

BOARD OF HOSPITAL COMMISSIONERS

October 24, 2023

Those in attendance were Hospital Commissioners Darrin Moody, Gayle Weston, and Don Welander. Also present were Eric Moll, Mason Health CEO; Mark Batty, Mason Health COO; Steve Leslie, Mason Health CFO; Dean Gushee, Mason Health CMO; Robert Johnson, Legal Counsel and Shelly Dunnington, Senior Executive Assistant.

Others in attendance:

Darrin Moody called the regular meeting of the Board of Commissioners to order at 8:03 a.m.

It was moved, seconded, and voted to approve October 10, 2023 as presented.

Commissioners' Committee Report & Calendar

Don Welander attended BOHC on October 10, 2023, WSHA Webinar on October 17, 2023 and WSHA annual meeting October 22 & 23, 2023.

Gayle Weston attended BOHC on October 10, 2023, Housing Briefing on October 12, 2023, Finance Committee on October 17, 2023, and WSHA Annual meeting on October 22 & 23, 2023.

Darrin Moody attended BOHC on October 10, 2023, Housing Briefing on October 12, 2023, Construction Committee on October 16, 2023, Wellness Fair on October 19, 2023 and WSHA Annual Meeting on October 22 & 23, 2023.

Public Comments – None

Consent Agenda

It was moved, seconded, and voted to approve the October 24, 2023 consent agenda as presented.

Legal Counsel – Rob Johnson shared information on a social media meeting he attended.

CEO's Report –

- a. Lease Agreement - Eric Moll discussed a lease agreement in the Cedar Building effective December 1, 2023 and they will start remodeling over the next 8 months.

Monthly Reports –

- a. Financials – Steve Leslie shared September marks the fourth month where financial performance has been negative operating margin. Service volumes were greater than budget for observation, births, lab visits and diagnostic imaging. Performing below budget were the following areas: emergency visits, patient days, surgery cases, rehab and clinic visits.

Operating revenue and expenses were below budget resulting in an operating margin of -4.3% for the month and +0.2% for the year. Non-operating income is above budget due primarily to interest income, which has helped offset operating losses. Net income is at +6.2% YTD, compared to +6.6% budgeted, and prior YTD of 5.9%.

Monthly Reports (continued)

Other metrics reviewed included net days in accounts receivable, which exceeded budget, and days cash on hand which is greater than budget by six days. Mason continues to project positive cash flow for calendar year 2023.

Old Business – None

New Business

- a. Budget Hearing - Darrin Moody called the Budget Hearing of the Board of Hospital Commissioners to order at 9:00 a.m. Steve Leslie presented the 2024 District Budget. Budget Hearing closed at 10:39 a.m. and regular meeting convened.

Executive Summary

Steve Leslie proposed 2024 Operating Budget for Public Hospital District No 1 of Mason County, WA ("the District"), otherwise referred to as Mason Health (Mason General Hospital / Mason Clinic), projects operating income of \$1,476,186, and an operating margin of 1.0%. After considering non-operating revenue and expenses, a total margin of 4.8% is anticipated. Earnings Before Interest Depreciation and Amortization (EBIDA) are projected to be 6.6%. And at the end of 2024, the District anticipates having 253 days in cash and 43 days in net accounts receivable.

The proposed 2024 Routine Capital Plan includes upgraded new and replacement medical equipment, information technology and systems (IT), and facilities maintenance and improvements. The proposed Routine Capital Plan is set at \$4.2 million and includes \$230,532 contingency for emergent needs identified throughout the year. The proposed 2024 Campus Master Capital Plan includes four facility projects and several architectural planning projects identified in the 2023 Campus Master Plan. The proposed Campus Master Capital Plan is set at \$10,183,100.

These 2024 financial targets assume no significant changes in market conditions, current reimbursement methodologies, and payer contracting. Service volume projections include the continuation of modest growth for most lines of service based on current demand and projected demographic growth in the county. Service volume projections also include a continued focus on population health, primary care and cancer screenings, an anticipated expansion of cardiology services, and the addition of one new orthopedic surgeon.

The 2024 Operating Budget attempts to address new and continuing challenges related to staffing shortages, inflation, regulatory demands, and the cost of providing a safe place for patients and staff to work. Providing competitive and market relevant compensation and benefits is a priority in the upcoming budget year, as employee expectations and work choices expand. We anticipate RN and technical staff shortages to be mitigated through 2024 and have projected lower contract labor dollars in the budget. Costs for the Health Science Academy, a partnership between Mason Health and the Shelton School District for workforce development, are included in the 2024 Operating Budget along with the inclusion of Nurse Techs as part of nurse staffing.

Operating expenses include general inflationary expectations, significant increases for the purchase of COVID vaccines which are no longer available from the federal government, an IT

New Business (continued)

initiative to replace approximately one third of the computers used by the organization, and a 17% increase in insurance costs due to global factors effecting business risk pools.

The non-operating section of the income statement assumes stable rates of investment income, driven by projections for modest reductions in federal reserve fund rates in 2024. We projected declining 340B Contract Pharmacy Program revenue in 2024 due to increased manufacturer restrictions and changes in government contracting for pharmaceuticals. We incorporated estimates for payments and receipts under the new state Hospital Safety Net Assessment Program. This program is expected to generate \$660,000 in new net revenue in 2024.

During 2022 and the first half of 2023, the District received significant emergency funding from the federal government through the Coronavirus Aide, Relief and Economic Security (CARES) Act. During 2023, we used these funds to increase isolation room capacity throughout the hospital and recognized \$2.2 million in grant revenue for income statement purposes. These funds have been excluded from the 2024 Operating Budget due to the expiration of these emergency funding programs pursuant to the closure of the Public Health Emergency. The Outpatient Rehabilitation Therapy construction project was completed, and the 2019 Limited Tax General Obligation (LTGO) Refinancing Bond project funds were fully expended in 2023. Continuing bond principal and interest payments are anticipated in the 2024 Operating Budget.

The 2024 Operating Budget is intended to support the District's 2024 strategic initiatives outlined separately in this proposal. Accordingly, the 2024 Operating Budget was prepared with a strong desire to maintain financial stability and ensure sustainable healthcare services for the community.

The 2024 Strategic Plan targets an operating margin of 1.0% to maintain financial sustainability. Key areas of focus for financial strength/growth within the 2024 Strategic Plan include sustained reductions in health plan payment denials and aged accounts receivable.

Steve Leslie expressed "thanks" to the senior leadership for cooperation and collaboration, as well as the finance team Ruth Vierela and her team, Jon Hornburg was a pleasure to work with a great partner. Thank Peggy Utesch for putting together the budget book.

Administration Roundtable

Mark Batty shared that Dr. Malit will be leaving us for personal reason.

Mark Batty shared we will be interviewing a Pediatric PA. Dr. Hassounah, OB/GYN started this week.. Dr. Cervaste is the locum for OB/GYN until April 2024.

Dr. Justin Anderson, Orthopedic Surgeon, started in our clinic. He will be here Tuesday and Wednesday in the clinic and Thursday doing surgery.

Mark Batty discussed the care team model that Jennifer Kummerfeldt is working on and will start piloting the program on November 6, 2023.

Adjourned at 11:00

PUBLIC HOSPITAL DISTRICT NO. 1
OF MASON COUNTY, WASHINGTON

BY: _____

Attest: _____
