

BOARD OF HOSPITAL COMMISSIONERS

October 25, 2022

Those in attendance were Hospital Commissioners Darrin Moody (teleconference), Gayle Weston (teleconference) and Don Wilson (teleconference). Also present were Eric Moll, Mason Health CEO (teleconference); Mark Batty, Mason Health COO (teleconference); Rick Smith, Mason Health CFO; Melissa Strong, Mason Health CNO; Dean Gushee, Mason Health CMO; Robert Johnson, Legal Counsel (teleconference) and Shelly Dunnington, Senior Executive Assistant (teleconference).

Others in attendance: Brent Wilcox, OAC; Patrick O'Neil, Director of Facility, Christina Millan, OAC

Darrin Moody called the regular meeting of the Board of Commissioners to order at 8:00 a.m. recessed at 8:55 a.m. to go into Budget Hearing and reconvened at 11:01 a.m. to the regular meeting.

It was moved, seconded, and voted to approve October 11, 2022 minutes as presented.

Commissioner's Committee Report & Calendar

Don Wilson attended BOHC on October 11, 2022 and met with Eric Moll 1:1 on October 21, 2022.

Darrin Moody attended BOHC, met w/ Mel Strong on Behavioral Health and attended the City Town Hall on October 11, 2022 and met 1:1 w/Eric Moll on October 24, 2022. Darrin will be attending the Trunk or Treat on October 28, 2022 to judge.

Gayle Weston attended BOHC on October 11, 2022, WSHA Webinar on October 12, 2022, Multnomah Webinar October 12, 2022, WSHA Conference October 16 – 18, 2022, Finance Committee Meeting October 19, 2022, attended the Mike Patty's retirement and met 1:1 w/ Eric Moll on October 24, 2022.

Public Comments – None

Consent Agenda

It was moved, seconded, and voted to approve October 25, 2022 consent agenda.

Legal Counsel – None

CEO's Report

Eric Moll discussed cybersecurity and the havoc at St. Michaels. Eric shared the work Colby and Gary Diemert have done around cybersecurity. Laura Grubb and Gary Diemert will present compliance and cybersecurity together in Q1. There is a lesson out of this regarding our Code White. Learning from St. Michaels to help us look at our code white when looking at a longer period of outage.

Jen Capps and Eric Moll had a conversation with Kitsap Sun so there may be an article about public hospitals.

Eric Moll shared we are still having conversations with the City of Shelton on a surplus piece of land.

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Monthly Reports –

- a. Financial Statement – Rick Smith presented the September monthly financials. Key observations included discussion of the current economy and potential economic headwinds on the horizon. Specific metrics were noted, including the YTD operating margin, which is above 2.8%. The accelerated repayment of Medicare funds is almost complete. Non-operating revenues contained CARES Act income, as well as a large cash gift from a local family. September cash collections were 11.9M, with days cash on hand increasing to 272.9 and net days in AR decreasing to 40.2.

The third quarter financial statements were also reviewed. The report focused on quarterly consolidated comparison of budget v. actual. Interest income is above budget, due to rising interest rates. Also reviewed were Statement of Operations, which shows a strong upward trendline Q1 through Q3. The strategy development work underway for 2023 should continue this strong performance. Compared to larger healthcare organizations across the country that are currently struggling, Mason’s financial health is exceptional.

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. Rick Smith presented the 2023 District Budget.

Executive Summary

For the Budget Year 2023, Public Hospital District No 1 of Mason County, WA (“the District”), otherwise referred to as Mason Health (Mason General Hospital / Mason Clinic) is anticipating net income of \$10,077,000, which provides an operating margin of 3%. A much higher total margin of 6.9% is anticipated with higher investment income and provider relief grant fund income. The projected operating EBIDA margin will be 8.2% for 2023. By the end of 2023, the District anticipates having 263 days-in-cash and 42 days in net accounts receivable. It should be noted that these 2023 financial targets maintain current reimbursement methodologies, stable market conditions, and same payer contracting. We assumed higher 340B Contract Pharmacy Program revenue in 2023, once claim data submissions to drug manufacturers reporting portals are operational by late 2022. The non-operating section of the income statement assumes much higher investment income, driven by escalating federal reserve fund rate activity in 2023. The proposed 2023 capital budget includes replacement and upgrading of major movable equipment, facilities improvements, and information technology. The capital budget proposed was set at \$4.5 Million dollars.

During 2020, 2021 and early 2022, the District received significant federal government emergency funding through the Coronavirus Aide, Relief and Economic Security (CARES) Act. When the funds are received and attested to, grant funds are reported on the balance sheet until such time as we justify lost revenue and/or covid related

New Business (continued)

Budget Hearing

expenditures. As qualifying funds are computed and justified, corresponding amounts are recognized into grant income, thus increasing non-operating gains and losses. During 2022, we plan to recognize \$2.4 million in grant revenue for income statement purposes and \$2.2 Million in Budget 2023. Funds received in February 2022 of \$2.2 Million will be used to construct additional isolation patient rooms for infection prevention purposes. The room upgrades will be completed by June 30, 2023.

Additionally, the CMS Medicare Accelerated Payment program provided substantial additional funding in the amount of \$14.6 Million in early 2020, which was considered a short-term government line of credit. These funds have been on an aggressive repayment schedule for the past year and half and should be fully repaid before the end of 2022.

During summer 2022, significant time and energy was spent thinking about and planning volume projections for 2023. We concluded a base case scenario for budget planning with the continuation of growth and expansion into 2023 based on current demand and demographic growth in the county. Budget 2023 also reflects the launch of the hospital's swing bed program.

The 2023 Budget has attempted to address new and continuing challenges related to staffing shortages, growing inflation, 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 staffing shortages to persist through 2023 and have projected higher contract labor dollars in the budget. The nursing division has contracted with an international healthcare recruiting agency for up to six registered nurses for a three-year period during what is likely to be a very tight labor market in next several years. These agency staff replace unfilled RN FTE positions.

In early 2022, the Patient Connect Center was successfully completed and occupied by Mason Clinic support teams, including patient scheduling, medication and referral management, and hospital-based patient access pre-registration staff. The Outpatient Rehabilitation Therapy construction project is nearing completion, with a mid-November occupancy planned. With the completion of both projects, the 2019 LTGO Refinancing Bond project funds should be fully spent. Campus master planning activities are well underway and will lead to a fresh look at short term, mid-term, and long-term facilities growth needs for the District. Budget 2023 does not incorporate any early discussion or planning ideas from the campus master plan.

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New Business (continued)

Budget Hearing

With the electronic medical record and financial system conversions completed in 2021, considerable time and investment have been made to improve workflows, fix errors, and stabilize systems during 2022. Revenue cycle systems and workflows will continue to be a focus for both Mason's revenue cycle team and Oracle/Cerner staff in Budget 2023. This year, significant improvements have been made in revenue cycle management. In particular, billing system throughput have resulted in stronger cash collections and accounts receivable measures. We project Information technology costs to increase in Budget 2023 more significantly than in recent years.

See the Key Considerations section of the presentation for specific strategies we anticipated into the 2023 budget process. We also address our current thinking on the economy, state, and federal budgets in that section. Please also note the section on Key Accomplishments.

The 2023 strategic plan assumes a 3% operating margin goal, to maintain financial sustainability. A key area of focus to ensure financial strength/growth will include more time and energy on incremental improvements to achieve greater clinically driven revenue cycle workflows within the EMR. Secondly, we are including supply chain initiatives that will lead to greater focus on improving analytics, reporting, and pricing with the goal of reducing costs.

The 2023 Operating Budget is intended to support key components of the District's 2022-2023 strategy and are outlined separately in this proposal. The Operating Budget was prepared with a strong desire to maintain financial stability and ensure sustainable healthcare services for the community.

The District's 2023 capital budget proposes to invest \$4,500,000 in medical equipment, facilities maintenance upgrades, and information technology that adds new security, as well as upgrading existing systems. We will propose again this year to allocate a 10% capital contingency fund with the total capital budget.

- b. Isolation Room Renovation Project Proposal – Patrick O'Neil, Christina Millan and Brent Wilcox joined our meeting to go over an Isolation Room Renovation Project Proposal. The airflow and how it is disbursed is what makes them an isolation room. They monitor the airflow and have a real time room. Brent Wilcox shared that Mason Health is really moving in the right direction by putting the bathroom in the room that is a requirement in the future. Permitting processed will be the normal process with the City of Shelton and DOH. This project needs to be completed by June 2023. It was moved, seconded and voted to approve to convert 7 existing rooms to isolation room by using the emergency funds in the amount of \$2,199,621.00.

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New Business (continued)

- c. Budget Amendment – Kaufman Hall Engagement - A budget amendment to increase the 2022 operating expense by \$70K was reviewed. The purpose is to engage consultants

from Kaufman Hall to perform a complete assessment of the general surgery service line and related physician practice operations for both the clinic and the hospital. The consultants will also assess market share and growth opportunities. Eric Moll will bring back a report what they have completed but will report during the process also.
It was moved, seconded and voted to approve to increase purchase services by \$70,000 engagement proposal, plus any out-of-pocket type of expense that might incurred.

Administration Roundtable

Dr. Dean Gushee shared that Colby Snyder and he attended the last Cerner conference in Kansas. Oracle has their conferences in Las Vegas so in the future Oracle may have all their solutions in one huge conference in Las Vegas.

Dean shared about DAX which is a Microsoft product that overlays other applications could possibly be a solution that will help fill in the gap by automatically populating the information in the chart.

Mark Batty has received the Shelton School district contract so the school-based health clinic at the YMCA can begin.

Mark Batty very excited about the visit with pediatrician and feels optimistic that he will join us.

The rehabilitation service is moving forward moving November 17 & 18, 2022 and will open to patients on November 21, 2022. There will be a ribbon cutting Jen Capps and Cheryl Wood will work on this and notify once we have a scheduled date. Mark would like to post the EVS position that is in the 2023 budget prior to 2023 to be able to handle the Rehab Services building after the move.

Scott Mundy new ED Director is already making changes and they seem to be working well.

Health Science Academy are heading to Nashville for training this week.

Gayle Weston asked how many hard-to-place patients that we currently have. We currently have 3 hard to place to patients.

Adjourned at 11:30 a.m.

PUBLIC HOSPITAL DISTRICT NO. 1
OF MASON COUNTY, WASHINGTON

BY: _____

Attest: _____
