

## Stoughton Hospital Association Finance Committee

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Friday, November 18, 2022 | 7:30 a.m. – 9:00 a.m.

Phone: 312.626.6799 | Meeting ID: 869 1266 1640 | Passcode: 036968

Zoom Link: <https://us06web.zoom.us/j/86912661640?pwd=UEZBSjVtZys2TFI1S1JwKytzM2JHdz09>

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**Board Members Present:** Tom Fendrick | Donna Olson | Steve Staton | Kris Krentz | Tim Rusch | Glenn Kruser | Sue Vanderbilt | Margo Francisco

**Hospital Staff Present:** Michelle Abey | Dan DeGroot | Laura Mays | Teresa Lindfors | Amy Hermes | Chris Schmitz | Angie Polster | Mary Hermes | Sara Sturmer | Kyle Sippel

**Guests:** Gwen Moser | Matt O'Neil

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Item	Discussion	Presenter
1.	Call to Order	Steve Staton
	Mr. Staton called the Stoughton Hospital Association Finance Committee meeting to order at 7:30 a.m.	
A	2. Stoughton Hospital Association Fiscal Year 2022 Audit Review and Approval	Gwen Moser Partner, Eide Bailly
	Ms. Gwen Moser from Eide Bailly presented Stoughton Hospital Association's 2022 Audit Report. The audit report is in draft form and will be finalized after approval by the Finance Committee and Governing Board. Ms. Moser outlined significant risks identified while planning and performing the audit:	
	<ul style="list-style-type: none"><li>• Management Override of Controls: Management of the hospital has ability to override controls implemented by the hospital.</li><li>• Revenue Recognition: Recognition of patient revenue and stimulus funds too complex.</li><li>• Allowance for Implicit and Explicit Price Concessions on Patient Receivables: Management using estimates for price concessions on patient accounts receivables using historical loss levels applied to portfolios of accounts, based on underlying insurance payor arrangements.</li><li>• Estimated Third-Party Payor Settlements: Management must estimate remaining third-party settlements based on both final and tentatively settled cost reports.</li></ul>	

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Item	Discussion	Presenter
	<ul style="list-style-type: none"> <li>Stimulus Funds: Recognizing funds as revenue requires hospital to have met terms and conditions outlined by Department of Health and Human Services.</li> </ul> <p>Ms. Moser stated an unmodified opinion is anticipated to be issued on the financial statements. She added there were no significant accounting policies adopted or changes in accounting policies, and all transactions were recognized in the financial statements. Mr. Staton stated Ms. Abey and Mr. Swain did a great job and he requested a motion to approve Stoughton Hospital Association's 2022 Draft Audit Report to bring forth to the Governing Board for approval on November 21, 2022.</p> <p><i>Action: Mr. Fendrick made a motion to recommend to the Governing Board acceptance and approval of the FY2022 audit report. Ms. Olson seconded the motion. Motion carried.</i></p>	
A	3. Stoughton Hospital Association Investment Recap	Matt O'Neil Ziegler Cap. Mgmt.
	<p>Mr. Matt O'Neil from Ziegler Capital Management, LLC provided Stoughton Hospital Association's investment recap and economic update which can be found in the November 18, 2022 Finance Committee packet. He shared third quarter 2022 Real GDP growth rate was 2.6%, after declining 0.6% in the second quarter and 1.6% in the first quarter.</p> <p>Mr. O'Neil noted the stock market has increased approximately 8% over the last six months. Unfortunately, bonds are down approximately 15% but Mr. O'Neil shared they have confidence that bond prices will recover over the next couple years. Mr. O'Neil stated negative performance within an annual period for both stocks and bonds is very rare. Mr. O'Neil discussed the aggressive actions taken by the Federal Reserve in raising interest rates. The Federal Reserve's goal is to keep inflation under control. .</p> <p>Finally, Mr. O'Neil shared a brief overview of Stoughton Hospital Association's portfolio adding year to date value is \$10,046,429. Mr. Fendrick questioned whether the split between equities and bonds is still less aggressive than discussed at the last Finance Committee. Mr. O'Neil explained that it is based upon timing of purchases. He stated Ms. Abey will submit the \$250,000 quarterly contribution which will be placed into the equity market, and shared they are reviewing additional options to provide protection from rising rates.</p> <p><i>Action: Mr. Fendrick made a motion to approve the Stoughton Hospital Association Investment Recap. Ms. Francisco seconded the motion. Motion carried.</i></p>	

Item	Discussion	Presenter
A	4. Review and Approval of October 2022 Financial Statements	Michelle Abey
	<p>Ms. Abey shared October Operating Income was \$688,221 which was above the budget of \$635,663 by \$52,558.</p> <p>Ms. Abey stated volumes were consistent with the budget for October resulting in small variances in budget vs. actual results on the income statement. Mr. Fendrick enquired about Ms. Abey’s FY2023 forecast and shared he is predicting a better year in comparison to her projections. Ms. Abey responded that our budget is heavily front end loaded, given that the last quarter of the fiscal year, patients have met their deductibles and want to get elective procedures done. In addition, the fall and winter usually bring higher volumes with flu and other infections prevalent. She believes there is uncertainty surrounding what 2023 might bring, especially given that there is likely to be some sort of recession on the horizon. If a recession occurs in the economy, it is likely that elective, preventative procedure volumes may decline.</p> <p><i>Action: Ms. Olson made a motion to approve October 2022 financial statements. Mr. Kruser seconded the motion. Motion carried.</i></p>	
A	5. Capital Request Approvals	
	<ul style="list-style-type: none"> <li>Moderate Complex GeneXpert Laboratory Instrument</li> </ul>	Kyle Sippel
	<p>Mr. Sippel provided a brief overview of an unbudgeted request for capital to purchase a Moderate Complex GeneXpert Laboratory Instrument. He stated this purchase would result in cost savings of approximately \$46,000 annually compared to current asymptomatic testing expenditures, as well as allow for multiple tests to be run at one time and much faster turnaround times of results.</p> <p><i>Action: Mr. Fendrick made a motion to recommend to the Governing Board approval of unbudgeted FY2023 capital of \$60,000 to purchase a Moderate Complex GeneXpert Laboratory Instrument. Ms. Francisco seconded the motion. Motion carried.</i></p>	
	<ul style="list-style-type: none"> <li>Stereotactic Breast Biopsy Machine Replacement</li> </ul>	Sara Sturmer
	<p>Ms. Sturmer provided a brief overview of the FY2023 capital request for replacement of the Stereotactic Breast Biopsy Machine. She noted this request was originally budgeted in FY2022 however, the purchase was delayed due to other urgent capital needs. Ms.</p>	

Item	Discussion	Presenter
	<p>Sturmer requested approval for capital not to exceed \$216,000 for the purchase.</p> <p><i>Action: Mr. Fendrick made a motion to recommend to the Governing Board approval of FY2023 capital of \$216,000 to purchase a Stereotactic Breast Biopsy Machine. Ms. Olson seconded the motion. Motion carried.</i></p>	
6.	November MTD Financial Updates	
	<p>Ms. Abey provided an update on the month-to-date numbers as of November 15, 2022. Currently, the organization is running 5.3% ahead of budget on overall gross revenues with surgical services, medical imaging, Geriatric Psychiatry and Emergency Services experiencing the highest percentages above budget at this time. Ms. Abey did caution that with the holiday week next week, it is likely that the percentage ahead of budget will decline as volumes will be slower due to many services not being open due to the holiday.</p>	
A	7. Medical Office Building Expansion Update	Dan DeGroot
	<p>Mr. DeGroot provided a status update on the Medical Office Building Expansion project. He shared an aerial overview of the project plan and outlined plans for location of the main entrance, how the building would connect to the current campus, and parking spaces. Mr. DeGroot added after extensive review of various options, the team narrowed it down to four potential options:</p> <ol style="list-style-type: none"> <li>1) Option C: 3 OR ASC   70,520 built/shelled   \$28,102,080</li> <li>2) Option C+: 3 OR ASC   70,520 built/shelled   \$39,092,900</li> <li>3) Option D: 3 OR ASC   45,180 built/shelled   \$21,357,500</li> <li>4) Option E: 4 OR ASC   51,780 built/shelled   \$22,907,126</li> </ol> <p>Mr. DeGroot provided a brief overview of each option and shared Stoughton Health's recommendation of Option E with 4 OR ASC to allow for future departmental growth needs. Ms. Lindfors added she believes Option E is the most affordable and best long-term solution which allows for growth by having the option to add a third floor in the future.</p> <p><i>Action: Ms. Olson made a motion to recommend to the Governing Board approval of the design and implementation of buildout of Option E for the Medical Office Building Expansion. Motion seconded by Mr. Fendrick. Motion carried.</i></p>	
	8. Adjournment	Steve Staton

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Item    Discussion

Presenter

*Action: Mr. Staton made a motion to adjourn the November 18, 2022 Finance Committee meeting at 8:44 a.m. Ms. Francisco seconded the motion. Motion carried.*

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Respectfully submitted,

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Steve Staton  
Secretary/Treasurer