



ESTES PARK HEALTH BOARD OF DIRECTORS'

Finance Study Session Minutes – September 30, 2020

Board Members in Attendance

Dr. David Batey
Ms. Diane Muno (via web)
Dr. Steve Alper
Ms. Sandy Begley (via web)

Other Attendees

Mr. Vern Carda, CEO
Mr. Tim Cashman, CFO
Mr. Gary Hall, COO (via web)
Kevin Mullin, Estes Park Health Foundation, Executive Director (via web)
Wendy Ash, Director of Nursing, Physician Clinic
James Mann, CPA, Clifton Allen Larsen
Dan Given, CPA, Stroudwater Associates

Community Attendees

Shelly Powers, Wendy Koenig, Barry Stein, John Phipps, Karen Sackett and Cindy Leaycraft.

Community Attendees (via web)

Larry Leaming, Wendy Rigby, Michael and Barbara Keilty, Judith Schaffer, Daniel Crosscull, Ray Leaycraft, Wendy Sykes and Tara Schultz

1. Call to Order

The Finance Study Session was called to order at 4:00 p.m. by Dr. Batey, Chair; there was a quorum present. Notice of the Finance Study Session was posted in accordance with the SUNSHINE Law Regulation.

2. Approval of the Agenda

Due to the meeting being a study session, no agenda approval is required.

3. Public Comments

No comments were submitted.

4. Introductions

Introductions of each participant were conducted.

5. Discussion of EPH Financials 2019 and Industry Trends

Mr. Mann provided an update to the community on the industry trends related to nursing homes. Nationwide skilled facilities like EPLC with census and are experiencing declining margins. These are driven by increased costs, regulatory issues, changing payor mix, lower reimbursements and individuals enrolling in Medicaid Advantage plans. Additionally, many individuals are now electing to receive care in their own homes vs. at facilities. Due to these issues, many facilities nationwide are experiencing significant financial challenges and are selling to larger entities or perhaps closing.

Executive Summary

For the month of August, earnings were \$1.3M and compared to a budget of \$1.4M or 6%. Gross Revenues were \$9.0M and 14% under a budget of \$10.5M. Expenses were \$4.7M and 2% better than budget

Operating Income YTD is a loss of \$6.1M compared to a budgeted loss of \$1.2M, obviously due to the impact of COVID-19.

For the month, Operating Revenues YTD are down 16% from Budget and 7% down from last year. Due to the Covid-19 pandemic the hospital had anticipated a recovery to a 20% drop in Revenues. Year to date, expectations indicate a potential recovery of Revenues to 80%.

Expenses for the year are 3% under budget. The 10% rollback of wages for the highest earners was initiated June 1, resulting in a drop in Salary expense. This is expected to continue. Other expenses continue to report slightly less than Budget.

Days in Accounts Receivable continue to rebound from the Epic conversion in November; from a high of 64 to a remarkable 44.3. And, Days Cash on Hand are up significantly to 242, due specifically to the Stimulus and Loan funds. The YTD Net Income (Change in Net Assets) is reporting (\$3.4M) loss before a projected recognition of Stimulus of \$10.1M in Cash, to cover this shortfall, for 2020.

Statistics

	YTD	Budget	2019
Inpatient Days	434	636	657
Swing Bed	231	317	175
Births	36	56	52
ER Visits	2,992	3,781	4,175
Urgent Care Visits	835	2,000	0
Ambulance Trips	1,251	1,495	1,495
Clinic Visits	12,350	16,059	17,727
Surgeries (not incl GI)	241	261	260
GI Procedures	262	294	264
Pain Procedures	163	331	243
Lab Tests	46,376	52,602	52,602
Radiology Exams	6,163	7,887	7,887
Rehab Visits	4,837	7,266	7,280

Home Health/Hospice	6,662	6,126	6,5001
Living Center Days	7,149	9,234	8,379

Balance Sheet

Days Cash on Hand are artificially high at 242, due specifically to the COVID Stimulus funds. It is expected, however, that we will continue to slowly burn through these funds until the hospital can settle either increasing revenues or reduce expenses.

As a note, the Accrued Liabilities, the Est Third-Party Settlement and Short-Term Notes Payable does reflect the recording of Stimulus Funds, the Advanced Payment from Medicare and the Payroll Protection Program, totaling \$14.5M. When there is confirmation that any of these advances are forgivable, those will be recognized as Other Non-Operating Income

Forecast for 2020

Please note an attached Forecast. Assumptions were made regarding recovery of Revenues and some Expense reductions, however, given loss of patient visits earlier in the year, and the current recovery period, it is anticipated that Revenues will recover to approximately 80% of Budget. The challenge will be managing expenses with less Revenues, going forward.

This Forecast does indicate the recognition of most of the Stimulus funds (\$10.1M) and the projection of a modest recovery of business volumes and revenues. As a result, the year should report modestly favorable, due to the temporary injection of government funding.

Summary

The month of August is reporting 7% decrease in net revenues and YTD decrease of 16%, due to the COVID pandemic. Assumptions include the continued possibility of a recovery to approximately 80% of normal, by year end. Earnings continue to reflect the decrease in revenues. Leadership continues to explore opportunities for long-term reductions in Expense and programmatic changes. Even with the pandemic, trends and long-term forecasts indicate a continued decrease in reimbursement for services. While expenses continue to increase, net revenues in the healthcare industry are predicted to decline.

Estes Park Health
 Financial Overview
 Month Ended August 31, 2020

FINANCIAL RATIOS

	July	Aug	RED	YELLOW	GREEN
Days in Accounts Receivable	46.3	44.3	> 60	50 - 60	< 50
Days Cash on Hand	234	242	< 125	125 - 224	> 225
Debt Service Coverage Ratio	-1.40	-0.91	<1.25	1.25 - 2.0	> 2.0
Operating Margin (12 Mo. Rolling)	-18.9%	-18.4%	< 2.0%	2% - 4.99%	> 5%
Total Margin (12 Mo. Rolling)	-11.3%	-9.9%	< 5.0%	5% - 9.99%	> 10.0%

OTHER INDICATORS

	July	Aug	Budget	YTD	YTD Budget
Total Deductions from Revenue %	47.8%	40.8%	46.0%	44.5%	46.0%
Operating Margin	\$34,869	\$642,499	\$976,175	(\$6,126,188)	(\$1,241,060)
Operating Margin %	0.8%	12.0%	16.9%	-19.7%	-3.4%
Increase (decrease) in Net Assets	\$544,483	\$1,310,568	\$1,394,372	(\$3,378,524)	\$1,280,991
Total Margin %	12.6%	24.4%	24.1%	-10.8%	3.5%

SUMMARY

Statistics: IP Days are at 127 compared to 100 in July and 124 in August 2019.
 Physicians Clinic Visits are at 1774 compared to 2096 in July and 2147 in August 2019.
 Surgeries are at 34 compared to 48 in July and 42 in August 2019.

Revenue: August's Gross Patient Revenue is \$9,059,425 compared to a budget level of \$10,589,251.

Other Operating Revenue: YTD Other Revenues are \$217,788 below budget.

Expenses: Total Operating Expenses in August are \$93,036 under budget. Salaries and benefits are under budget by \$68,478.

Excess Revenues (Expenses): August's increase in Net Assets is \$1,310,568 compared to a budget of \$1,394,372. August's Total Margin is 24.4% compared to a budgeted level of 24.1%.

Ratio Analysis: Day's in A/R is at 44.3 which is lower than the industry average of fifty.
 Day's Cash on Hand is at 242 compared to July's level of 234 and August 2019 of 161.

Debt Coverage Ratio: August's rolling 12 month ratio is -0.91%. The loan end of year minimum required ratio is 1.25.

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
August 31, 2020

REVENUE	MONTH Aug-20			YEAR TO DATE FY 2020			PRIOR YEAR TO DATE FY 2019	
	Actual	Budget	Var	Actual	Budget	Var	Actual	Var
Patient Revenue								
In-Patient	\$ 1,507,980	\$ 1,956,408	-23%	\$ 8,555,755	\$ 14,008,633	-39%	\$ 12,658,651	-32%
Out-Patient	7,551,445	8,632,843	-13%	46,970,816	53,484,223	-12%	49,773,562	-6%
TOTAL PATIENT REVENUE	9,059,425	10,589,251	-14%	55,526,571	67,492,856	-18%	62,432,213	-11%
Less Contractual Adjustments	(3,580,154)	(4,765,163)	25%	(23,714,666)	(30,371,787)	22%	(28,113,815)	16%
Less Bad Debt Adjustments	(115,939)	(105,893)	-9%	(993,506)	(674,931)	-47%	(1,264,189)	21%
TOTAL REVENUE DEDUCTIONS	(3,696,093)	(4,871,056)	24%	(24,708,172)	(31,046,718)	20%	(29,378,004)	16%
NET PATIENT REVENUE	5,363,332	5,718,195	-6%	30,818,399	36,446,138	-15%	33,054,209	-7%
Other Operating Revenue	794	63,921	-99%	322,644	540,422	-40%	518,593	-38%
TOTAL OPERATING REVENUE	5,364,126	5,782,116	-7%	31,141,043	36,986,560	-16%	33,572,803	-7%
EXPENSES								
Wages	1,973,958	2,130,444	7%	16,065,662	16,720,130	4%	14,895,869	-8%
Benefits	684,491	596,483	-15%	4,372,825	4,463,047	2%	4,328,319	-1%
Contract Labor	429,601	537,018	20%	4,178,199	4,242,644	2%	4,284,740	2%
Medical Supplies	434,054	377,993	-15%	3,071,796	3,003,838	-2%	2,925,431	-5%
Non-Medical Supplies	51,426	88,086	42%	714,190	675,727	-6%	891,831	20%
Purchased Services	475,972	454,744	-5%	3,910,367	4,116,554	5%	3,527,097	-11%
Other Operating Expenses	365,285	323,055	-13%	2,623,093	2,660,732	1%	2,287,680	-15%
Depreciation & Amortization	273,252	263,852	-4%	2,052,909	2,070,820	1%	1,347,193	-52%
Interest	33,588	34,266	2%	278,190	274,128	-1%	265,710	-5%
TOTAL OPERATING EXPENSE	4,721,627	4,805,941	2%	37,267,231	38,227,620	3%	34,753,870	-7%
OPERATING INCOME (LOSS)	642,499	976,175	-34%	(6,126,188)	(1,241,060)	-394%	(1,181,067)	-419%
<i>Operating Margin</i>	<i>12.0%</i>	<i>16.9%</i>		<i>-19.7%</i>	<i>-3.4%</i>	<i>-3.5%</i>		
Non-Operating Revenue	283,084	422,597	-33%	2,262,241	2,457,301	-8%	2,096,724	8%
Non-Operating Expense	(5,880)	(4,400)	-34%	(38,345)	(35,250)	-9%	(33,564)	-14%
EXCESS REVENUES (EXPENSES)	919,703	1,394,372	-34%	(3,902,292)	1,180,991	430%	882,093	542%
Gift to Purchase Capital Assets	390,865	0		523,769	100,000		102,095	
INCREASE (DECREASE) IN NET ASSETS	1,310,568	1,394,372	-6%	(3,378,524)	1,280,991	364%	984,188	443%
<i>Total Margin</i>	<i>24.4%</i>	<i>24.1%</i>		<i>-10.8%</i>	<i>3.5%</i>	<i>2.9%</i>		
EBDITA	\$ 1,617,408	\$ 1,692,490	-4%	\$ (1,047,425)	\$ 3,625,939	-129%	\$ 2,597,091	

ESTES PARK HEALTH
Balance Sheet (Unaudited)
August 31, 2020

ASSETS	2020 Aug	2020 July	2019 Aug
CASH & CASH EQUIVALENTS	\$ 22,718,781	\$ 22,028,163	\$ 16,172,602
PATIENT ACCOUNTS RECEIVABLE	12,922,671	11,581,546	16,601,424
LESS: ALLOWANCES	(6,405,112)	(5,457,673)	(8,047,856)
NET ACCOUNTS RECEIVABLE	<u>6,517,559</u>	<u>6,123,873</u>	<u>8,553,568</u>
RECEIVABLES FROM OTHER PAYORS	2,263,798	2,079,061	1,893,934
INVENTORY	1,095,184	1,080,086	1,116,672
PREPAID EXPENSES	<u>676,188</u>	<u>394,954</u>	<u>483,994</u>
TOTAL CURRENT ASSETS	<u>33,271,510</u>	<u>31,706,137</u>	<u>28,220,770</u>
NET PROPERTY, EQUIPMENT & INTANGIBLE ASSETS	<u>33,451,970</u>	<u>33,199,865</u>	<u>30,776,120</u>
RESTRICTED ASSETS	<u>3,915,280</u>	<u>3,915,039</u>	<u>1,410,083</u>
OTHER ASSETS	0	0	0
LONG TERM INVESTMENTS	8,253,706	8,253,706	4,782,650
TOTAL OTHER ASSETS	<u>8,253,706</u>	<u>8,253,706</u>	<u>4,782,650</u>
TOTAL ASSETS	\$ <u>78,892,466</u>	\$ <u>77,074,747</u>	\$ <u>65,189,623</u>
LIABILITIES			
ACCOUNTS PAYABLE	867,290	565,920	668,832
ACCRUED EXPENSES	10,588,282	10,324,812	4,250,675
ACCRUED COMP PAYABLE	940,067	1,028,279	1,105,293
ACCRUED INTEREST PAYABLE	61,048	30,524	64,425
EST THIRD-PARTY SETTLEMENT	5,811,882	5,811,882	950,261
SHORT TERM NOTES PAYABLE	5,116,581	5,116,581	
OTHER CURRENT LIABILITIES		0	
CURRENT MATURITIES OF OTHER LONG TERM DEBT	<u>1,085,000</u>	<u>1,085,000</u>	<u>1,060,000</u>
TOTAL CURRENT LIABILITIES	<u>24,470,150</u>	<u>23,962,998</u>	<u>8,099,486</u>
DEPOSITS AND DEFERRED INCOME			
LOANS PAYABLE	15,426,208	15,426,208	13,485,000
LEASES PAYABLE	0	0	0
TOTAL LONG-TERM LIABILITIES	<u>15,426,208</u>	<u>15,426,208</u>	<u>13,485,000</u>
TOTAL LIABILITIES	<u>39,896,358</u>	<u>39,389,207</u>	<u>21,584,486</u>
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED		42,374,632	42,620,949
TOTAL NET ASSETS	<u>42,374,632</u>	<u>42,374,632</u>	<u>42,620,949</u>
EXCESS REVENUES YTD	<u>(3,378,524)</u>	<u>(4,689,092)</u>	<u>984,188</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>78,892,466</u>	\$ <u>77,074,747</u>	\$ <u>65,189,623</u>

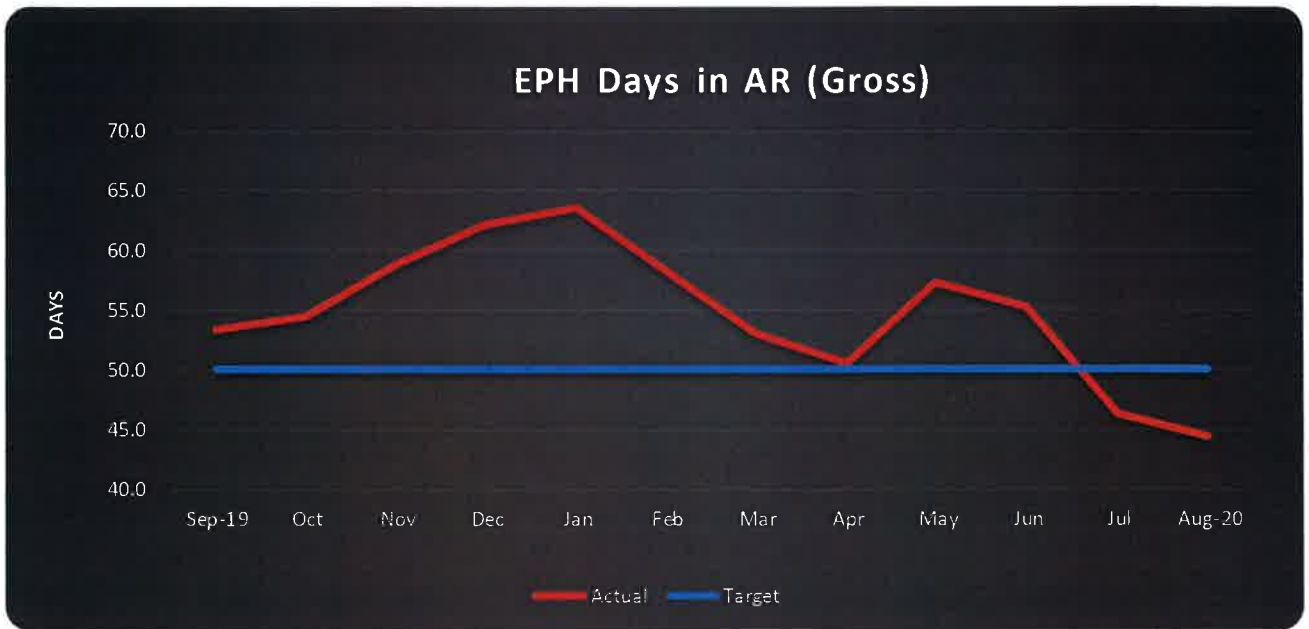
ESTES PARK HEALTH
Statistical and Consolidated Financial Summary
Month Ended August 31, 2020

	Month			Year To Date		
	Actual	Budget	Variance To Budget	Actual	Budget	Variance To Budget
Utilization						
Hospital						
In-Patient Days	127	138	-8.0%	805	1171	-31.3%
Out Patient Visits	9534	10616	-10.2%	59266	68681	-13.7%
Living Center						
Resident Days	851	1178	-27.8%	7149	9234	-22.6%
Clinic						
Physicians Clinic Visits	1774	2319	-23.5%	12350	16059	-23.1%

	Month				Year To Date			
	Actual	Budget	To Budget	% Variance	Actual	Budget	To Budget	% Variance
Income Statement								
Hospital								
Operating Revenue (Net)	\$ 4,162,558	\$ 4,350,554	(187,996)	-4.3%	\$23,211,109	\$26,234,614	(3,023,505)	-11.5%
Operating Expenses	3,577,696	3,499,804	(77,892)	-2.2%	27,252,865	27,935,238	682,373	2.4%
Net Operating Income (Loss)	584,862	850,750	(265,888)	-31.3%	(4,041,756)	(1,700,624)	(2,341,132)	-137.7%
Living Center								
Operating Revenue (Net)	269,604	388,798	(119,194)	-30.7%	2,243,798	3,049,796	(805,998)	-26.4%
Operating Expenses	353,320	417,100	63,780	15.3%	3,001,824	3,286,301	284,477	8.7%
Net Operating Income (Loss)	(83,716)	(28,302)	(55,414)	-195.8%	(758,026)	(236,505)	(521,521)	-220.5%
Clinic								
Operating Revenue (Net)	931,964	1,042,764	(110,800)	-10.6%	5,686,136	7,702,150	(2,016,014)	-26.2%
Operating Expenses	790,611	889,037	98,426	11.1%	7,012,542	7,006,081	(6,461)	-0.1%
Net Operating Income (Loss)	141,353	153,727	(12,374)	-8.0%	(1,326,406)	696,069	(2,022,475)	-290.6%
Total								
Operating Revenue (Net)	5,364,126	5,782,116	(417,990)	-7.2%	31,141,043	36,986,560	(5,845,517)	-15.8%
Operating Expenses	4,721,627	4,805,941	84,314	1.8%	37,267,231	38,227,620	960,389	2.5%
Net Operating Income (Loss)	642,499	976,175	(333,676)	-34.2%	(6,126,188)	(1,241,060)	(4,885,128)	-393.6%
Total								
Non Operating Revenue (Net)	283,084	422,597	(139,513)	-33.0%	2,262,240	2,457,301	(195,061)	-7.9%
Non Operating Expenses (Net)	(5,880)	(4,400)	(1,480)	-33.6%	(38,345)	(35,250)	(3,095)	-8.8%
Excess of Rev over Exp Before Cap gifts	\$ 919,703	\$ 1,394,372	\$ (474,669)	-34.0%	\$ (3,902,293)	\$ 1,180,991	\$(5,083,284)	-430.4%
Gifts to Purchase Capital Assets	390,865	-	390,865	#DIV/0!	523,769	100,000	423,769	423.8%
Increase (Decrease) in Net Assets	\$ 1,310,568	\$ 1,394,372	\$ (83,804)	-6.0%	\$ (3,378,524)	\$ 1,280,991	\$(4,659,515)	-363.7%

ESTES PARK HEALTH
Statement of Cash Flows (Unaudited)
1/1/20 through 8/31/20

Cash Flows From Operating Activities	
(Deficiency) Excess of Revenues over Expenses	\$ (3,378,524)
Interest expense (considered financing activity)	278,190
County tax subsidy, net (considered financing activity)	(2,053,684)
Interest income (considered investing activity)	(79,710)
Net income (loss) from operating activities	(5,233,728)
Assets released from restrictions	(536,470)
Depreciation & amortization	2,052,909
Changes in working capital:	
Decrease (Increase) in Accounts receivable, net	1,655,531
Decrease (Increase) in Inventory	1,222
Decrease (Increase) in Prepaid expenses	4,307
Decrease (Increase) in Other Assets	-
Decrease (Increase) in Long Term Investment	(7,499,726)
Increase (Decrease) in Accounts payable	(2,005,700)
Increase (Decrease) in Accrued wages & related liabilities	296,523
Increase (Decrease) in Other current liabilities	165,995
Increase (Decrease) in Deposits and Deferred Income	5,292,593
Increase (Decrease) in Payable to 3rd party payors	4,407,877
Net (gain) loss on sale of equipment	-
Net cash provided by (used in) operating activities	(1,398,667)
Cash Flows From Financing Activities	
Restricted contributions	536,470
County tax subsidy, net	2,053,684
Interest expense	(278,190)
Sale of equipment	-
Purchase of property, equipment & intangible assets	(3,473,238)
Increase (Decrease) in capital lease commitments, net	-
Loan Activity	8,142,789
Net cash provided by (used in) financing activities	6,981,515
Cash Flows From Investing Activities	
Interest income	79,710
Net cash provided by (used in) investing activities	79,710
Net Increase (Decrease) in Cash and Cash Equivalents	5,662,558
Cash and Cash Equivalents, 01/01/2020	20,971,503
Cash and Cash Equivalents, 8/31/20	\$ 26,634,061
Restricted Cash and Cash Equivalents, 8/31/20	\$ 3,915,280
Unrestricted Cash and Cash Equivalents, 8/31/20	22,718,781
	\$ 26,634,061



Calculation:
$$\frac{\text{Gross Accounts Receivable}}{\text{Average Daily Revenue}}$$

Definition: Considered a key "liquidity ratio" that calculates how quickly accounts are paid.

Desired Position: Downward trend below the median, and below average.

How ratio is used: Used to determine timing required to collect accounts. Usually, organizations below the average Days in AR are likely to have higher levels of Days Cash on Hand.

	Sep-19	Oct	Nov	Dec	Jan	Feb
A/R (Gross)	15,378,349	14,173,824	13,806,401	14,575,357	14,237,980	13,759,900
Days in Month	30	31	30	31	31	29
Monthly Revenue	7,200,698	7,808,340	6,340,531	7,414,874	6,857,233	7,238,504
Daily Revenue	288,141	260,440	234,611	234,389	224,050	236,380
Days in AR	53.4	54.4	58.8	62.2	63.5	58.2

	Mar	Apr	May	Jun	Jul	Aug-20
A/R (Gross)	11,257,627	9,310,952	9,099,346	10,711,059	11,581,546	12,922,671
Days in Month	31	30	31	30	31	31
Monthly Revenue	5,214,133	4,148,662	5,254,518	8,222,669	9,531,427	9,059,425
Daily Revenue	212,196	184,459	158,884	193,691	250,094	291,451
Days in AR	53.1	50.5	57.3	55.3	46.3	44.3

6. Questions about 2019 and 2020 EPH Financials

- C. There have always been issues to overcome, but EPH has always thrived. EPH needs to view the current issues as a challenge and opportunity and not consider closing the LC.
- C. Overall, the healthcare industry has changed, which impacts all departments of the hospital not just the LC. The LC is only one small piece of the puzzle.
- Q. When did the shift go to home health?
 - A. Over the last 5 years, the Home Health/Hospice business has seen an increase.
- Q. Are the Medicare Advantage plans also impacting the hospital?
 - A. The Medicare Advantage plan coverage is based on the patient's medical necessity, which results in lower reimbursement rates the longer the patient is in the facility. However, the LC demographics are 60% Medicaid, 15% Medicare and the remainder is self-pay, so it doesn't greatly affect the LC.
- Q. Does EPH Home Health accept Medicaid patients?
 - A. Yes, they do take Medicaid patients.
- C. Severely acute patients, or patients without family members able to assist with their care, do not have the ability for home health services.
- C. The Colorado Department of Health has advised that EPH contacted them inquiring about sending patients to another facility.
 - A. Conversation was initiated with the Colorado Department of Health to advise and seek consent regarding EPH's evacuation plan. No contact has been made with the Department of Health regarding closure of the nursing home.
- Q. Does EPH conduct CNA classes?
 - A. No.
- Q. Has EPH underestimated the revenues to make the financial picture appear bleaker?
 - A. No. EPH utilized generally accepted accounting practices. Additionally, two nationally recognized healthcare accounting firms have audited or reviewed and approved the fiscal projections.
- Q. There are still four more months of data to review so shouldn't the Board postpone the vote on the closure until a full year's worth of data can be reviewed?
 - A. The nursing facility has been operating at a loss for multiple years. Stimulus will likely create a small operating margin for 2020. However, size, payor mix, challenges with staffing and regulatory challenges will create negative operating margins for the LC for the foreseeable future.

7. Discussion about Cost Report and Impact to the Living Center

In 2020, Estes Park Health (EPH) has experienced significant financial losses due to the coronavirus pandemic and associated significant reductions in healthcare activity. EPH was expecting a financial loss of \$10 million and a financial crisis in 2020 without government financial aid and significant operational adjustments. A financial crisis from an expected \$7.5 million in expense reductions, and that may be enough if 80% of "pre-pandemic levels" financial performance is realized.

One other matter of note is the responsibility the District has with its banking relationships, current outstanding loans, and the covenants in the loan documents. At year end, the financials must report two important metrics. Days Cash on Hand must be greater than 90 and the Debt Coverage Ratio must be 1.25 or greater. Currently, Days Cash on hand is not a problem. The Debt Coverage ratio is problematic for this year and for the Forecast.

Estes Park Health Living Center

In 2019, the EPH Living Center reported a financial loss of \$1.02 million. In 2020, due to the COVID-19 pandemic and loss of Revenues, the Living Center is projected to lose approximately \$1.4M. This is due to the impact of the Medicare Cost Report and the associated allocations of cost.

The EPH Living Center financials (see "LC 2019-2020 et al), reflect allocations of cost that are not directly noted on internal documents. These include services of Dietary/Nutrition, Housekeeping & Linen, Facilities, Admin and Supply. Also, an analysis of the Medicare Cost Report impact is noted for 2019.

Background

Estes Park Health

In March of 2020, EPH experienced the impact of the coronavirus pandemic. Patient visits dropped to near zero beginning the third week of March thru May. EPH implemented Phase I expense reductions through 10% salary reductions, stopping paid time off (vacation) accumulation, contract labor reductions, and department by department expense reductions. These Phase I actions through end September were expected to produce approximately \$1 million in expense reductions.

Through July 2020, EPH revenues are near 20% below budget Year-to-Date. This has resulted in a very significant financial loss of \$4.7 million dollars through July. The Forecast for 2020 through December is a \$8.2 million loss if there are no additional expense reductions. Looking at 2021, even if revenues improve to 80% of "pre-pandemic levels," further cost cutting measures need to be implemented to avoid a financial crisis in 2021.

EPH has received government stimulus funds, totaling approximately \$14 million, of which \$5 million is scheduled for repayment in 2021. The remaining \$9 million is eligible to be transformed from loans into grants, pending release of federal guidelines for application. When those guidelines are released, EPH will request changing the \$9 million in loans into grants so they can be reported on the Income Statement as Non-Operating Revenue. The Balance Sheet shows these funds, in Cash and Liabilities, and these funds are currently regarded as loans.

Additional Background

Park Hospital District, dba Estes Park Health (EPH) is a licensed 23 bed Critical Access Hospital (CAH); a quasi-municipal governmental entity, owned and operated by the citizens of the district. As a rural Hospital, EPH provides many healthcare services to the community and its visitors, including the operation of a Skilled Nursing Facility (SNF), known currently as the Estes Park Health Living Center (EPHLC). In Colorado, there are 32 Critical Access Hospitals and 1,350 in the country.

Historically, EPH has operated financially with a marginal profit. This is typical of rural, community hospitals. The cost of operating a hospital is very high and the majority of costs are labor related.

Very few hospitals own or manage a SNF. Most SNF's operate at a financial loss. Most CAH facilities have divested their SNF's, not only because of the cash flow loss but also due to the negative impact to their CMS (Centers for Medicare and Medicaid Services) Cost Report.

The CMS Cost Report is an annual report required of every hospital in the country. CAH's are unique in that the CMS Cost Report determines payment for Medicare and Medicaid services. All other hospitals are paid differently. It is essentially a step-down cost accounting method of determining cost of services. Having a SNF as a part of a Critical Access Hospital causes a cost shift that results in a loss of overall Medicare reimbursement.

EPH financial reports must comply with regulations specified as Generally Accepted Accounting Principles (GAAP) and are audited annually. Identical financial reports are used for every acute care, Medicare approved hospital or healthcare system in the country.

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
Full Mitigation Strategy

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	12,764,290	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	62,319,770	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	75,084,060	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(30,197,822)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(901,009)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(31,098,830)	(34,443,609)	(37,788,387)
	44.6%	41.3%	41.4%	41.5%	41.6%
NET PATIENT REVENUE	43,420,898	39,403,993	43,985,230	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	44,735,230	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	21,714,556	21,714,556	21,714,556	21,714,556
Benefits	7,489,993	6,739,693	6,739,693	6,739,693	6,739,693
Contract Labor	6,110,343	4,693,653	4,693,653	4,693,653	4,693,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	903,455	903,455	903,455	903,455
Purchased Services	4,749,073	4,691,545	4,691,545	4,691,545	4,691,545
Other Operating Expenses	4,766,178	4,409,163	4,409,163	4,409,163	4,409,163
Depreciation & Amortization	3,108,547	3,108,547	3,108,547	3,108,547	3,108,547
Interest/Bank Fees	416,792	416,792	416,792	416,792	416,792
TOTAL OPERATING EXPENSE	55,709,640	51,050,169	51,050,169	51,050,169	51,050,169
OPERATING INCOME (LOSS)	(11,554,199)	(10,896,176)	(6,314,939)	(1,733,702)	2,847,535
<i>Operating Margin</i>		-27.1%	-14.1%	-3.5%	5.3%
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(7,406,470)	(2,825,233)	1,756,004	6,337,241
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	(7,643,971)	(7,256,470)	(2,675,233)	1,906,004	6,487,241
<i>Total Margin</i>	4.8%	-18.1%	-6.0%	3.9%	12.0%
EBIDA	(4,118,633)	(3,731,132)	850,105	5,431,342	10,012,579
SUMMARY					
TOTAL OPERATING REVENUE	44,155	40,154	44,735	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(51,050)	(51,050)	(51,050)	(51,050)
OPERATING INCOME (LOSS)	(11,554)	(10,896)	(6,315)	(1,734)	2,848
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
<i>Total Margin</i>	-17.3%	-18.1%	-6.0%	3.9%	12.0%
NET GAIN (LOSS)	(7,644)	(7,256)	(2,675)	1,906	6,487
EBIDA	(4,119)	(3,731)	850	5,431	10,013

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
No Mitigation Strategy

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	13,336,455	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	65,113,282	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	78,449,737	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(31,577,749)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(941,397)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(32,519,146)	(34,443,609)	(37,788,387)
	<i>44.6%</i>	<i>41.3%</i>	<i>41.5%</i>	<i>41.5%</i>	<i>41.6%</i>
NET PATIENT REVENUE	43,420,898	39,403,993	45,930,591	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	46,680,591	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	24,364,556	24,364,556	24,364,556	24,364,556
Benefits	7,489,993	7,714,693	7,714,693	7,714,693	7,714,693
Contract Labor	6,110,343	6,293,653	6,293,653	6,293,653	6,293,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	1,203,455	1,203,455	1,203,455	1,203,455
Purchased Services	4,749,073	4,891,545	4,891,545	4,891,545	4,891,545
Other Operating Expenses	4,766,178	4,909,163	4,909,163	4,909,163	4,909,163
Depreciation & Amortization	3,108,547	3,201,803	3,201,803	3,201,803	3,201,803
Interest/Bank Fees	416,792	429,295	429,295	429,295	429,295
TOTAL OPERATING EXPENSE	55,709,640	57,380,929	57,380,929	57,380,929	57,380,929
OPERATING INCOME (LOSS)	(11,554,199)	(17,226,936)	(10,700,338)	(8,064,462)	(3,483,225)
<i>Operating Margin</i>		<i>-42.9%</i>	<i>-22.9%</i>	<i>-16.4%</i>	<i>-6.5%</i>
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(13,737,230)	(7,210,632)	(4,574,756)	6,480
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	(7,643,971)	(13,587,230)	(7,060,632)	(4,424,756)	156,480
<i>Total Margin</i>	<i>4.8%</i>	<i>-33.8%</i>	<i>-15.1%</i>	<i>-9.0%</i>	<i>0.3%</i>
EBIDA	(4,118,633)	(9,956,132)	(3,429,534)	(793,658)	3,787,579

SUMMARY

TOTAL OPERATING REVENUE	44,155	40,154	46,681	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(57,381)	(57,381)	(57,381)	(57,381)
OPERATING INCOME (LOSS)	(11,554)	(17,227)	(10,700)	(8,064)	(3,483)
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
<i>Total Margin</i>	<i>-17.3%</i>	<i>-33.8%</i>	<i>-15.1%</i>	<i>-9.0%</i>	<i>0.3%</i>
NET GAIN (LOSS)	(7,644)	(13,587)	(7,061)	(4,425)	156
EBIDA	(4,119)	(9,956)	(3,430)	(794)	3,788

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
Mitigation Strategy but Keep the Living Center

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	13,336,455	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	65,113,282	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	78,449,737	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(31,577,749)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(941,397)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(32,519,146)	(34,443,609)	(37,788,387)
	<i>44.6%</i>	<i>41.3%</i>	<i>41.5%</i>	<i>41.5%</i>	<i>41.6%</i>
NET PATIENT REVENUE	43,420,898	39,403,993	45,930,591	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	46,680,591	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	23,314,556	23,314,556	23,314,556	23,314,556
Benefits	7,489,993	7,139,693	7,139,693	7,139,693	7,139,693
Contract Labor	6,110,343	5,293,653	5,293,653	5,293,653	5,293,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	1,103,455	1,103,455	1,103,455	1,103,455
Purchased Services	4,749,073	4,691,545	4,691,545	4,691,545	4,691,545
Other Operating Expenses	4,766,178	4,809,163	4,809,163	4,809,163	4,809,163
Depreciation & Amortization	3,108,547	3,201,803	3,201,803	3,201,803	3,201,803
Interest/Bank Fees	416,792	429,295	429,295	429,295	429,295
TOTAL OPERATING EXPENSE	55,709,640	54,355,929	54,355,929	54,355,929	54,355,929
OPERATING INCOME (LOSS)	(11,554,199)	(14,201,936)	(7,675,338)	(5,039,462)	(458,225)
<i>Operating Margin</i>		<i>-35.4%</i>	<i>-16.4%</i>	<i>-10.2%</i>	<i>-0.9%</i>
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(10,712,230)	(4,185,632)	(1,549,756)	3,031,480
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	(7,643,971)	(10,562,230)	(4,035,632)	(1,399,756)	3,181,480
<i>Total Margin</i>	<i>4.8%</i>	<i>-26.3%</i>	<i>-8.6%</i>	<i>-2.8%</i>	<i>5.9%</i>
EBIDA	(4,118,633)	(6,931,132)	(404,534)	2,231,342	6,812,579
SUMMARY					
TOTAL OPERATING REVENUE	44,155	40,154	46,681	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(54,356)	(54,356)	(54,356)	(54,356)
OPERATING INCOME (LOSS)	(11,554)	(14,202)	(7,675)	(5,039)	(458)
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
<i>Total Margin</i>	<i>-17.3%</i>	<i>-26.3%</i>	<i>-8.6%</i>	<i>-2.8%</i>	<i>5.9%</i>
NET GAIN (LOSS)	(7,644)	(10,562)	(4,036)	(1,400)	3,181
EBIDA	(4,119)	(6,931)	(405)	2,231	6,813

Service Line Performance Analysis

September 24th, 2020
Eric K. Shell, CPA, MBA
Dan Given, CPA



Executive Summary

- Estes Park Health (EPH) is a 25-bed Critical Access Hospital (CAH) providing emergency, inpatient, surgical, OB/GYN, rehabilitative, clinical services, home health, and skilled nursing facility to Estes Park and the surrounding community
- As part of its continually developing strategic plan, EPH is interested in evaluating its current market and the financial performance of the nursing home (Living Center)
- EPH's financial position remains stable; however, increased capital expenditures and a challenging reimbursement environment has prevented revenues from keeping pace with increasing expenses leading to a decline of days cash on hand and operating margin between FY 2016 and FY 2019
- EPH's Primary Service Area (PSA) population is anticipated to grow 9.2% over the next 5 years from 12,746 to 13,888
 - The 65+ age cohort remains the largest population at 3,954 people and is anticipated to have the largest growth at 21.9% adding 867 people over the next 5 years
 - The 18-44 age cohort is anticipated to have the second largest growth rate at 10.3% adding 336

Executive Summary

- The Living Center is currently providing a negative contribution margin to EPH of approximately **\$1.02M**
 - Scenario A: The Living Center requires an ADC of 46.8 in order to reach "breakeven"; however, achieving this ADC has not been done in the last 10 years
 - Scenario B: If the Living Center reached the FY 2018 ADC of 36.2 net losses from the Living Center could be reduced to **\$736K**

Methodology & Objectives

- Stroudwater determined the Living Center contribution margin impact
 - Objectives
 - Determine the service line contribution margin impact
 - Estimate "breakeven" of the Living Center
 - Quantify Medicare and Medicaid impact on contribution margins using assumptions regarding changes associated with reduction or elimination of services
 - Methodology was as follows:
 - Provide market projections using IBM Watson Data or other resources where available to determine the demographics, future services needs, and current Medicare market share
 - Construct a contribution margin analysis using the 2019 Medicare cost report with consideration of ancillary service revenue generated and corresponding service line cash collections
 - Determine overall EPH cost-based reimbursement impact

FINANCIAL OVERVIEW

Financial Overview

2019	2018	2017	2016	2015
12,746	12,746	12,746	12,746	12,746
13,888	13,888	13,888	13,888	13,888
3,954	3,954	3,954	3,954	3,954
21.9%	21.9%	21.9%	21.9%	21.9%
867	867	867	867	867
10.3%	10.3%	10.3%	10.3%	10.3%
336	336	336	336	336

Statement of Operations: Summary



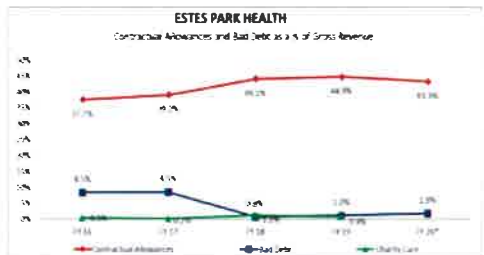
- **Operating Revenue** increased 19.9% between FY 2016 and FY 2019 (6.2% growth per year) followed by a sharp decline in 2020 as healthcare utilization fell industry wide due to the COVID-19 Pandemic
 - FY 2019 decreased due to a decline in surgical cases following issues with a sterilizer
- **Operating Expenses** increased approximately 26.7% between FY 2016 and FY 2019 (8.2% growth per year) largely due to increased salary expense (6.6% per year) and professional and purchased services (18.1% per year) stemming from additional services and physician recruitment costs
- **Operating Margin** declined from a high of (0.7%) operating margin in FY 17 to (7.4%) in FY 2019 driven the increase in purchased services

Statement of Operations: Summary



- **Days Cash on Hand** decreased from 209 days in FY 2016 to a low of 151 days in FY 2019 due to increased capital expenditures, but increased to 211 in FY 2020 from various federal COVID-19 Pandemic relief provided to hospitals and businesses
- **Net Days in A/R** decreased from 50 days in FY 2016 to a low of 43 days in FY 2019, but has subsequently increased during the COVID-19 Pandemic (Annualized YTD 2020) due disruptions to the revenue cycle from the EHR conversion
- **Average Payment Period** decreased from 58 days in FY 2016 to 49 days in FY 2019 but increased in YTD 2020 in response to potential paybacks required of certain Covid-19 relief funding

Statement of Operations: Summary



- **Contractual Allowance** increased between from 37.7% to a high of 44.9% between FY 2016 and FY 2019 following regular increases in the chargemaster
- **Bad Debt** decreased from 8.5% in FY 2017 to 0.8% in FY 2018 due to changes in policies and processes improving upfront collections and then increased in FY 2019 due to reserves in preparation for the Electronic Health Record conversion
- **Charity Care** increased as changes in financial policies during FY 2018 shifted bad debt to charity care expense

Financial: Summary

- EPH's financial position remains stable; however, increased capital expenditures and a challenging reimbursement environment has prevented revenues from keeping pace with increasing expenses leading to a decline of days cash on hand and operating margin between FY 2016 and FY 2019



Market Overview: Service Area and Hospitals



- EPH's Primary Service Area (PSA) is defined by any Zip Code that EPH has 10% or greater Medicare market share
 - EPH's PSA includes Estes Park, Allenspark, and Drake

Market Overview: Service Area Population



- Primary Service Area Population
 - EPH's population is expected to grow 9.0% from a total population of 12,746 to 13,888 (change of 1,142 people) in 5 years
 - The largest population growth is anticipated to fall within the 65+ age cohort at 21.9% growth over 5 years gaining 867 people

Market Overview: Median Household Income



- Primary Service Area Median Household Income
 - Estes Park median household income is nearly \$10K less than Allenspark and nearly \$15K less than Drake

Market Overview: Inpatient Medicare Market Share



- EPH Inpatient Medicare Market
 - Inpatient Medicare market is calculated using data provided by CMS that filters inpatient stays of Medicare beneficiaries who have zip codes residing in EPH's PSA
 - EPH's Medicare market share has decreased from the high of 29.9% in 2014 to 26.3% in 2018
 - UCHealth Medical Center of the Rockies (Loveland, CO) has gained 3.9% Medicare market share over the same period

Market Overview: Inpatient Estimates and Projections



- Inpatient Estimates and Projections by Product Line (Low Acuity)
 - Low acuity inpatient days for the PSA are expected to increase 3.7% over the next five years
 - Pulmonary, gastroenterology, and cardiology are the leading inpatient stays

Market Overview: Summary

- EPH's PSA population is 12,746 and is anticipated to grow 9.2% over the next 5 years to 13,888
 - The 65+ age cohort remains the largest population at 3,954 people and is anticipated to have the largest growth at 21.9% adding 867 people over the next 5 years
 - The 18-44 age cohort is anticipated to have the second largest growth rate at 10.3% adding 336
 - Given the anticipated growth in the 65+ age cohort, EPH should strive to align its services to meet the healthcare demand of an aging demographic
- EPH's Medicare market share has decreased from the high of 29.9% in 2014 to 26.3% in 2018 with UCHealth of Loveland, CO gaining 3.9% over the same period

SERVICE LINES

Nursing Home

Service Lines: Nursing Home

- EPH operates the "Living Center"
 - a 52-bed skilled nursing facility
- During FY 2019, the Living Center operated at a 63% capacity with an Average Daily Census (ADC) of 32.9
- The Living Center's ADC has historically ranged between 35-37 but recently dropped in FY 2019
 - The decline in volume is attributed to older design of the nursing home that includes semi-private rooms and staffing challenges
- Reported that FY 2020 will see further declines as the Living Center was not allowed to accept new patients due to Covid-19 restrictions



Nursing Home: Base Case

- EPH's Living Center recorded \$3.35M of cash receipts during FY 2019
- Stroudwater used the Medicare cost report for FY 2019 as a basis for the Living Center's cost structure
 - During FY 2019, the Living Center had direct expenses of \$3.24M including salary expenses of \$1.77M and other expenses of \$1.47M
 - Variable allocated expenses accounted for an additional \$978K
- EPH's Living Center operated at a **\$1.02M** contribution margin loss for FY 2019 when adjusting for fixed versus variable costs

Category	Amount
Medicare	1,125,000
Medicaid	1,275,000
Private Pay	950,000
Other	1,000,000
Total	4,350,000
Direct Expenses	3,240,000
Variable Allocated Expenses	978,000
Total Expenses	4,218,000
Contribution Margin	1,132,000

Nursing Home: Scenario A - Breakeven Analysis

- Stroudwater performed a sensitivity analysis to determine the Living Center's direct "breakeven"
 - The analysis assumed the FY 2019 cost structure with a variable cost of \$50 per day per patient with no dilutionary impact on Medicaid or Medicare rates
- The Living Center would have to achieve an ADC of 45.0 or a total of 16,443 days to achieve a "breakeven" contribution margin
 - A review of historical Medicare cost reports from FY 2011 to present reveals that the Living Center's highest ADC achieved was 36.5

ADC	Days	Contribution Margin
32.9	10,615	-\$1,020,000
36.5	13,298	-\$370,000
40.0	16,400	\$0
45.0	20,250	\$736,000

Nursing Home: Scenario B - Historical ADC Analysis

- Stroudwater adjusted the sensitivity analysis to FY 2018 ADC of 36.2
 - The analysis assumed the FY 2019 cost structure with a variable cost of \$50 per patient with no dilutionary impact on Medicaid or Medicare rates
- Assuming the Living Center can achieve an ADC of 36.2 or a total of 13,229 days, EPH can reduce the negative contribution margin to **\$736K**

ADC	Days	Contribution Margin
36.2	13,229	-\$736,000
40.0	16,400	\$0
45.0	20,250	\$736,000

Nursing Home: Summary

- The Living Center is currently providing a negative contribution margin to EPH of approximately **\$1.02M**
 - Scenario A: The Living Center requires an ADC of 46.8 in order to reach "breakeven"; however, achieving this ADC has not been done in the last 10 years
 - Scenario B: If the Living Center reached the FY 2018 ADC of 36.2 net losses from the Living Center could be reduced to **\$736K**

CONCLUSIONS

Conclusions

- The Living Center is currently providing a negative contribution margin to EPH of approximately \$1.02M
- EPH must decide whether the Living Center should remain as a "loss leader" service line as it provides access to skilled nursing care to residents within its service area

CONCLUSIONS 21

8. Questions and Answers about Living Center Financials

- Q. If EPH has extra money at the end of 2020, does that affect the consideration of the LC and their viability?
- A. EPH is looking at the long-term trends for 2021 and beyond. All services are being investigated and studied for savings. There is a \$7.5M deficit that must be erased. Based on the economic reports from experts around the country, EPH suspects that there may be a resurgence of the virus, so caution is being taken when forecasting the revenues. EPH must pay attention to costs and readjust the organization in all departments and services.
- C. The community wants to work with the Board to determine if Estes Park has a large enough population to sustain a LC.
- Q. The community needs time to formulate options. Can the Board allow them until the end of 2020 or longer for this study?
- A. The Board must reasonably plan for the forecast and a decision to allow more time cannot be voted on during a study session.
- Q. Is EPH Home Health at capacity?
- A. There have been approximately 4,500 home health visits this year and 2,500 hospice visits. Currently 50-75 people are served pm a regular basis.
- Q. Of all the hospital departments, are there any that are doing well?
- A. Chemotherapy/Infusion, Home Health Hospice, Med Surg and Surgery are performing better than forecasted for 2020.
- Q. Has the Board developed any interest in selling to UCH or any other system?
- A. Many complex items would need to be considered including as a private owner they would make decisions because there would not be a board and the community would not have significant involvement. The Board at this time has not considered merging with another larger entity.
- C. When the hospital received the Elizabeth Knutson donation, it was to keep EPH as a public hospital. The Board needs to investigate if there is any paperwork that would hamper the process of selling the hospital to become a private facility. The Board also needs to investigate the taxing district language.
- C. The Foundation has accepted the responsibility of the LC, but they have not been asked to help.
- Q. How many long-term Medicaid residents would it take for the LC to break even?
- A. Approximately 47 residents. However, the payor mix would also need to migrate to greater than 50% private pay for the facility to consistently achieve break even margin status. Researching the LC census over the last ten years, the average census has been 36.
- Q. Where do you book the downstream revenue from the LC?
- A. All revenue is recoded in the ancillary department that provides the service.
- Q. How much revenue will the hospital lose from downstream revenue if the LC closed?
- A. \$250k annually for billed charges.

Suggestions

- Sever the LC operations from EPH operations, retain the taxing district and find someone to manage the LC through a new 501c3.
- Give the community until March 1, 2021 to develop a project plan.
 - The Board indicated that a decision must be made prior to March 1, 2021, so the community members revised their request to December 31, 2020.
- Consider a tax levy.
- Start admitting patients to the LC.

Board and Senior Leadership Comments

- The LC physical unit was built for a different time and different type of resident than we currently serve. The profile of the nursing home resident from 1965 is different from the type of resident in 2020 and the equipment and technology has changed tremendously. Currently the LC does not have what is really needed and as senior care advances, the building will become obsolete.
- The Board is looking at the financial future of the organization. How do we provide, in a sustainable manner, exceptional healthcare for all of Estes Park? If the community wants to come up with a funding solution, they need to understand it will take more than just the \$1.4M, as it will require a new building and equipment. Given the financial situation the hospital is in, a decision on the matter will need to be made soon.

9. Adjournment

The meeting adjourned at 6:45 p.m.



Dr. David Batey, Chair

Estes Park Health Board of Directors