

AGENDA

BOARD OF DIRECTORS FINANCE AND FACILITIES COMMITTEE

October 18, 2022

5:30 PM – 7:00 PM



Zoom Meeting:

<https://zoom.us/j/96161703345?pwd=RGJQc24xQTNuNDIiViNyOFdiOXNVdz09>

Meeting ID: 961 6170 3345

Passcode: 970677

- I. WELCOME
- II. APPROVAL OF MINUTES (September Meeting)
- III. SEPTEMBER 2022 FINANCIALS
- IV. 2022 (SEPT – DEC) FINANCE PRIORITIES
- V. 2023 BUDGET ASSUMPTIONS
- VI. OTHER BUSINESS

Next Meeting: **November 15th 5:30 – 7:00 pm**

Everyone deserves to go home.

DRAFT
BOARD OF DIRECTORS
FINANCE AND FACILITIES COMMITTEE
ZOOM MEETING
September 27, 2022



PARTICIPANTS: G. Watson, C. Thomaskutty, A. Foreman, C. King Arthur. Staff: K. Lindamood, A. Wells-Sims, L. Dooley, K. Feldt, L. Williams, T. Thomas, M. Mamman

Meeting Call to Order by: G. Watson, Chair

- I. INTRODUCTION OF NEW CFO:** The Finance and Facilities committee welcomed Chanté Brady, the Agency new Chief and Financial Officer.
- II. APPROVAL OF AUGUST MINUTES:** The committee reviewed the August minutes. Follow-up Topics: None. **By unanimous vote, the August 23, 2022 minutes were approved by the committee.**
- III. RECAP OF 2021 FINANCIAL PERFORMANCE:** Angela Wells presented.
 - Previously the committee received a 2021 performance review. However, after the finance team wrap up the completion of the 2021 audit, there was some clean-up of balance sheets, statements, expenses, etc. for providing information to the auditors. The finance team compared the 2021 audit with the adjustments to the 2020 audit and looked at the trend moving forward.
 - Looking at the net operating surplus/shortfall at the end of December 2021, reported in January, the board saw a shortfall of about \$605,000. However, once the adjustments were made through the presentation to the auditors, there is actually a surplus of \$1.7m because the PPP loan forgiveness was not recognized at that presentation of the original December assumption. When receiving the loan, it is reported as a liability, but at the time of approval of the loan it now can be recognized as revenue, which the agency received approval in November. Finance is now recognizing that \$3.1m in PPP loan as revenue, which was the majority of the driver for that shift (about \$2.3m). In addition to the PPP loan, there was some revenue recognition and grants, however the net patient service revenue went down about \$1.2m and recognized about another \$578,000 of expenses. Instead of having the shortfall of the \$605,000 there was a positive of \$1.7m. Pertaining to the changes in our gains and losses regarding investments, the final number recognized on that balance sheet was slightly higher than what was present – net surplus is showing at the end of 2021 \$2.4m pickup

Change in Cash Position

- Cash (operating) balance declined \$4.3m from Dec. 2020 to Dec. 2021:
 - Cash for federal payroll protection program (PPP) was received in 2020, but revenue wasn't recognized until forgiven in 2021 - \$3.1m impact
 - Receivables increased \$2.9m in 2021
- Average daily expenses are continuing to increase in 2022 and further deterioration on days cash on hand (DCOH) is also being experienced.

Days Cash on Hand Comparison

	2020	2021	Aug 2022
Operating Expenses	\$ 26,886,289	\$ 28,140,603	\$ 19,157,792
Days	366	365	243
Avg Daily Expenses	\$ 73,460	\$ 77,098	\$ 78,839
Operating Cash	\$ 10,024,178	\$ 5,676,338	\$ 3,663,985
Operating DCOH	136.5	73.6	46.5
Investment Balance	\$ 9,256,877	\$ 13,312,891	\$ 8,656,120
Total DCOH	262.5	246.3	156.3

Given all these changes, the committee discussed the challenges faced in terms of delivery of the audit for 2021.

IV. AUGUST 2022 FINANCIALS

General Performance:

HCH is experiencing a YTD net operating shortfall of (\$927k) which is an unfavorable variance to budget of (\$566k). This unfavorable variance is driven primarily by patient revenue. Performance position declined \$417k compared to YTD July. Driver of this include:

- Pharmacy revenue: over statement of estimated pharmacy rebates of \$367k
- Prior period expenses: late invoices (received after July for prior periods) account for \$146k

Revenue:

- YTD revenue is unfavorable to budget by (\$1.4m) but \$1m favorable compared to YTD August 2021. Variance to budget is primarily driven by patient revenue
- Patient Service Revenue – Net (PSR) is unfavorable to budget (\$1.1m) YTD and \$74k below YTD August 2021. Overall agency encounters (billable and non-billable) are 17.3% (10,411) above YTD August 2021 but still 8.8% (6,837) below 2019 pre-pandemic encounters YTD.
- YTD Aug 2019, average billable percentage was 38%. Assuming 38% average billable of 6,837 encounter difference, this would equate to roughly \$551k in additional revenue.
 - Continuing to stabilize AthenaOne EMR and processes.
 - Processes are continuing to be implemented within operations (including development of KPIs). Staffing levels do contribute to the capacity of available encounters.
- Grants unfavorable to budget (\$212k) YTD August but favorable to 2021 YTD by \$719k. Staffing shortages account for a portion of the unfavourability; however, it is expected there is some opportunity to identify expenses currently in unfunded that could be support by approved grants. Finance team is continuing to work to further identify opportunity.
- Contributions are unfavorable to budget (\$160k) but \$11k above 2021.
- Other sources is unfavorable to budget by (\$37k) but \$297 above YTD 2021.
- ACIS (supportive housing services pilot program) is favorable to budget by \$93k. Billing through Q2 2022 was reconciled generating an additional \$131k in revenue for August.

Expenses:

Total operating expenses are \$822k favorable to budget YTD August. This is driven by favorability in Salaries & Benefits and Client Assistance, offset by unfavourability in Pharmacy, Contracted Services, and Building Operations

- Salaries & Employee Benefits – Favorable to budget \$1.5m
- Client Assistance – Favorable to budget \$294k
- Pharmacy – Unfavorable to budget (\$460k)
- Contracted Services - Unfavorable to budget (\$304k)
- Building Operations – Unfavorable to budget (\$158k)

Liquidity Management:

All cash, including investments equates to 156.41 DCOH. Operating cash on hand balances are 46.61 days

Month	DCOH (W/invest)	Operating DCOH
Jan-22	174.6	55.5
Feb-22	160.1	44.4
Mar-22	165.1	45.3
Apr-22	151.8	31.5
May-22	142.4	30.7
Jun-22	161.84	55.3
Jul-22	163.01	47.7
Aug-22	156.3	46.6

The Finance and Facilities Committee reviewed and discussed the August 2022 Financials. **By unanimous vote, the August 2002 Financials were approved by the committee.**

V. 2022 (SEPT-DEC) FINANCIAL PRIORITIES

Priority	Targeted Achievement	Expected Completion
2021 Audit	Meet required compliance requirements	Early October
Reconciliation & Collection of Receivables	Improve cash position and reduce receivables to \$4m or less	Reconciliation: late October Collection: ongoing through end of December
Capture of Grant Expenses (current unfunded expenses)	Minimize expense gaps on grants with current underspending	Ongoing through end of December
2023 Operating & Capital Budget	Develop clear measurable assumption and targets based on reforecast of 2022 performance	Early December
2022 Balance Sheet Reconciliation	Clear picture of 2022 financial position and in position to timely complete 2022 audit	Mid December (performance through November)
Internal Control Evaluation	Restructure functional priorities (grants, patient billing, payables (payroll/AP) & reporting/compliance) and operational processes	Late October

Next Meeting: October 18, 2022 at 5:30pm

Health Care for the Homeless September 2022 Financial Results

General Performance:

- HCH is experiencing a YTD net operating shortfall of (\$737k) which is an unfavorable variance to budget of (\$290k). This unfavorable variance is driven primarily by patient revenue.
 - Performance position improved \$190k compared to YTD August.

Revenue:

- YTD revenue is unfavorable to budget by (\$1.2m) but \$1.4m favorable compared to YTD September 2021. Current period variance to budget is primarily driven by patient revenue.
- Patient Service Revenue – Net (PSR) is unfavorable to budget (\$1.3m) YTD and (\$40k) below YTD September 2021.
 - Overall agency encounters (billable and non-billable) are 19.7% or 13,104 above YTD September 2021 but still 7.8% or 6,729 below 2019 pre-pandemic encounters YTD.
 - YTD September 2019, average billable percentage was 38%. Assuming 38% average billable of 6,729 encounter difference, this would equate to roughly \$522k in additional revenue.
 - Continuing to stabilize AthenaOne EMR and processes. Clean-up of outstanding claims expected to be complete end of November. Additional, revenue opportunity with Optum denials being reworked by State of MD. Currently 800 claims with an opportunity of approximately \$160k.
 - Processes are continuing to be implemented within operations (including development of KPIs). Staffing levels do contribute to the capacity of available encounters.
- Grants unfavorable to budget (\$128k) YTD September but favorable to 2021 YTD \$835k.
 - Staffing shortages account for a portion of the unfavourability; however, it is expected there is some opportunity to identify expenses currently in unfunded that could be supported by approved grants. Finance team is continuing to work to further identify opportunity.
- Contributions are unfavorable to budget (\$216k) and unfavorable (\$22k) to 2021.
- ACIS (supportive housing services pilot program) is favorable to budget \$99k. Actuals performing better than expected. Q3 reconciliation will occur in November.
- Other sources is favorable to budget \$365k and \$617k above YTD 2021. This is primarily driven by pharmacy rebates.

Expenses:

- Total operating expenses are \$901k favorable to budget YTD September. This is driven by favorability in Salaries & Benefits and Client Assistance, offset by unfavourability in Pharmacy, Contracted Services, Building Operations, and Medical Supplies.
 - Salaries & Employee Benefits – Favorable to budget \$1.8m
 - Client Assistance – Favorable to budget \$378k
 - Pharmacy - Unfavorable to budget (\$548k)

- Contracted Services – Unfavorable to budget (\$363k)
- Building Operations – Unfavorable to budget (\$197k)
- Medical Supplies – Unfavorable to budget (\$127k)

Liquidity Management:

- All cash, including investments, equates to 127.8 DCOH. Operating cash on hand balances are 18.5 days.

Month	DCOH (w/invest)	Operating DCOH
Jan-22	174.6	55.5
Feb-22	160.1	44.4
Mar-22	165.1	45.3
Apr-22	151.8	31.5
May-22	142.4	30.7
Jun-22	161.84	55.3
Jul-22	163.01	47.7
Aug-22	156.3	46.6
Sep-22	127.8	18.5

- MOHS ACIS payment of \$1.1m for services from July 2021 through June 2022 was issued on 9/29 but not cleared in bank until first week of October. Should this had been sent via ACH and cleared in September as expected, DCOH would have increased 14.4 days to 32.9 operating DCOH.

Health Care for the Homeless
Statement of Activities
9/31/2022

	<u>Jun 22 YTD</u>	<u>Jul 22 YTD</u>	<u>Aug 22 YTD</u>	<u>Sep 22 YTD</u>	<u>Sep 22 YTD</u>			<u>Sep 21 YTD</u>		
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Bud Var (\$)</u>	<u>Bud Var (%)</u>	<u>PY Actual</u>	<u>PY Var (\$)</u>	<u>PY Var (%)</u>
Grants	\$6,727,194	\$7,452,663	\$8,881,968	\$10,088,773	\$ 10,216,693	\$ (127,919)	-1%	\$ 9,254,026	\$ 834,747	9%
Patient Services, Net	\$3,358,517	\$3,797,536	\$4,359,205	\$4,846,509	\$ 6,158,283	\$ (1,311,774)	-21%	\$ 4,886,946	\$ (40,437)	-1%
Contributions	\$1,042,080	\$1,175,195	\$1,299,052	\$1,376,414	\$ 1,592,202	\$ (215,788)	-14%	\$ 1,398,285	\$ (21,870)	-2%
ACIS	\$510,000	\$595,000	\$811,095	\$906,095	\$ 807,407	\$ 98,687	12%	\$ 890,254	\$ 15,841	2%
Other Sources	\$2,141,310	\$2,877,894	\$2,879,454	\$3,642,330	\$ 3,276,824	\$ 365,507	11%	\$ 3,025,213	\$ 617,117	20%
Developer Fees	-	-	-	-	\$ -	\$ -	0%	\$ -	\$ -	0%
Total Revenue	\$ 13,779,100	\$ 15,898,288	\$ 18,230,774	\$ 20,860,121	\$ 22,051,408	\$ (1,191,287)	-5%	\$ 19,454,724	\$ 1,405,397	7%
Salaries	\$ 7,674,789	\$ 8,601,493	\$ 9,921,879	\$ 11,214,624	\$ 12,225,081	\$ (1,010,457)	-8%	\$ 10,983,252	\$ 231,372	2%
Employee Benefits	\$ 1,717,272	\$ 1,974,900	\$ 2,254,690	\$ 2,407,851	\$ 3,178,325	\$ (770,473)	-24%	\$ 2,516,663	\$ (108,812)	-4%
Purchased Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%
Contract Services	\$ 356,884	\$ 462,708	\$ 626,686	\$ 725,683	\$ 362,606	\$ 363,077	100%	\$ 537,883	\$ 187,801	35%
Office Supplies	\$ 91,441	\$ 103,038	\$ 109,120	\$ 122,981	\$ 121,471	\$ 1,511	1%	\$ 92,217	\$ 30,764	33%
Client Assistance	\$ 1,329,578	\$ 1,541,215	\$ 1,710,230	\$ 1,874,117	\$ 2,252,210	\$ (378,093)	-17%	\$ 2,066,744	\$ (192,627)	-9%
Pharmacy	\$ 1,323,064	\$ 1,378,685	\$ 1,776,059	\$ 2,027,643	\$ 1,479,061	\$ 548,582	37%	\$ 1,465,416	\$ 562,227	38%
Medical Supplies	\$ 248,933	\$ 267,941	\$ 295,663	\$ 382,320	\$ 255,049	\$ 127,271	50%	\$ 141,682	\$ 240,638	170%
Business Operations	\$ 443,265	\$ 556,558	\$ 696,401	\$ 801,151	\$ 709,560	\$ 91,591	13%	\$ 636,848	\$ 164,302	26%
Staff Development	\$ 137,641	\$ 138,694	\$ 176,559	\$ 184,732	\$ 116,069	\$ 68,663	59%	\$ 88,644	\$ 96,088	108%
Building Operations	\$ 480,524	\$ 598,136	\$ 690,102	\$ 795,224	\$ 597,788	\$ 197,435	33%	\$ 619,192	\$ 176,031	28%
Utilities	\$ 163,602	\$ 218,341	\$ 244,031	\$ 320,001	\$ 284,219	\$ 35,782	13%	\$ 267,887	\$ 52,114	19%
Equipment	\$ 218,574	\$ 247,544	\$ 294,313	\$ 333,387	\$ 367,253	\$ (33,866)	-9%	\$ 429,407	\$ (96,020)	-22%
Fundraising Events	\$ 34,871	\$ 34,215	\$ 37,174	\$ 37,994	\$ 120,793	\$ (82,799)	-69%	\$ 69,496	\$ (31,502)	-45%
In-Kind Expense	\$ 12,932	\$ 12,932	\$ 12,932	\$ 17,965	\$ -	\$ 17,965	0%	\$ 37,097	\$ (19,132)	-52%
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%
Depreciation	\$ 240,036	\$ 272,225	\$ 311,952	\$ 351,678	\$ 428,771	\$ (77,093)	-18%	\$ 364,576	\$ (12,899)	-4%
Total Operating Expenses	\$ 14,473,408	\$ 16,408,625	\$ 19,157,792	\$ 21,597,352	\$ 22,498,256	\$ (900,905)	-4%	\$ 20,317,006	\$ 1,280,346	6.3%
Net Operating Surplus (Shortfall)	\$ (694,308)	\$ (510,336)	\$ (927,018)	\$ (737,230)	\$ (446,848)	\$ (290,382)	65%	\$ (862,282)	\$ 125,051	-15%
Unrealized Gain (Loss) Investments	\$ (1,374,035)	\$ (961,787)	\$ (1,234,476)	\$ (1,507,323)	\$ -	\$ (1,507,323)		\$ 601,708	\$ (2,109,031)	-351%
Net Surplus (Deficit)	\$ (2,068,342)	\$ (1,472,124)	\$ (2,161,494)	\$ (2,244,554)	\$ (446,848)	\$ (1,797,706)	402%	\$ (260,574)	\$ (1,983,980)	761%

FINANCE PRIORITIES

Priority	Targeted Achievement	Targeted Completion	Current Status/ Other Notes
2021 Audit	Meet required compliance requirements	Early October	November 2022
Reconciliation & Collection of Receivables	Improve cash position and reduce receivables to \$4m or less	Reconciliation: late October Collection: ongoing through end of December	On target – contingent on completion of 2021 first
Capture of Grant Expenses (current unfunded expenses)	Minimize expense gaps on grants with current underspending	Ongoing through end of December	On target – several internal meeting and initiatives to review and clean up
2023 Operating & Capital Budget	Develop clear measurable assumption and targets based on reforecast of 2022 performance	Early December	On target – preliminary assumption complete (see detail)

FINANCE PRIORITIES (con't)

Priority	Targeted Achievement	Targeted Completion	Current Status/ Other Notes
2022 Balance Sheet Reconciliation	Clear picture of 2022 financial position and in position to timely complete 2022 audit	Mid December (performance through November)	On target – contingent on completion of 2021 first
Internal Control Process Re-engineering	Restructure functional priorities (grants, patient billing, payables (payroll/AP) & reporting/compliance) and operational processes	Late October	On target – finance manager onboarded; current search for director

Preliminary 2023 Budget Assumptions Summary

Macro Assumptions	Revenue Assumptions	Expense Assumptions
<ul style="list-style-type: none">• Post-COVID healthcare utilization levels have not returned to pre-COVID levels• Hiring shortages continue to be a challenge, which impacts operational capacity• Increase in uninsurable population, impacting billable rates• More awareness and physical location of area urgent care facilities (alternative convenient access for insured)	<ul style="list-style-type: none">• Dental revenue: expect billing beginning early 2023• Billable encounters: based on department standards (workable hours) x budgeted FTEs (adj for no shows)<ul style="list-style-type: none">• Full Medicaid coverage of for OB during pregnancy and one-year post-partum• Contributions: determined based on consistent annual donors with a small level (1-2%) of increase in donations• Grant revenue: rollover of current approved grants and any additional targeted funding for new programs	<ul style="list-style-type: none">• Salaries: equity adjustments & merit increases (study will determine likely need – likely 4 to 7%)• Benefits: market expecting 10% increase in 2023• Obstetrics: additional FTEs, supplies, and equipment costs• Pharmacy: expected industry-wide inflation of 3.3% and any assumed volume changes• Utilities: forecasted industry inflation of 15%• All Other Inflation: 3.5%