



**SONOMA VALLEY HEALTH CARE DISTRICT
JOINT BOARD OF DIRECTORS AND FINANCE
COMMITTEE
SPECIAL BUDGET SESSION AGENDA**

JUNE 23, 2020

**SPECIAL SESSION 5:00 P.M.
TO BE HELD VIA ZOOM VIDEOCONFERENCE**

To Participate Via Zoom Videoconferencing,
use the link below:

<https://zoom.us/j/94169255683?pwd=OG54L2U2ODFRYmM2NmNiODNocEJwZz09>

**and Enter the Meeting ID: 941 6925 5683
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1-669-900-9128 or 1-669-219-2599
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<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Vivian Woodall at vwoodall@sonomavalleyhospital.org or (707) 935.5005 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
AGENDA ITEM		
<p>MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
<p>1. CALL TO ORDER</p>	<i>Hirsch</i>	
<p>2. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.</i></p>	<i>Hirsch</i>	
<p>3. FISCAL YEAR 2020 BUDGET</p>	<i>Jensen</i>	Action
<p>5. ADJOURN</p>	<i>Hirsch</i>	

Note: To view this meeting you may visit <http://sonomatv.org/> or YouTube.com.



Healing Here at Home

To: SVH Finance Committee and SVH Board of Directors
From: Ken Jensen, CFO, and Sarah Dungan, Controller
Date: June 23, 2020
Subject: Fiscal Year 2021 Budget for July 1, 2020, through June 30, 2021

The budget process for fiscal year 2021 began in early March and what started as a normal budget process quickly changed as the COVID-19 pandemic took over at Sonoma Valley Hospital. In response the hospital cancelled all elective surgeries and non-emergent outpatient diagnostic services. The hospital began to resume services in mid-May with all services and procedures available by June 1st. From mid-May and into June the hospital's volume and gross revenue has steadily increased. Even with the steady increase, the hospital continues to see below normal volumes for inpatient, outpatient and emergency services, and therefore the decision was made to reduce budgeted volumes by twenty-five percent for the months of July and August.

The fiscal-year 2021 budget includes the following assumptions:

- Volume is based upon a 12-month rolling average, is consistent with current trends from February 2019 through January 2020, and includes a 25% reduction in volume for the months of July and August in inpatient, outpatient, and emergency services
- Gross revenue includes a 6% price increase with a projected 1.7% increase in net revenue
- Contractual discounts/bad debt are based upon current experiences and adjusted for the price increase
- Government supplemental payments (IGT) are budgeted per current information from the Department of Health Care Services; the Prime Grant ends December 2020 and funding is not budgeted
- Additional CARES Act funding not budgeted
- 2% Salary increase at January 2021
- Market rate adjustment/ parity pool - \$24,000
- Projected UCSF Management fee of \$300,000

The Projected Operating Margin for fiscal year 2021 is (\$5,185,355) compared with the base year budget of (\$2,509,129). After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the Projected Net Loss for fiscal year 2021 is (\$1,347,637). The total Projected Net Income for fiscal year 2021 after all activity is \$4,409,168 with EBDA of 3.6%.



It is difficult to predict future volume outcomes during the COVID-19 pandemic. If the hospital's current volume trends stay the course, a twenty-five percent decrease in July and August volumes are reasonable. The budget does not take into account future spikes in the virus or the long-term reluctance of the community in seeking medical care. Furthermore, the budget does not take into account any additional CARES Act funding.

ATTACHMENTS:

- Attachment A - FY 2021 Budget
- Attachment B – FY 2021 Base Budget with adjustments
- Attachment C – FY 2021 Budget adjustments
- Attachment D – FY 2021 Budget Payer Mix
- Attachment E – FY 2021 Budget Cash Forecast



**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Budget
July 1, 2020 through June 30, 2021**

Schedule A

FY 2021 Budget

Volume Information

Acute Discharges	930
Patient Days	3,478
Emergency Room Visits	11,062
Surgeries - Inpatient	278
Surgeries - Outpatient	1,586
Special Procedures	908
Gross O/P Revenue (000's)	\$ 192,465

Financial Results

Projected Gross Patient Revenue

Inpatient	\$ 74,907,580
Outpatient	112,919,433
Emergency	79,545,660
Total Projected Gross Patient Revenue	\$ 267,372,673

Projected Deductions from Revenue

Contractual Discounts	\$ (219,944,991)
Bad Debt	(2,400,000)
Charity Care Provision	(157,291)
Prior Period Adj/Government Program Revenue	5,940,424
Total Projected Deductions from Revenue	\$ (216,561,858)

Projected Net Patient Service Revenue

\$ 50,810,815

Other Op Revenue

\$ 972,972

Projected Total Operating Revenue

\$ 51,783,787

Projected Operating Expenses

Salary and Wages and Agency Fees	\$ 22,926,002
Employee Benefits	8,230,468
Total People Cost	\$ 31,156,470
Med and Prof Fees (excl Agency)	5,193,704
Supplies	6,773,373
Purchased Services	4,970,366
Depreciation	3,203,452
Utilities	1,159,691

**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Budget
July 1, 2020 through June 30, 2021**

Schedule A

	<u>FY 2021 Budget</u>
Insurance	511,192
Interest	285,847
Other	1,281,904
Matching Fees (Government Programs)	2,433,143
Projected Operating expenses	\$ 56,969,142
Projected Operating Margin	\$ (5,185,355)
Projected Non Operating Rev and Expense	
Miscellaneous Revenue/(Expenses)	\$ 37,718
Donations	
Physician Practice Support-Prima	
Parcel Tax Assessment Rev	3,800,000
Projected Total Non-Operating Rev/Exp	\$ 3,837,718
Net Income / (Loss) prior to Restricted Contributions	\$ (1,347,637)
Capital Campaign Contribution	\$ -
Restricted Foundation Contributions	\$ 3,530,100
Net Income / (Loss) w/ Restricted Contributions	\$ 2,182,463
GO Bond Tax Assessment Rev	3,309,180
GO Bond Interest	(1,082,475)
Projected Net Income/(Loss) w GO Bond Activity	\$ 4,409,168
Projected EBDA - Not including Restricted Contributions	\$ 1,855,815
	3.6%
FTE'S	241.3

**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Baseline Budget with Adjustments**

Schedule B

	<u>Baseline Budget</u> FY 2021	<u>ADJUSTMENTS</u>	<u>Budget</u> FY 2021
Volume Information			
Acute Discharges	971	(41)	930
Patient Days	3,630	(152)	3,478
Emergency Room Visits	11,543	(481)	11,062
Surgeries - Inpatient	290	(12)	278
Surgeries - Outpatient	1,655	(69)	1,586
Special Procedures	947	(39)	908
Gross O/P Revenue (000's)	\$ 190,070	\$ 2,395	\$ 192,465
Projected Gross Patient Revenue			
Inpatient	\$ 71,799,496	3,108,084	\$ 74,907,580
Outpatient	109,665,612	3,253,821	112,919,433
Emergency	80,404,623	(858,963)	79,545,660
Total Projected Gross Patient Revenue	\$ 261,869,731	5,502,942	\$ 267,372,673
Projected Deductions from Revenue			
Contractual Discounts	\$ (215,067,856)	(4,877,135)	\$ (219,944,991)
Bad Debt	(2,425,000)	25,000	(2,400,000)
Charity Care Provision	(157,291)		(157,291)
Prior Period Adj/Government Program Revenue	8,251,426	(2,311,002)	5,940,424
Total Projected Deductions from Revenue	\$ (209,398,721)	(7,163,137)	\$ (216,561,858)
Projected Net Patient Service Revenue	\$ 52,471,010	\$ (1,660,195)	\$ 50,810,815
Other Op Revenue	\$ 872,665	100,307	\$ 972,972
Projected Total Operating Revenue	\$ 53,343,675	\$ (1,559,888)	\$ 51,783,787
Projected Operating Expenses			
Salary and Wages and Agency Fees	\$ 21,783,851	1,142,151	\$ 22,926,002
Employee Benefits	8,135,619	94,849	8,230,468
Total People Cost	\$ 29,919,470	1,237,000	\$ 31,156,470
Med and Prof Fees (excl Agency)	5,240,142	(46,438)	5,193,704
Supplies	6,780,730	(7,357)	6,773,373
Purchased Services	4,767,032	203,334	4,970,366
Depreciation	3,154,867	48,585	3,203,452
Utilities	1,129,190	30,501	1,159,691
Insurance	470,003	41,189	511,192
Interest	529,432	(243,585)	285,847
Other	1,255,542	26,362	1,281,904
Matching Fees (Government Programs)	2,606,396	(173,253)	2,433,143
Projected Operating expenses	\$ 55,852,804	1,116,338	\$ 56,969,142
Projected Operating Margin	\$ (2,509,129)	\$ (2,676,226)	\$ (5,185,355)
Projected Non Operating Rev and Expense			
Miscellaneous Revenue/(Expenses)	\$ 1,955,600	(1,917,882)	\$ 37,718
Donations			
Physician Practice Support-Prima	(206,578)	206,578	-
Parcel Tax Assessment Rev	3,781,755	18,245	3,800,000
Projected Total Non-Operating Rev/Exp	\$ 5,530,777	(1,693,059)	\$ 3,837,718
Net Income / (Loss) prior to Restricted Contributions	\$ 3,021,648	\$ (4,369,285)	\$ (1,347,637)

**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Baseline Budget with Adjustments**

Schedule B

	Baseline Budget <u>FY 2021</u>	ADJUSTMENTS	Budget <u>FY 2021</u>
Capital Campaign Contribution			
Restricted Foundation Contributions	\$ 1,645,525	1,884,575	\$ 3,530,100
Net Income / (Loss) w/ Restricted Contributions	\$ 4,667,173	\$ (2,484,710)	\$ 2,182,463
GO Bond Tax Assessment Rev	3,303,307	5,873	3,309,180
GO Bond Interest	(1,177,194)	94,719	(1,082,475)
Projected Net Income/(Loss) w GO Bond Activity	\$ 6,793,286	\$ (2,384,118)	\$ 4,409,168
Projected EBDA - Not including Restricted Contributions	\$ 6,176,515 11.6%		\$ 1,855,815 3.6%
FTE'S	236.90		241.30

Sonoma Valley Healthcare District
Schedule of Cost Additions & Reductions from Base Budget
FY 2021 Budget - July 1, 2020 through June 30, 2021

Schedule C

	FY 2021 Budget	
	July 1, 2020 - June 30, 2021	
Cost Additions/Reductions from Base Budget:		
6% Price increase with a projected 1.7% increase in Net Revenue		
	Gross Revenue \$	15,469,179
	Revenue Deductions	<u>(14,691,675)</u>
		777,504
25% Reduction of IP and OP volume in July and August 2020 to reflect lower volumes due to COVID-19		
	Gross Revenue \$	(10,308,372)
	Revenue Deductions	<u>8,589,967</u>
		\$ (1,718,405)
Other increases to gross revenue (wound care, pharmacy)		342,135
Adjustment to contractals to reflect current payer mix and payment percentages		1,224,573
Adjustment to Bad Debt Expense (\$200,00/month)		25,000
Adjustment to gross Intergovernmental Transfer Program (IGT) and Prime Grant Revenue - based on initial correspondence from DHCS for 19-20 IGT's		<u>(2,311,002)</u>
		(1,660,195)
Increase to shared services revenue - Valley of the Moon Post Acute		100,307
2% Salary increase - January 2020 & January 2021	\$	(390,973)
Emergency Room Manager - 1.0 FTE		(176,800)
Mid Level Practitioner - Sonoma Valley Family Practice Clinic 1.0 FTE - a)		(124,830)
Environmental Services - 0.5 FTE		(19,178)
Patient Access - 1.0 FTE		(49,932)
Quality - Tech 0.5 FTE (January 2020 hire)		(72,800)
CMO increase from 0.4 FTE to 0.5 FTE		(39,015)
Director of Clinical Care Transition position end December 31, 2020		74,468
Expected employee parity adjustments		(24,000)
Other net adjustments to salaries & wages & Agency fees - b)		<u>(319,091)</u>
		(1,142,151)
Adjustment to PTO	\$	(55,261)
Adjustment to FICA		(103,489)
Employee Benefits - Adjustment to benefits & Employee Health Insurance increase of 10% at January 2021 - c)		<u>63,901</u>
		(94,849)
Reduction of 0.5 FTE Physician in SVFP Clinic	\$	97,775
SVFP Clinic Physician RVU increase from \$48 to \$53		(39,400)
Other net adjustments to Physician and Professional fees		<u>(11,937)</u>
		46,438
Net adjustment to supplies; increase of 2% for inflation and adjusted based on volumes		7,357
Community Perception Survey (Purchased Services)		(30,000)
Board Election Costs (Purchased Services)		(55,000)
Estimated cost of management agreement with UCSF		(300,000)
Decrease in Medical Records Purchased Services (brought coding in house)		86,638
Other net adjustments to Purchased Services		<u>95,028</u>
		(203,334)
Adjustment to Depreciation		(48,585)
Adjustment to Utilities based on current usage		(30,501)
Adjustment to Insurance to reflect expected increase in policy costs		(41,189)
Decrease in Interest Expense to reflect expired leases and financing agreements		243,585
Adjustment to Other costs (increase in rents, etc.)		(26,362)
Adjustment to Intergovernmental Transfer Program (IGT) matching fee		173,253
Remove gain on sale of South Lot		(1,917,882)
Elimination of Prima/MarinHealth subsidy		206,578
Adjustment to Parcel Tax revenue		18,245
Increase to Foundation Restricted Contributions to reflect CT/ODC project		1,884,575
Net adjustment - GO Bonds		100,592
Additions & Reductions from Base Budget - FY 2021 Budget	\$	<u>(2,384,118)</u>

- a) - Off set by reduction of 0.5 FTE Physician in SVFP Clinic
- b) other adjustments include market rate adjustments made in January 2020 and not included in base budget, market rate adjustments budgeted at July 1, 2020 and other immaterial adjustments
- c) - Reduction to base year budget to reflect SNF employees no longer covered and an increase of 10% at January 1, 2021 to reflect increase of employee health insurance

Sonoma Valley Health Care District
Schedule of Payer Mix
FY 2021 Budget
July 1, 2020 through June 30, 2021

Schedule D

	FY 2021 Budget	Actual FY 2020
	<u>July 1, 2020 - June 30, 2021</u>	<u>July 1, 2019 - May 31, 2020</u>
Medicare	42.2%	41.3%
Medicare Managed Care	13.3%	14.6%
Medi-Cal	17.8%	17.5%
Self Pay	1.9%	1.8%
Commercial	21.3%	21.5%
Worker's Comp.	2.6%	2.6%
Capitated	0.9%	0.7%
	100.0%	100.0%

**Sonoma Valley Health Care District
Cash Forecast - FY 2021 Budget**

Schedule E

**FY 2021 Budget
July 1, 2020 - June 30, 2021**

Hospital Operating Sources		
1	Patient Payments Collected	44,870,391
2	Other Operating Revenue	972,972
3	Other Non-Operating Revenue	207,013
4	Unrestricted Contributions	-
5	Line of Credit	-
	Sub-Total Hospital Sources	46,050,376
Hospital Uses of Cash		
6	Operating Expenses	51,501,842
7	Add Capital Lease Payments	313,800
8	Additional Liabilities	
9	Capital Expenditures	3,530,100
10	Line of Credit	
	Total Hospital Uses	55,345,742
	Net Hospital Sources/Uses of Cash	(9,295,366)
Non-Hospital Sources		
11	Restricted Cash/Capital Donations	3,530,100
12	Parcel Tax Revenue	3,800,000
13	Other:	
14	IGT	5,690,424
15	IGT - AB915 (Net)	250,000
	Sub-Total Non-Hospital Sources	13,270,524
Non-Hospital Uses of Cash		
16	Matching Fees	2,433,143
	Sub-Total Non-Hospital Uses of Cash	2,433,143
	Net Non-Hospital Sources/Uses of Cash	10,837,381
	Net Sources/Uses	1,542,015
	Cash and Equivalents at beginning of period (Includes MM)	10,979,115
	Cash and Equivalents at end of period	12,521,130
	Budgeted Days of Cash on Hand at end of period	88.74

* Cash Projection based on FY 2021 budget and does not include capital spending other than the ODC funded by the Foundation.