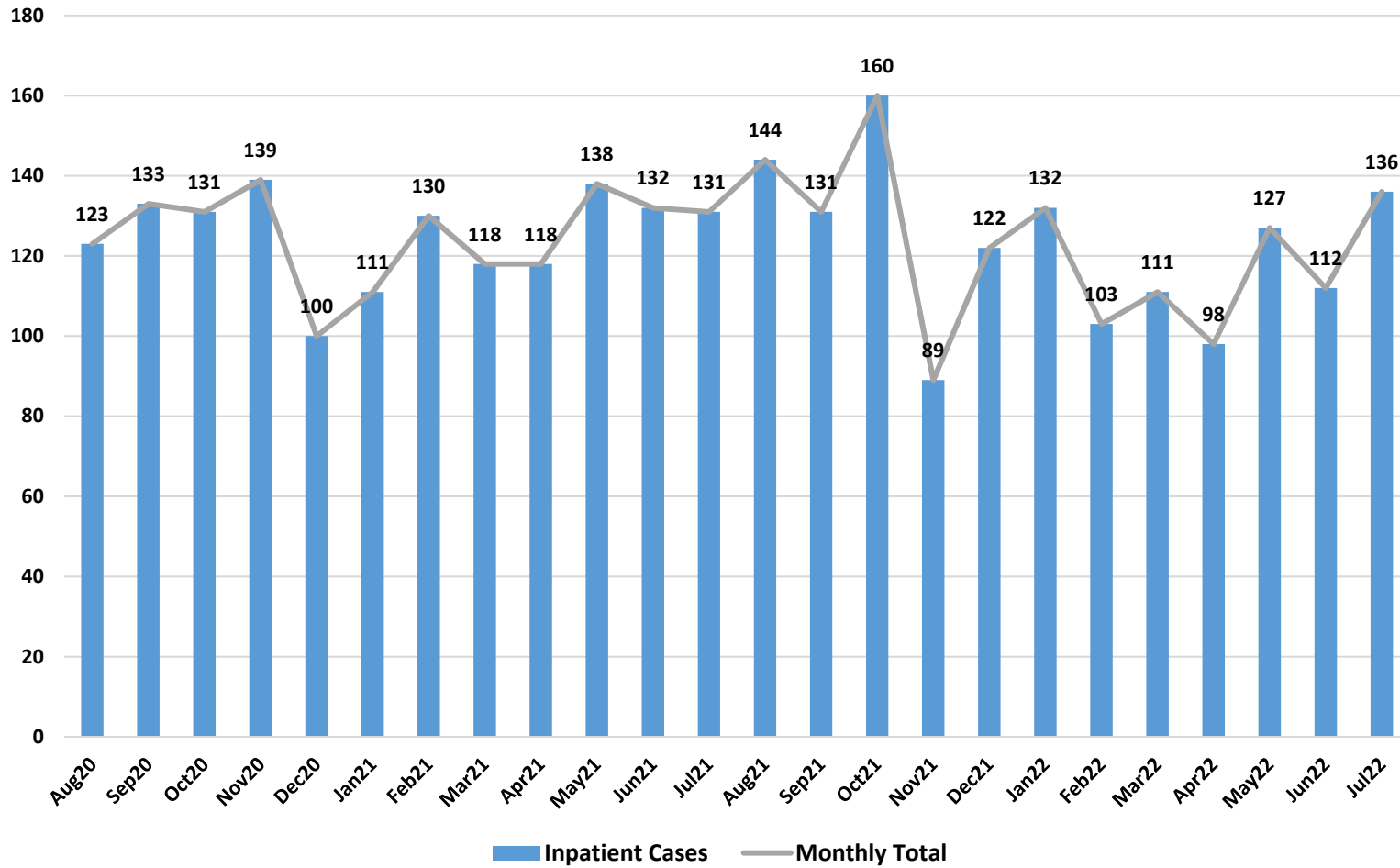
# Robotic Cases



# Endo Cases (Endo Suites)

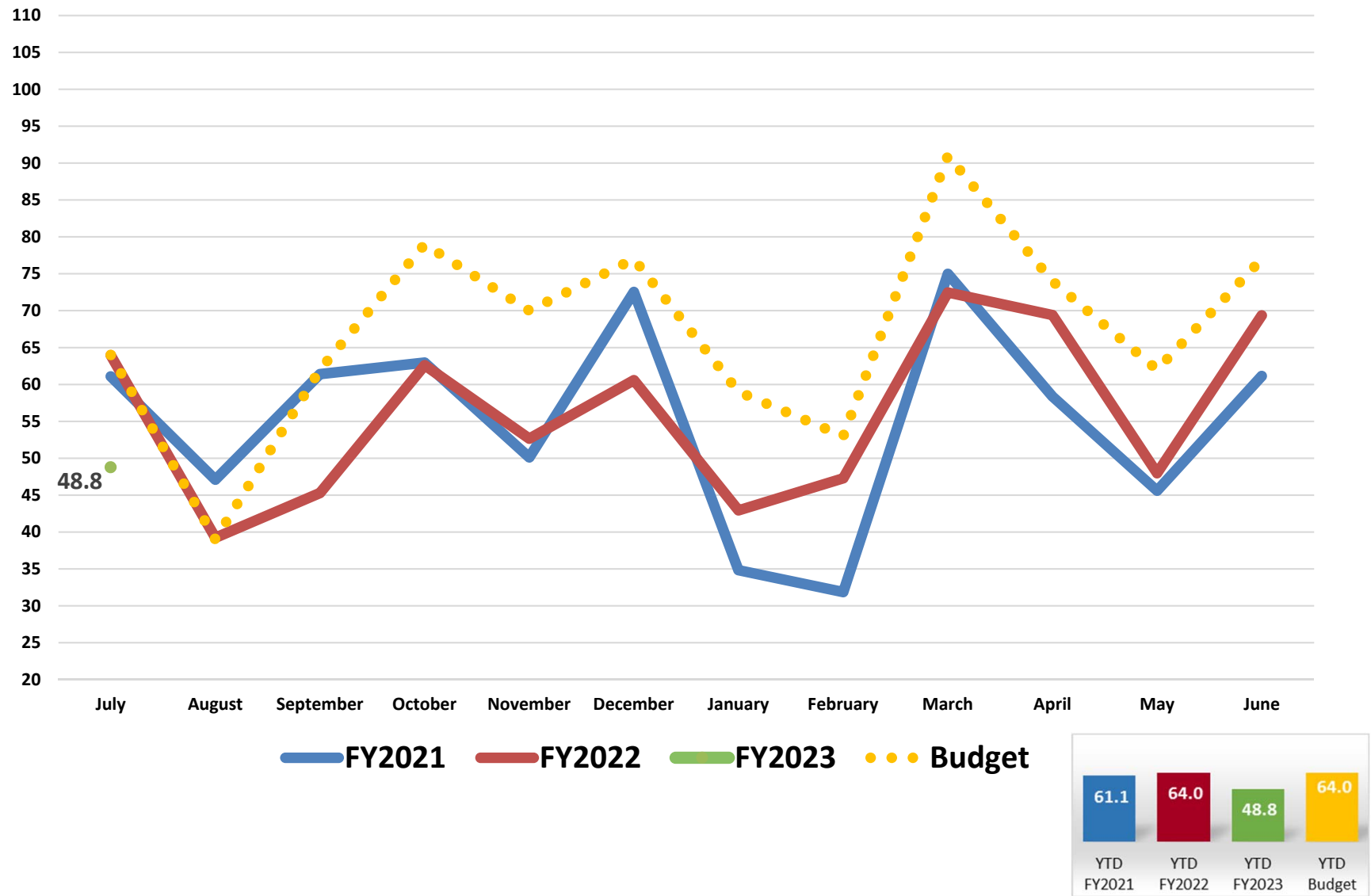


# OB Cases

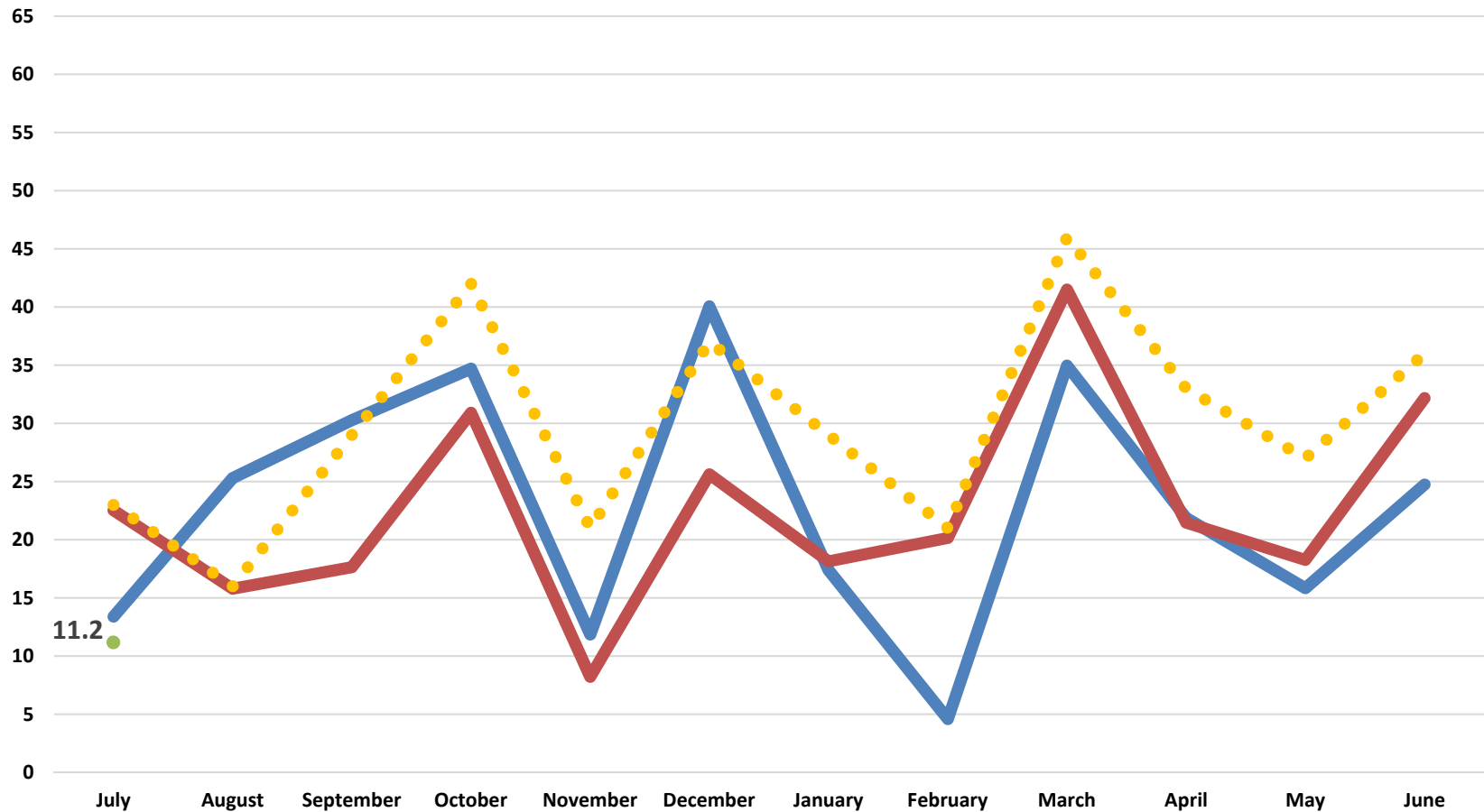




# Robotic Surgery (IP & OP) – 100 Min Units



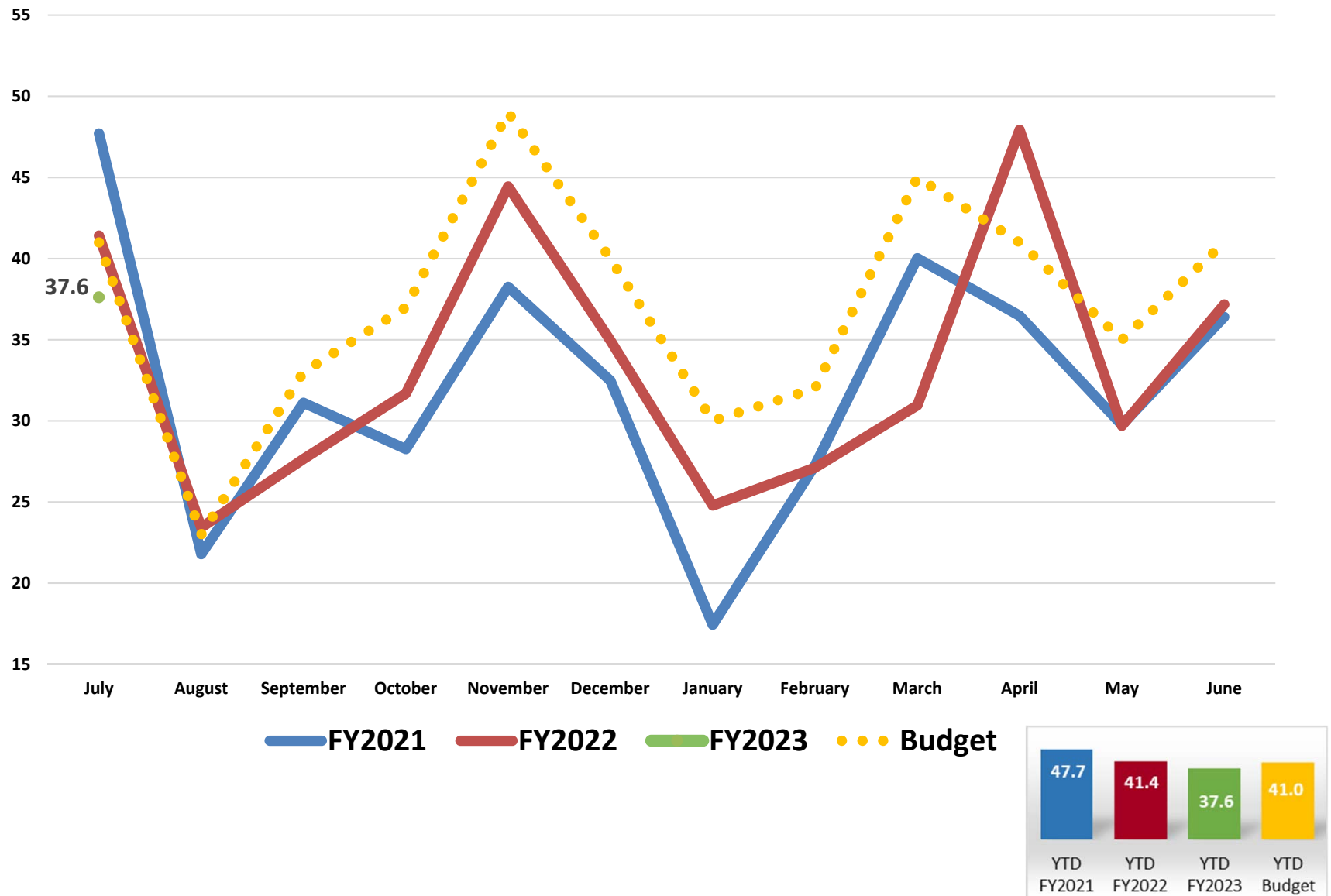
# Robotic Surgery (IP Only) – 100 Min Units



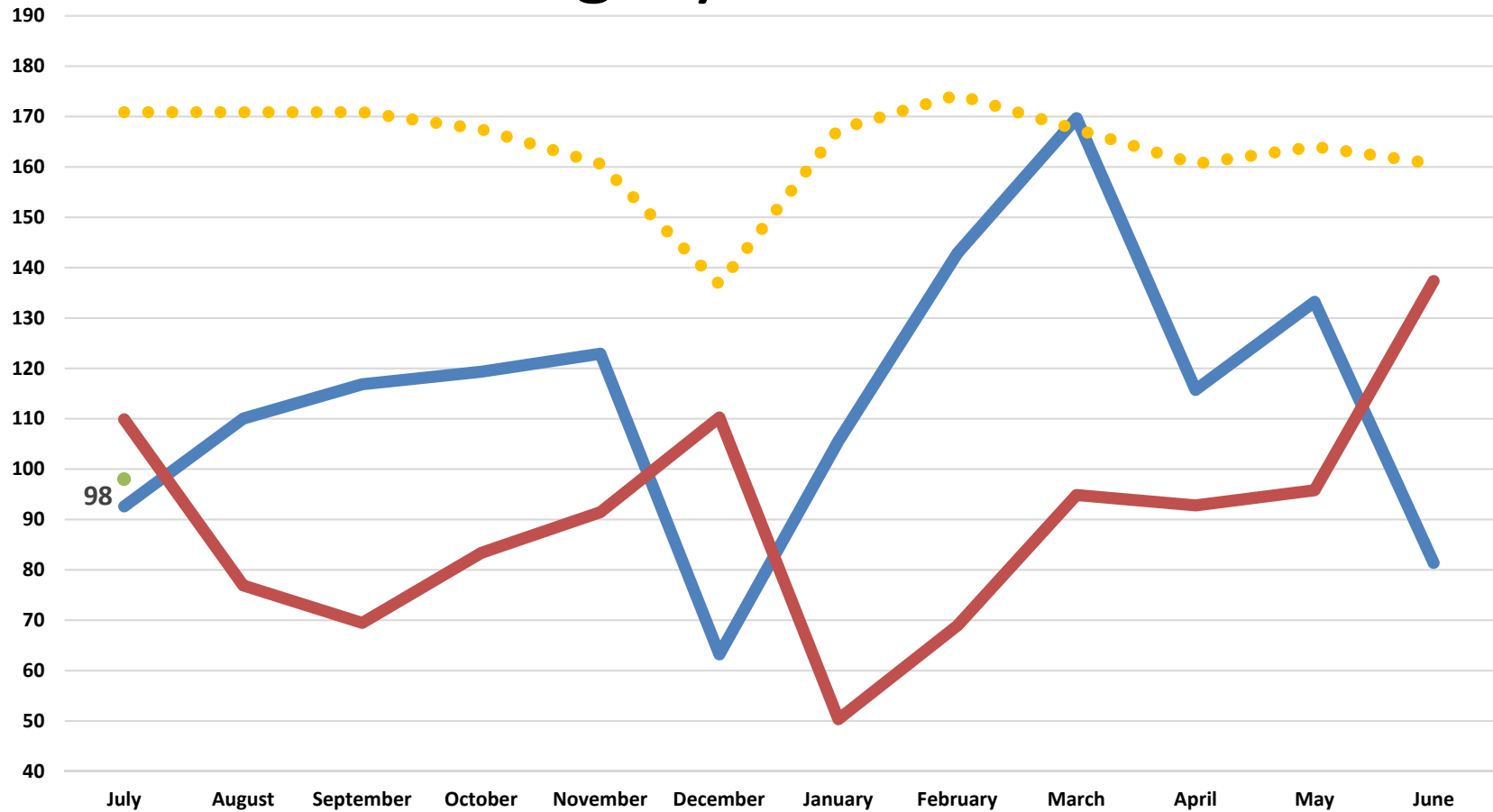
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



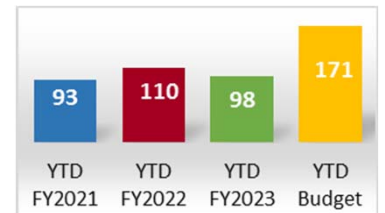
# Robotic Surgery (OP Only) – 100 Min Units



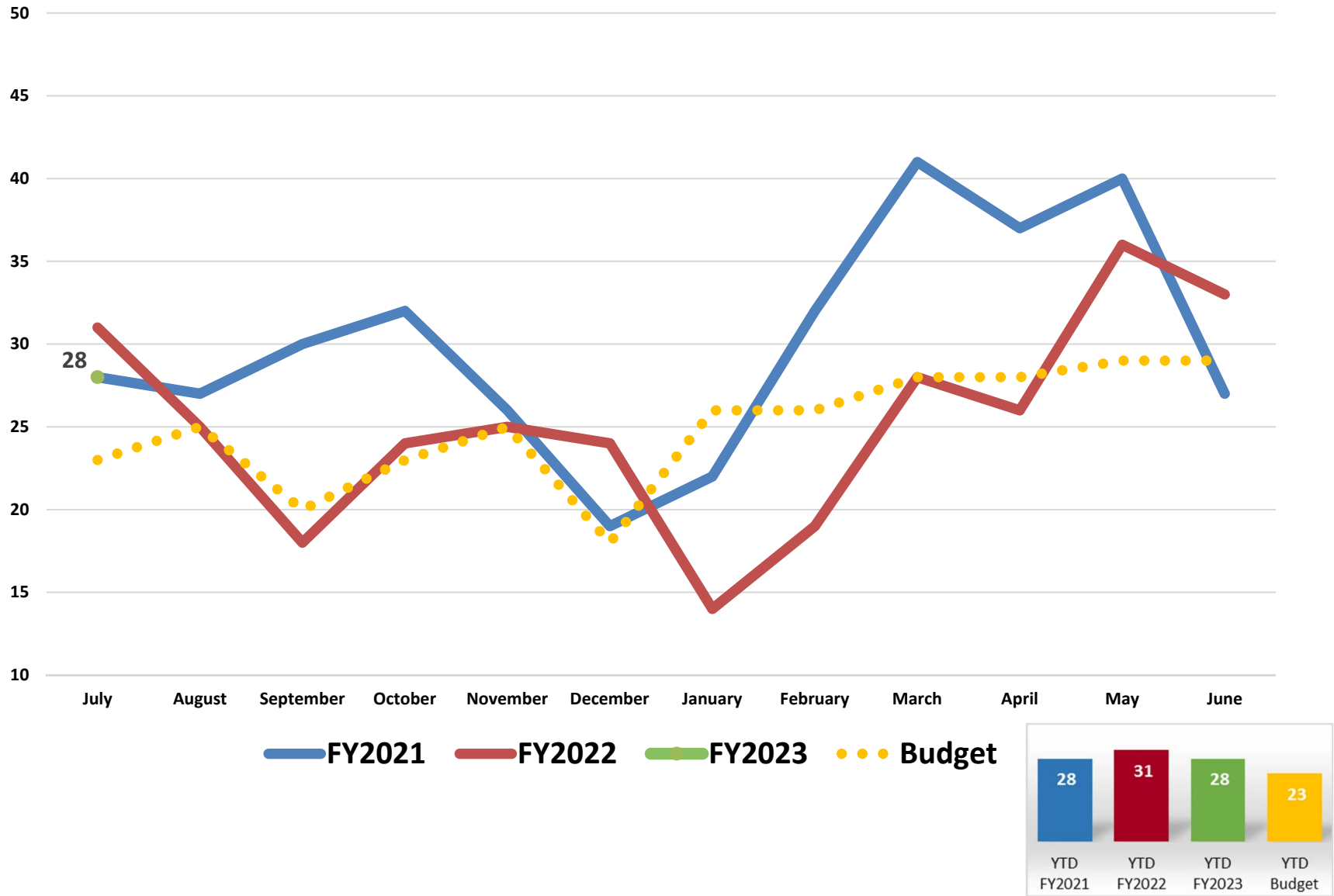
# Cardiac Surgery – 100 Min Units



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

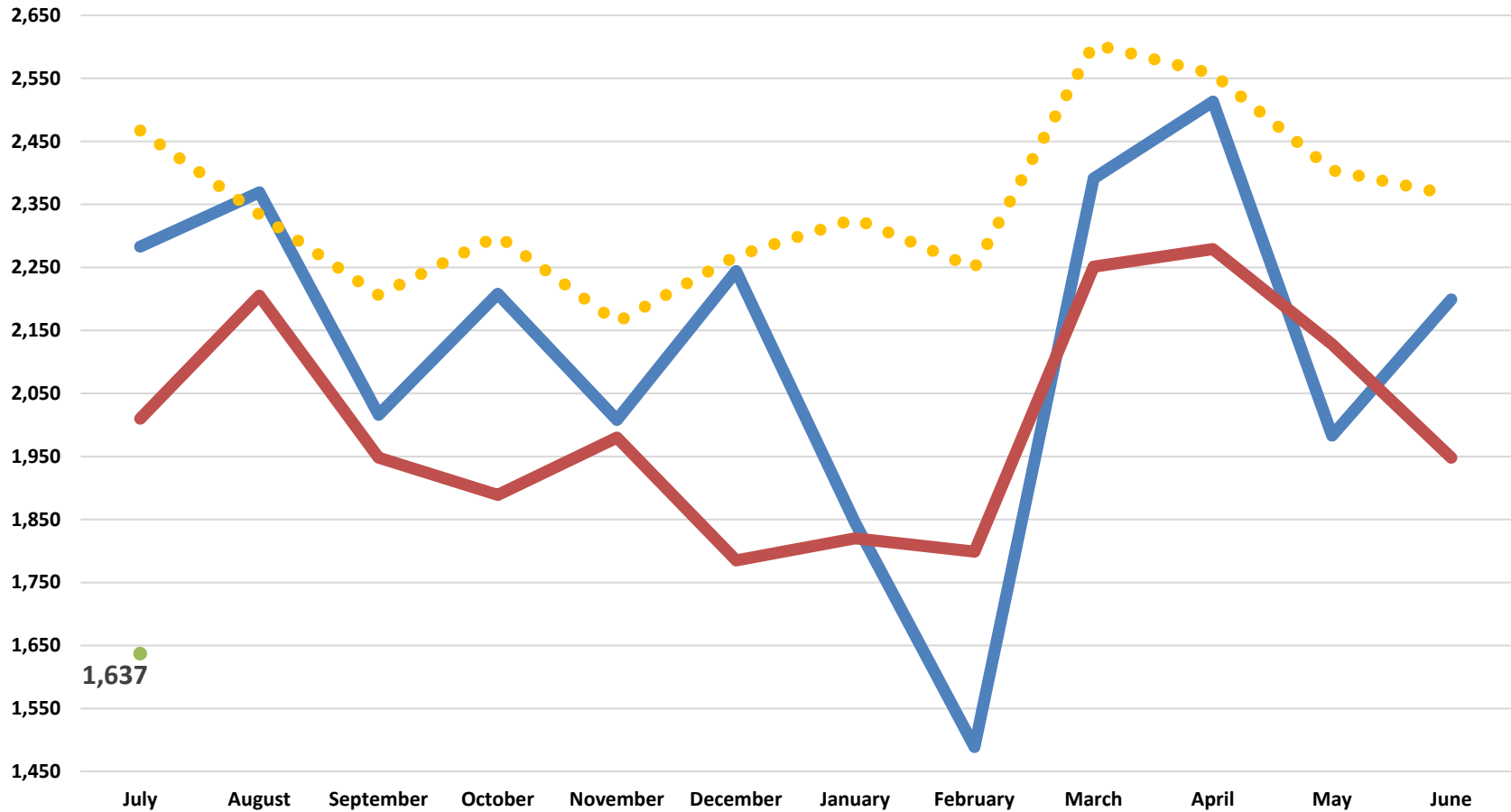


# Cardiac Surgery – Cases



# Radiation Oncology Treatments

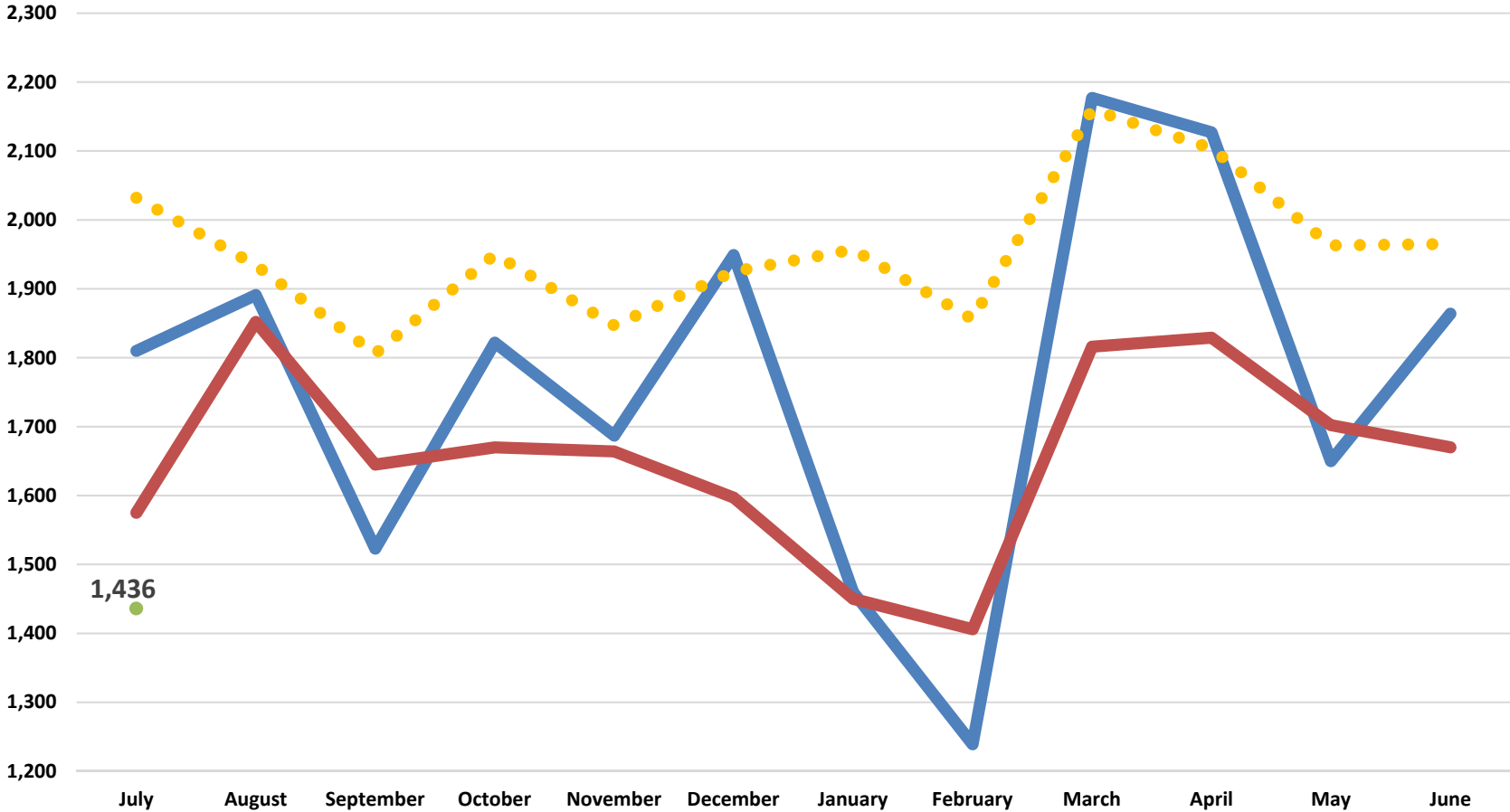
## Hanford and Visalia



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



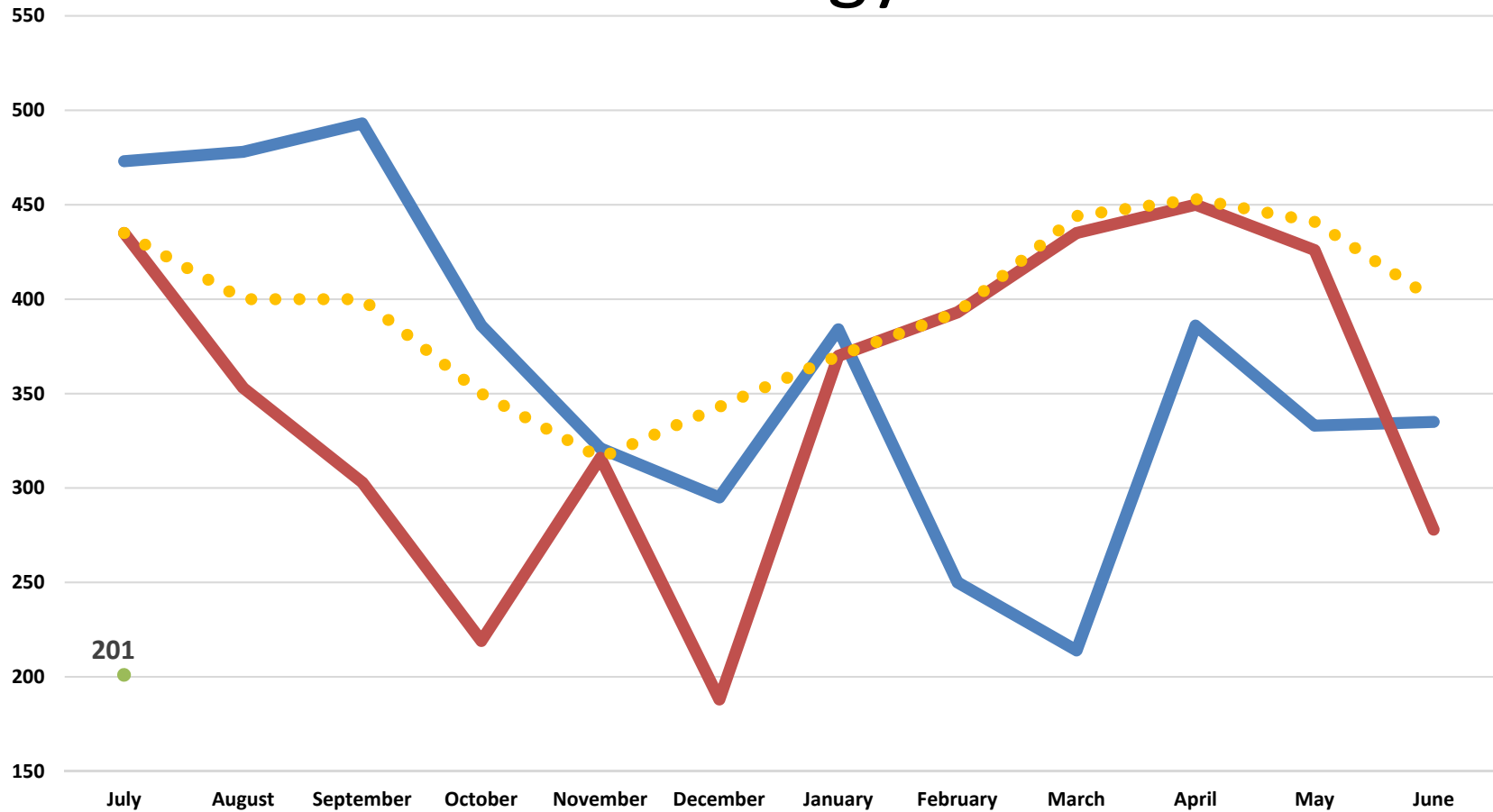
# Radiation Oncology - Visalia



—● FY2021   
 —● FY2022   
 —● FY2023   
 ●●● Budget

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 1,810         | 1,575         | 1,436         | 2,032         |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

# Radiation Oncology - Hanford

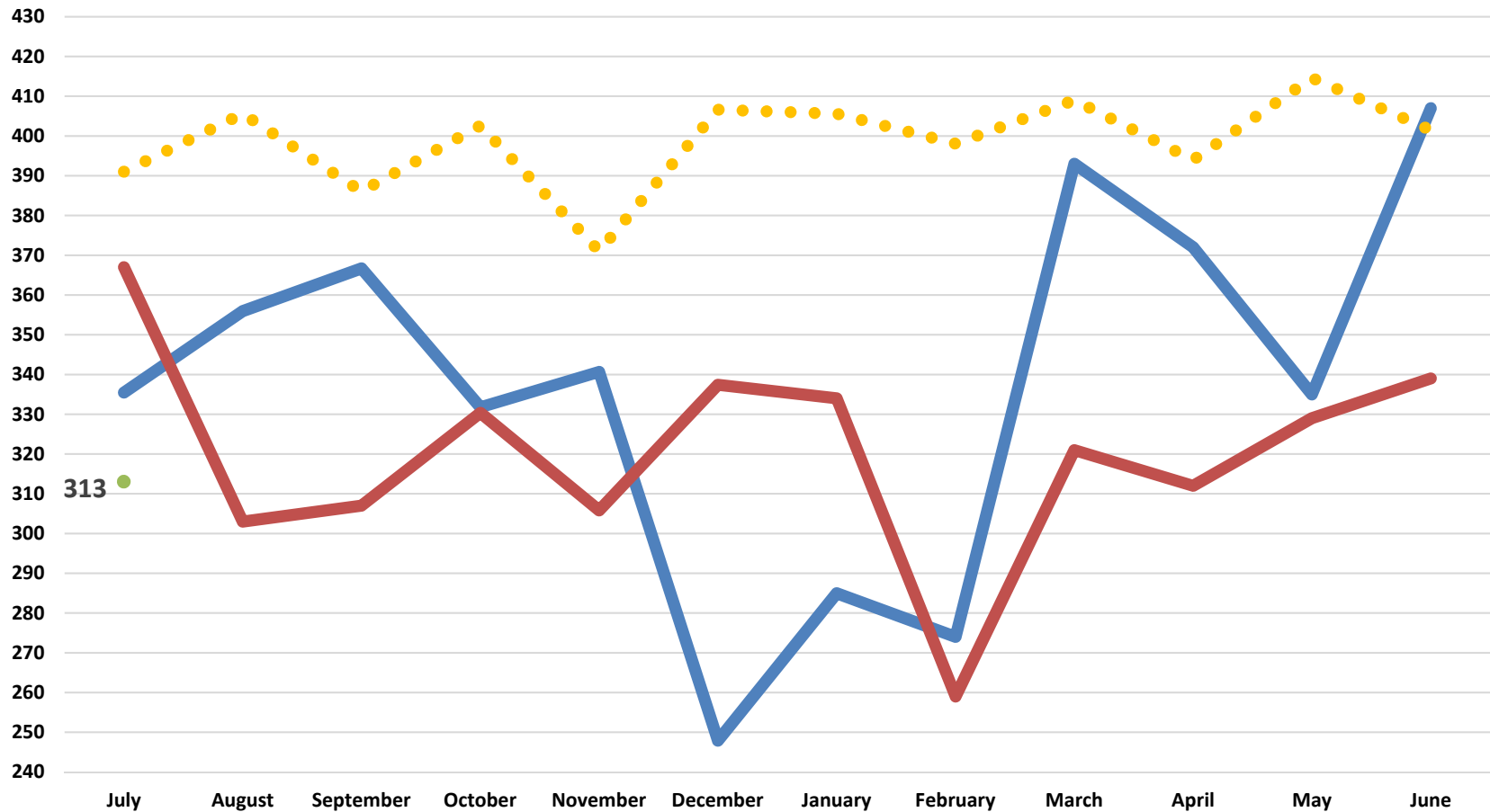


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

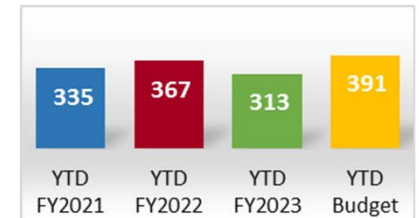




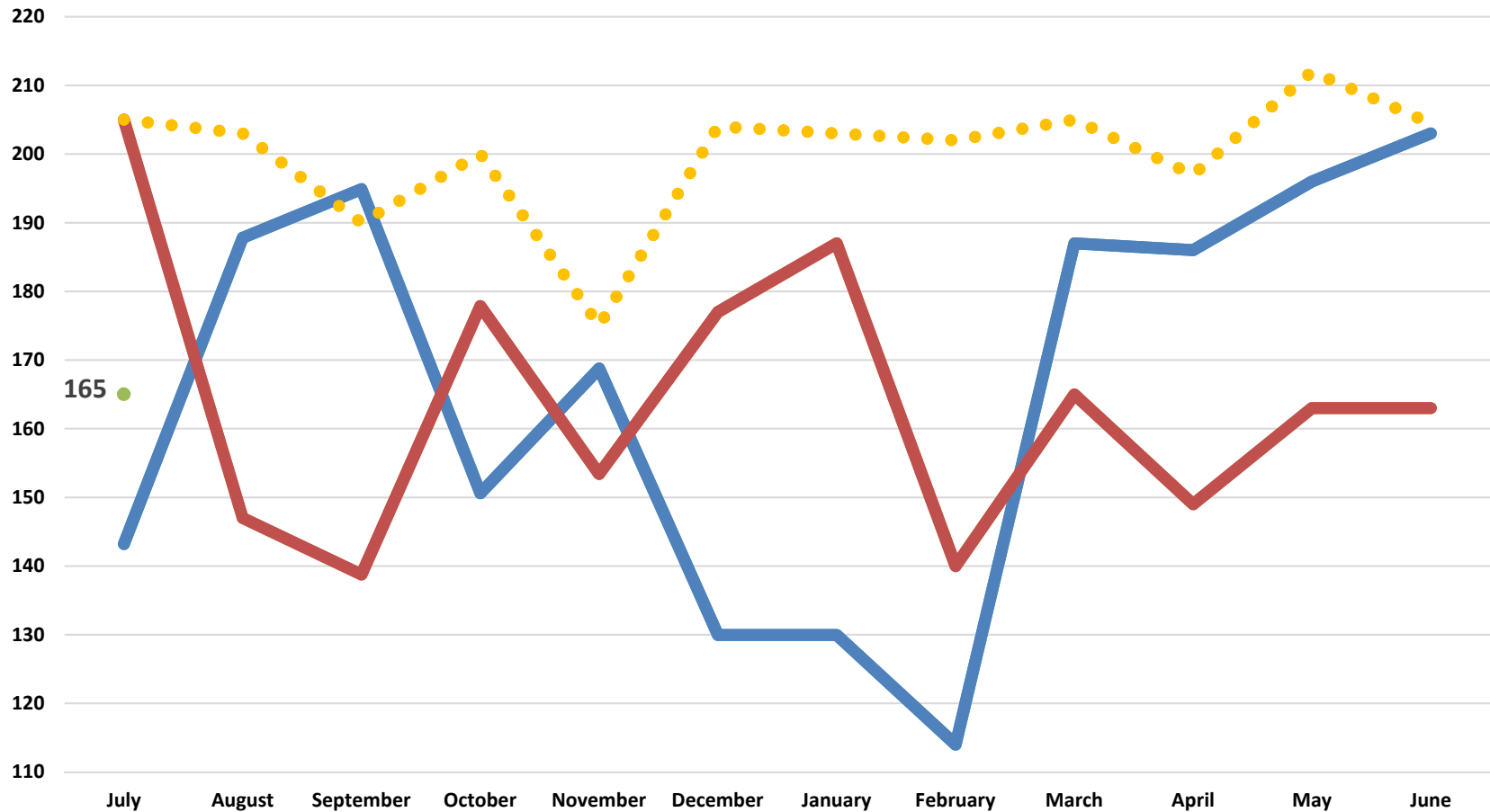
# Cath Lab (IP & OP) – 100 Min Units



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



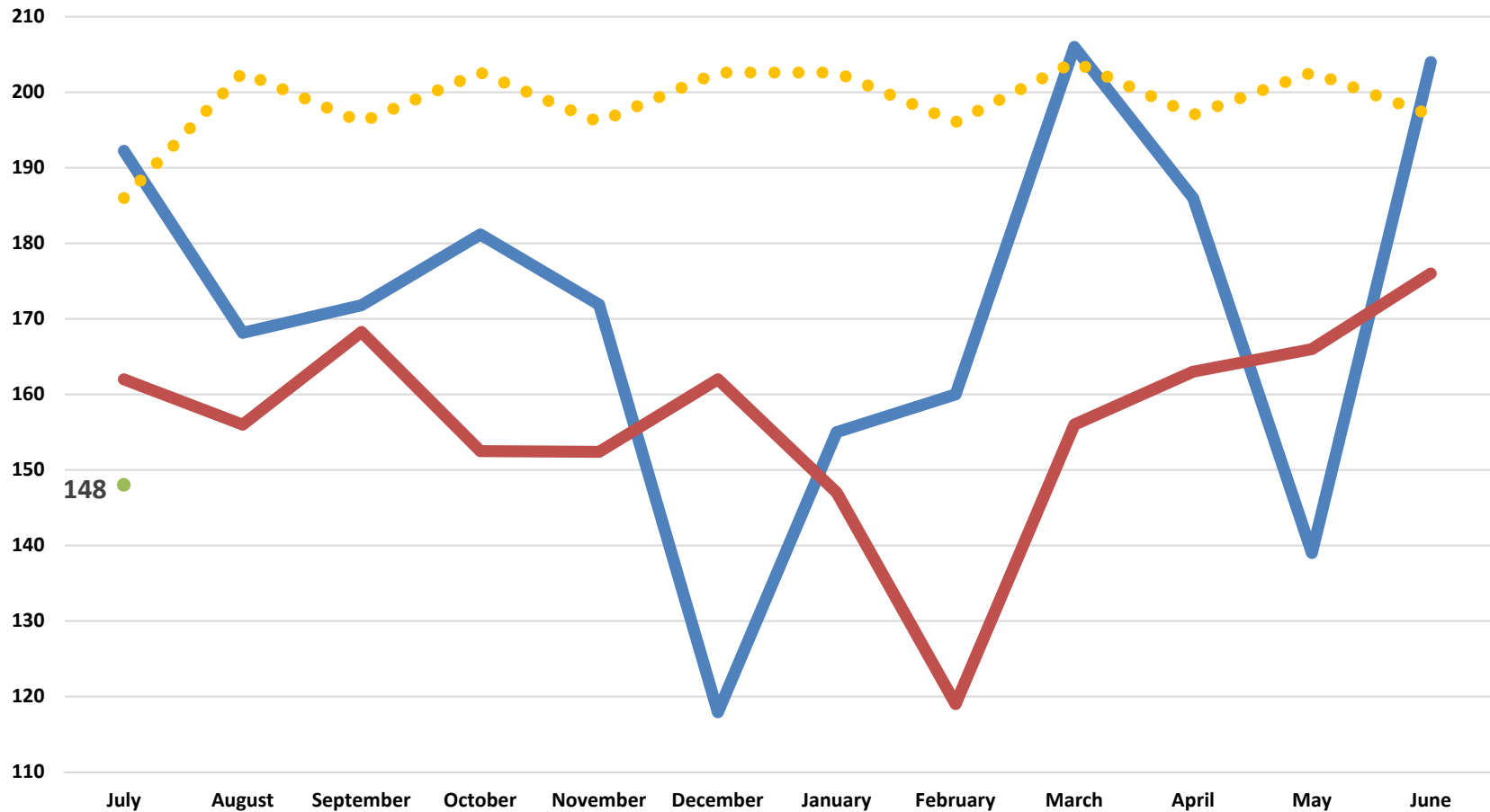
# Cath Lab (IP Only) – 100 Min Units



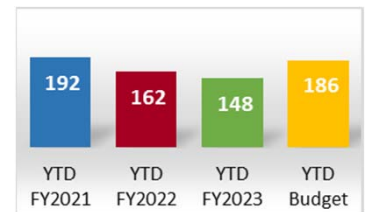
—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 143           | 205           | 165           | 205           |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

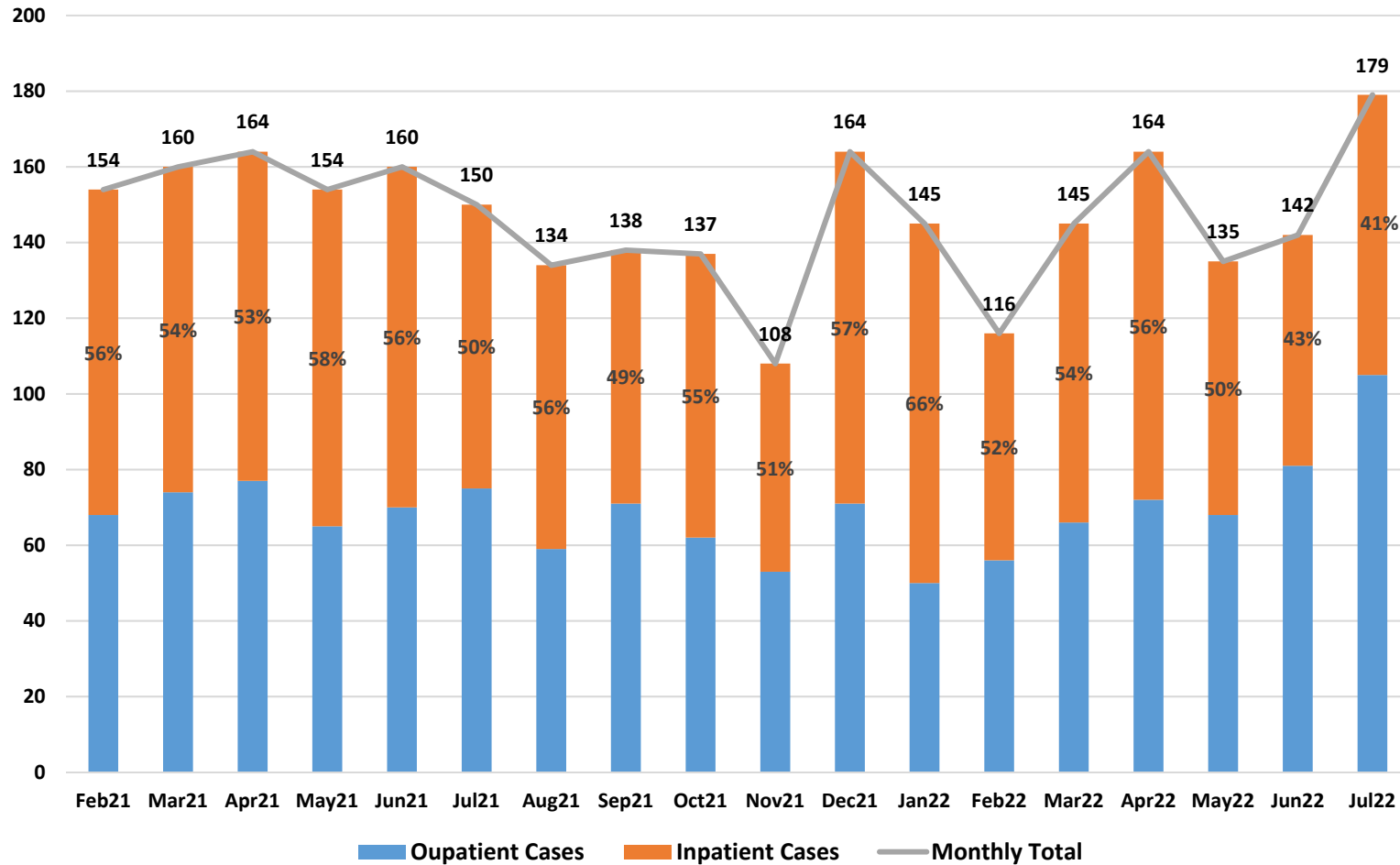
# Cath Lab (OP Only) – 100 Min Units



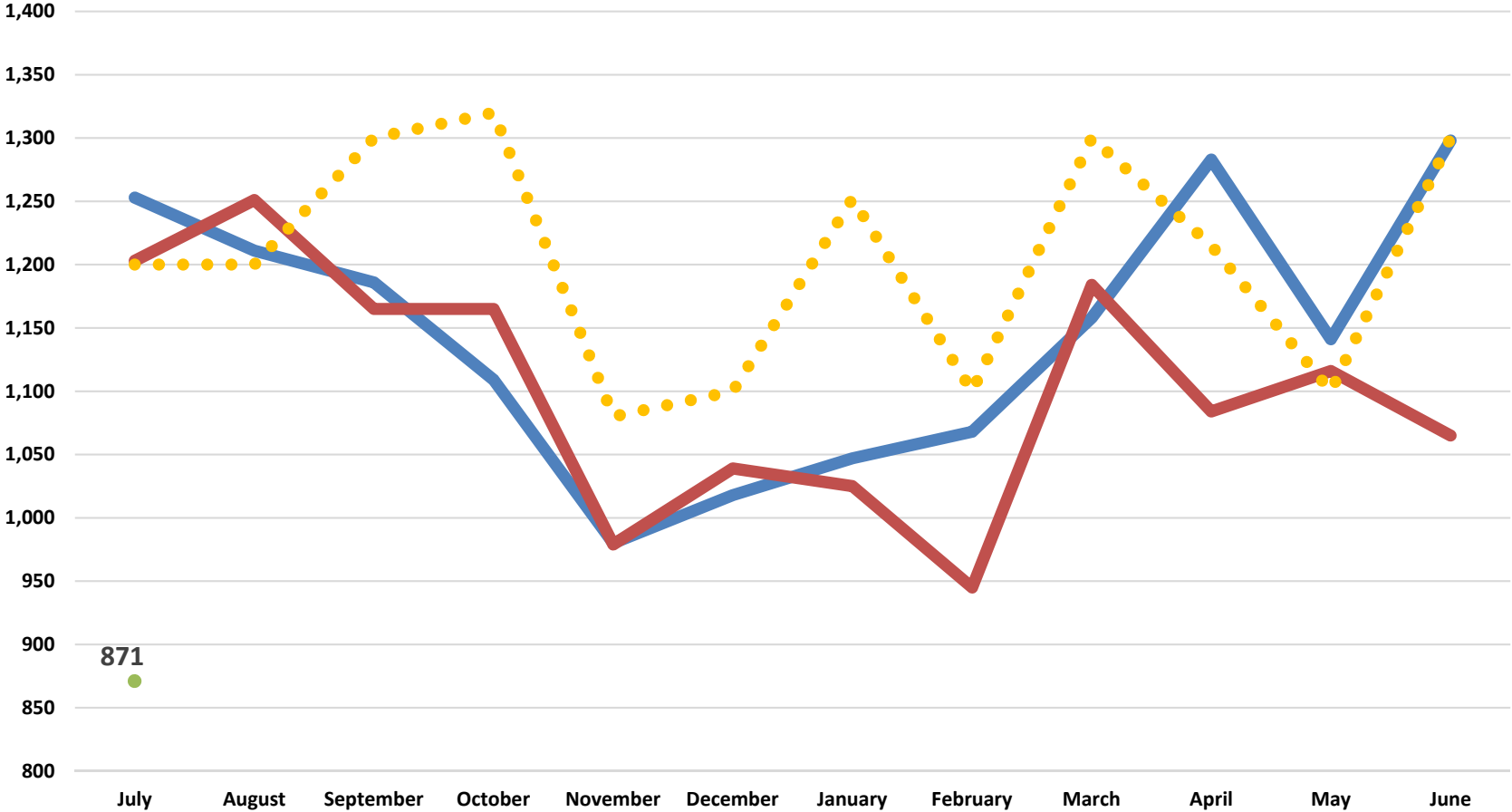
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



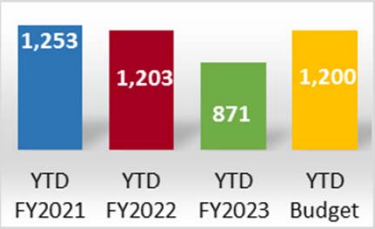
# Cath Lab (IP & OP) - Patients



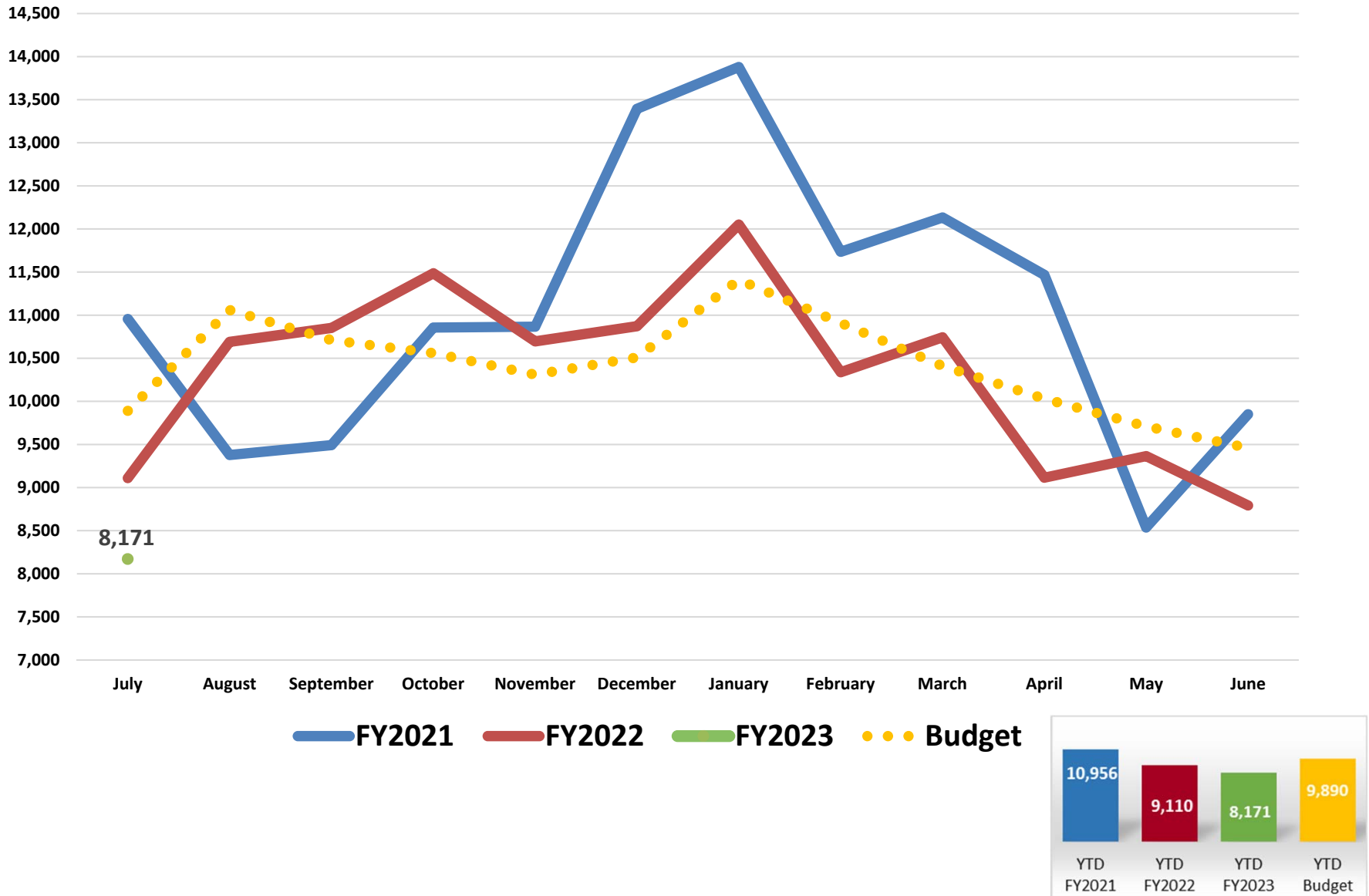
# GME Family Medicine Clinic Visits



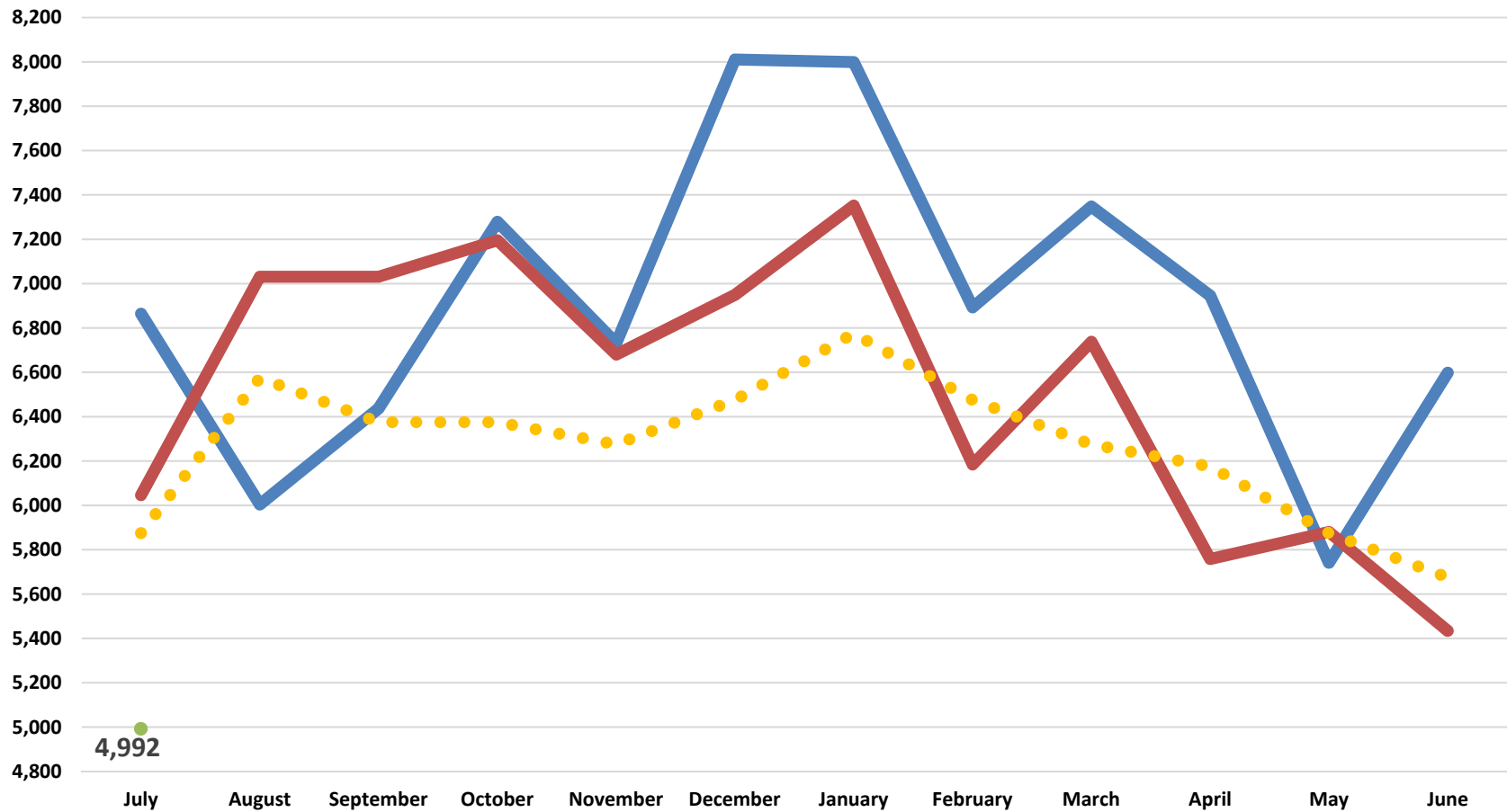
— FY2021   
 — FY2022   
 ● FY2023   
 ●●● Budget



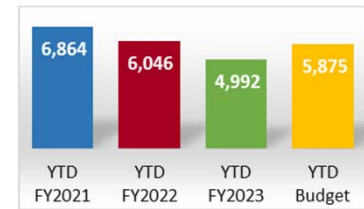
# Rural Health Clinic Registrations



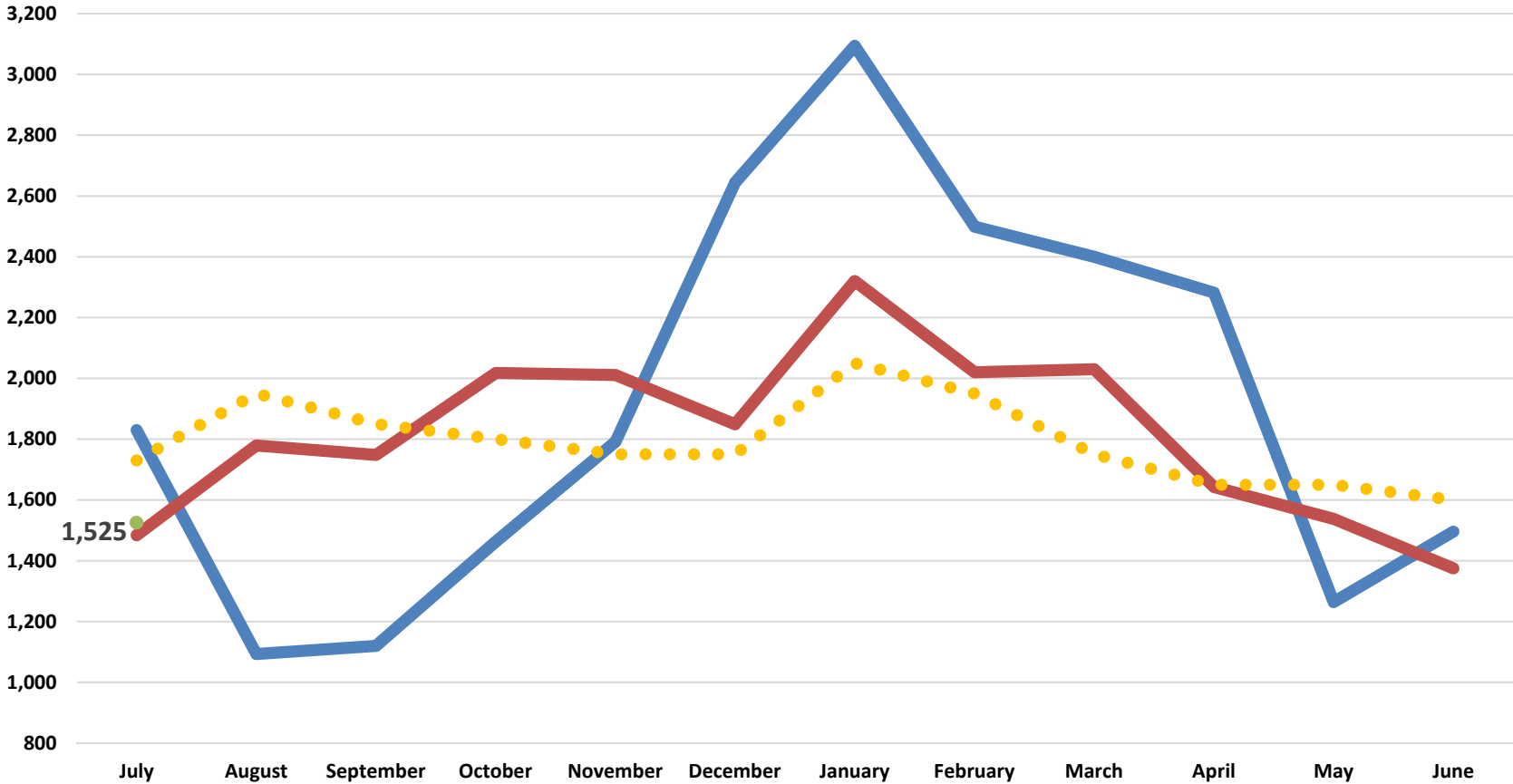
# Exeter RHC - Registrations



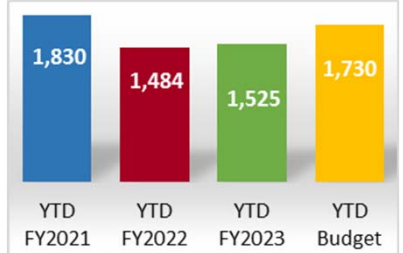
— FY2021   
 — FY2022   
 — FY2023   
 ••• Budget



# Lindsay RHC - Registrations

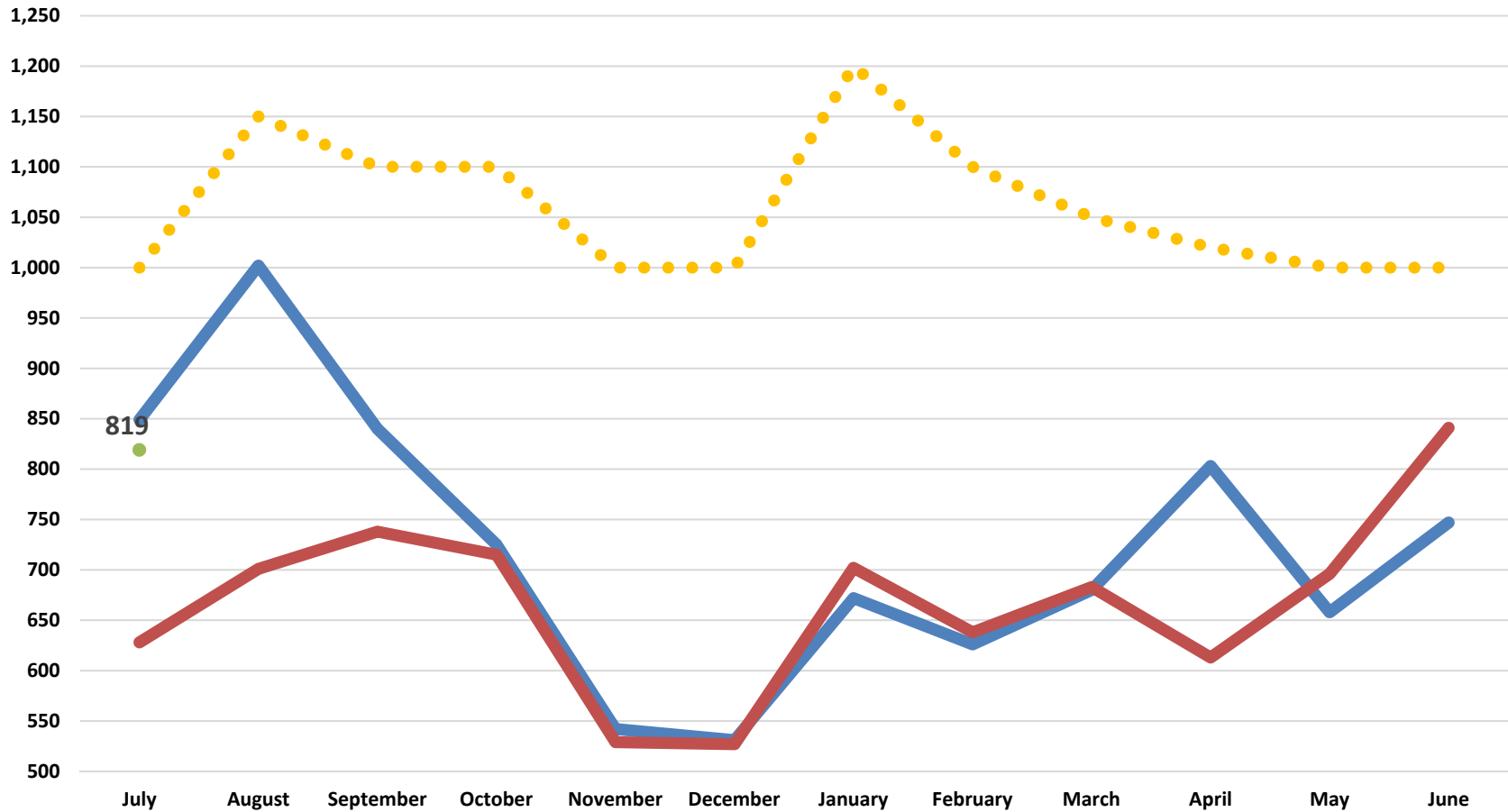


—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**

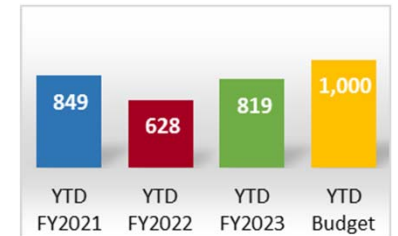




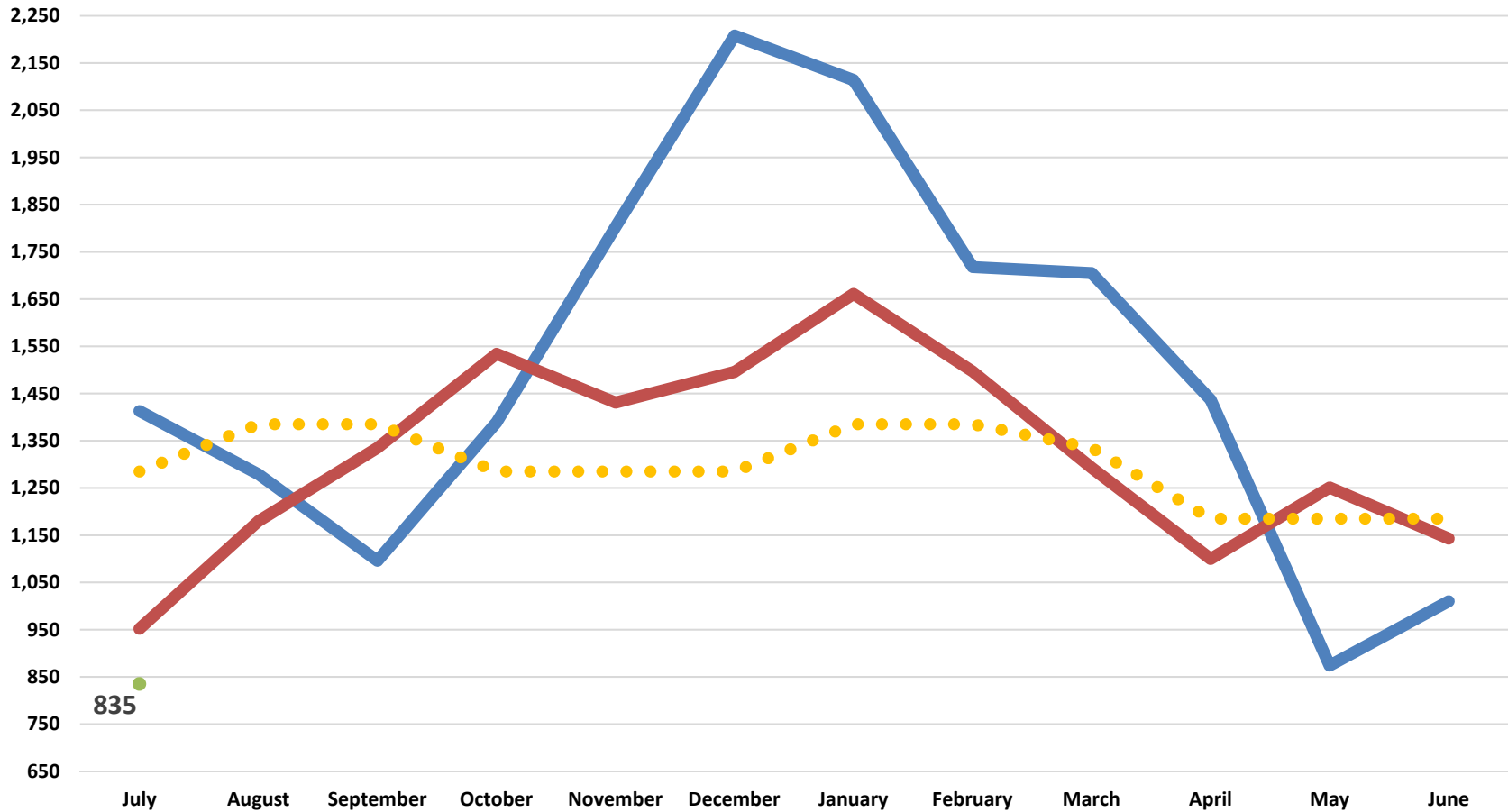
# Woodlake RHC - Registrations



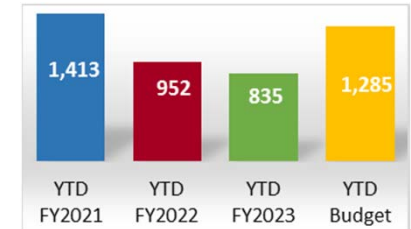
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



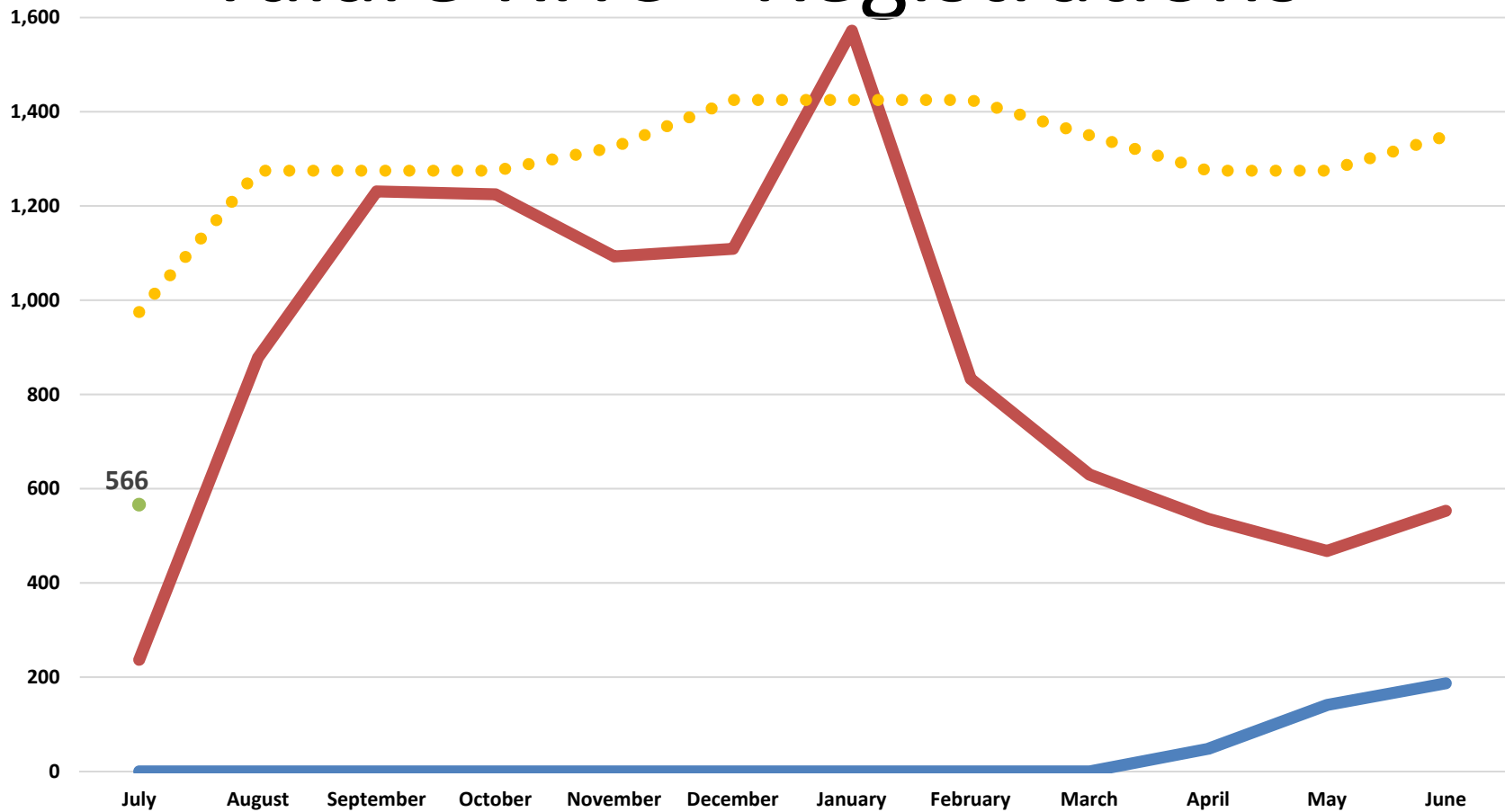
# Dinuba RHC - Registrations



— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget



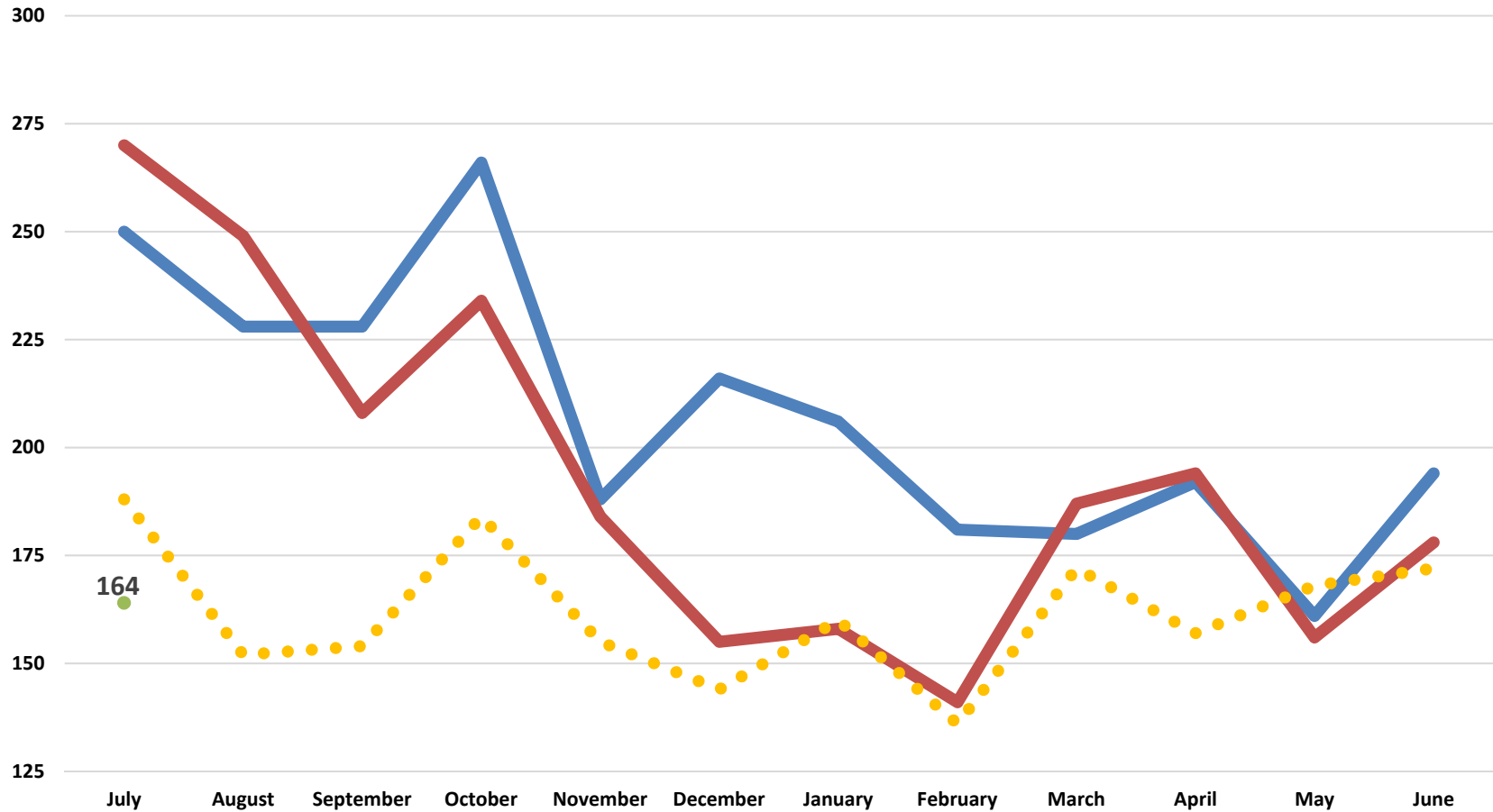
# Tulare RHC - Registrations



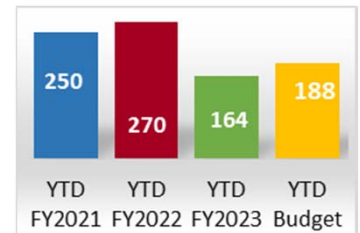
— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget

|            |            |            |            |
|------------|------------|------------|------------|
|            | 237        | 566        | 975        |
| YTD FY2021 | YTD FY2022 | YTD FY2023 | YTD Budget |

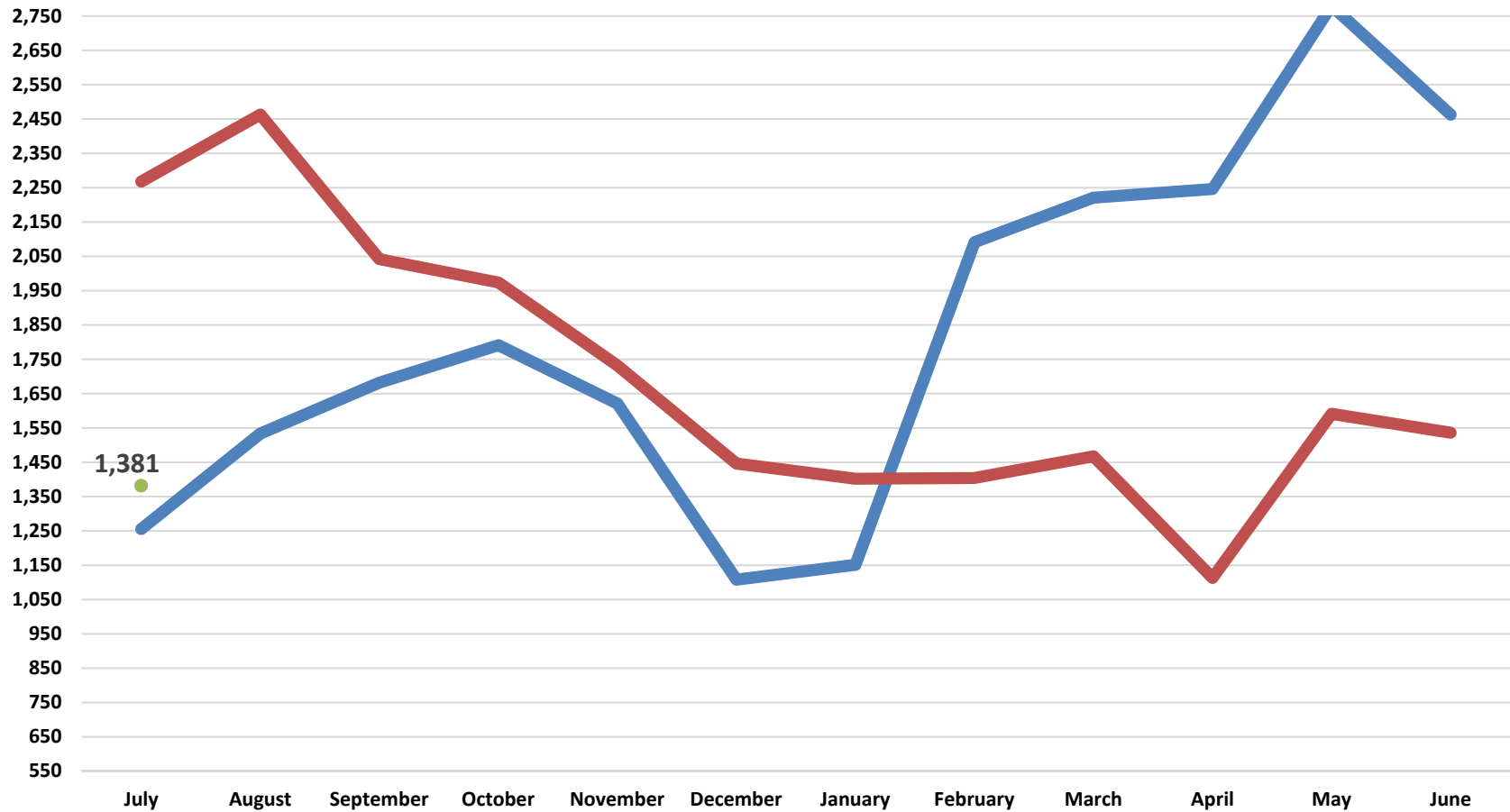
# Neurosurgery Clinic - Registrations



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



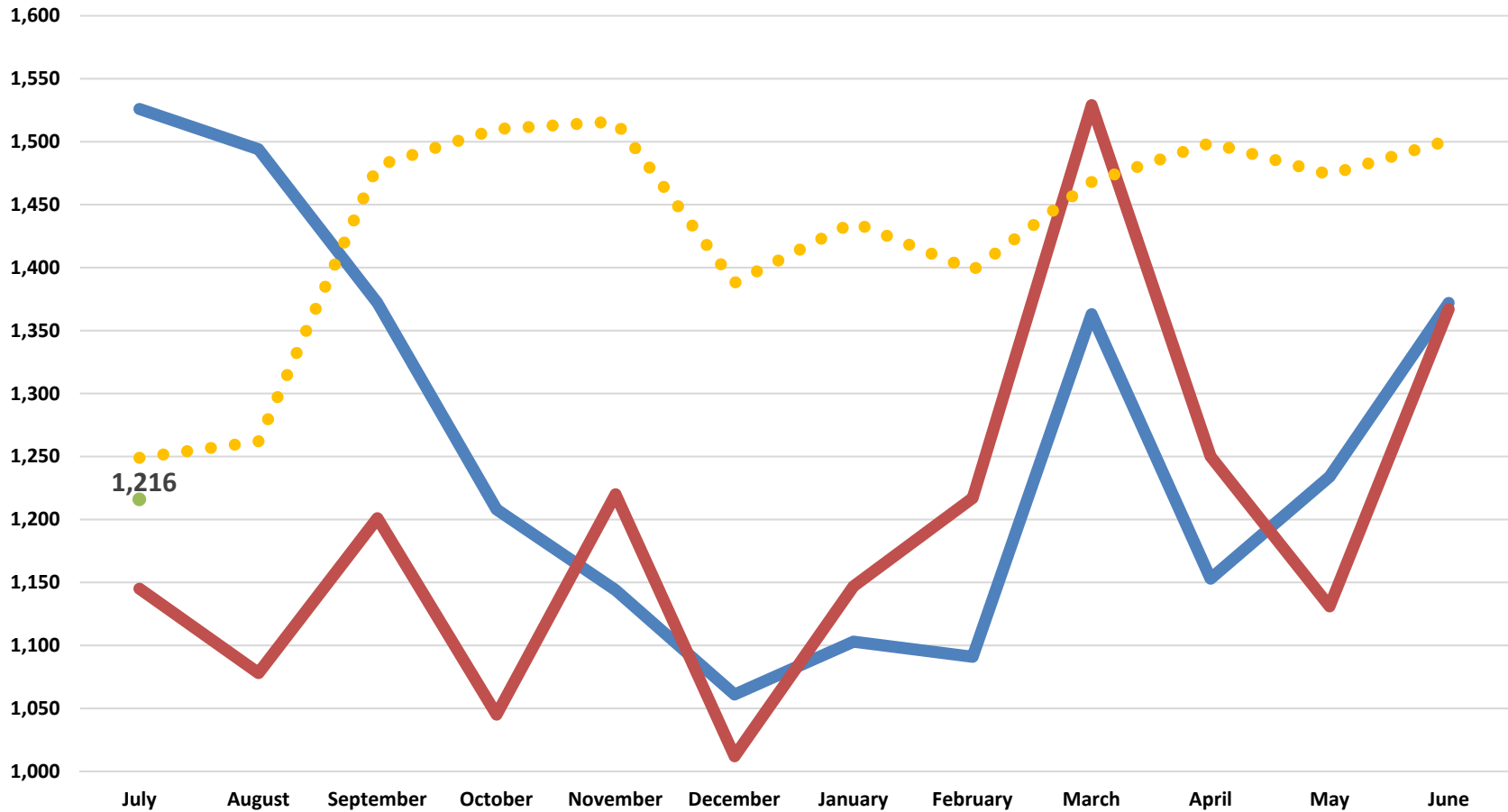
# Neurosurgery Clinic - wRVU's



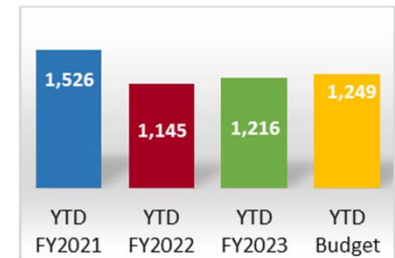
— FY2021 — FY2022 — FY2023

|               |               |               |
|---------------|---------------|---------------|
| 1,255         | 2,268         | 1,381         |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 |

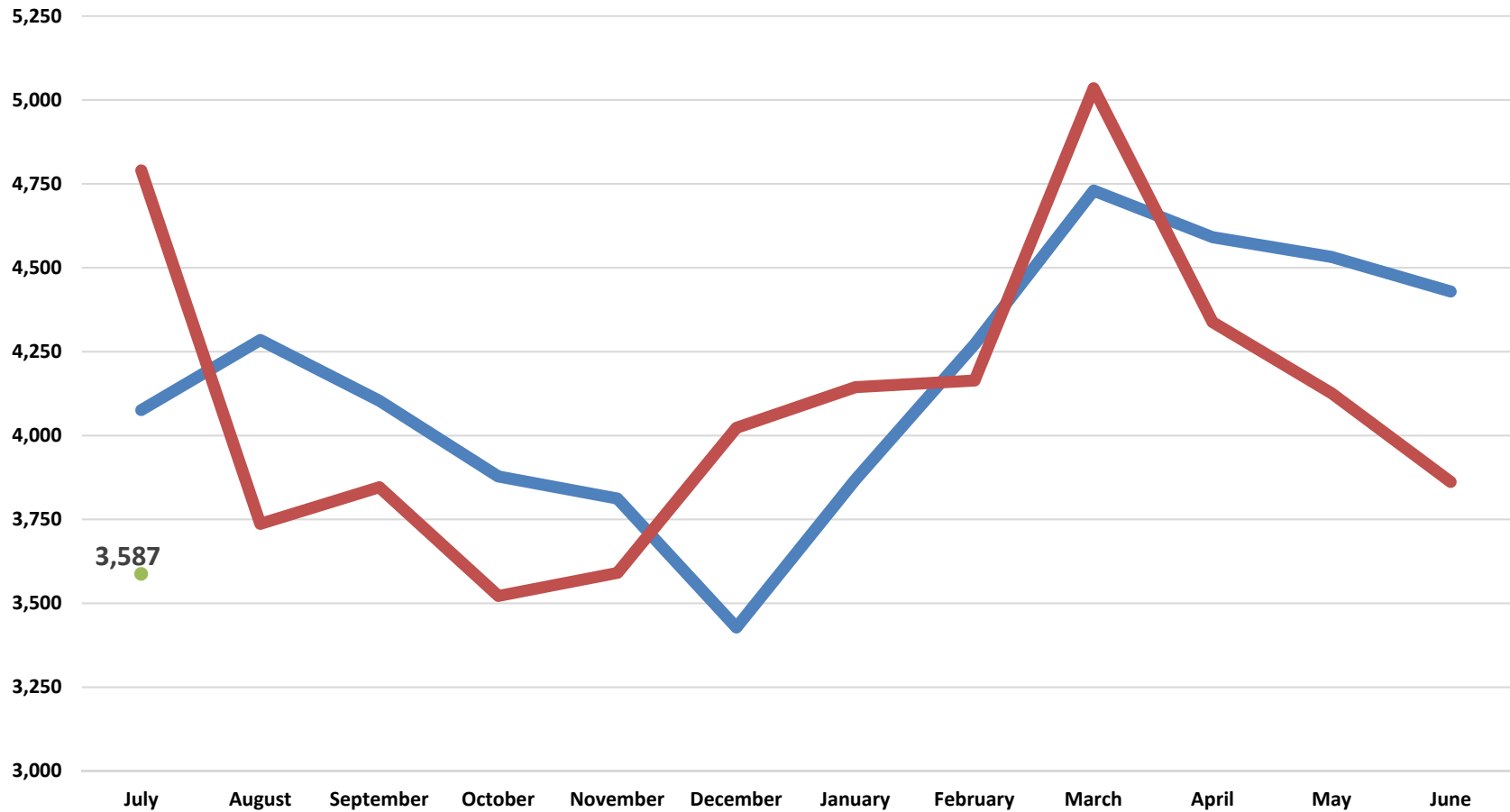
# Sequoia Cardiology - Registrations



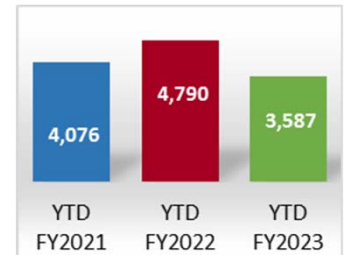
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



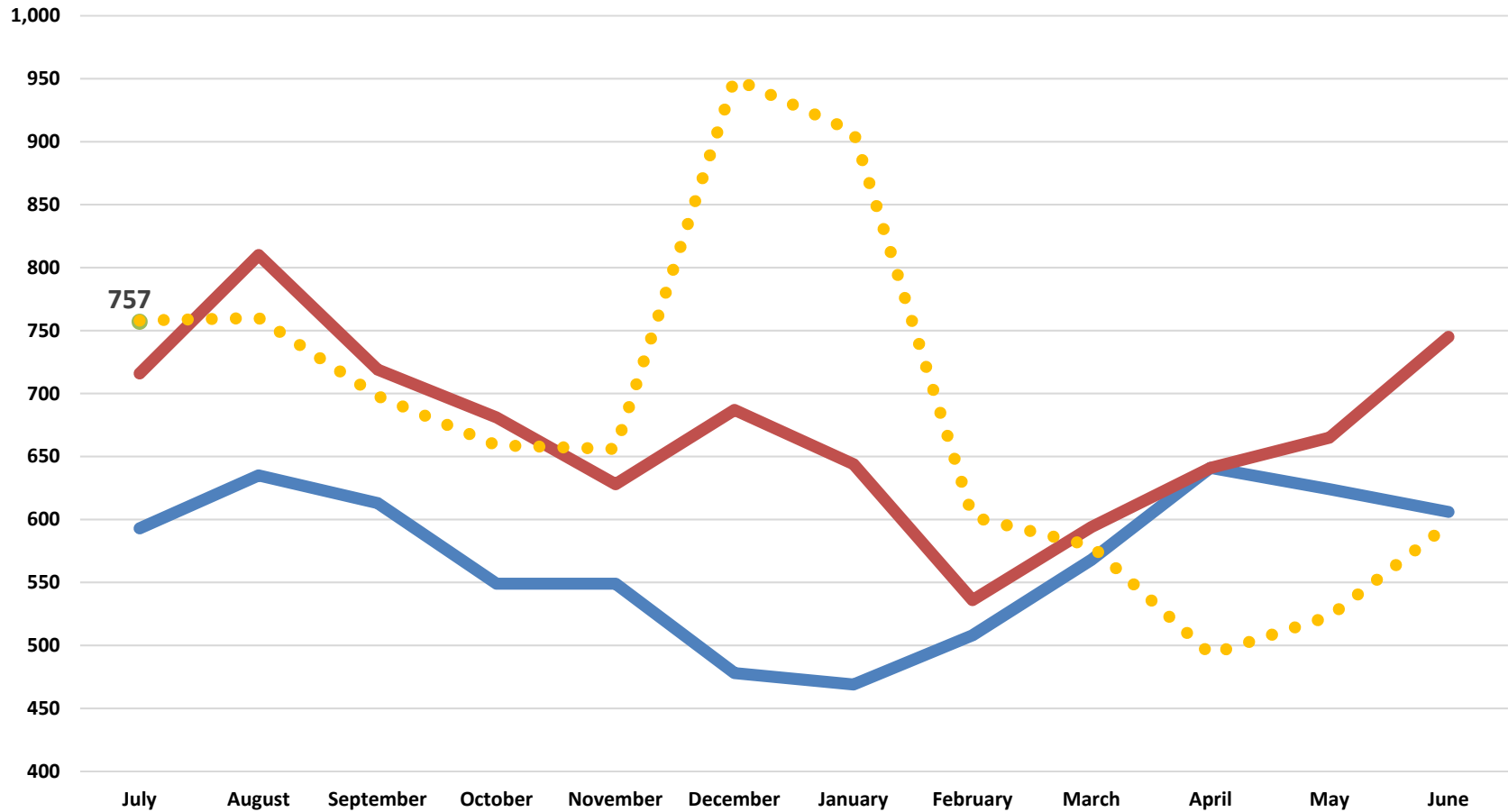
# Sequoia Cardiology – wRVU's



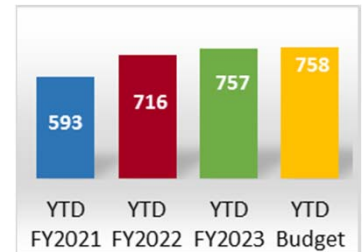
— FY2021 — FY2022 — FY2023



# Labor Triage Registrations

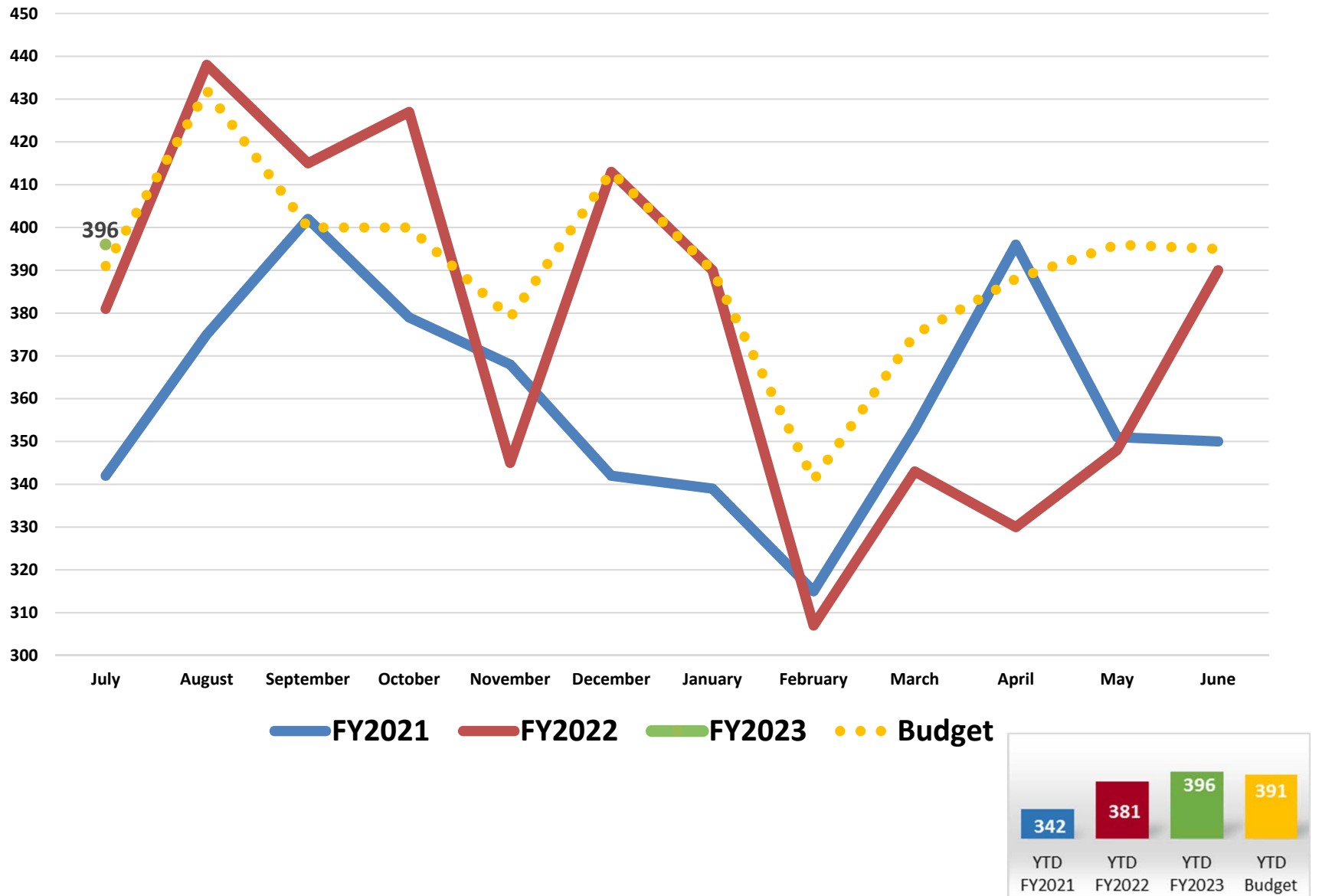


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

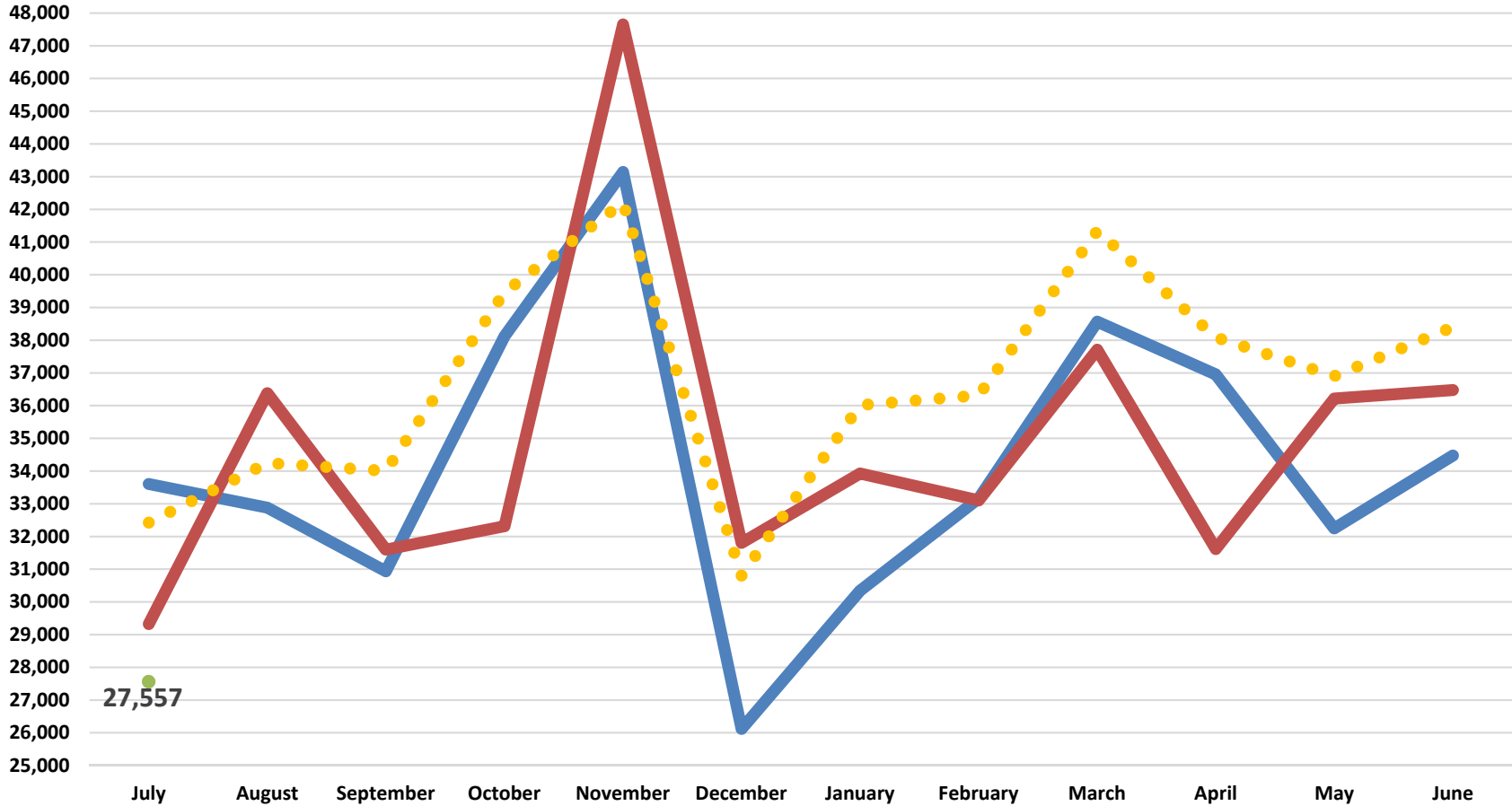




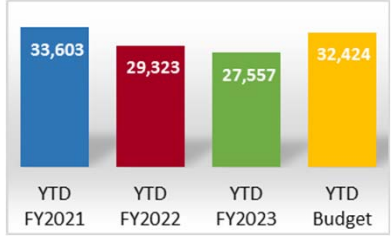
# Deliveries



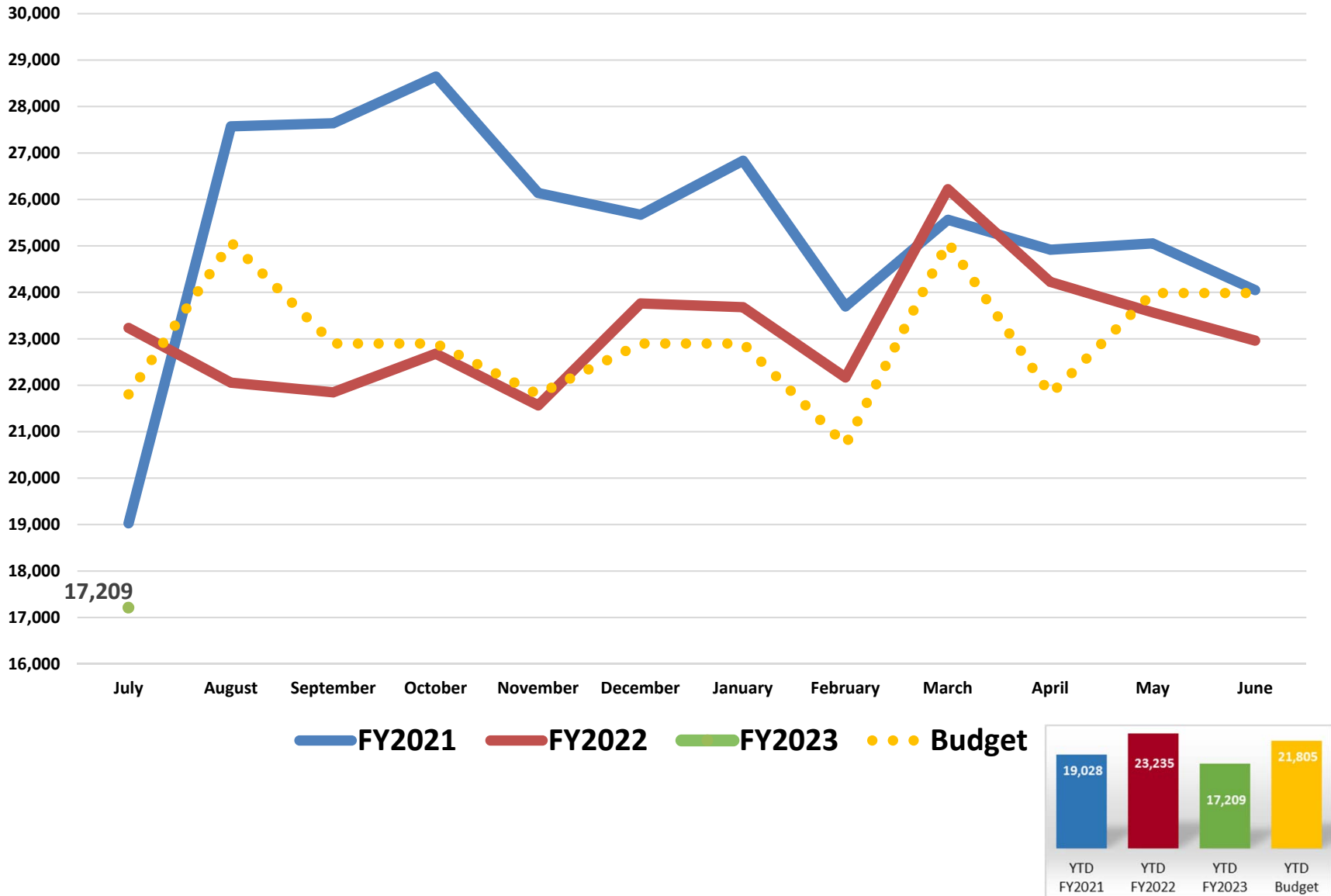
# KHMG RVU's



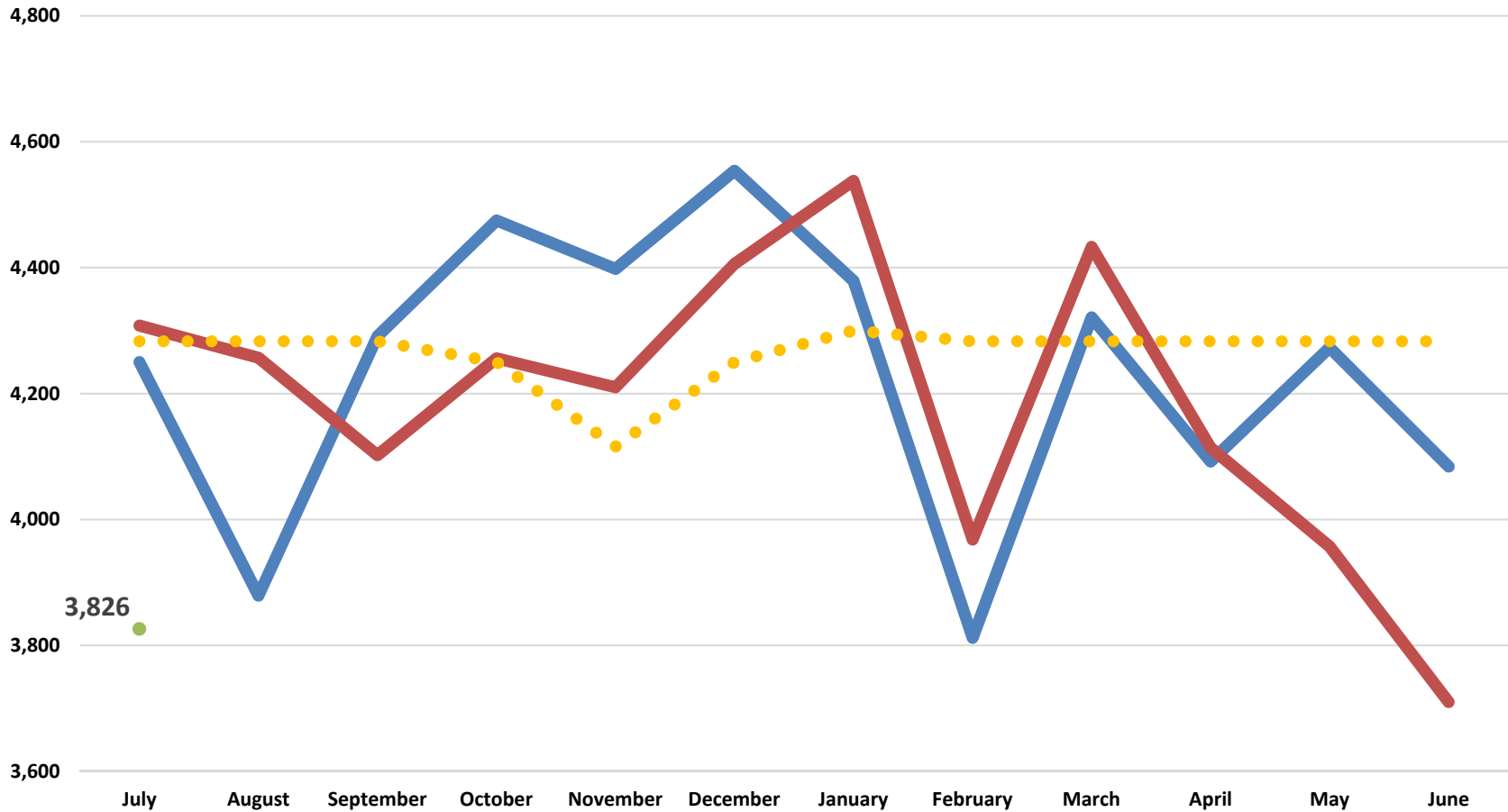
— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget



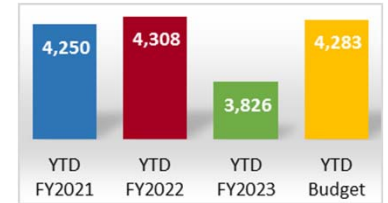
# Home Infusion Days



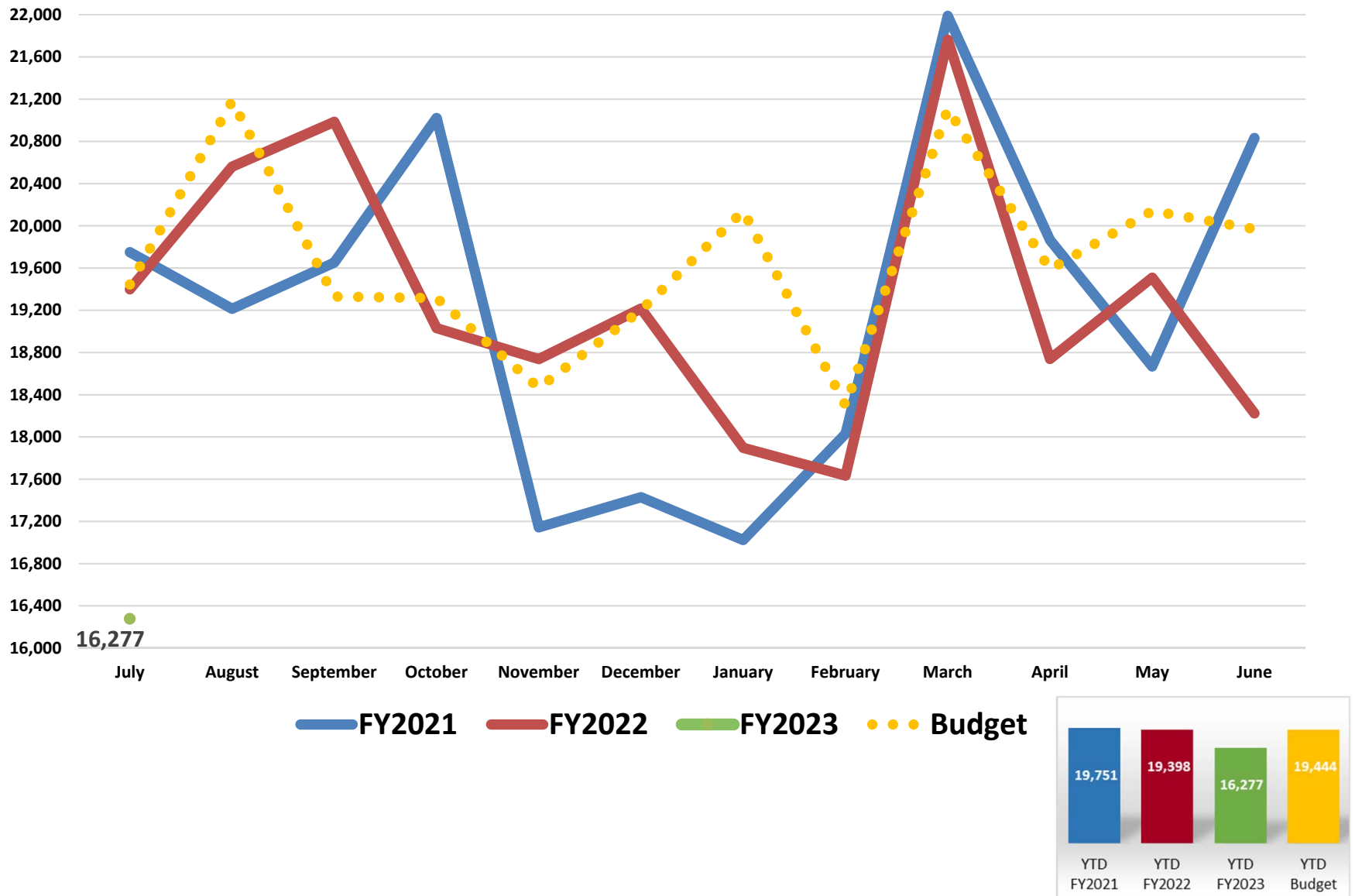
# Hospice Days



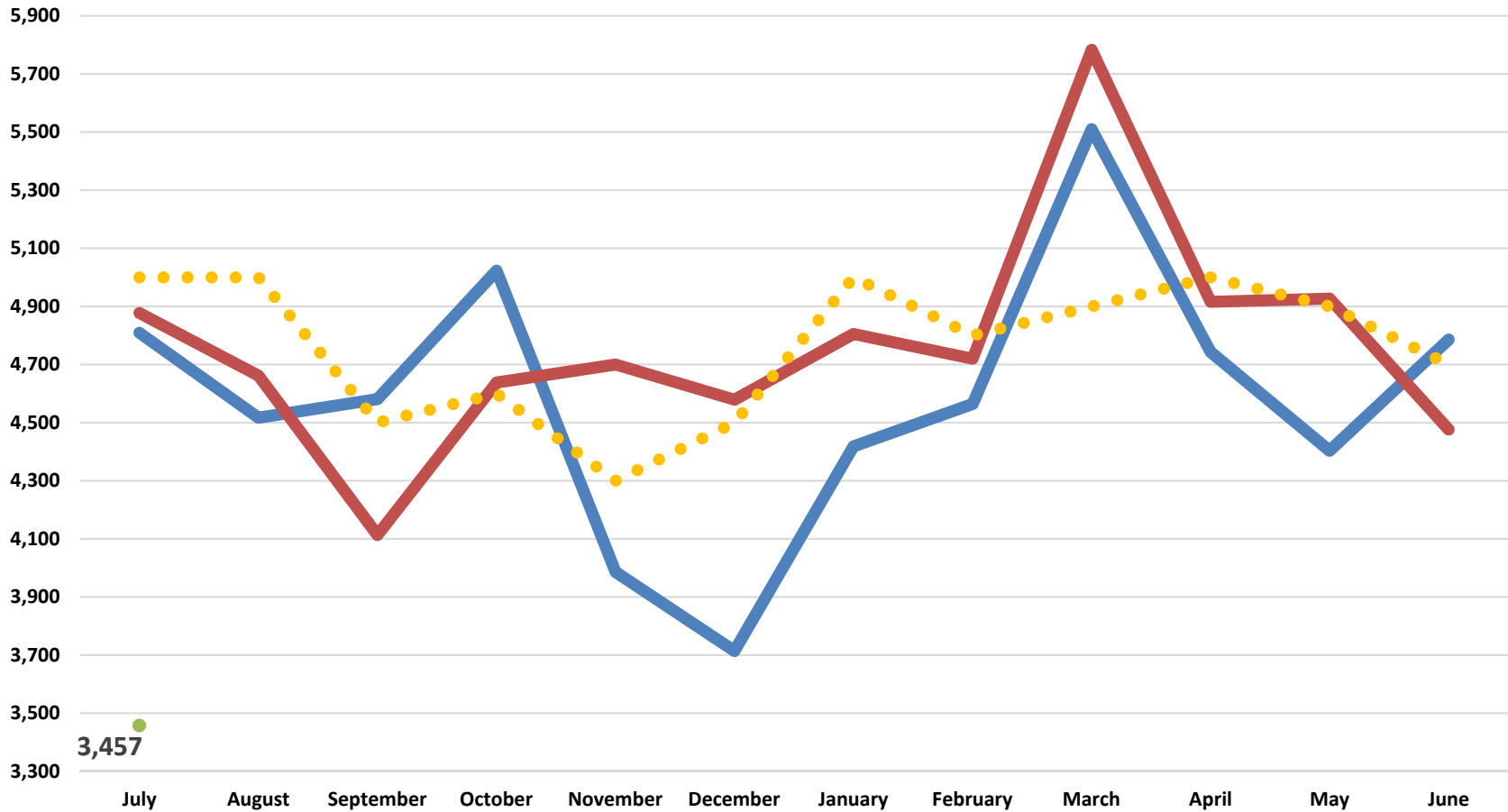
—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**



# All O/P Rehab Services Across District



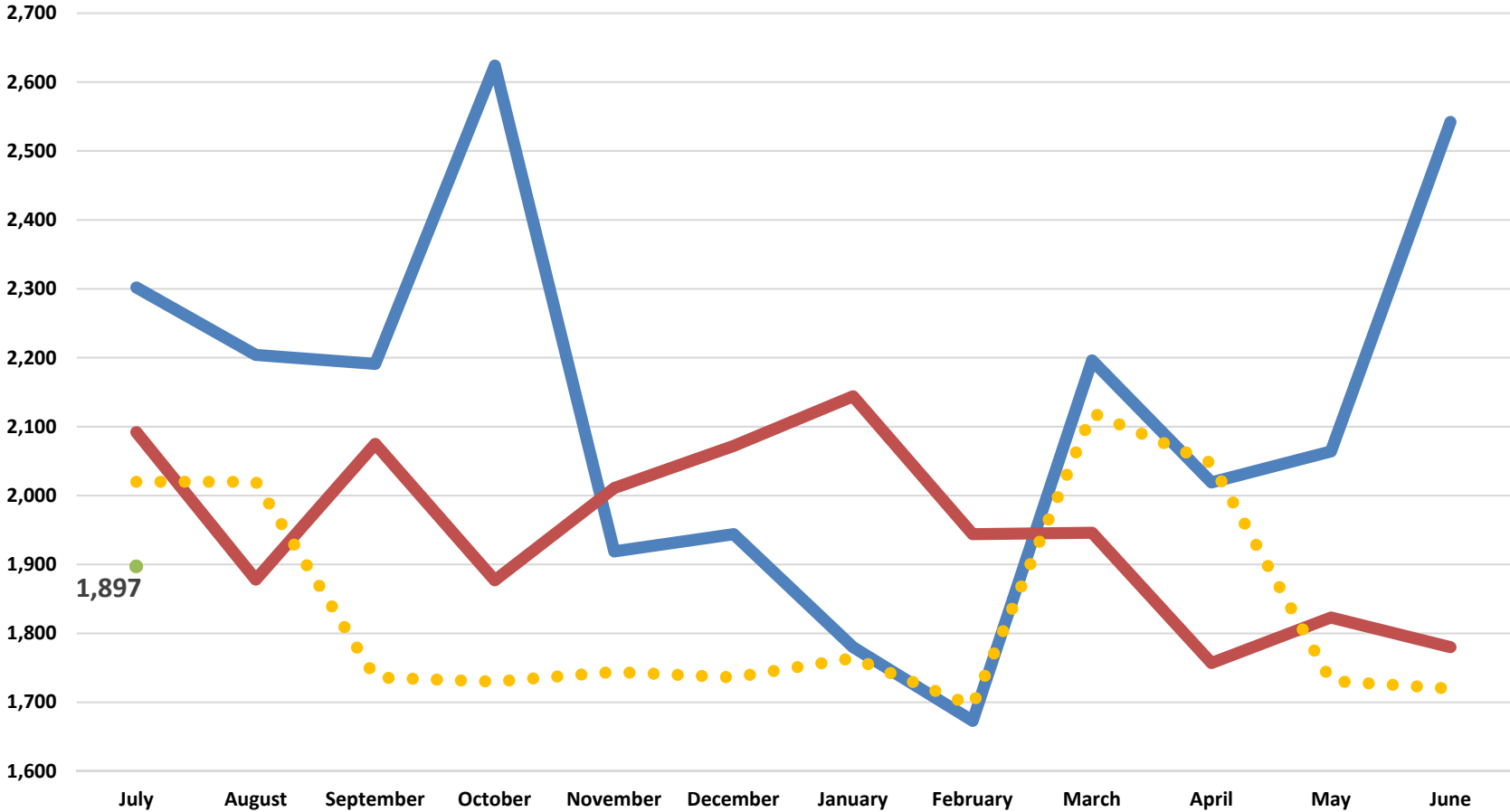
# O/P Rehab Services



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



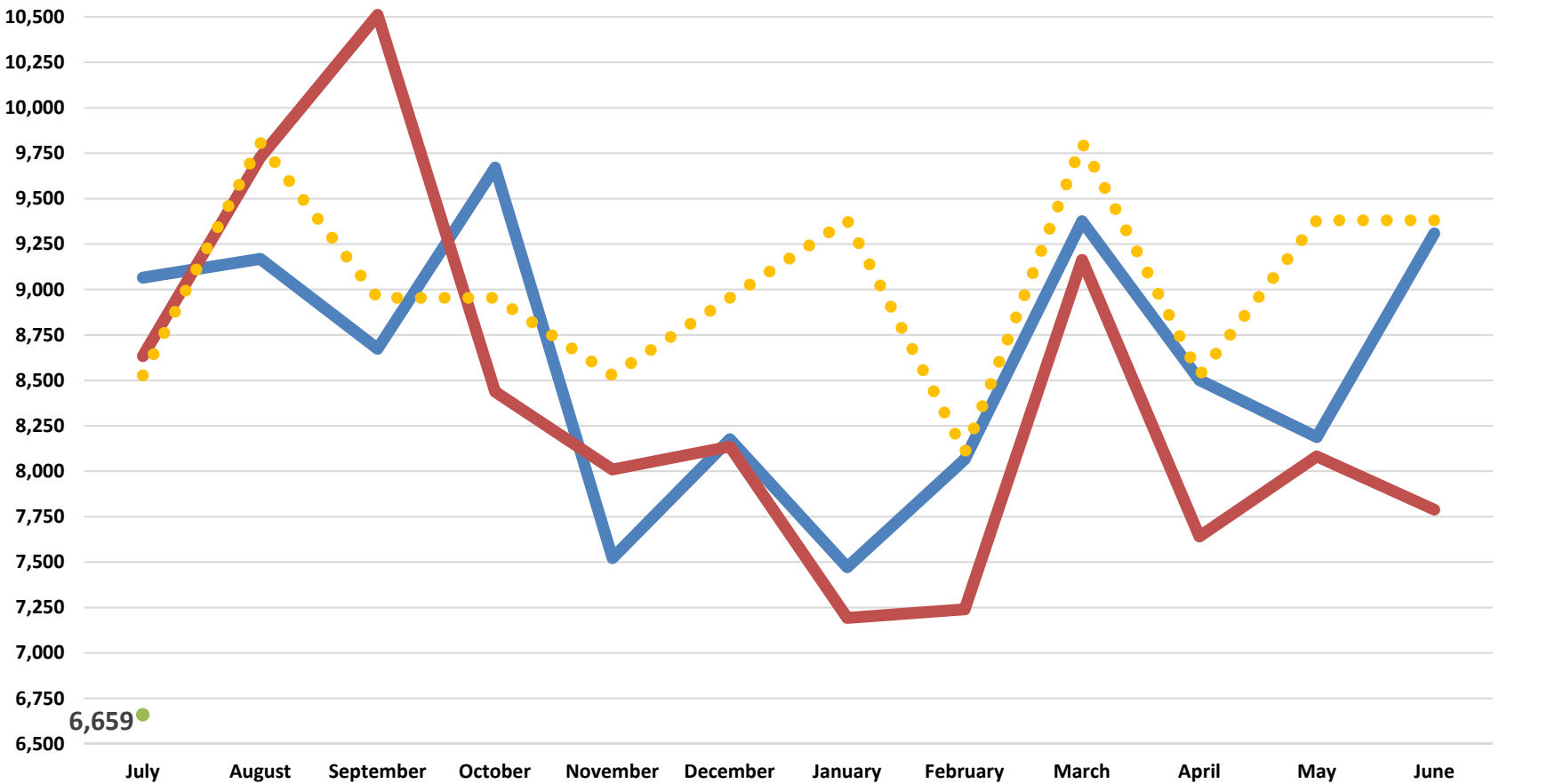
# O/P Rehab - Exeter



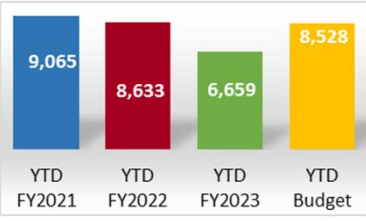
—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**



# O/P Rehab - Akers

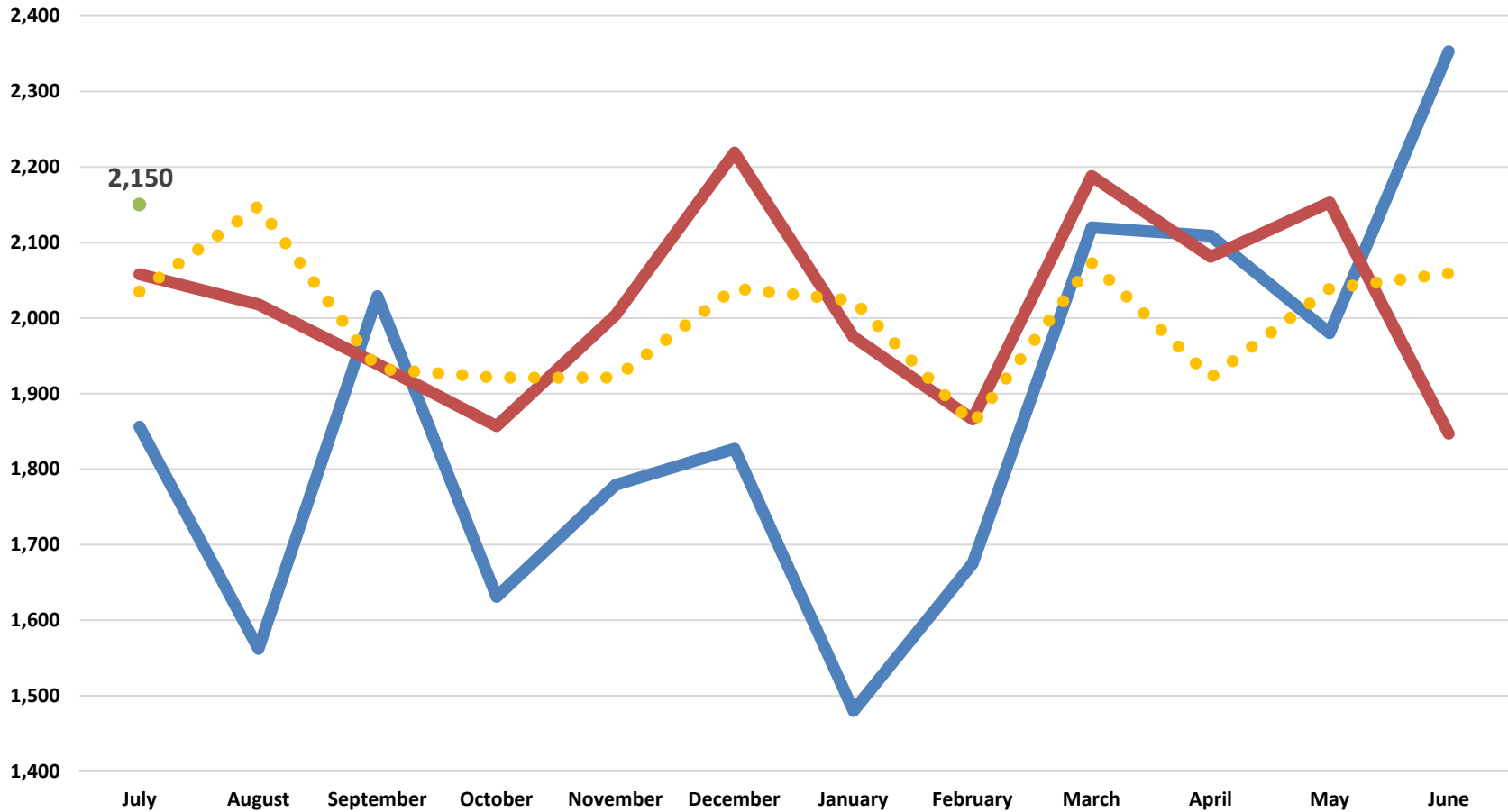


— FY2021   
 — FY2022   
 — FY2023   
 ●●● Budget





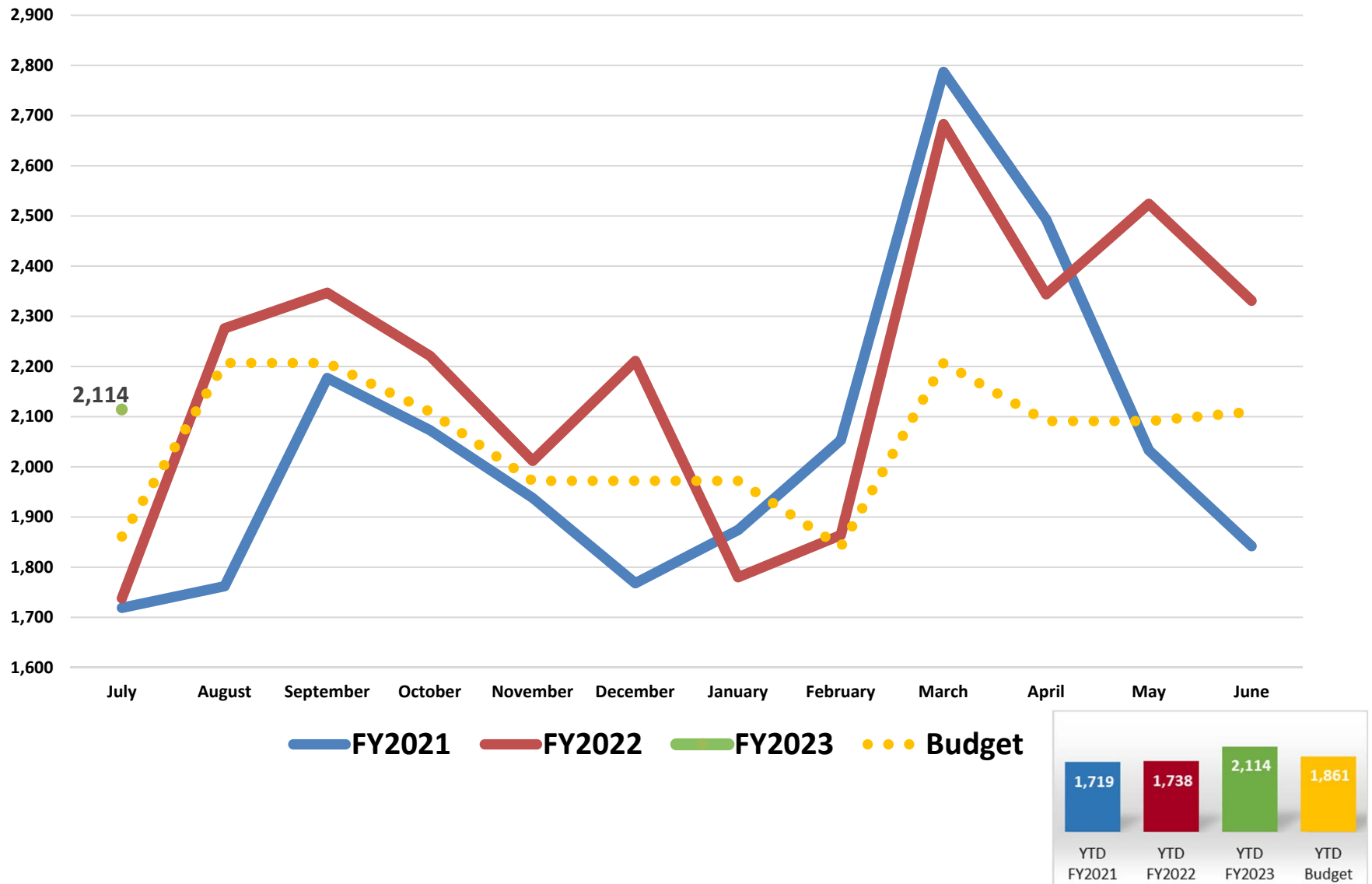
# O/P Rehab - LLOPT



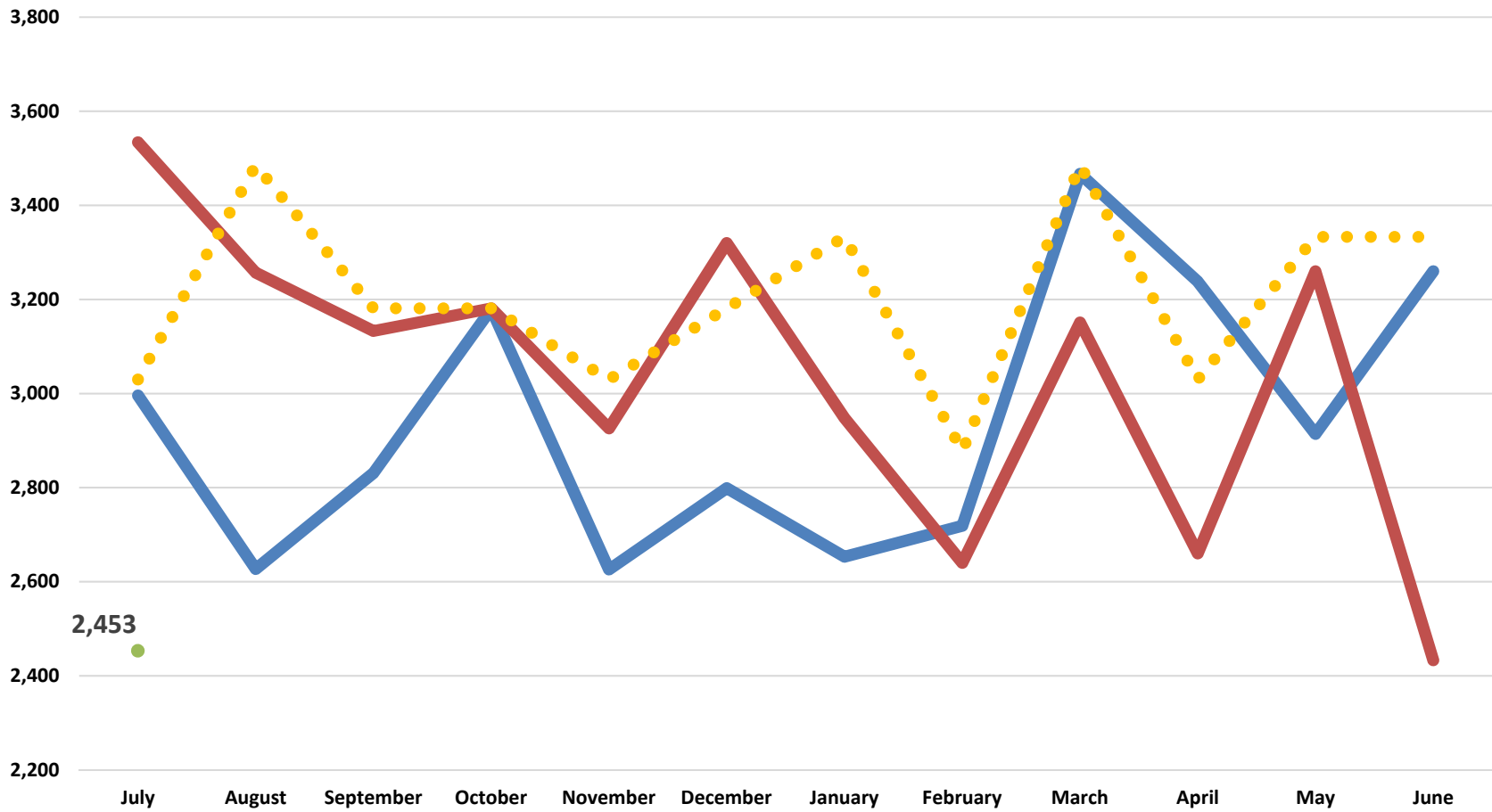
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 1,856         | 2,058         | 2,150         | 2,035         |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

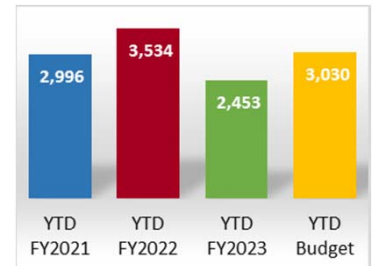
# O/P Rehab - Dinuba



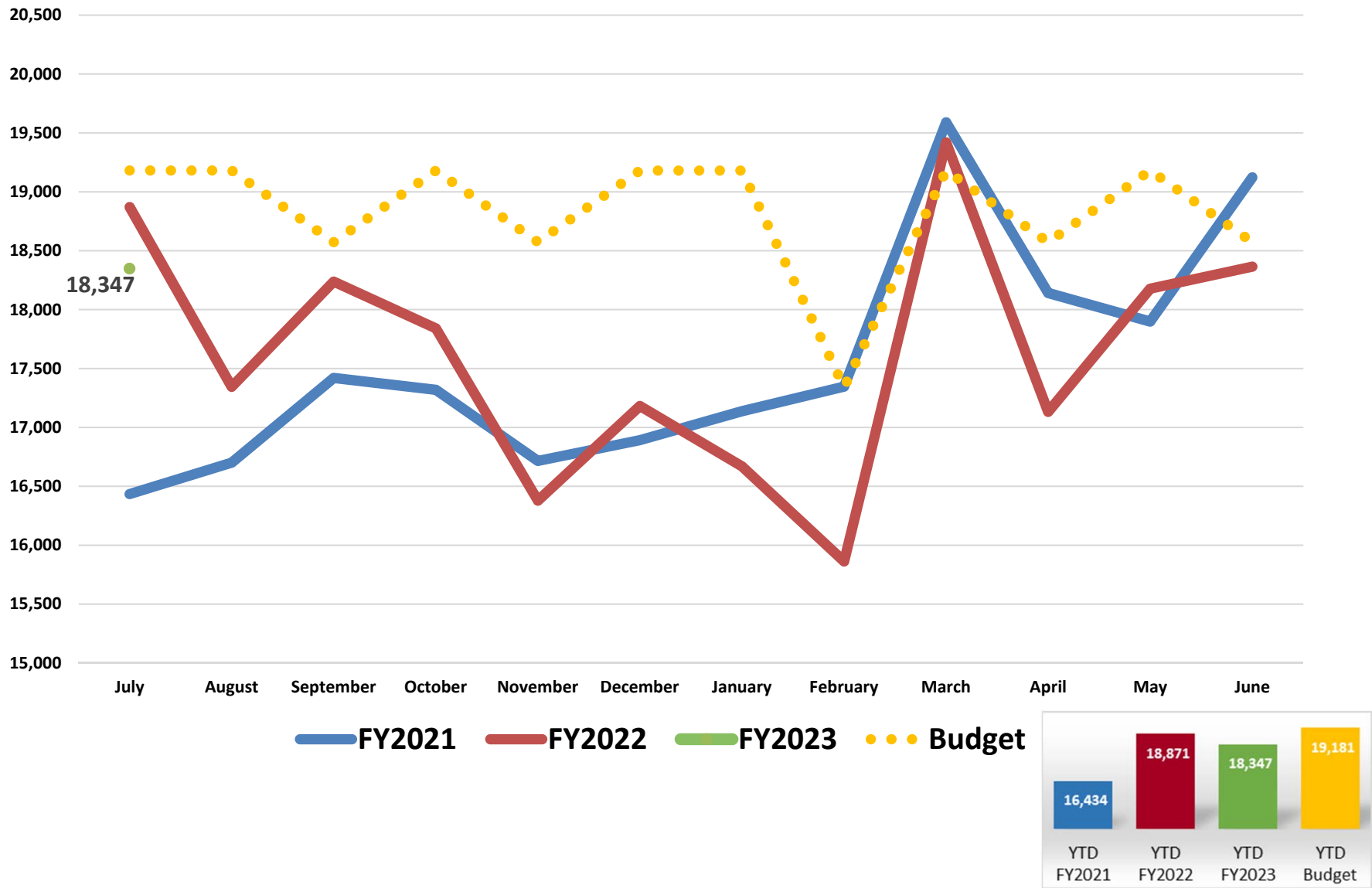
# Therapy - Cypress Hand Center



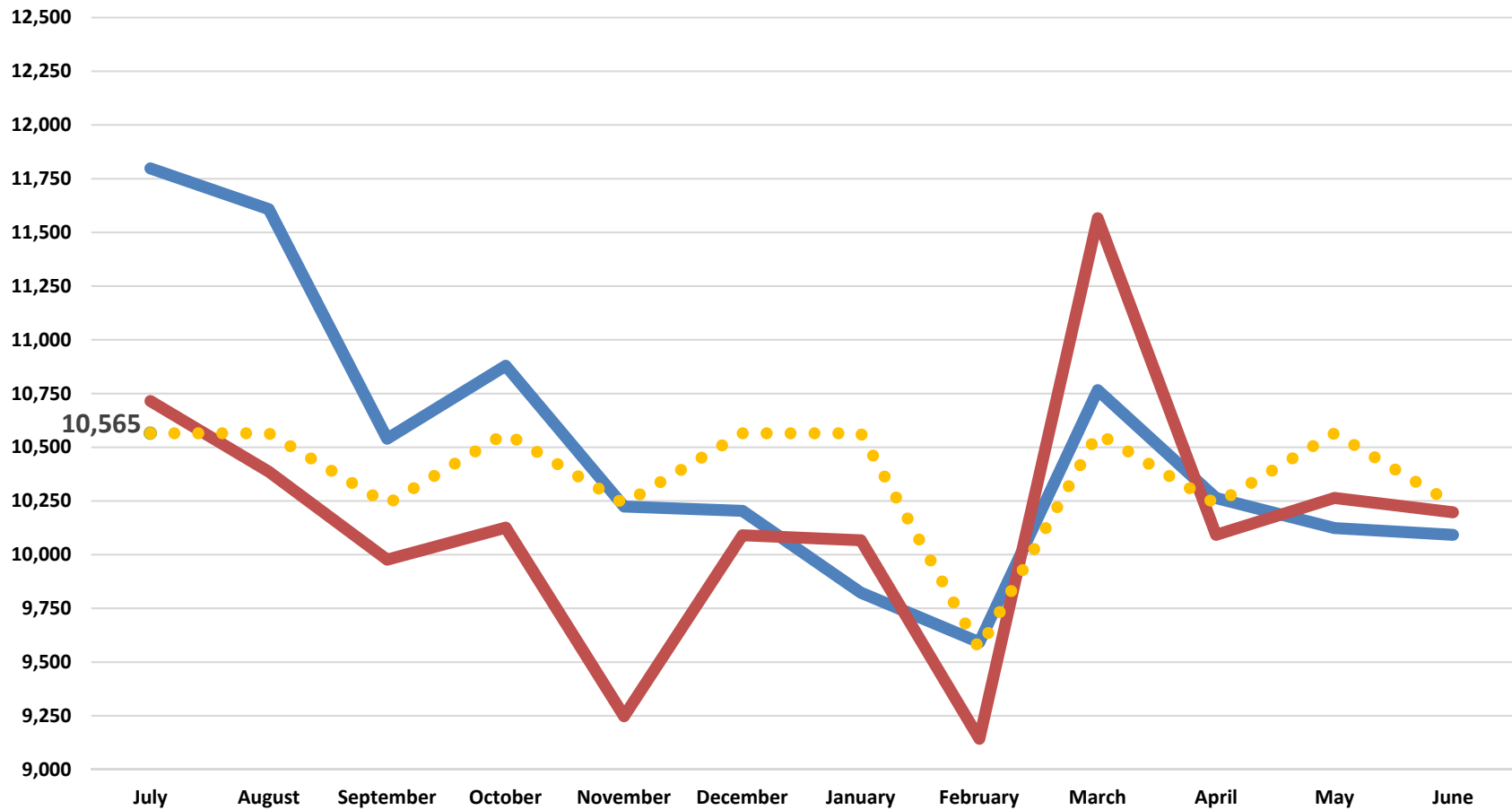
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



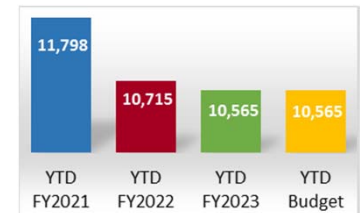
# Physical & Other Therapy Units (I/P & O/P)



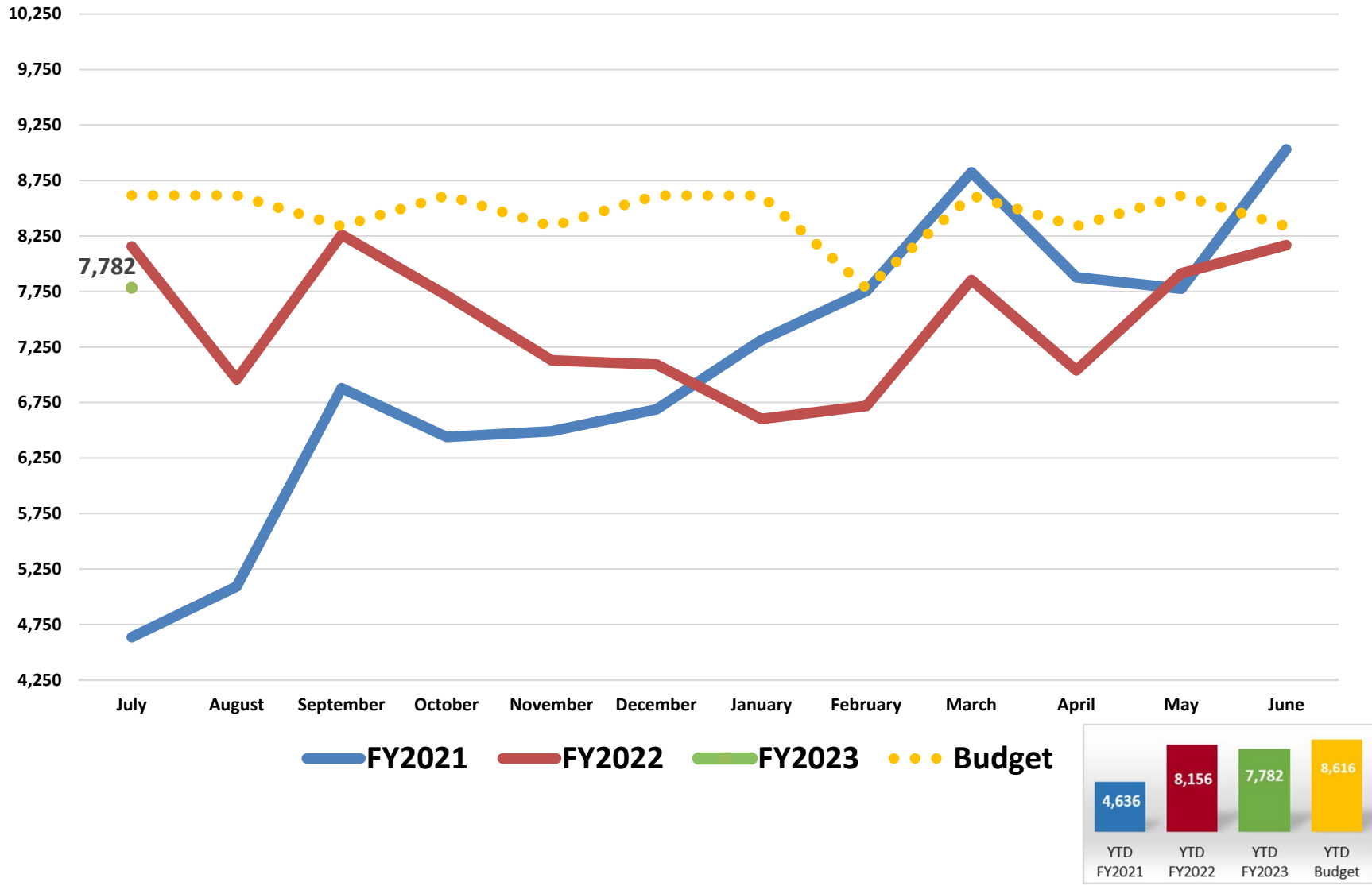
# Physical & Other Therapy Units (I/P & O/P)-Main Campus



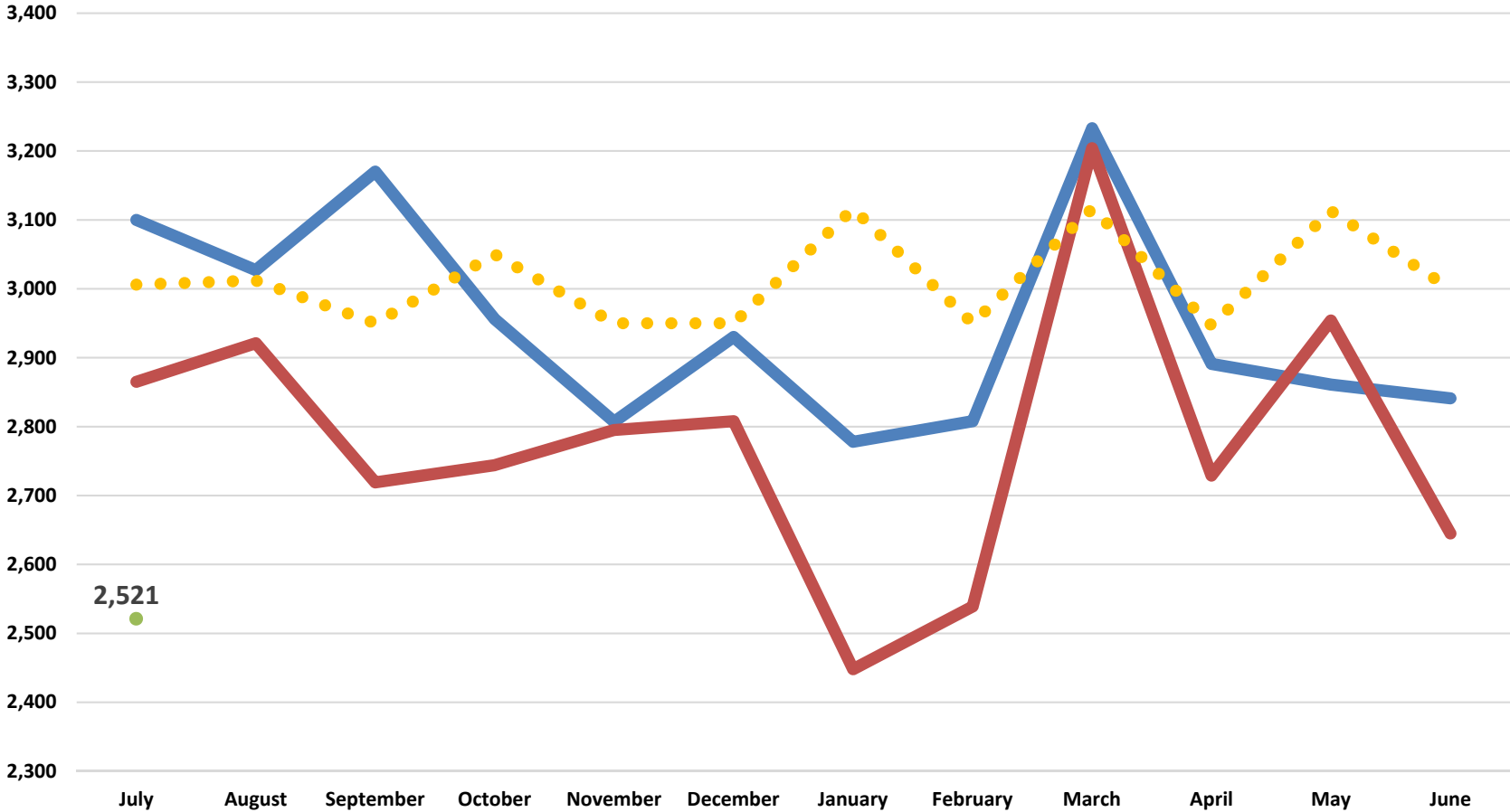
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



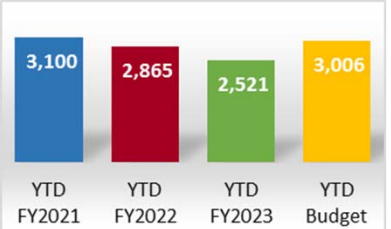
# Physical & Other Therapy Units (I/P & O/P)-KDRH & South Campus



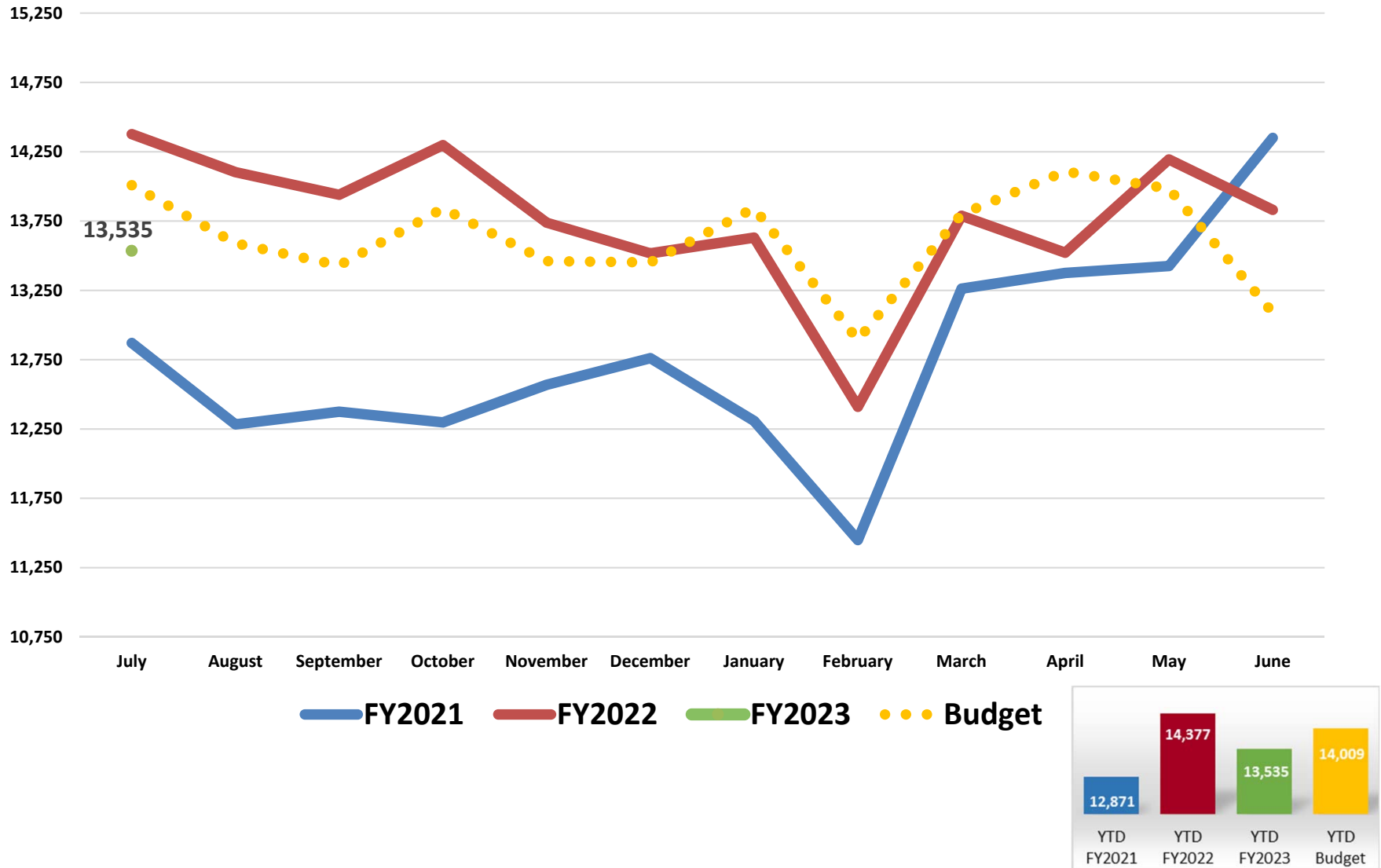
# Home Health Visits



—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**

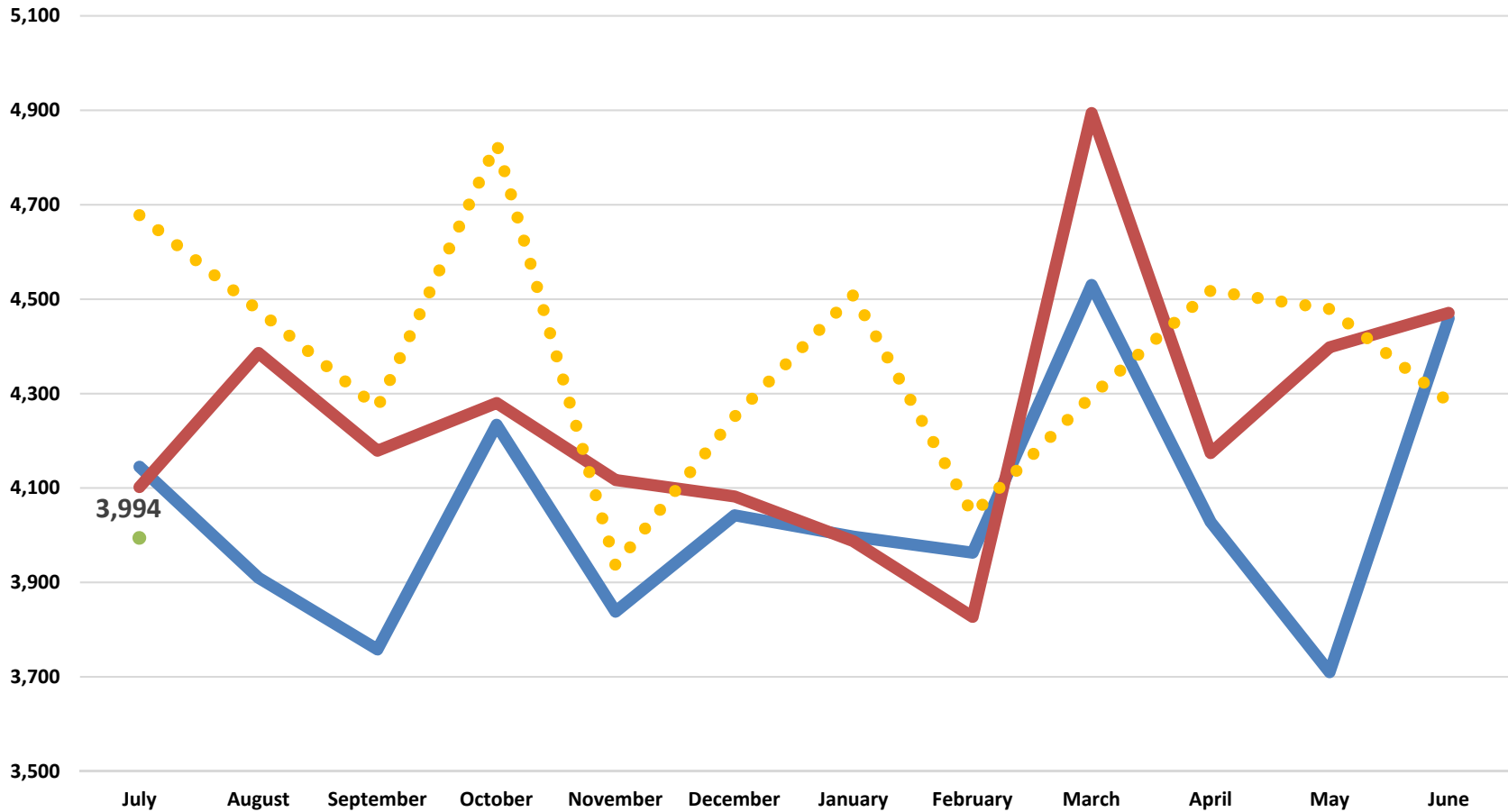


# Radiology – Main Campus

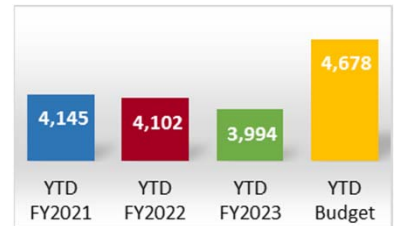




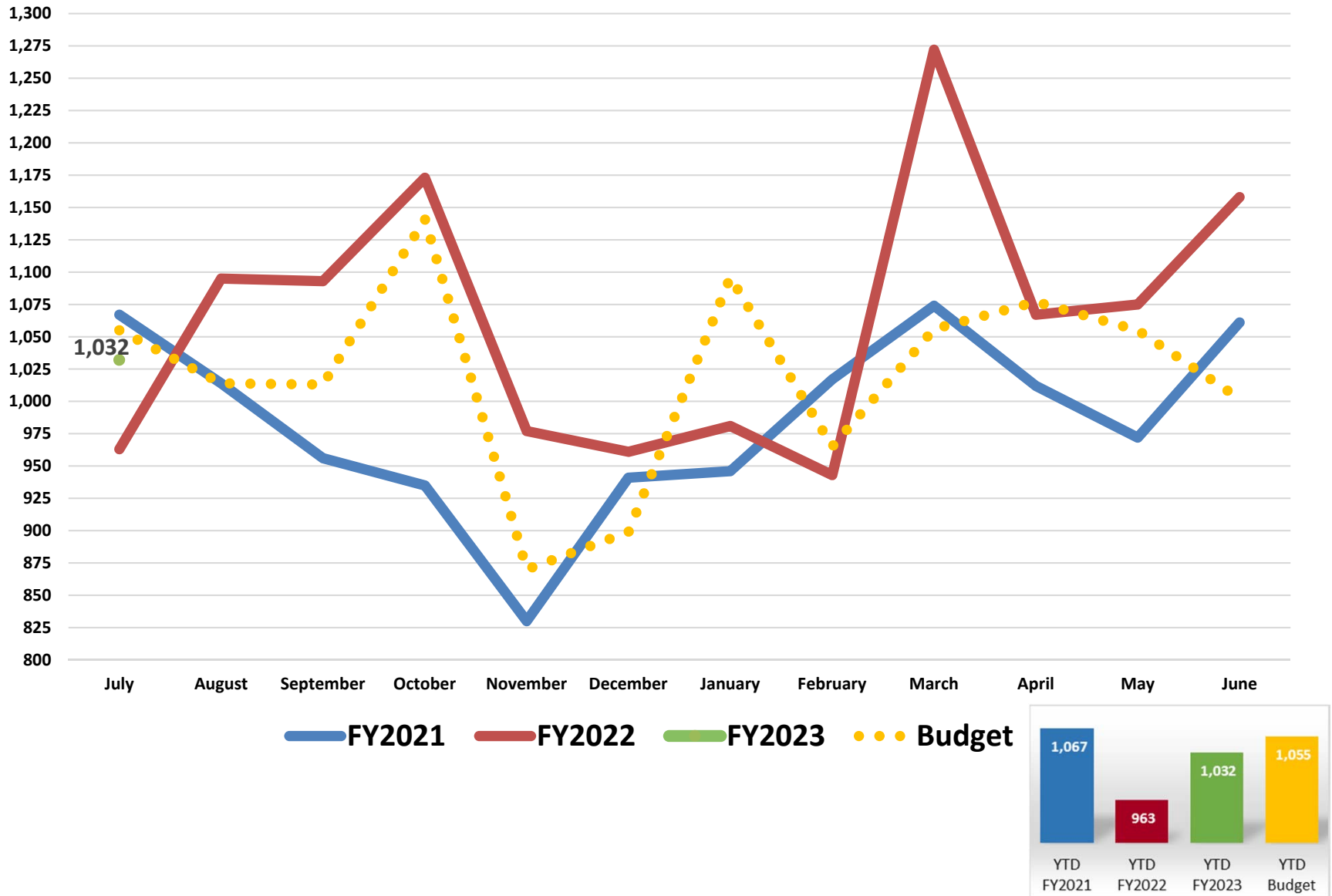
# Radiology – West Campus Imaging



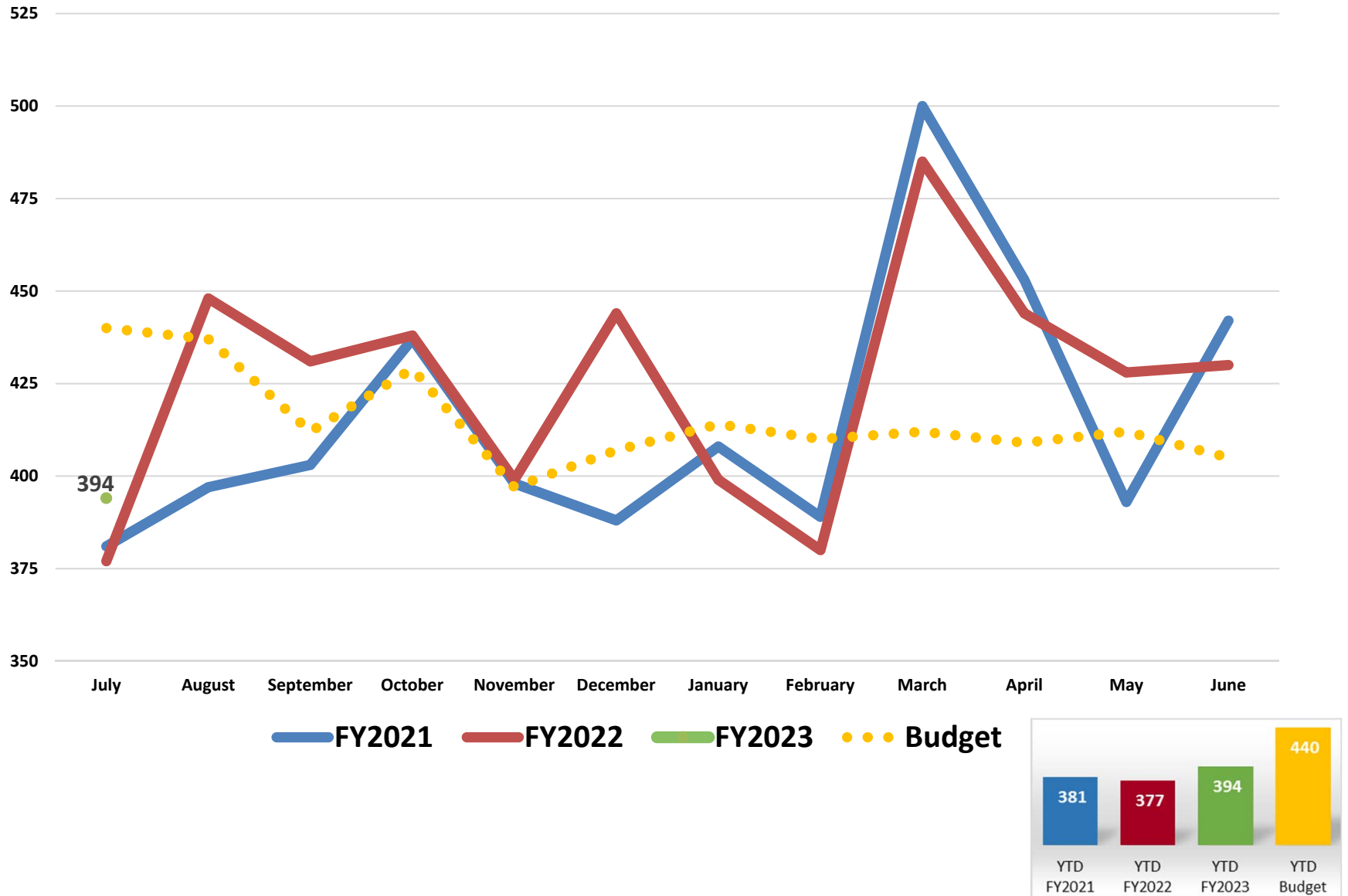
— **FY2021**   
 — **FY2022**   
 ● **FY2023**   
 ●●● **Budget**



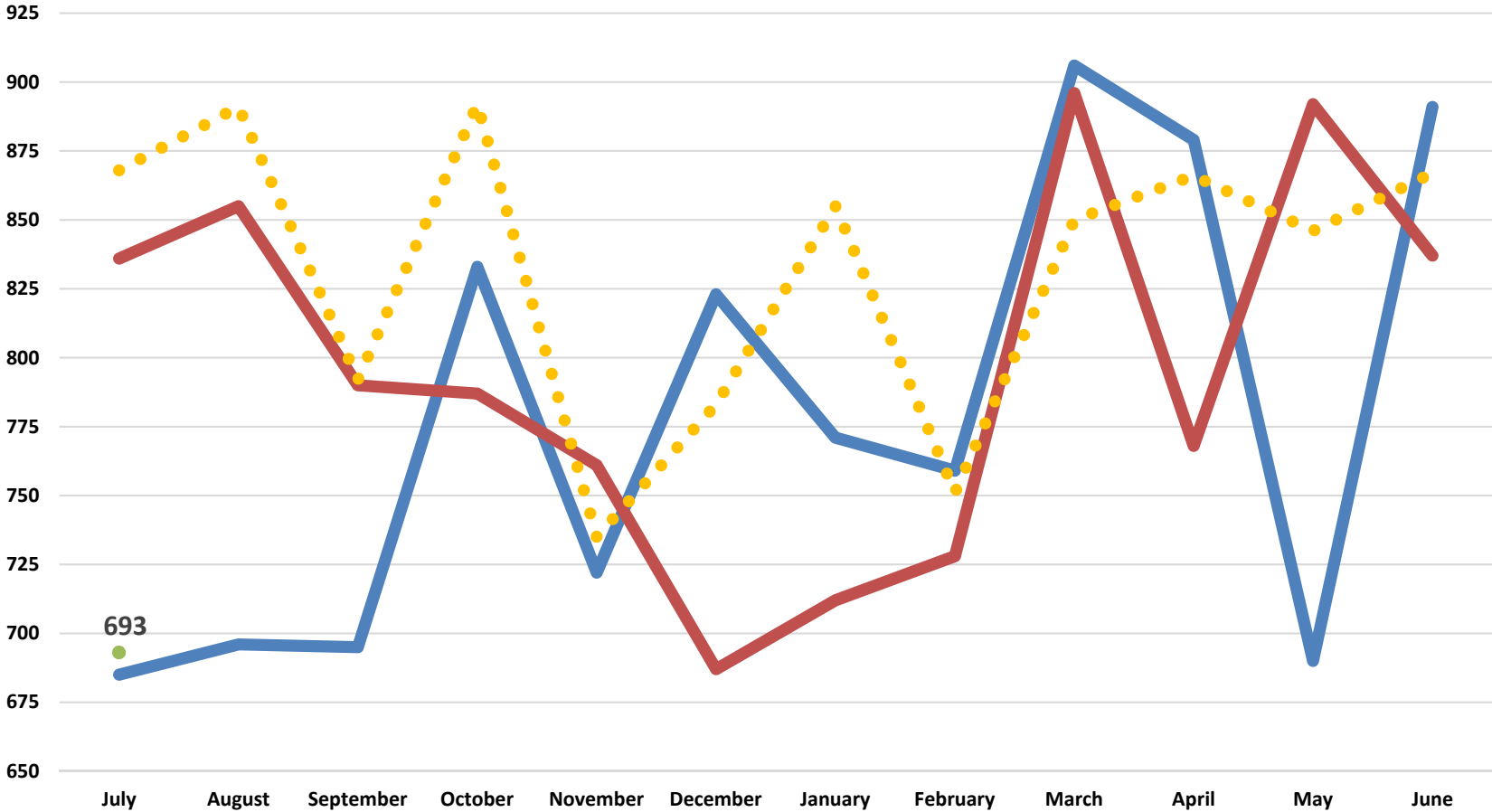
# West Campus – Diagnostic Radiology



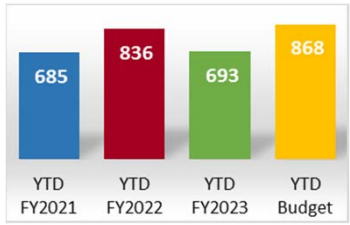
# West Campus – CT Scan



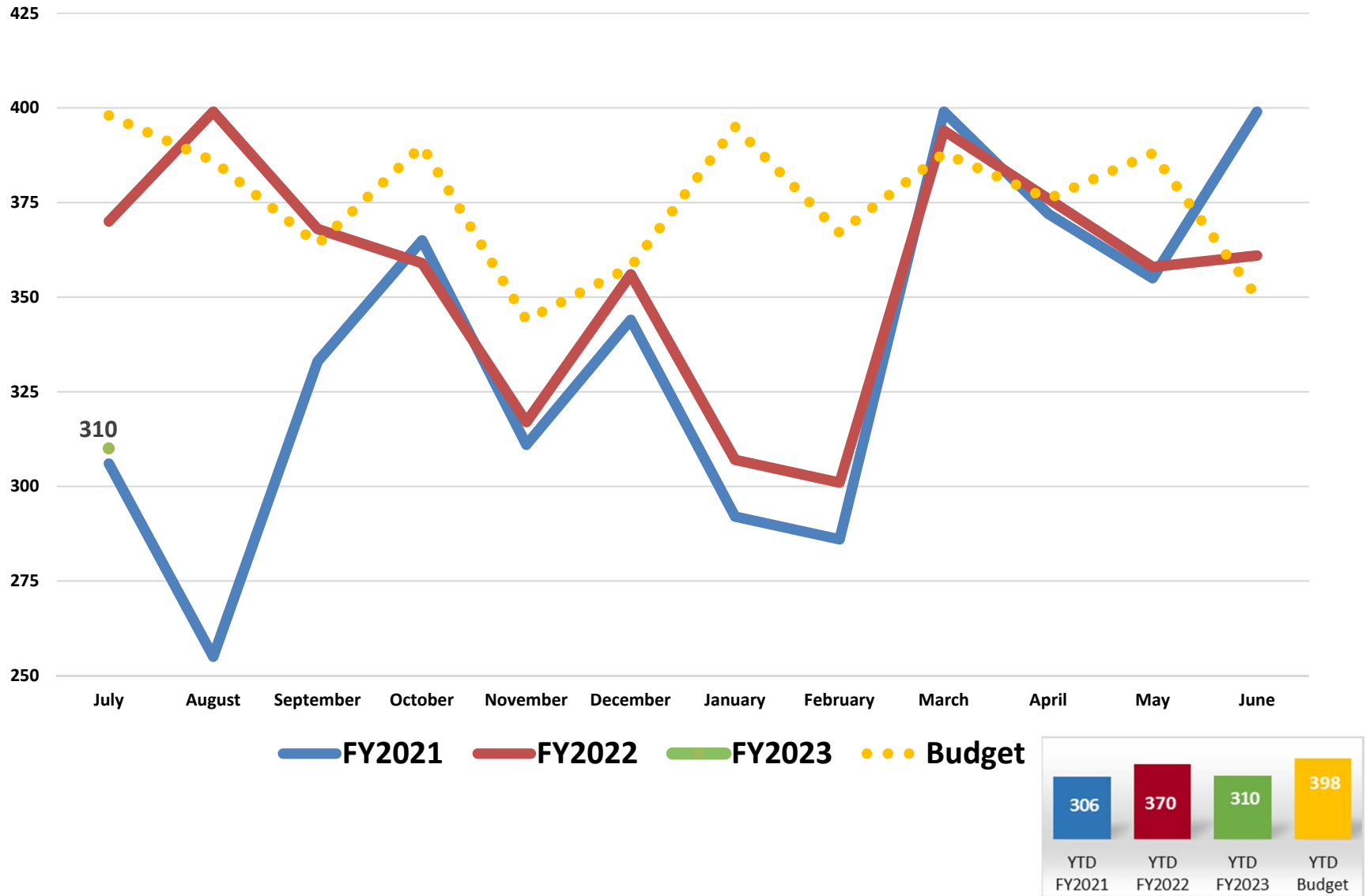
# West Campus - Ultrasound



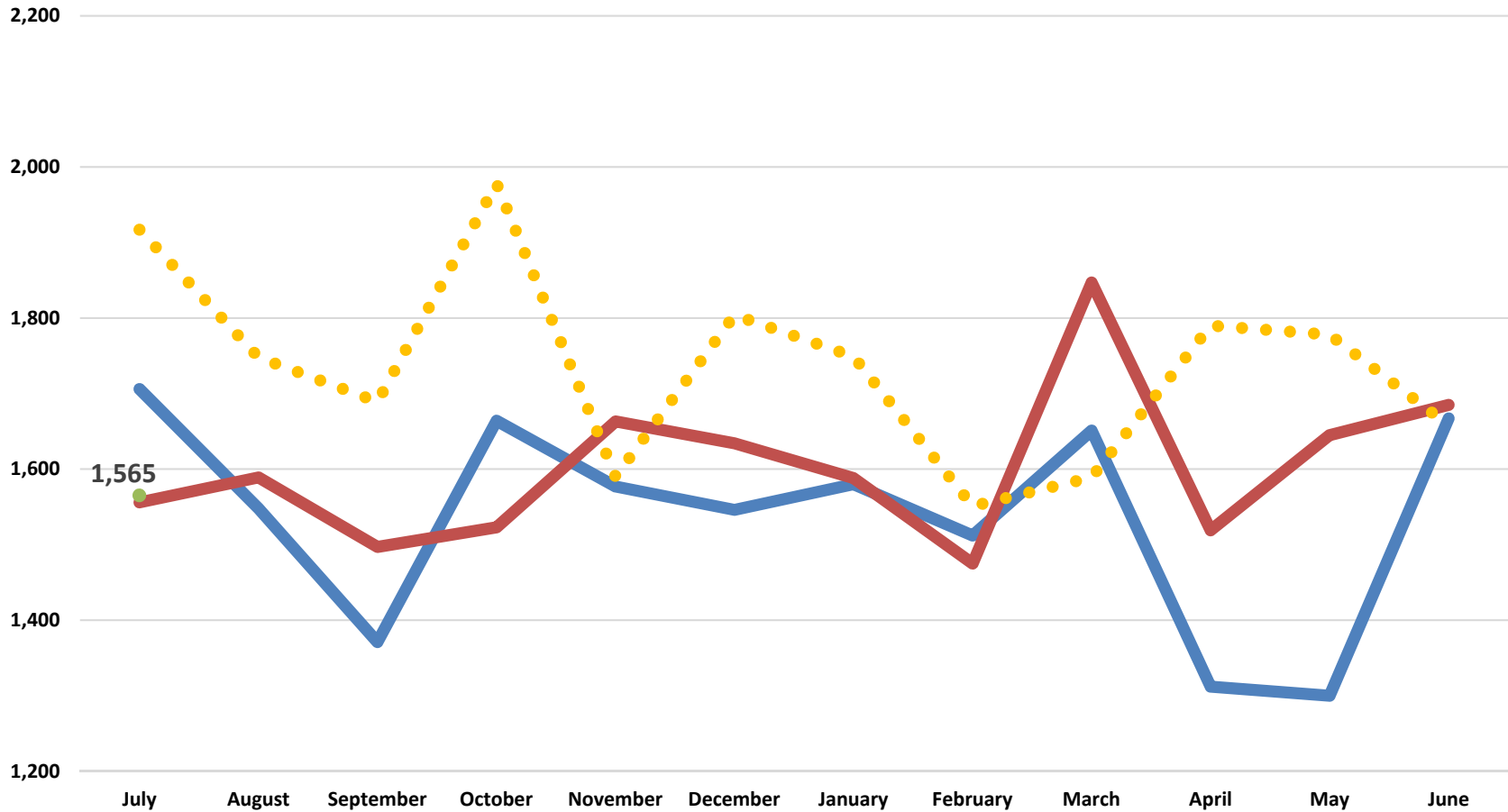
—●— **FY2021**   
 —●— **FY2022**   
 —●— **FY2023**   
 ●●● **Budget**



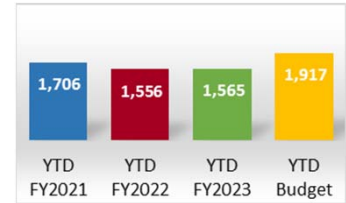
# West Campus - MRI



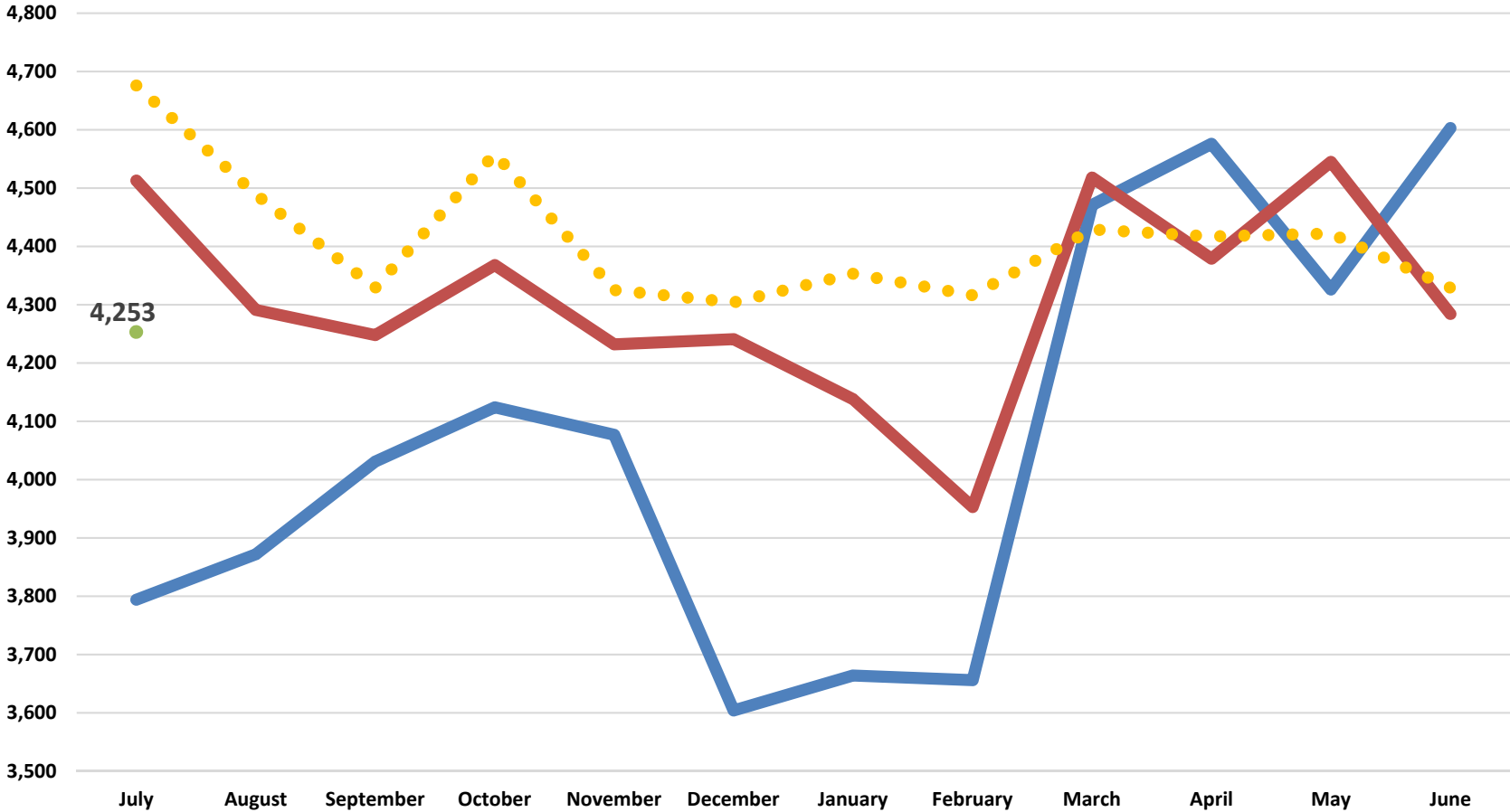
# West Campus – Breast Center



— FY2021   
 — FY2022   
 — FY2023   
 ••• Budget



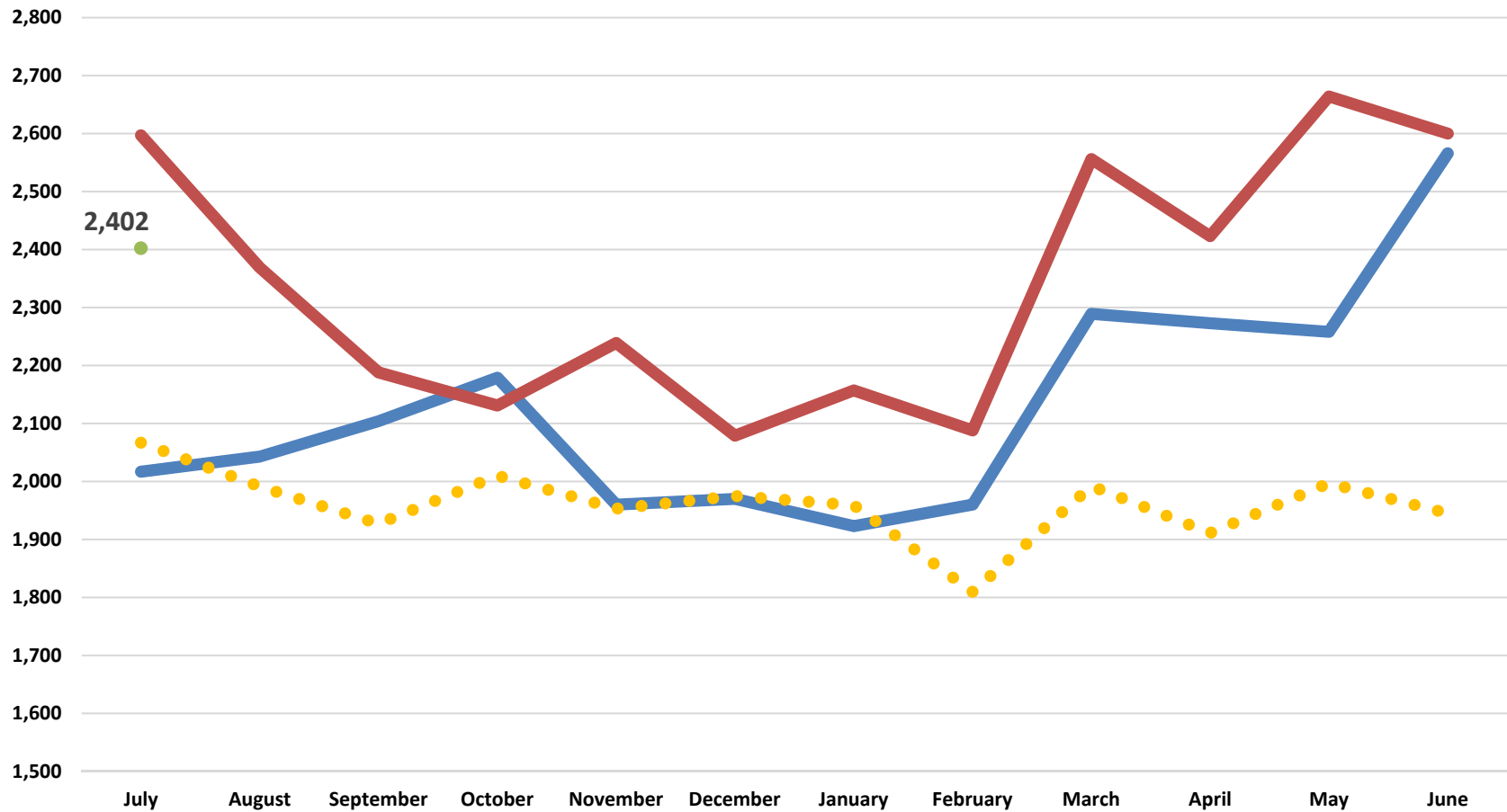
# Radiology all areas – CT



—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 3,794         | 4,513         | 4,253         | 4,676         |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

# Radiology all areas – Ultrasound

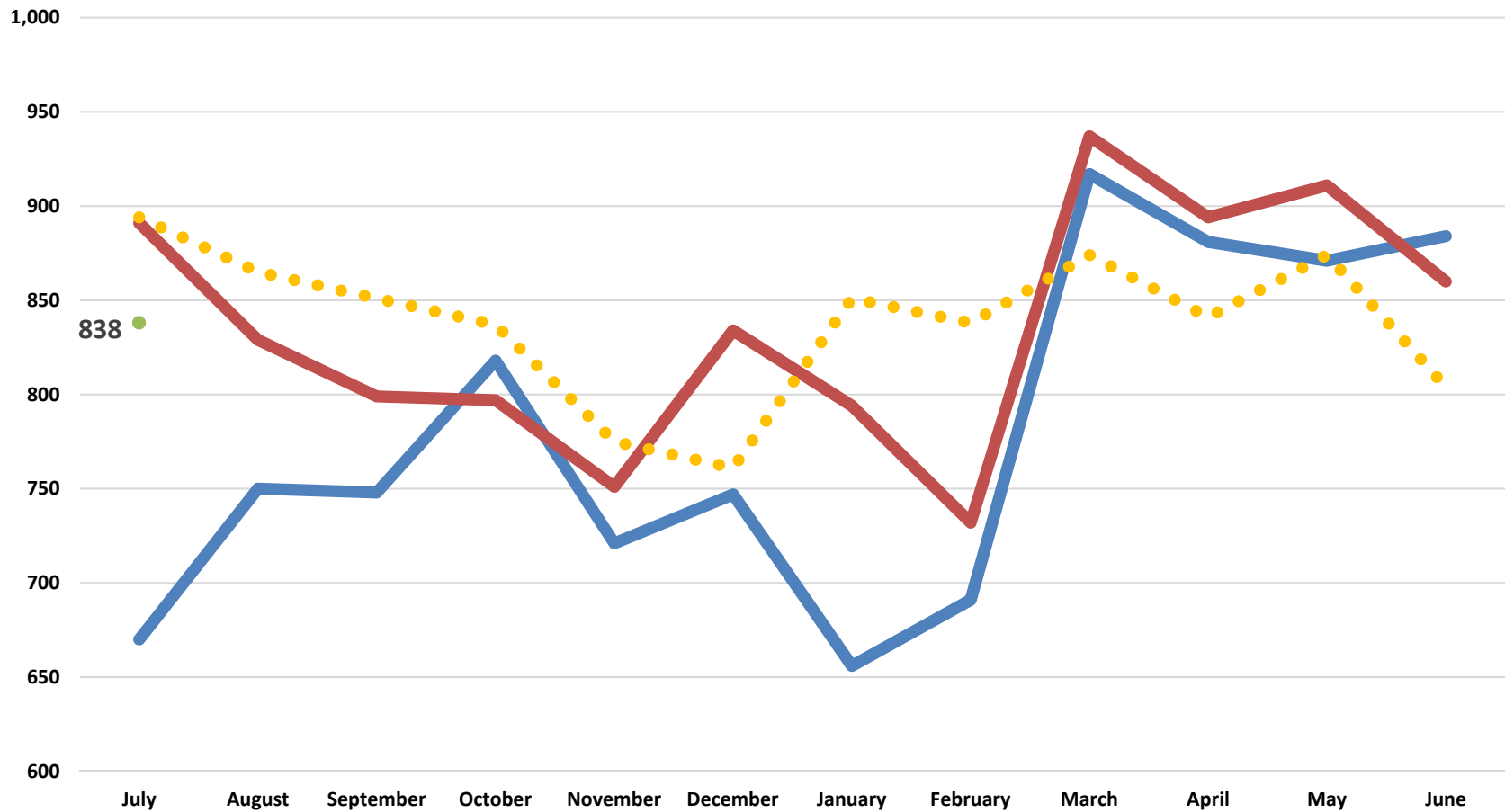


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

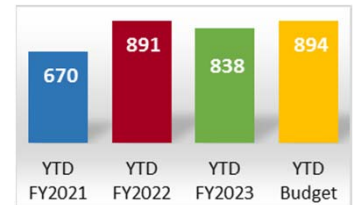




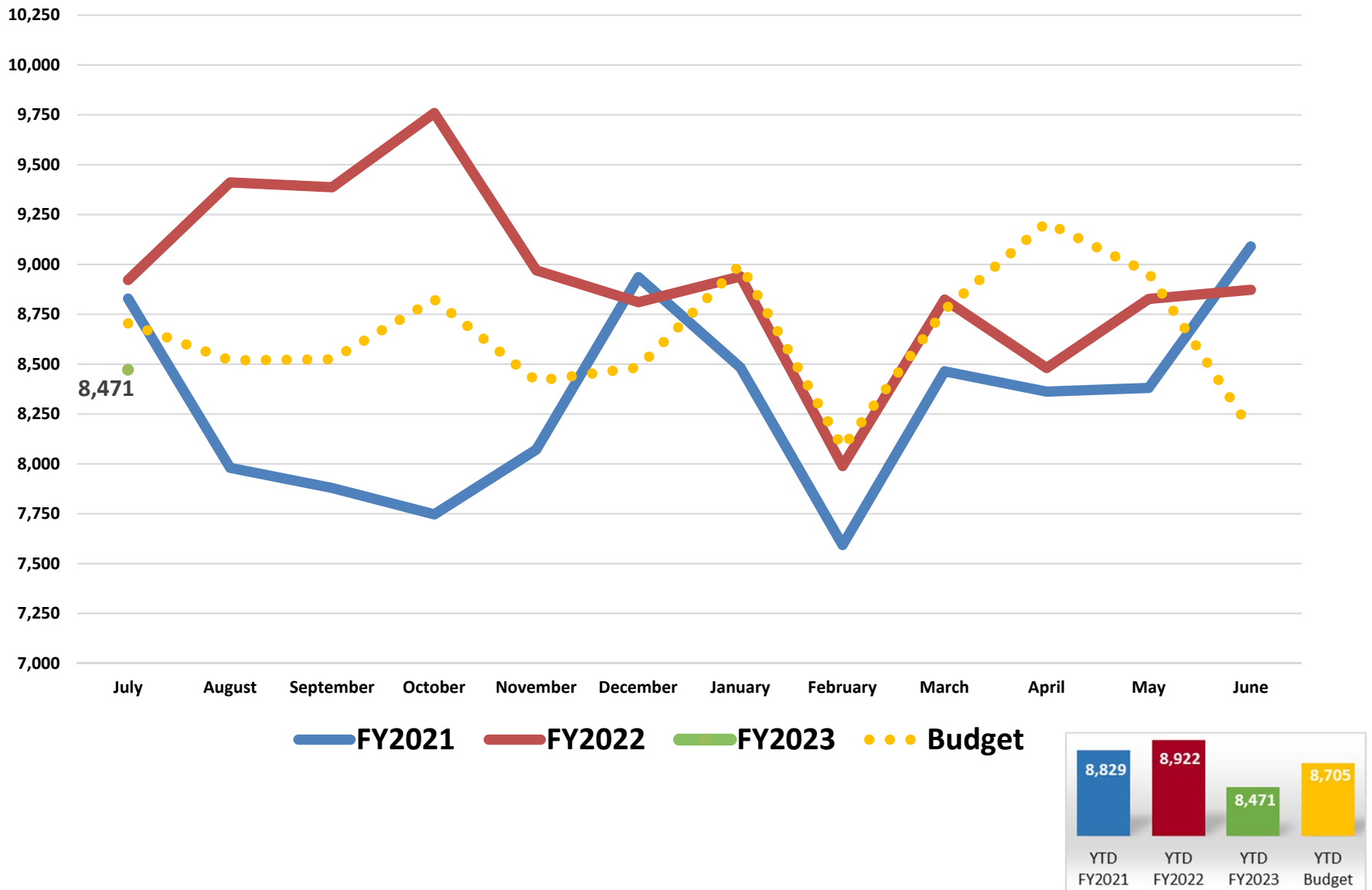
# Radiology all areas – MRI



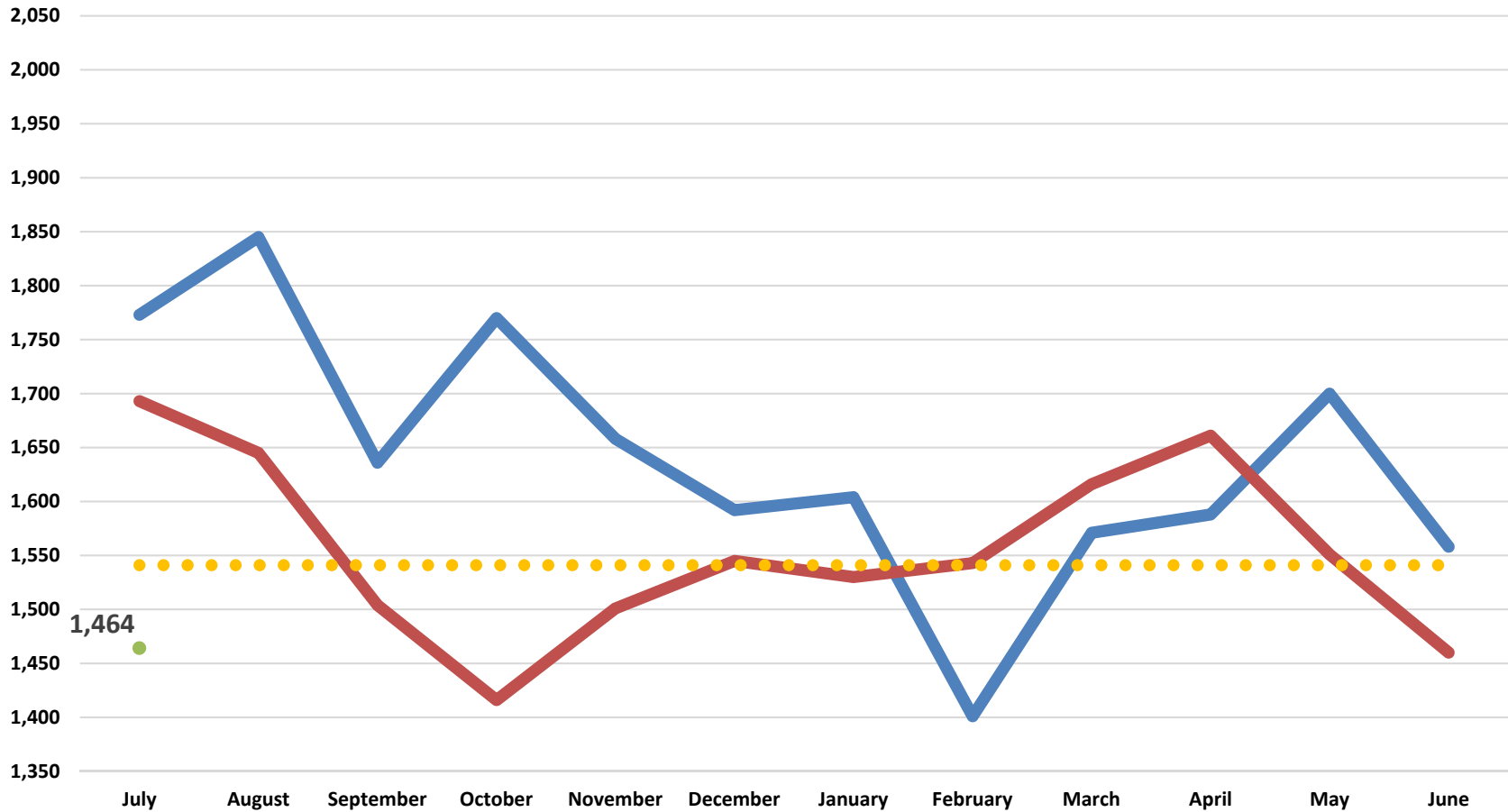
—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



# Radiology Modality – Diagnostic Radiology



# Chronic Dialysis - Visalia

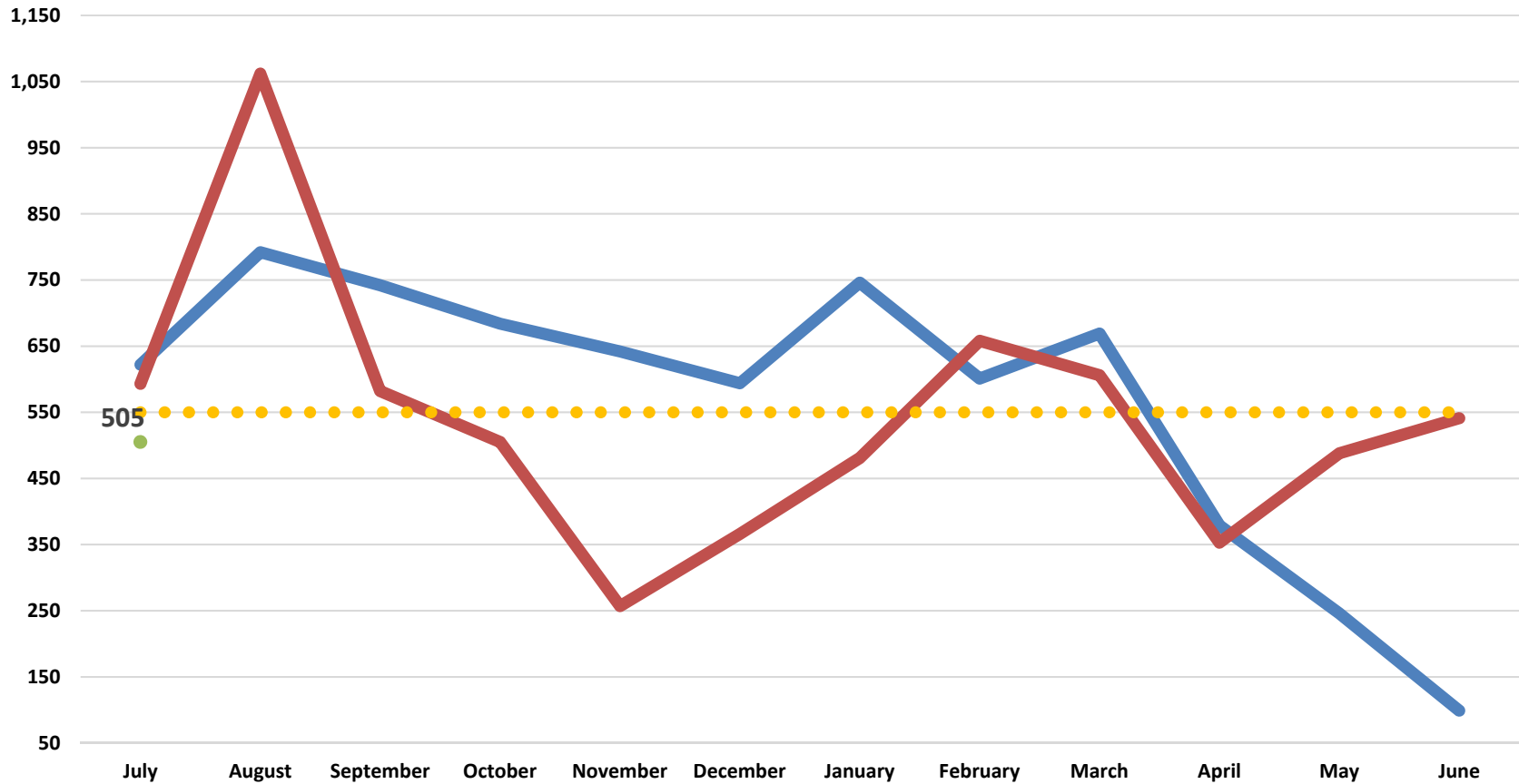


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget



# CAPD/CCPD – Maintenance Sessions

(Continuous peritoneal dialysis)

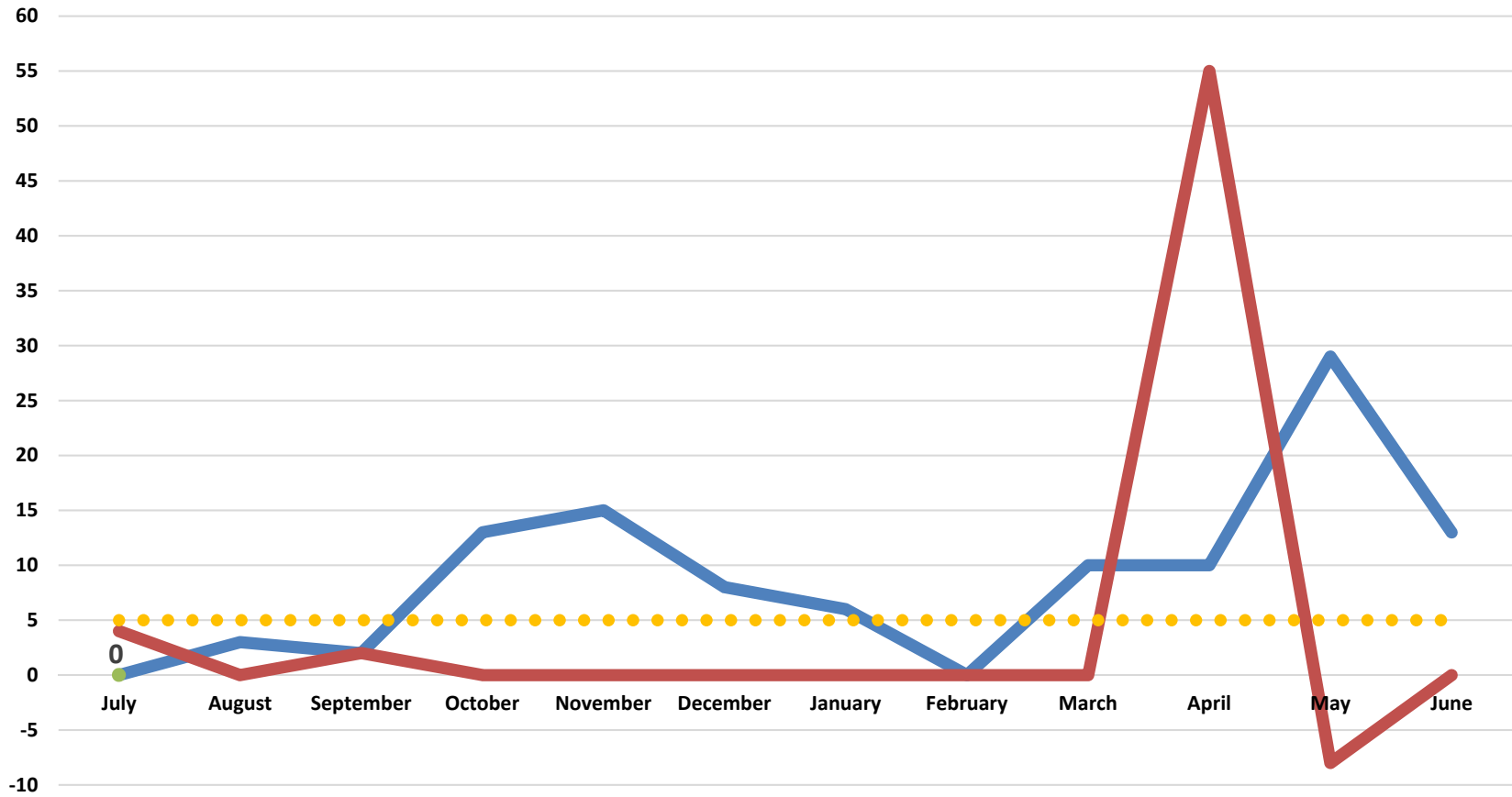


—●— FY2021   
 —●— FY2022   
 —●— FY2023   
 ●●● Budget

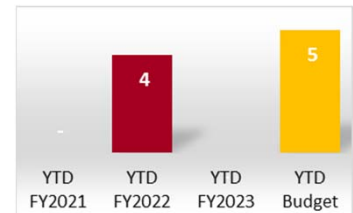
|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 622           | 593           | 505           | 550           |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

# CAPD/CCPD – Training Sessions

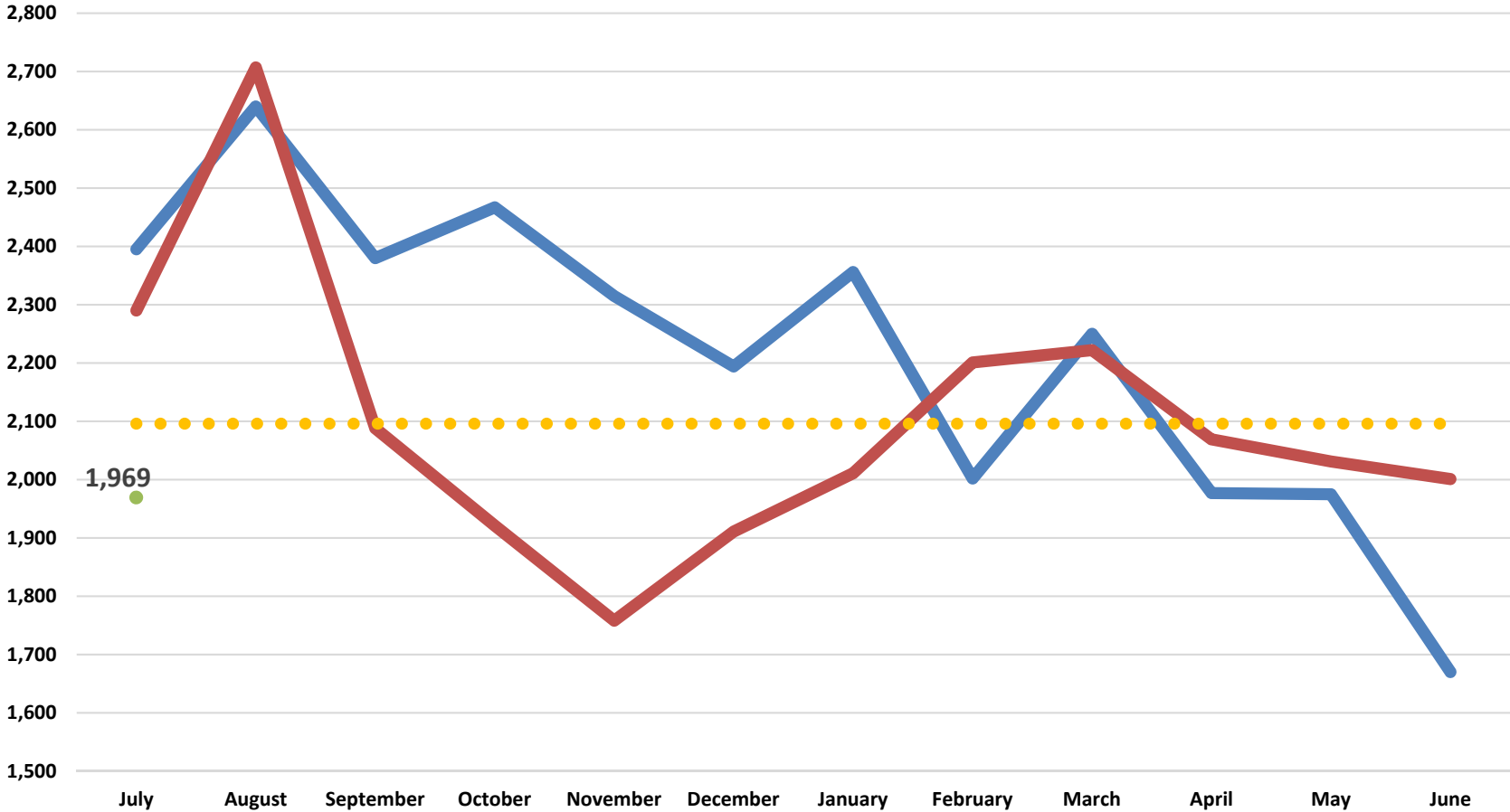
(Continuous peritoneal dialysis)



— FY2021 — FY2022 — FY2023 ••• Budget



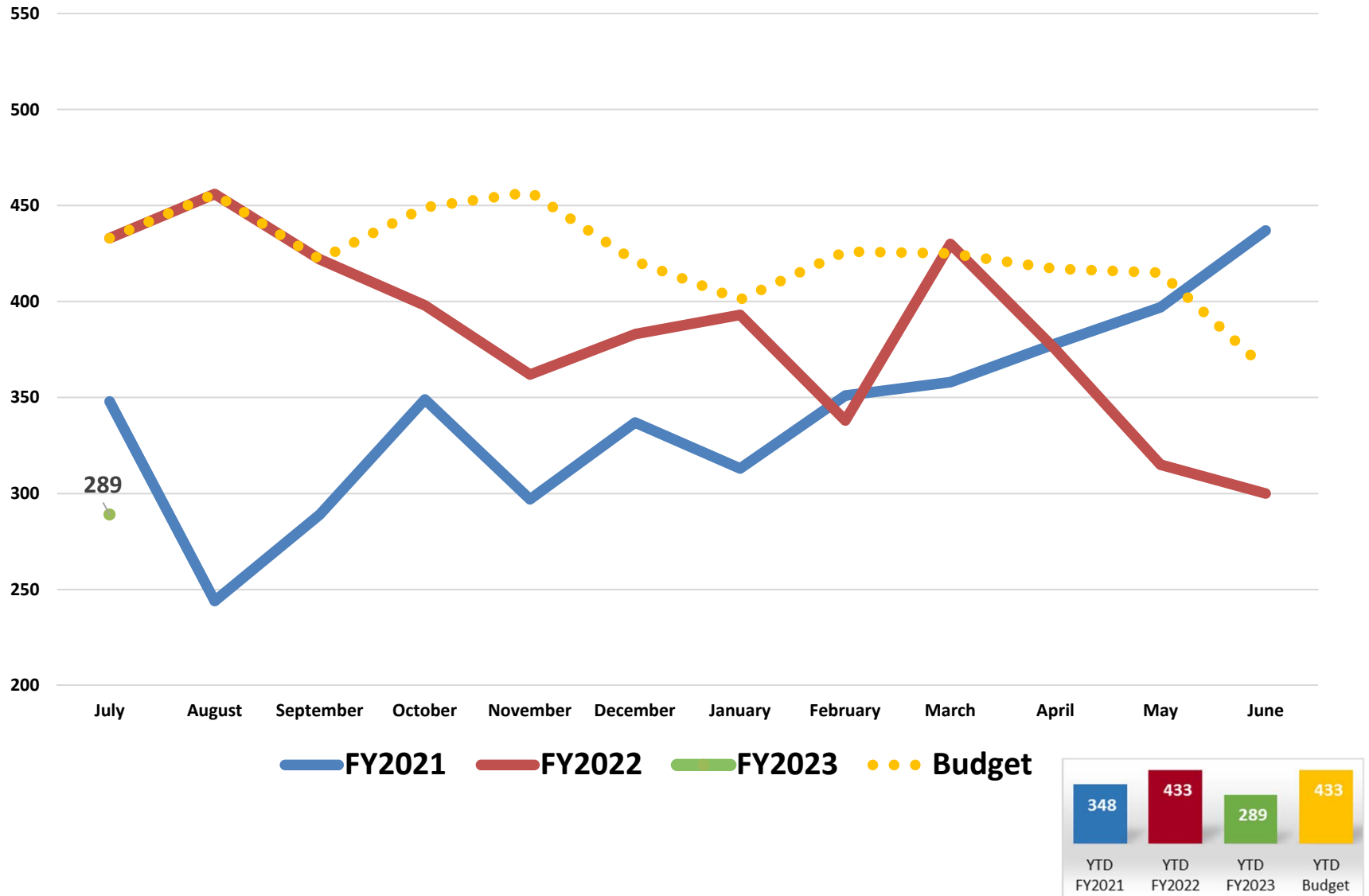
# All CAPD & CCPD



— FY2021   
 — FY2022   
 — FY2023   
 ••• Budget

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 2,395         | 2,290         | 1,969         | 2,096         |
| YTD<br>FY2021 | YTD<br>FY2022 | YTD<br>FY2023 | YTD<br>Budget |

# Infusion Center – Outpatient Visits





**Stanford**  
HEALTH CARE

# Northern California & Central Valley: Surgeon Deployment Model



# Surgeon Deployment Model

Design

Build

Maintain

1

## Professional Services Agreement



Fully-Loaded<sup>1</sup>

3-year initial term

ROI Modeling

<sup>1</sup>All SHC Expense Paid by Host Hospital, Including Overhead

2

## Recruitment & Retention



Chief or Chair Led  
Joint Selection with  
Host Hospital

Credentialed SHC MDs  
as bench depth

Succession Planning

3

## Direction & Oversight



SHC developed 4P's:  
Policies  
Protocols  
Procedures  
Pathways

# Value Proposition to SHC & Prospective Partners

## Stanford Health Care

- ✓ Complements Stanford's current presence and opens the **benefits of a regional approach**
- ✓ Targeted **direct-to-physician outreach** by Stanford's local market outreach executive liaison team
- ✓ **Increase in tertiary cases** to Palo alto and potential halo effect of increased tertiary transfers/ referrals from that region

## Host Hospital

- ✓ **Reduced logistical burden** – Stanford manages their faculty jointly with host hospital leadership
- ✓ **Provider satisfaction and retention** – integration with Department allows the Provider to function as part of a high performing team
- ✓ **Patients will be treated locally** by a Stanford surgeon extending latest advances to community setting
- ✓ **Maximize scope of local services** – extend capabilities through real-time consultation
- ✓ Host hospital can leverage **Stanford's brand & logo** according to guidelines
- ✓ Collaboration in direct to **physician speaking events, community events social media outreach/ marketing campaign in the local market**

*To ensure world-class care aligned to Stanford's mission and values rigorous attention is given to Quality, Safety, Patient Experience, and Health Equity*

## Stanford Medical Direction Detail

- Develop policies, protocols & procedures
- Create clinical pathways
- Monitor quality & refer deficiencies
- Administrative collaboration with Hospital committees / teams
- Weekly or monthly meetings and report out to CMO
- Education – in house or training at Stanford
- Medical Staff responsibilities
- Resource for faculty, admin, community teams / providers
- Support research program
- Monitor Quality plans
- Call Schedule – Manage and responsible

## Stanford Program – Faculty Oversight

- Maintain service license and accreditation
- Performance improvement
- Patient Satisfaction
- Advise in staffing
- Budget advisement
- Equipment selection & maintenance
- Review SAFE reports
- Ensure Title 22 and JC standards
- CI Care
- Senior Faculty member does case reviews, and Department Chairman also reviews their cases after the fact
- Quarterly or bi-annual meetings with the C-suite / CMO and Chair
- Bi- Annual on-site visit by Chair to meet the physicians, administrators, nurses
- Chair to provide presentation to Senior Leadership / Board of Directors

**Kaweah Health  
Analysis of Stanford Proposed Contract  
Growth to 400 cases and 2 Surgeon FTE's**

Cardiothoracic Surgery Service Line (includes OP clinic):

|   | Proforma based upon service line data discharge FY |                     |                    |                     |
|---|--|---------------------|--------------------|---------------------|
|   | 2019   | 2020                | 2021               | 2022                |
| Fiscal year patient cases   | 306  | 344                 | 299                | 244                 |
| Fiscal year contribution margin   | <b>(\$1,615,962)</b>                               | <b>\$1,262,214</b>  | <b>\$726,815</b>   | <b>(\$29,013)</b>   |
| Adjustments for growth assumptions:                                     |  |                     |                    |                     |
| Less: Medi-Cal supplemental allocation                                  | (\$1,521,012)                                      | (\$3,412,689)       | (\$2,058,745)      | (\$1,188,878)       |
| Less: Physician fees and exp (net of collections)                       | 1,229,862  | \$1,557,012         | \$1,342,248        | \$2,248,261         |
| Adjusted contribution margin before MD fees                             | (\$1,907,112)                                      | (\$593,463)         | \$10,317           | \$1,030,370         |
| Adjusted contribution margin per case                                   | (\$6,232)  | (\$1,725)           | \$35               | \$4,223             |
| Adjusted contribution margin at proposed 400 cases                      | \$ (2,492,957)                                     | \$ (690,074)        | \$ 13,802          | \$ 1,689,131        |
| Adjustments after growth assumptions:                                   |  |                     |                    |                     |
| Add back: Medi-Cal supplemental   | \$ 1,521,012                                       | \$ 3,412,689        | \$ 2,058,745       | \$ 1,188,878        |
| Add back: New physician fee structure (guarantee less est. collections) | \$ (1,375,402)                                     | \$ (1,375,402)      | \$ (1,375,402)     | \$ (1,375,402)      |
| Estimated contribution margin based upon FY data                        | <b>\$ (2,347,346)</b>                              | <b>\$ 1,347,214</b> | <b>\$ 697,146</b>  | <b>\$ 1,502,607</b> |
| Financial impact of proposed changes                                    | <b>\$ (731,385)</b>                                | <b>\$ 85,000</b>    | <b>\$ (29,669)</b> | <b>\$ 1,531,621</b> |

**Note:**

Additional reimbursement from Medi-Cal supplemental programs is impacting the comparability of program profitability from year to year.

Medi-Cal and Medi-Cal Mgd Care percentage of total charges

16.8%                      20.9%                      19.5%                      22.5%

**Detail of historical physician fees:**

|                                    | 2019         | 2020         | 2021         | 2022         | Proposed     |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Locum fees in FY                   | \$ 314,452   | \$ 293,625   | \$ 168,500   | \$ 1,246,792 | \$ -         |
| Income Guarantee - physician group | 1,436,099    | 1,663,642    | 1,585,856    | 1,198,256    | 2,451,908    |
| Professional collections - offset  | (1,016,895)  | (1,012,295)  | (986,636)    | (805,144)    | (1,319,914)  |
| Reimb expenses (clinic and other)  | 496,206      | 612,040      | 574,528      | 608,357      | 243,408      |
|                                    | \$ 1,229,862 | \$ 1,557,012 | \$ 1,342,248 | \$ 2,248,261 | \$ 1,375,402 |

**KAWEAH HEALTH**  
**Child and Adolescent Inpatient Hospital - Renovation/Expansion**  
Capacity = 22

|   | Projected           |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | Year 1              | Year 2              | Year 3              | Year 4              | Year 5              |
| <b>Average Patients per Day</b>           | 11                  | 18                  | 18                  | 18                  | 18                  |
| <b>Average length of stay</b>             | 8                   | 8                   | 8                   | 8                   | 8                   |
| <b>Total patient cases</b>                | 502                 | 821                 | 821                 | 821                 | 821                 |
| <b>Occupancy Rate</b>                     | 50%                 | 82%                 | 82%                 | 82%                 | 82%                 |
| <b>Net Revenue (Room rate)</b>            | \$ 5,398,890        | \$ 9,055,411        | \$ 9,281,797        | \$ 9,513,841        | \$ 9,751,688        |
| <b>Net Revenue (Professional revenue)</b> | 492,570             | 806,024             | 806,024             | 806,024             | 806,024             |
| <b>Total Revenue</b>                      | \$ 5,891,460        | \$ 9,861,435        | \$ 10,087,821       | \$ 10,319,866       | \$ 10,557,712       |
| <b>Direct Expenses:</b>                   |                     |                     |                     |                     |                     |
| Salaries                                  | \$ 3,144,475        | \$ 3,794,880        | \$ 3,889,752        | \$ 3,986,996        | \$ 4,086,671        |
| Benefits                                  | 813,790             | 982,115             | 1,006,668           | 1,031,835           | 1,057,630           |
| Physician fees                            | 1,706,036           | 1,748,686           | 1,792,404           | 1,837,214           | 1,883,144           |
| Supplies and other                        | 47,650              | 73,200              | 75,030              | 76,906              | 78,828              |
| Ancillary cost                            | 253,767             | 425,637             | 436,277             | 447,184             | 458,364             |
| Facility Expense                          | 198,457             | 203,418             | 208,504             | 213,716             | 219,059             |
| Depreciation                              | 256,396             | 256,396             | 256,396             | 256,396             | 256,396             |
|   | \$ 6,420,570        | \$ 7,484,333        | \$ 7,665,031        | \$ 7,850,247        | \$ 8,040,093        |
| <b>Contribution Margin</b>                | <b>\$ (529,110)</b> | <b>\$ 2,377,103</b> | <b>\$ 2,422,790</b> | <b>\$ 2,469,619</b> | <b>\$ 2,517,618</b> |
| <b>Capital Requirement</b>                | <b>\$ (697,000)</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Cash Flow</b>                          | <b>\$ (969,713)</b> | <b>\$ 2,633,499</b> | <b>\$ 2,679,186</b> | <b>\$ 2,726,015</b> | <b>\$ 2,774,015</b> |

**KAWEAH HEALTH**  
**Psychiatric Outpatient (Noble Street Clinic)**

|                            | Projected                |                          |                          |                          |                          |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                            | Year 1                   | Year 2                   | Year 3                   | Year 4                   | Year 5                   |
| <b>Projected Visits</b>    | 3,841                    | 4,620                    | 4,620                    | 4,620                    | 4,620                    |
| <b>Net Therapy Revenue</b> | \$ 756,484               | \$ 932,978               | \$ 956,302               | \$ 980,210               | \$ 1,004,715             |
| <b>Direct Expenses:</b>    |                          |                          |                          |                          |                          |
| Salaries                   | \$ 410,778               | \$ 421,048               | \$ 431,574               | \$ 442,363               | \$ 453,422               |
| Benefits                   | 106,309                  | 108,967                  | 111,691                  | 114,484                  | 117,346                  |
| IT, supplies and other     | 20,500                   | 21,013                   | 21,538                   | 22,076                   | 22,628                   |
| Facility expense           | 53,244                   | 54,576                   | 55,940                   | 57,338                   | 58,772                   |
| Start up                   | 8,985                    | -                        | -                        | -                        | -                        |
| Depreciation               | 13,767                   | 13,767                   | 13,767                   | 13,767                   | 13,767                   |
|                            | <u>\$ 613,584</u>        | <u>\$ 619,370</u>        | <u>\$ 634,510</u>        | <u>\$ 650,028</u>        | <u>\$ 665,935</u>        |
| <b>Contribution Margin</b> | <u><b>\$ 142,900</b></u> | <u><b>\$ 313,608</b></u> | <u><b>\$ 321,792</b></u> | <u><b>\$ 330,181</b></u> | <u><b>\$ 338,780</b></u> |
| <b>Capital Cost</b>        | <b>\$ (85,500)</b>       |                          |                          |                          |                          |
| <b>Cash Flow</b>           | <b>\$ 71,167</b>         | <b>\$ 327,375</b>        | <b>\$ 335,559</b>        | <b>\$ 343,948</b>        | <b>\$ 352,547</b>        |