

**FINANCE COMMITTEE
MEETING MINUTES
February 21, 2018**

Franklin Foundation Hospital
Franklin, Louisiana

Board Conference Room
12:00 p.m.

Members Present:

Dr. Nick Accardo
Clegg Caffery
Eugene Foulcard

Others Present:

Stephanie Guidry, CEO
JoEllen Curry, Interim CNO
Ron Bailey, CFO
Sharon Procell, Executive Assistant
Collette Vaccarella, Director of Patient Financial
Services
Tina Petry, Director of HIM
Jody Pigg, QHR Associate VP

Guests:

Gayla Falcon, CPA and partner, Langlinais, Broussard & Kohlenberg
Lorna Bourque, Accountant

I. CALL TO ORDER

With a quorum present, the meeting was called to order by Dr. Nick Accardo 12:21 p.m.

II. OLD BUSINESS

A. Approval of Minutes – January 24, 2018

Dr. Nick Accardo offered a motion to approve the minutes with Mr. Clegg Caffery seconded the motion. The motion carried unanimously.

III. NEW BUSINESS

Mr. Ron Bailey requested that the agenda be amended to add a discussion item on the calendar year 2017 retirement plan contribution.

Dr. Nick Accardo made a motion to expand the agenda to add Discuss Calendar Year 2017 Retirement Plan Contribution with Mr. Clegg Caffery seconding the motion. The motion carried unanimously.

A. Discuss and Approve

1. Fiscal Year 2017 Audited Financials
Ms. Gayla Falcon, CPA and partner with Langlinais Broussard & Kohlenberg

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CPAs (“LBK”), presented the Fiscal Year 2017 Audit report. Ms. Falcon stated that her firm’s responsibility is to express an opinion on the financial statements based their audit, which is conducted in accordance with standards generally accepted in the United States and standards applicable to financial audits contained in Government Auditing Standards. Ms. Falcon reviewed the statement of net position, the statement of revenues, expenses, and changes in fund net position and statement of cash flows for fiscal year 2017. She discussed her firm’s opinion on the Hospital’s financial statements taken as a whole. She noted that her firm issued a clean opinion that indicates that the Hospital’s financial statements do not contain any material miss-statements. She noted that a clean opinion is the best that could be expected from the audit.

Ms. Falcon discussed the main line items on the Statement of Position (the balance sheet) noting that cash and cash equivalents was up over the prior year as was accounts receivable. She also stated that other receivables had increased significantly from \$1.9 million in 2016 to \$2.8 million in 2017; she noted that his was due primarily from the Full Medicaid Payment Program (UPL program). Falcon reported that total of current assets had an increase of \$1.2 million.

Ms. Falcon reported that assets whose use is limited (restricted assets) was up to \$7.6 million in FY 2017 compared to \$5.9 million. The increase is due to receipts from the Full Medicaid Capacity grant.

Ms. Falcon discussed several items in the liabilities section of the statement, noting in particular that credit balances decreased significantly from the prior year. She commended the Hospital’s Business Office staff for the reduction. She also pointed out the balance in deferred inflows of resources, stating that this amount is deferred revenue as the Hospital received 13 months of payments on the FMP program and would only recognize 12 months.

She next discussed the components of net position and finished by noting a significant increase to \$24.381 million I FY 2017 compared to \$22.015 million in the prior year.

Ms. Falcon briefly discussed the Statement of Revenues, Expenses and Changes in Net Position (the income statement) noting that the Hospital’s net position increased by \$2,365,987 compared to a \$1,451,630 increase in the prior year.

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Ms. Falcon completed discussion of the audited financials and thanked the Hospital staff for working closely with the audit staff. She also stated that there were no disagreements with management on any of the audit entries or on any issues.

2. Fiscal Year 2017 Cost Report

Ms. Falcon reported a summary of the FY 2017 Medicare cost report. She stated there was a net \$54,000 payment due to Medicare and a \$300,000 receivable due from Medicaid all of which resulted in a net positive of \$249,000 due to the Hospital from all of the cost reports.

3. Fiscal Year 2017 La. Legislative Auditor Agree-Upon Procedures

Ms. Falcon presented the independent accountants report on applying agreed-upon procedures (“AUPs”) as prescribed for government entities by the Louisiana Legislative Auditor. She noted that this is the first year that the AUPs have been required. She discussed the areas of focus by the Legislative Auditor, particularly written policies and procedures. Ms. Falcon discussed the main areas of the report and noted that management had provided a response to each item that required a response.

Ms. Falcon indicated that her expectation is that as the years progress the Legislative Auditor will closely monitor compliance with the focus areas of the AUPs.

Ms. Falcon concluded her discussion of the AUPs and thanked the Hospital for allowing LBK to conduct the FY 2017 work.

She and Ms. Bourque then exited the meeting.

4. McKesson Sysmex Lease

Ms. Stephanie Guidry presented the contract summary on the proposed lease of the McKesson Sysmex XN-550 Hematology System. She stated that it is a 60 month operating lease. The lease payment will be \$1,022.00 per month with an additional \$562.60 per month for a service contract. She noted other provisions that included annual supply expense of \$6,424.49 and quality monitoring kits x 3 for \$15,000. Ms. Guidry stated the contract was reviewed and modified as needed by Ms. Lanzi Meyers of the Gachassin Law Firm. Ms. Guidry requested that the Committee approve the Lease.

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Mr. Clegg Caffery offered a motion to accept the McKesson Stryker Lease with Mr. Eugene Foulcard seconding the motion. The motion carried unanimously.

5. Discuss and Approve Increase in Stryker Laparoscopic Tower purchase price. Mr. Ron Bailey advised that the Finance Committee and Board approved the purchase of the Stryker Laparoscopic Tower at the January 2018 meeting. The purchase price approved at that time was \$148,775 which was the amount included in the approved FY 2018 capital budget. Mr. Bailey noted that when the purchase order was being issued it was noted by the vendor and the Nurse Manager that two of the components would become obsolete in 2018. The order was amended to replace those two items with the new model. The approval was done prior to bringing the increase to the Finance Committee as the Hospital had to place the order before the vendor's deadline; otherwise the Hospital would have lost the discount on the acquisition cost. That change resulted in an increase in the purchase price to \$175,000. Mr. Bailey noted that the asset cost will be funded from the Full Medicaid Capacity Grant funds. Mr. Bailey requested that the Committee approve the increase in cost.

Mr. Eugene Foulcard offered a motion to accept the increase in the Stryker Laparoscopic Tower purchase with Mr. Clegg Caffery seconded the motion. The motion carried unanimously.

6. Discuss Calendar Year 2017 Retirement Plan Contribution
Mr. Ron Bailey discussed the Calendar Year 2017 retirement plan contribution noting that the contribution total is \$189,337; the Hospital plans to make that deposit by the end of February 2018.

B. Monthly Reports

1. **Finance Report – January 2018**

Mr. Ron Bailey presented the Financial Report for the month of January 2018, the fourth month of the 2018 fiscal year, starting with the operating indicators and financial class percentages. The Hospital recorded revenue in excess of expenses of \$156,640 for the month compared to budgeted revenues in excess of expenses of \$84,108. He discussed the January revenue which exceeded the budget by just over 19%. Next Mr. Bailey discussed the deductions from revenue section noting that that Medicare and Medicaid Adjustments were significantly over budget for the month. Mr. Bailey explained that those adjustments are based on the Hospital's models and are very conservative. He advised that the adjustment percentages will

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be reviewed based on the conclusion of the FY 2017 audit and the percentages will be adjusted to reflect the actuals from FY 2017.

Mr. Bailey discussed charity care which was also significantly over budget for the month. He asked Ms. Vaccarella to comment; she noted that there were two patients whose accounts totaled #13,000 of the \$16,700 amount for January.

Mr. Bailey then discussed bad debt expense. He advised that the decrease in January 2018's bad debt expense was due to lower private pay receivable balances at the Hospital. He noted that the decrease was also due in part to a decrease in the clinic consolidated bad debt allowance as compared to the prior month.

Mr. Bailey discussed the balance sheet noting in particular that operating cash increased by \$2,337,988 over December. Mr. Bailey noted that the Hospital received approximately \$1,201,077 of calendar year 2016 millage, \$1,078,813 of Rural UPL (formerly "DSH") and \$576,622 of PREP physician UPL (of which \$270,409 represents recovery of the IGT made on December 2017). He noted that days' cash on hand at the end of January was 113.9 compared to 75.4 days' cash at the end of December.

2. **QHR Trend Reports**

Mr. Ron Bailey presented the QHR Trend Reports.

3. **Investment Reports**

Mr. Ron Bailey presented the Investment Income Summary Reports.

Mr. Clegg Caffery offered a motion to approve the Monthly Reports for January 2018 with Mr. Eugene Foulcard seconded the motion. The motion carried unanimously.

C. Clinic Report

Ms. Collette Vaccarella reported on Clinic activities for January 2018. She stated that there is less of an impact on operations from the implementation of the new Thrive provider electronic health record in November 2017. She discussed the clinic appointment activities noting that five (5) out of the six (6) clinics had increased appointment activity compared to December.

He also presented the consolidated clinic cost center report noting that the fiscal year-to-date consolidated clinic revenue ending January was up significantly over the prior year. He also noted that the consolidated loss was much less than last year.

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Mr. Eugene Foulcard offered a motion to approve the clinic report with Mr. Clegg Caffery seconding the motion. The motion carried unanimously.

IV. EXECUTIVE SESSION

A. Strategic Planning

No items were discussed.

V. ADJOURN

Mr. Clegg Caffery offered a motion to adjourn the meeting at 1:07 p.m. with Mr. Eugene Foulcard seconding the motion. The motion carried unanimously.

Dr. Nick Accardo, Chairman of Finance

Stephanie A. Guidry, CEO