

June 23, 2020 - Noon

NOTICE

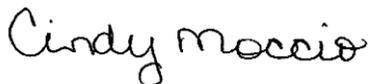
The Board of Directors of the Kaweah Delta Health Care District will meet in a Special Open Board of Directors at 1:00PM in the Kaweah Delta – Support Services Building Copper Room (2nd Floor – Accessed off Mineral King Avenue) 520 West Mineral King Avenue or via <https://global.gotomeeting.com/join/875569101> or you can also dial in 872-240-3212 Access Code: 875-569-101.

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330, email; cmoccio@kdhcd.org or on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT

David Francis, Secretary/Treasurer



Cindy Moccio - Board Clerk / Executive Assistant to CEO

DISTRIBUTION:

Governing Board

Legal Counsel

Executive Team

Chief of Staff

www.kaweahdelta.org



KAWEAH DELTA HEALTH CARE DISTRICT SPECIAL BOARD OF DIRECTORS MEETING

Kaweah Delta Medical Center / Support Services Building
520 West Mineral King – Copper Room (2nd floor)

Join from your computer, tablet or smartphone

<https://global.gotomeeting.com/join/875569101>

or Dial In: 872-240-3212 Access Code: 875-569-101

Wednesday June 24, 2020

OPEN MEETING AGENDA {1:00PM}

1. **CALL TO ORDER**
2. **APPROVAL OF AGENDA**
3. **PUBLIC PARTICIPATION** – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the subject matter jurisdictions of the Board are requested to identify themselves at this time.
4. **BUDGET 20/21** – Review and discussion of the budget process and assumptions that will guide the development of the 20/21 budget.
Malinda Tupper, VP & Chief Financial Officer
5. **TULARE CLINIC** – Status report relative to the development of the Tulare Clinic.
Marc Mertz, VP & Chief Strategy Officer
6. **REPORTS**
 - 6.1. Chief Executive Officer Report -Report relative to current events and issues.
Gary Herbst, Chief Executive Officer
 - 6.2. Board President - Report relative to current events and issues.
Nevin House, Board President

ADJOURN

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.

M O R E T H A N M E D I C I N E . L I F E .

 Kaweah Delta Medical Center

Budget FY 21 – Study Session

June 24, 2020



Kaweah Delta
HEALTH CARE DISTRICT

2020-2021 Annual Budget Review

- Preliminary FY 21 Budgeted Income Statement
 - Key changes since we last met
- Closing the Gap: Recommended Options
- Recommendation to implement a recurring budget review & reset (Nov '20, Mar '21)
- Revenue Detail
- Projected Capital

Budgeted FY21 Income Statement: Financial Comparison (000's)

**Preliminary draft as of 6/21/20
before recommended cuts**

	For Comparison to Budget FY21			Budget FY21	Variance Bdgt 21 - Annualized Feb 20	
	Budget FY20	Annualized Jul- May 20	Annualized Jul- Feb 20			
Operating Revenue		With COVID	Pre-COVID			
Net Patient Service Revenue	609,205	570,000	603,599	622,543	18,944	3.1%
Supplemental Gov't Programs	51,830	56,195	54,273	49,334	(4,939)	-8.8%
Prime Program	11,053	10,132	12,264	7,378	(4,886)	-48.2%
Premium Revenue	47,558	49,082	47,902	50,562	2,660	5.4%
Management Services Revenue	32,321	32,565	32,430	32,398	(32)	-0.1%
Other Revenue	20,588	22,469	23,028	22,379	(649)	-2.9%
Other Operating Revenue	163,350	170,443	169,898	162,051	(7,847)	-4.6%
Total Operating Revenue	772,555	740,443	773,497	784,594	11,097	1.5%
Operating Expenses						
Salaries & Wages	304,523	308,057	306,681	317,195	10,514	3.4%
Contract Labor	3,781	10,190	11,498	5,227	(6,271)	-61.5%
Employee Benefits	72,695	78,599	77,249	83,265	6,016	7.7%
Total Employment Expenses	380,999	396,847	395,427	405,687	10,260	2.6%
Medical & Other Supplies	111,269	115,828	119,134	122,797	3,663	3.2%
Physician Fees	94,805	91,755	91,149	92,036	887	1.0%
Purchased Services	36,787	42,035	42,725	40,663	(2,062)	-4.9%
Repairs & Maintenance	26,828	25,029	25,375	27,492	2,117	8.5%
Utilities	5,981	5,908	6,188	6,434	246	4.2%
Rents & Leases	6,373	6,426	6,383	6,576	193	3.0%
Depreciation & Amortization	33,122	30,116	29,820	32,173	2,353	7.8%
Interest Expense	6,285	5,571	5,429	6,861	1,432	25.7%
Other Expense	20,843	20,046	20,000	21,281	1,281	6.4%
Management Services Expense	31,807	32,324	31,986	31,985	(1)	0.0%
Total Other Expenses	374,100	375,039	378,191	388,298	10,107	2.7%
Total Operating Expenses	755,099	771,886	773,618	793,985	20,367	2.6%
Operating Margin	17,456	(31,443)	(121)	(9,391)	(9,270)	29.5%
Stimulus funds		13,075				
Nonoperating Revenue (Loss)		5,116	14,174	5,793	(8,381)	-61%
Excess Margin		(4,662)	14,052	(3,598)	(17,650)	379%

Closing the gap options	Option 3	Prior Discussion 6/22
	1.8%	1.8%
Current Budgeted Operating Loss 6.18 am	(\$9,391,000)	(\$9,391,000)
Desired Operating Margin 1.8%	\$14,165,622	\$14,165,622
Additional Strategic Reduction in Workforce or hours worked	\$832,000	\$1,835,964
Reduce 401K match	\$7,125,000	\$4,750,000
Reduce On Call and Standby	\$277,258	\$277,258
Reduce Employee Benefits - raise eligibility 48-60hr	\$3,000,000	\$3,000,000
Increase employee share of cost in benefits	\$1,000,000	\$1,500,000
Reduce Education Assistance	\$0	\$375,000
Decrease PTO Cap - 2% decrease	\$0	\$102,000
Eliminate PTO Cash Out	\$300,000	\$300,000
Redline - merit lump sum elimination	\$230,000	\$230,000
Reduce Overtime allowed	\$300,000	\$200,000
Hospitalist switch to NP/PAs	\$500,000	\$500,000
Medical Director Fee (\$700K in bdgt)	\$0	\$0
Reduction in Physician Costs	\$1,500,000	\$1,500,000
Elimination of outside coders (\$1M bdgt)	\$0	\$0
Reduce Travel	\$100,000	\$100,000
3 RNFAs reduction (move from RNFA to lower rate support)	\$0	\$218,400
CRNAs reduction	\$0	\$250,000
Cleveland Clinic	\$500,000	\$1,300,000
Elimination of Glucommander Initiative	\$0	\$0
Reconsideration of Biovigal	\$0	\$318,000
	\$15,664,258	\$16,756,622
Operating Margin before Soft Savings	\$6,273,258	\$7,365,622
Operating Margin % before Soft Savings	0.8%	0.9%
Gap before Soft Savings	(\$7,892,364)	(\$6,800,000)
Soft Savings		
Consolidate KDMF services (reduce neg CM services)	\$550,000	\$550,000
Humana Medicare Advantage(RAF score)	\$750,000	\$750,000
Length of Stay	\$4,775,000	\$4,500,000
Supplies - utilization and price	\$1,817,364	\$1,000,000
Total "Soft" Saving at Risk	\$7,892,364	\$6,800,000
Total Additional Budget Cuts with Soft Savings	\$23,556,622	\$23,556,622
Difference to Gap	\$0	\$0

Operating Margin	\$14,165,622	Moody's A3
Operating Margin Ratio	1.8%	1.6%
Operating Cash Flow Margin	6.5%	7.8%
Debt Service Coverage Ratio	3.36	4.2
Principal Debt Services	8,958,731	
Capital Budget	16,160,000	
Increase in surplus funds	\$17,935,190	

Net Patient Revenue FY21 Budget

Annualized Pre COVID	Budget FY 21	Change	% Change
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Net Patient Revenue Increase (000's)

\$603,599 \$622,543 \$18,944 3.1%

Payer Rate Changes	% Increase	FY 21 Impact
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Commercial 2.1% \$3,447,193

Medicare Acute Inpatient 3.6% \$4,099,575

Medicare Acute Outpatient 1.4% \$708,725

Medicare Rehab 0.8% \$39,104

Medicare SNF 1.0% \$31,554

Medicare Subacute 1.0% \$128,551

Medicare Behavioral Health 1.2% \$18,749

MCR Home Health 4.9% \$75,102

MCR RHC 1.9% \$21,522

MCR Hospice 2.0% \$67,368

MCR Radiology 1.4% \$62,501

Medicare Sequestration \$1,700,000

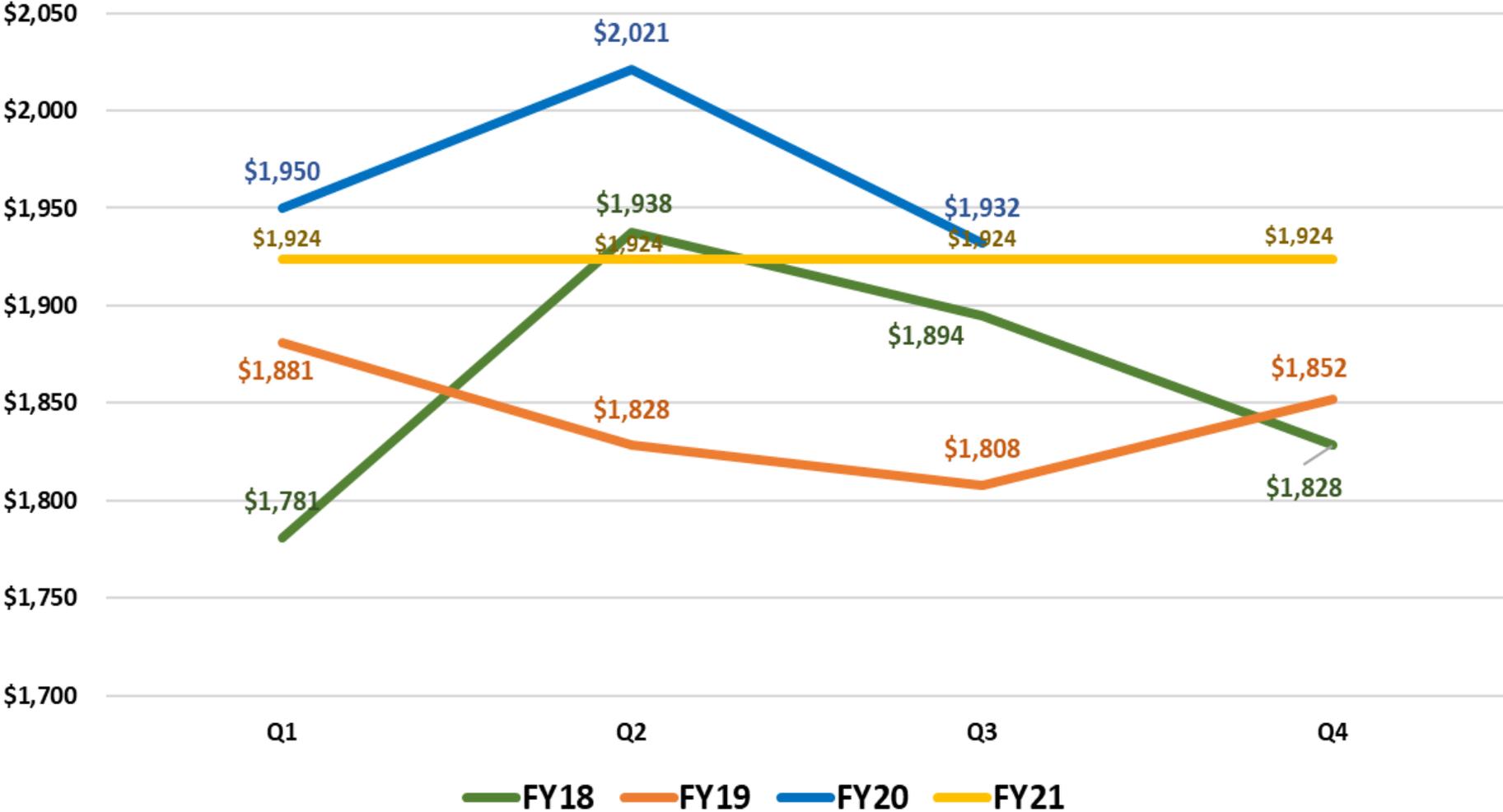
Total Lift/Up to Rate Changes

\$10,399,944

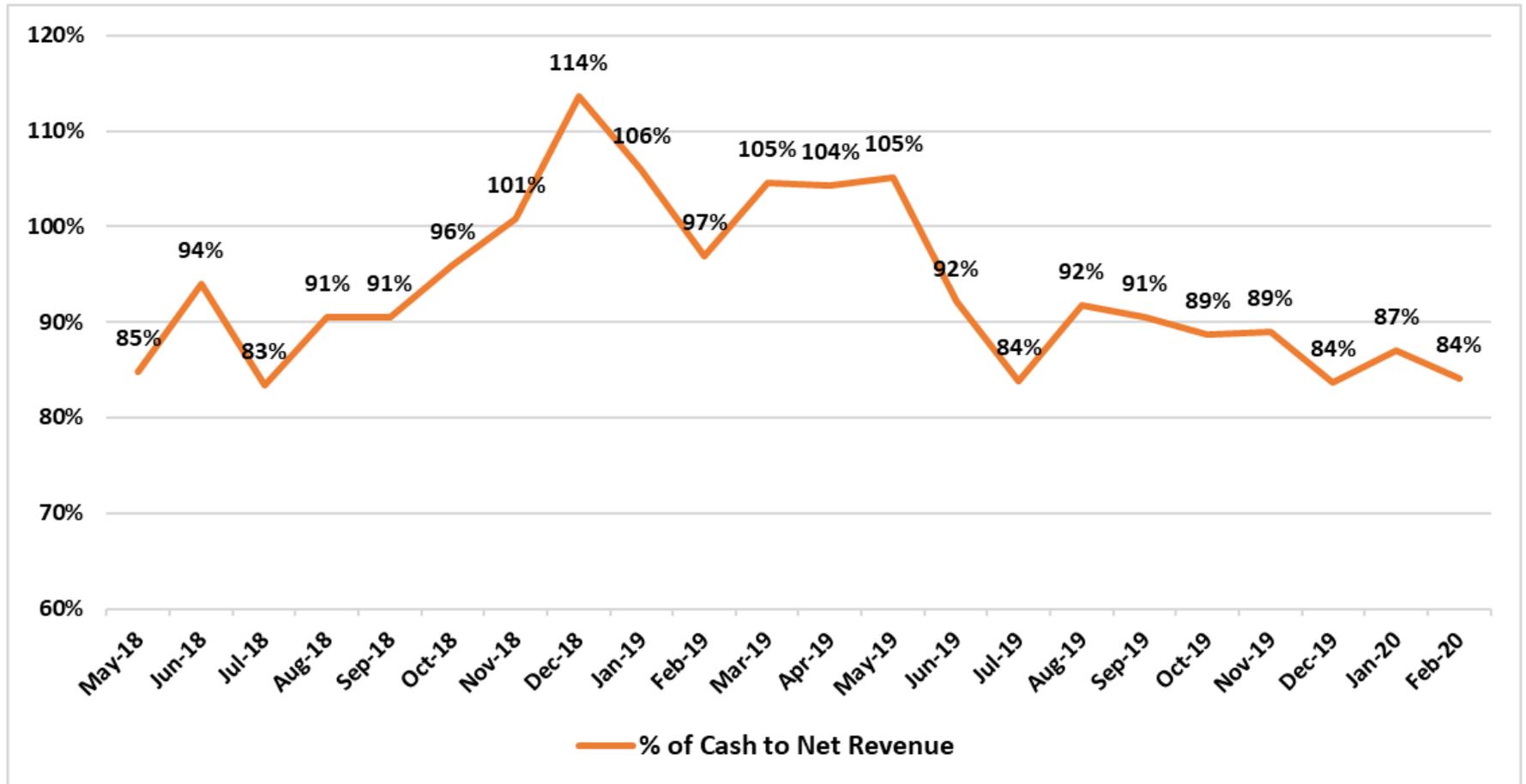
Other Income FY21 Budget

Other Operating Income (000's)	Annualized PreCovid	Budget FY21	Difference	Explanation
Supplemental Funds	\$54,273	\$49,334	(\$4,939)	Proposed 25% DSH cuts
Premium revenue	\$47,902	\$50,562	\$2,660	Overall growth in Humana MA lives
Management services	\$32,430	\$32,398	(\$32)	
Care Transformation Programs	\$12,264	\$7,378	(\$4,886)	Reduction in Prime
Other	\$14,149	\$13,178	(\$971)	Reduction in Foundation Contributions
Non patient food sales	\$3,126	\$3,129	\$3	
Lifestyle Center	\$3,584	\$3,613	\$29	
County taxes	\$1,319	\$1,501	\$182	
Kaweah Kids Center	\$850	\$958	\$108	
	\$169,898	\$162,051	(\$7,847)	

Net Patient Revenue per Adjusted Patient Day



% of Cash to Net Revenue



2020-2021 Capital Budget

Projects and Infrastructure	\$5,077,525
ISS Capital	\$2,478,079
Patient Care Equipment	\$3,180,979
Available for all other Capital Requests	\$5,263,417
Recurring Capital	\$16,000,000
Enterprise Capital	\$820,000
General Contingency Capital	\$340,000
FY 2020 Capital Budget	\$17,160,000