

**Finance Committee & CFO Report for the
USJHSD Board Meeting on January 23, 2023**

The Board's Finance Committee met on January 23, 2023. The report below provides an overview of the financials and addresses any questions made by members of the Finance Committee.

1) Finance Committee Discussions:

- a) Reflections on 2022:
 - i) PSMC's gross revenues (charges before deductions for charity, bad debt and payer contractals) were higher than they have ever been in PSMC's history.
 - ii) Among the reasons for PSMC having a negative net income for 2022 are:
 - (1) Approximately 1 million of bad debt that should have been accounted for in 2021 is on the 2022 books (this was previously reported in May 2022 with the audit that staff discovered a system error and so unaccounted for bad debt from 2021 was added to 2022);
 - (2) To meet staffing for patient care, PSMC had to utilize contract labor which expense was \$2,734,946 more than budgeted;
 - (3) The increased cost of supplies was almost \$800,000 more than budget; and
 - (4) Payer contractals (insurer payer deductions to payment) were \$1.2 million greater than budget.
 - iii) CEO Dr. Webb reported information from CHA that 56% of Colorado hospitals ended in the red with a negative bottom line in 2022. Seven Colorado hospitals are in jeopardy of closing.
- b) Investment Policy: The Finance Committee discussed the investment policy passed by the Board on January 8, 2023. The CFO stated that starting February, the financial reports will include an additional report indicating where funds are invested or on deposit. With the new Investment Policy, PSMC has begun utilizing the deposit network IntraFi and interest income has increased from 0.5% to 1.5%. Staff are interviewing investment advisors for future investment in treasury bills.
- c) Employee Retention Credit: PSMC applied for the Employee Retention Credit ("ERC") which is government funds for maintaining staffing during the pandemic. In November 2022, PSMC was notified that it has been awarded \$4,193,000 for maintaining staffing. As of this date, PSMC has not received the funds. The CFO will obtain the advice of PSMC's auditor about the amount to hold in reserve until the audit period on ERC has ended.

1) November Financials:

- a) Income Statement:
 - i) Gross Revenues for November were \$5.9 million (4% lower than budgeted) and deductions to gross revenues (insurance payer deductions, charity, bad debt) were greater than budgeted. Expenses exceeded budget by \$250,000. PSMC had a negative bottom line for November of \$576,859.

2) **December Financials:**

a) **Bottom line and Income Statement:**

- i) Gross revenues were strong at over \$6.2 million but less than budget. Contractual allowances (deductions to revenue) were very high at over \$4.2 million (deductions of \$741,000 more than budgeted). Expenses were about \$460,000 more than budget – while the use of contract labor has significantly decreased the cost remains high. The expense to repair the room was included in repairs and maintenance and more than budget. PSMC had a negative bottom line for December of \$174,267.

b) **Balance Sheet:**

- i) Cost Report Settlement Reserve adjusted with the settlement of the 2018 cost report.
- ii) Deferred revenue increased for the anticipated mill levy for 2023 (\$1,475,118) and the corresponding entry appears in assets under Other Receivables.
- i) As of December 31, 2022, PSMC has 115.8 days of cash on hand.