



June 18, 2021

NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an Open Special Board meeting in the Kaweah Health Lifestyle Fitness Center Conference Room {5105 W. Cypress Avenue, Visalia} on Wednesday June 23, 2021 beginning at 3:00PM.

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 corridor by the Emergency Department.

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
Garth Gipson, 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

www.kaweahhealth.org



**KAWEAH DELTA HEALTH CARE DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING**

Kaweah Health Lifestyle Fitness Center Conference Room
5105 W. Cypress Avenue, Visalia, CA

Wednesday June 23, 2021

SPECIAL OPEN MEETING AGENDA {3:00PM}

- 1. CALL TO ORDER**
- 2. APPROVAL OF AGENDA**
- 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 to make arrangements to address the Board.
- 4. ANNUAL OPERATING & CAPITAL BUDGET AND FINANCIALS** – Review and discussion relative to the annual operating & capital budget and strategies.
Malinda Tupper – Vice President & Chief Financial Officer
- 5. REPORTS**
 - 5.1. Chief Executive Officer Report -Report relative to current events and issues.
Gary Herbst, Chief Executive Officer
 - 5.2. Board President - Report relative to current events and issues.
David Francis, Board President

ADJOURN

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.

*Mike Olmos – Zone I
Board Member*

*Lynn Havard Mirviss – Zone II
Vice President*

*Garth Gipson – Zone III
Secretary/Treasurer*

*David Francis – Zone IV
President*

*Ambar Rodriguez – Zone V
Board Member*

2021-2022 Annual Budget Review June 23, 2021

2021-2022 Annual Budget Review

- Budget Options to Close the Gap
- Cash Flow Impact
- Capital Budget
- Updated Financials

2021-2022 Budget Review Options

Budget FY22: Options	Current Budget	Option 1	Option 2	Option 3
Operating Margin %	0.1%	0.50%	1.50%	1.8%
Current Budgeted Operating Loss 6/22/21	\$874,000	\$874,000	\$874,000	\$874,000
Desired Operating Margin	\$874,000	\$4,112,975	\$12,374,000	\$14,806,710
<i>Difference to Gap</i>	\$0	(\$3,238,975)	(\$11,500,000)	(\$13,932,710)
Strategic Planning - Length of Stay		\$2,238,975	\$10,500,000	\$10,500,000
Strategic Plan - Reduce purchased services		\$1,000,000	\$1,000,000	\$1,000,000
Efficiency and Productivity				\$2,432,710
Total Amount to close GAP	\$0	\$3,238,975	\$11,500,000	\$13,932,710

Changes since 6/15/21	Dollars
Beginning Balance Operating Margin 6/15/21	(\$2,778,000)
Beginning Balance Excess Margin 6/15/21	\$2,385,000
Add'l Stimulus Funds - RHC	\$600,000
Increase Vacancy Factor	\$1,925,203
Decrease Pharm Payroll	\$707,386
Correction Palliative Care	\$1,021,258
Private Homecare - revised rates	\$77,143
Update Pension/Workers Comp. due to changes in wages	\$110,445
Misc Adjustments	\$178,957
Increase in Physician Fees - Intensivist new contract	(\$2,230,038)
Increase in Min Wage/Compression compensation	(\$836,321)
Increase in Nurse Admin - AP	(\$152,509)
Decrease in Min Wage/Compression compensation	\$447,000
Reduction in Physician Fees	\$1,163,866
Decrease in Supplies Surgery Cath Lab	\$1,238,610
Total Changes as of 6/22/2015	\$4,251,000
Ending Operating Margin	\$874,000
Ending Excess Margin	\$6,636,000

2021-2022 Surplus Cash Flows (000's)

Excess Margin (FY 22 Budget assumes Option 2 -1.5%) **\$18,137**

Additional Sources (Uses) of Cash:

Capital Expenditures:

Annual Recurring **(\$19,800)**

General Capital Contingency Fund **(\$340)**

Funding for capital from other sources \$5,497

Depreciation/Amortization (Non-Cash) \$33,553

Capitalized Employment Expense **(\$987)**

Defined Benefit Plan Fund Accounting **(\$24,490)**

Debt Service Payments (Principal) **(\$9,295)**

Total Additional Net Sources (Uses) of Cash **(\$15,862)**

Projected Surplus Cash Flow (Deficit) **\$2,275**

General Fund Cash Reserves (000's)

District without Kaweah Delta Hospital Foundation:

Projected Balance at July 1, 2021	\$363,288
Medicare accelerated payment recoupment	(\$80,950)
Deferral of employer social security tax repayment	(\$12,479)
Cash Flow from 2021-2022 Operations	\$2,275
Balance at June 30, 2022	<u>\$272,134</u>

Credit Highlights (000's)

Consolidated District:

Ratio/Statistic	Moody's A (3)	2019	2020	2021 Projected	2022 Budget
Operating Income	\$13,869	\$15,570	(\$39,592)	(\$21,570)	\$12,374
Operating Cash Flow	\$76,962	\$51,875	(\$3,028)	\$15,733	\$52,961
Net Income	\$35,584	\$26,418	(\$7,651)	\$16,784	\$18,137
Unrestricted Cash	\$454,440	\$290,628	\$358,842	\$383,362	\$292,208
Operating Margin	1.8%	2.1%	(5.4%)	(2.8%)	1.5%
Excess Margin	4.6%	3.5%	(0.9%)	2.1%	2.2%
Operating Cash Flow Margin	8.0%	6.9%	0.6%	2.0%	6.4%
Maximum Debt Service Coverage x	4.1	4.0	1.6	3.2	3.5
Days Cash on Hand	179.2	150.1	176.1	179.4	134.9

(1) Represents 2019 median ratios for all non-profit hospitals rated "A3" by Moody's Investor Services. Must budget 1.75x MADS and have 1.35x MADS and 90 days cash on hand at 6/30 per bond covenants

FY22 Capital Budget - Preliminary 6/22/21

Total Capital Requests	\$36,970,857
Total Rejected/Deferred	(\$17,170,857)
In Review	\$19,800,000
 <i>Breakdown of Items in Review</i>	
<i>Infrastructure Maintenance</i>	\$4,414,934
<i>Facilities Construction Projects & Planning</i>	\$2,695,100
<i>Information Services (ISS)</i>	\$3,594,166
<i>Trubean Linear Accelerator</i>	\$3,195,000
<i>3rd CT</i>	\$2,400,800
<i>Director Requests</i>	\$3,500,000
<i>In Review</i>	\$19,800,000
 Funding Sources	
Capital FY22	\$14,303,000
Unspent Capital from prior years	\$1,265,923
Donations	\$1,405,000
Available Bond Funds - prior issues	\$2,826,077
Total Funds	\$19,800,000
 General Contingency Capital	 \$340,000
	\$340,000
 FY 2022 Capital Budget	 \$20,140,000

Budgeted FY21 Income Statement: Financial Comparison to FY21 (000's)

	For Comparison to Budget FY22			FY 22 Budget	Variance Budget FY22-Projected FY21	
	FY 19 Actual	FY 21 Projected Jul-May (11 mos)	FY 21 Budget			
Operating Revenue						
Net Patient Service Revenue	\$561,911	\$600,043	\$608,722	\$634,621	\$34,578	5.8%
Supplemental Gov't Programs	76,471	54,226	49,334	53,106	(1,120)	(2.1%)
Prime Program	17,717	10,662	5,147	8,000	(2,662)	(25.0%)
Premium Revenue	40,871	55,541	51,312	66,017	10,476	18.9%
Management Services Revenue	31,751	33,685	32,398	36,290	2,605	7.7%
Other Revenue	24,245	22,135	24,960	24,560	2,425	11.0%
Other Operating Revenue	191,056	176,249	163,151	187,973	11,724	6.7%
Total Operating Revenue	752,967	776,292	771,873	822,594	46,302	6.0%
Operating Expenses						
Salaries & Wages	287,902	324,792	319,079	336,920	12,128	3.7%
Contract Labor	14,997	8,866	6,733	6,273	(2,593)	(29.2%)
Employee Benefits	73,216	55,724	66,763	54,017	(1,707)	(3.1%)
Total Employment Expenses	376,115	389,382	392,575	397,210	7,828	2.0%
Medical & Other Supplies	112,866	129,225	122,797	130,184	923	3.7%
Physician Fees	85,521	96,237	89,801	99,783	3,546	3.7%
Purchased Services	21,151	17,916	17,552	16,865	(1,051)	(5.9%)
Repairs & Maintenance	25,878	26,106	27,492	28,667	2,561	9.8%
Utilities	5,642	6,946	6,434	7,309	363	5.2%
Rents & Leases	6,119	6,177	6,576	6,169	(8)	(0.1%)
Depreciation & Amortization	30,851	30,644	32,173	33,552	2,908	9.5%
Interest Expense	5,453	6,659	6,861	7,234	575	8.6%
Other Expense	17,260	20,076	13,538	22,630	2,554	12.7%
Humana Cap Plan Expenses	19,151	35,521	24,089	36,254	733	2.1%
Management Services Expense	31,359	33,696	31,985	35,899	2,203	6.5%
Total Other Expenses	361,250	409,203	379,298	424,510	15,307	3.7%
Total Operating Expenses	737,366	798,585	771,873	821,720	23,135	2.9%
Operating Margin	15,601	(22,293)	0	874	23,167	
Stimulus Funds	0	31,938	0	1,195	(30,743)	
Operating Margin after Stimulus	15,601	9,645	0	2069	(7,576)	
Nonoperating Revenue (Loss)	12,306	6,422	5,793	4,568	(1,854)	
Excess Margin	\$27,907	\$16,067	\$5,793	\$6,637	(\$9,430)	

Budgeted FY21 Income Statement: Financial Comparison to Budget FY21 (000's)

	For Comparison to Budget FY22				Variance Budget FY22 - Budget FY21	
	FY 19 Actual	FY 21 Projected Jul-May (11 mos)	FY 21 Budget	FY 22 Budget		
Operating Revenue						
Net Patient Service Revenue	\$561,911	\$600,043	\$608,722	\$634,621	\$25,899	4.3%
Supplemental Gov't Programs	76,471	54,226	49,334	53,106	3,772	7.6%
Prime Program	17,717	10,662	5,147	8,000	2,853	55.4%
Premium Revenue	40,871	55,541	51,312	66,017	14,705	28.7%
Management Services Revenue	31,751	33,685	32,398	36,290	3,892	12.0%
Other Revenue	24,245	22,135	24,960	24,560	(400)	(1.6%)
Other Operating Revenue	191,056	176,249	163,151	187,973	24,822	15.2%
Total Operating Revenue	752,967	776,292	771,873	822,594	50,721	6.6%
Operating Expenses						
Salaries & Wages	287,902	324,792	319,079	336,920	17,841	5.6%
Contract Labor	14,997	8,866	6,733	6,273	(460)	(6.8%)
Employee Benefits	73,216	55,724	66,763	54,017	(12,746)	(19.1%)
Total Employment Expenses	376,115	389,382	392,575	397,210	4,635	1.2%
Medical & Other Supplies	112,866	129,225	122,797	130,148	7,351	6.0%
Physician Fees	85,521	96,237	89,801	99,783	9,982	11.1%
Purchased Services	21,151	17,916	17,552	16,865	(687)	(3.9%)
Repairs & Maintenance	25,878	26,106	27,492	28,667	1,175	4.3%
Utilities	5,642	6,946	6,434	7,309	875	13.6%
Rents & Leases	6,119	6,177	6,576	6,169	(407)	(6.2%)
Depreciation & Amortization	30,851	30,644	32,173	33,552	1,379	4.3%
Interest Expense	5,453	6,659	6,861	7,234	373	5.4%
Other Expense	17,260	20,076	13,538	22,630	9,092	67.2%
Humana Cap Plan Expenses	19,151	35,521	24,089	36,254	12,165	50.5%
Management Services Expense	31,359	33,696	31,985	35,899	3,914	12.2%
Total Other Expenses	361,250	409,203	379,298	424,510	45,212	11.9%
Total Operating Expenses	737,366	798,585	771,873	821,720	49,847	6.5%
Operating Margin	15,601	(22,293)	0	874	874	
Stimulus Funds	0	31,938	0	1,195	1,195	
Operating Margin after Stimulus	15,601	9,645	0	2,069	2,069	
Nonoperating Revenue (Loss)	12,306	6,422	5,793	4,568	1,225	
Excess Margin	\$27,907	\$16,067	\$5,793	\$6,637	(\$844)	

KHMG : Budgeted FY21 Income Statement: Financial Comparison to Budget FY21 (000's)

	For Comparison to Budget FY22				FY 22 Budget	Variance Budget FY22 - Budget FY21	
	FY 19 Actual	FY 20 Actual	FY 21 Projected Jul-May (11 mos)	FY 21 Budget			
Operating Revenue							
Net Patient Service Revenue	\$44,110	\$42,475	\$44,903	\$49,897	\$52,263	\$2,366	4.7%
Other Operating Revenue	773	1,210	1,461	780	841	61	7.8%
Total Operating Revenue	44,883	43,685	46,364	50,677	53,104	2,427	4.8%
Operating Expenses							
Salaries & Wages	11,474	11,419	11,418	11,860	12,412	552	4.7%
Contract Labor	143	54	0	9	0	(9)	(100.0%)
Employee Benefits	2,898	2,773	1,678	2,560	1,984	(576)	(22.5%)
Total Employment Expenses	14,515	14,246	13,096	14,429	14,396	(33)	(0.2%)
Medical & Other Supplies	6,369	6,010	6,695	7,075	6,894	(181)	(2.6%)
Physician Fees	22,361	24,508	26,129	28,071	30,313	2,242	8.0%
Purchased Services	1,336	1,128	1,075	1,073	1,008	(65)	(6.1%)
Repairs & Maintenance	1,868	2,225	2,620	2,709	2,737	28	1.0%
Utilities	406	387	428	400	484	84	21.0%
Rents & Leases	2,701	2,790	2,792	2,775	2,597	(178)	(6.4%)
Depreciation & Amortization	1,270	1,008	1,008	821	1,100	279	34.0%
Interest Expense	22	12	3	4	1	(3)	(75.0%)
Other Expense	1,737	1,576	730	1,021	1,523	502	49.2%
Total Other Expenses	38,070	39,644	41,480	43,949	46,657	2,708	6.2%
Total Operating Expenses	52,585	53,890	54,576	58,378	61,053	2,675	4.6%
Excess Margin	(\$7,702)	(\$10,205)	(\$8,212)	(\$7,701)	(\$7,949)	(\$248)	