

Susquehanna Community Health and Dental Clinic, Inc.
Finance and Audit Committee Meeting Minutes
May 14, 2018 5 PM

PRESENT: Dorothy Hilliard, Board Treasurer; Barbara Barbus, Board Secretary; Max Houseknecht, Jr., CFO; Jim Yoxtheimer, President & CEO; and Phil Allen, Senior Accountant

I Financial Review—April 2018

Max reviewed the highlights of the Financial Report for April 2018 as were set forth on the summary provided to the committee, which is hereby incorporated for all purposes herein. He reported that in April the excess of revenues over expenses was \$22,028. This takes the Center's YTD deficiency without the Medicaid Settlement to \$96,119. Max then reviewed the Revenue Analysis for the month. Provider visits across the Center were under budget by 115 largely due to a Provider leaving. Gross Patient Revenue was under forecast by \$23,095 due to: Gross Medical Revenue was under forecast by \$43,824. Gross Dental Revenue was over forecast by \$17,830. Reproductive Health Revenue was over forecast by \$2,899. The Contractual Allowances were over forecast by \$24,588. 340b Drug Program was over forecast by \$6,067. Max then reviewed the Expense Analysis which showed expenses to be under forecast by \$7,190. Largely due to Salaries & Wages being under forecast by \$42,817 due to decreases in PTO/Med Leave Accrual from staff that are no longer with the organization. Fringe Benefits were under forecast by \$3,603 primarily due to the time of HRA invoices in relation to health insurance. Minor Equipment was over forecast by \$11,521 due to the purchase of equipment utilizing QA/QI Funds that were below the capitalization threshold. Temp Staffing fees were over forecast by \$31,907 due to costs associated with the Locum Tenens Physician. Grants for Acquisition of PP&E were over forecast by \$40,378 due to the purchase of equipment utilizing QA/QI Funds. Balance Sheet Highlights show the Accounts Payable at month-end to be \$149,544 which is an increase of \$4,715.

Motion #1 to recommend approval of the April 2018 Financial Report was made by Dorothy Hilliard and seconded by Barbara Barbus. The motion passed unanimously.

II 330 Grant Remaining Funds

Max reported the remaining funds from grants have been accounted for. The only grant we will need to request a Carryforward for is the AIMS Grant.

III 330 Grant Budget Reconciliation

As discussed above, most funds have been used for this FY only needing a Carryforward for the AIMS Grant.

IV Notice of Award—330 Base Grant

Max explained the Center received a Notice of Award from HRSA in April of 2018 for the new Grant Cycle (6/1/18 – 5/31/18) of June 2018 only due to the lack of full spending bill for the fiscal year. We anticipate getting notice regarding July on or about May 16. Once the spending bill is fully authorized Max anticipates the full amount to be available. Max made the Committee aware there could be an impact on days cash on hand if there is a delay in the award.

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V Short Term Investment Update

Discussion was held regarding the 6-month CD which is set to mature on May 22, 2018. The Center is then given a 10-day grace period to decide if the money should be withdrawn or to renew for another 6 months, which would expire on November 21. It is Management's intention to use the funds from the Money Market to fund the Pharmacy project. However, Management would like to have this money readily available should it be absolutely necessary. If there would be an emergency and it is needed it would be repaid as soon as things settle down, so to speak. The alternative would be to renew for another 6 months and if it was absolutely necessary we could borrow from the Line of Credit paying more interest. After discussion it was decided to move all the funds to the Money Market until the Pharmacy project is up and running and then move it back to a CD.

VI FY Audit Update

Max made the committee aware that Baker Tilly will be at the next Finance Committee Meeting to address the Committee on the FY18 Audit Plan. They will then be back on-site for preliminary field work from June 25, 2018-June 27, 2018. They will go through as much as possible during those three days and then return in September for the final field work. The Audit will need to be presented in the October meeting due to the timing of the Medicaid Cost Report that will need to be submitted this year.

VII Policy Review

- **4.5 Capital vs. Operating Leases**—OIG requested we have a policy to define the difference between Capital Lease and Operating Lease. The purpose of this policy is to ensure that all leases entered into by the organization are tested for capital lease treatment as outlined by current GAAP standards.
- **11.1 Retirement Plan Committee**—This Policy is a follow-up to our previous discussions regarding having a committee to make decisions for the organization's retirement plan. The purpose of this Policy is to utilize a Retirement Plan Committee to manage the key fiduciary responsibilities of the plan as well as to ensure the plan remains competitive in the market, while continuing to offer a solid array of investment options.

Motion #2 Dorothy Hilliard made the motion to recommend approval from the Full Board for Policy 4.5 Capital vs. Operating Leases and 11.1 Retirement Plan Committee. Barbara Barbus seconded the motion. The motion passed unanimously.

VIII FY2019 (07/01/18-06/30/19) Operating Budget

Max presented the FY19 Operating Budget which includes the Pharmacy operations to begin January 1, 2019. Patient Revenue was projected by using the actuals year to date and trending cycles over the past few years to try to get as close as possible. The Center did receive confirmation from Wegman's 340b program that will begin in August 2018. It was also confirmed they will pay retroactively to January 1, 2018 which we did not include in the FY19 budget as this will most likely need to be booked as a post close adjustment to FY18. The Grant

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Revenue is due to the UPMC Susquehanna Grant of \$500,000 and the Florence Crittendon Foundation for Reproductive Health Services. Salaries and Wages have been factored with a 3% increase on or around the employee's anniversary date. Under Fringe benefits there was an 8% increase allowed for health insurance beginning January 1, 2019. Additional categories were added to Clinical Supplies to break out vaccines and flu shots in hopes to better prepare and spread the cost throughout the year. The remaining clinical and other supplies were factored using historical actuals plus a 3% increase for inflation. Utilities show an increase in December due to the new Administrative Office in Hepburn Plaza. Under Services Purchased the Chiropractic services will only be used if the Provider sees patients. The chiropractic contract is structured that no expenses are incurred if there are no patients. Consulting fees over the first four months are largely due to Cardinal Health Contract for the on-site pharmacy with \$8,000 from Pediatric Dentistry. There is a new line added for the pharmacy contract as well as the Pharmacist salary.

The overall Center Budget shows a surplus of \$427,664.70 this includes the Pharmacy starting in January. At the same time this shows Dental Budget with a surplus of \$249,971.69, Medical Budget with a surplus of \$215,563.18, and Reproductive Health with a deficit of \$37,870.17. Factoring out the revenue and expenses associated with the pharmacy the overall Center Budget shows a surplus of \$561.28 with the Dental Budget showing a surplus of \$294,297.09, Medical Budget deficit of \$275,692.50, and Reproductive Budget deficit of \$18,043.31. The FY19 PTO and Med Leave Accrual Analysis was based on the past year and utilization trends. This shows Med Leave Accrual to increase to \$113,750.00 and PTO accrual decrease to \$46,050.00 which has a combined total increase of \$67,700.00. The Visit Analysis for Dental includes the new Pediatric Dentist which is scheduled to start in July, Dental has an anticipated increase of visits by 22%. Medical Visits are estimated with a conservative approach to increase by 9%. However, Reproductive Health Visits are estimated to increase by 19% because they absolutely have to increase productivity to sustain the program. Breakdown by Provider Type and Services how many patients the Providers need to see per hour to meet their monthly goal is also outlined in the budget, which were utilized to determine total departmental visit numbers.

The final page of the FY19 Operating budget shows cash flow solely from operations. This does not include the Medicaid Settlement received. Based on this budget, the Center can "cash flow" the business meaning that based on the determination of revenues and expenses we could afford to pay all bills and have some remaining cash at the end of the year. The days cash on hand would certainly be less than what we have currently, but the organization could weather next year as the pharmacy operations begin to ramp up, which will ultimately aid in providing financial sustainability in the coming years.

Next meeting will be June 11, 2018 @ 5 PM Center Conference Room.