

Minutes of July 30, 2024

San Joaquin Health Centers Board of Directors – Finance Committee

Board Members Present: Greg Diederich (SJ Health CEO); Karen Lee (Finance)
Board Members Excused Absent: Samantha Monks (Finance Chair)
Board Members Unexcused Absent: Japleen Kaur (Finance)
SJHC Staff: Michael Allen (Board Clerk); Reuben Pettiford; Cynthia Rios; Kris Zuniga
Guests: Brandy Hopkins

AGENDA ITEM	ATTACHMENTS	ACTION
1. <u>Call to Order (Samantha Monks)</u> The meeting was not called to order, as the Finance Chair was not in attendance. A quorum was not established for today's meeting.	No attachments	No action required
2. <u>Approval of Minutes from 5/28/2024 & 6/25/2024 (Samantha Monks)</u> The minutes from May 28, 2024 & June 25, 2024 were not approved, due to lack of quorum. Will seek approval at next meeting.	Finance Committee Minutes 2024-05-28; Finance Committee Minutes 2024-06-25	Approval of minutes deferred to next meeting
3. <u>Presentation of Financials (Kris Zuniga)</u> The June financials were presented by Kris Zuniga. Year-to-date (YTD) billable visits as of June 2024 are unfavorable to budget by 16,479 visits. The decline in visits is mainly related to vacant positions and physician turnover in FY24. Recruitment efforts are ongoing to fill the vacant positions. Net Patient Service Revenues for the month of June are unfavorable to budget by \$435,166. YTD Net Patient Service revenue includes a true up adjustment recorded for \$1,389,977 for FY2023 PPS reconciliations in December 2023. Also, YTD financials include a favorable adjustment of \$126,100 related to the true up of prior period payment received from DHCS in July 2023. YTD financials reflect an estimated YTD PPS liability accrual of \$300,000. YTD 340B pharmacy program revenues include supplemental payments received from Department of Health Care Services for \$735,778 and \$166,222 in February and March. Also, \$27,912 payment from CMS has been reflected on the YTD financials. YTD Supplemental Revenue includes the recognition of estimated Quality Incentive Program (QIP) revenue of \$16,237,545, which plays a significant role in the overall profitability of SJHC. YTD financials include the recognition of additional QIP Revenues for \$555,742 for PY5 (CY2022) and \$5,310,715 for PY6 (CY2023) and \$1,398,181 from January through June for PY7 (CY2024) based on the updated information received in February. Also, YTD financials include an estimated \$3,000,000 adjustment recorded as a QIP Revenue Reserve. YTD financials include Capitation Revenue of \$6,263,967 and Managed Care Incentives revenue of \$507,297. A HEDIS incentive payment of \$503,092 was received in December 2023 related to calendar year 2022 performance.	CFO Presentation – 2024-06; Finance Narrative – 2024-06	No action required



YTD combined Grants Revenue includes revenues for Sunlight Giving, USDA, CCAEC, Exact Sciences Focus Program, ARPA, ACE/Practice, Test-To -Treat Equity, KP Health Connect, Heluna Health, HRSA Expanding Covid Vaccinations, SOR3, Path Cited, Accelerating Readiness For An Aging Population Learning Community, Discovery Challenge Academy, ECM, and HHIP Street Medicine grants for \$3,572,521. Also, YTD financials include ARPA grant revenues related to the reimbursement of pension costs for \$53,762 from November 2022 through June 2023. YTD combined grant revenues are unfavorable to budget by \$1,662,102 mainly due to an underperformance of grant portfolio.

The 340B Pharmacy program revenue of \$2,889,925 has been reflected in the YTD financials and is higher than the budget by \$1,184,050. The increase in 340B program revenues is mainly due to the recognition of CVS pharmacy related revenues for \$361,005 along with supplemental payments received from DHCS for 902,000 on the YTD financials.

Other Revenue includes revenues accrued for \$594,546 related to Purchased Services provided to SJGH by SJHC per the MOU. YTD Interest income for \$665,913 has been reflected on the financials, which is favorable compared to budget by \$598,183 mainly due to higher cash balance contained within the County Treasury.

Total YTD Operating Revenue is favorable to budget by \$3,724,424 primarily due to the favorable QIP adjustments recorded in January and February.

Salaries and Benefits expenses exhibit a favorable variance to budget by \$3,130,921 which is mainly related to lower benefits expense. For purposes of annual budgeting, per SJ County direction, county employees purchased by SJHC were budgeted at 66% benefits cost to salaries. Year-to-date actual benefits cost as a percentage of salaries, as of June 2024 is 44%.

Other operating expenses exhibit an unfavorable variance of \$1,499,855 largely due to an unfavorable variance for \$2,918,996 in Professional Fees, Dues, Repairs, Telephone, Insurance, Travel, Utilities, Rent, and Advertising expenses offset by a favorable variance of \$1,419,141 reflected in the Purchased Services, Supplies, Depreciation, Interest, Office, and other expense categories. An estimated accrual for the Purchased Services is recorded for July through June based on the MOU with the County for services purchased from San Joaquin General Hospital. YTD total Operating Expenditures are favorable to budget by \$1,631,066.

Unaudited, as presented, Net Income of \$5,809,825 on a year-to-date basis represents a favorable variance of \$5,355,490 as compared to budgeted Net Income of \$454,335. YTD Net Income is favorable mainly due to the recognition of unbudgeted revenues related to PPS reconciliations for prior periods for \$1,516,077, Managed Care Incentive payments for \$503,092, and QIP revenue related adjustments for \$7,264,638 for PY5, PY6 and January through June 2024 for PY7 partially offset by an increase in the QIP revenue reserve of \$3,000,000.

Capital Link fiscal year benchmarks were reviewed, showing Operating Margin at 10.8% against a goal of >3%, Bottom Line





Margin at 11.1% against a goal of >3%, Days Cash on Hand at 200 against a goal of >45 days, Days in Net Patient Receivables at 38 against a goal of <60 days, and Personnel-Related Expenses at 72% against a goal of <70%.		
4. <u>Adjournment (Samantha Monks)</u> Having not called to order, there was no need for formal adjournment.	No attachments	No action required

