

## Stoughton Hospital Association Finance Committee

Friday, August 26, 2022 | 7:30 a.m. – 9:00 a.m.

Phone: 312.626.6799 | Meeting ID: 859 7919 0497 | Passcode: 639322

Zoom Link: <https://us06web.zoom.us/j/85979190497?pwd=T2lRTUJ4NGo2NVBRQ3BOTWdCZEd4dz09>

### Committee Members

Steve Staton | Tom Fendrick | Donna Olson | Margo Francisco | Dan DeGroot | Michelle Abey

Item	Discussion	Presenter
	1. Call to Order	Steve Staton
A	2. July Financials ( <i>See Attached</i> )	Brian Swain
A	3. Capital Request: SSM Health Dean Clinic Tenant Improvement Agreement, Stoughton Lease FY2022 Capital = \$270,000 ( <i>See Attached</i> )	Michelle Abey
A	4. FY2023 Budget ( <i>See Attached</i> )	Michelle Abey
	5. FY2022 Audit Communication Letter ( <i>See Attached</i> )	Michelle Abey
	6. Compliance Updates	Michelle Abey
	- OCI Complaint Response	
	- COVID Testing Billing	
	7. Open Discussion	
	8. Adjournment	Steve Staton

Note:

- A = Item requiring a Board/Committee Action, Approval, Recommendation or Acceptance
- R = Item requiring a formal Board Resolution

**MISSION**

*The mission of Stoughton Hospital is to provide safe, quality health care with exceptional personalized service.*

**VISION**

*We grow to meet the changing needs of the communities we serve and become their health partner of choice.*

**VALUES**

*Our patients and community are our number one priority.*

**STOUGHTON HEALTH  
SERVICES AND FINANCIAL REPORTS**

**July 31, 2022**

**STOUGHTON HEALTH  
FINANCIAL AND SERVICES REPORTS  
July 31, 2022**

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Stoughton Health  
July 2022 Operational Executive Summary

**Situation:** July operating income was \$663,548 which was more than the budget of \$215,789 by \$447,759. July excess of revenues over expenses is \$1,248,981, which is \$969,587 above the budget of \$279,394. Year-to-date operating income is \$7,171,955 which is better than budget by \$4,639,906 and year-to-date excess of revenues over expenses is \$6,837,305 which is \$3,669,202 better than budget.

**Background:**

**Balance Sheet**

- Days cash on hand was 423 days at the end of July (line 33 on pg 7) which is over the budgeted days cash on hand of 376 and an increase of 6 days from the end of June. The increase of 6 days in July is mostly the result of investments having a very strong month. Net realized and unrealized gains on investments contributed approximately \$540,000 to the total increase of approximately \$729,000 in all cash and investments for the month.
- \$3M was placed in a one-year CD with One Community Bank at a rate of 2.25%, therefore, this money moved from cash and cash equivalents to certificates of deposit on the balance sheet.
- \$3M was invested in a new Workforce Development Fund which is in treasury securities and high grade bonds which has a yield to maturity net of investment advisory fees of approximately 2.90%. Funds earned from this account will be used to invest in SH's workforce through funding of training for certifications and degrees. This fund is recorded in other non-current assets (line 12 on pg 7).
- \$314,000 of the CMS advanced payments were repaid during the month. These funds are all due back to CMS Medicare on September 15<sup>th</sup>. The remaining liability is \$1,704,381 as of July 31, 2022 (line 22 on pg 7).
- The estimated third party payer settlements liability has increased by \$740,000 in the first ten months of fiscal year 2022. This liability represents the estimated amount which Stoughton Health anticipates it's being overpaid on Medicare claims and potential amounts due upon cost report audit settlement. This liability fluctuates with changes in the payer mix and distribution of expenses.

**Income Statement**

- Outpatient gross revenues were significantly ahead of budget for the month of July by approximately \$1,485,000. The areas seeing the most significant gross revenue variances over budget were Medical imaging – specifically CT and general imaging (~\$626,000), and Emergency Room including urgent care in Oregon & McFarland (~\$431,000) and Laboratory (~\$244,000). Volumes continue to be stronger than anticipated in many outpatient areas.

Surgical Services was (5) cases or (3.6%) below budget for the month. Year-to-date total procedures are right at budget, though the mix of cases is different than budgeted, resulting in lower gross revenues than budgeted for the surgical services area. The table below shows surgical services by service line:

Specialty	YTD FY21	YTD FY22	% Change from LY	Budget	% Change from Budget
Orthopedics	188	257	37%	267	-4%
Gynecology	0	0	0%	0	0%
Urology	6	6	0%	10	-40%
General	193	203	5%	230	-12%
Ophthalmology (Phaco)	190	185	-3%	241	-23%
Podiatry	47	65	38%	80	-19%
Dental	177	132	-25%	188	-30%
ENT	26	28	8%	41	-32%
Total OR Procedures	827	876	6%	1057	-17%
GI Endoscopy	335	514	53%	333	54%
Total Surgical Procedures	1162	1390	20%	1390	0%

- Purchased services expense (pg 8 line 15) was higher than budget by approximately (\$99,000) which is primarily the result of agency staff use being (\$82,000) higher than budget for the month. In addition, echocardiogram (~\$15,000) had higher volumes than budgeted, thus resulting in more purchased services expense than budgeted.
- This month's mix resulted in a contractual discount percentage of 60.8% for the month vs a budgeted contractual discount of 60.5%, resulting in a net revenue increase from budget of approximately \$38,000.
- Unrealized gains (losses) on investments (pg 8 line 24) were \$522,848 above budget for the month as a result of continued market fluctuations – this month more positively than previous months.

### Assessment:

Volumes in most areas continued to have a positive variance to budget for July resulting in gross patient revenues being approximately \$1.4M ahead of budget for the month.

### Recommendation:

1. Recruit and retain staff in order to serve the patients of our communities.
2. Continue master facility planning so that the organization moves forward and grows.
3. Continue to follow CDC recommendations for caring for COVID and Non-COVID patients in the safest possible manner. Promote vaccination including the 2<sup>nd</sup> booster shot whenever possible.
4. Remain nimble to changing circumstances and recalibrate operations, including the evaluation of new and old programs, as needed to adjust course.

**Stoughton Health  
Executive Financial Summary  
July 31, 2022**

Variance Key: Better than (worse than) budget

<b>INCOME STATEMENT</b>		Current Mo. July	Current Mo. Budget	Current Mo. Variance	YTD July	YTD Budget	YTD Variance	YTD Prior Year
Line	REVENUE:							
	Patient service revenues:							
1	Inpatient	\$ 1,710,733	\$ 1,751,874	\$ (41,141)	\$ 17,384,291	\$ 17,336,131	\$ 48,160	\$ 14,475,014
2	Outpatient	10,626,850	9,141,463	1,485,387	106,782,575	90,512,488	16,270,087	84,311,825
3	Total gross patient service revenues	12,337,583	10,893,337	1,444,246	124,166,866	107,848,619	16,318,247	98,786,839
4	Deductions from revenue (incl bad debts)	(7,639,621)	(6,732,949)	(906,672)	(77,332,926)	(66,659,021)	(10,673,905)	(60,348,137)
5	Net patient service revenue	4,697,962	4,160,388	537,574	46,833,940	41,189,598	5,644,342	38,438,702
6	Other income	159,564	135,247	24,317	2,056,768	1,692,458	364,310	1,803,620
7	Total revenues	4,857,526	4,295,635	561,891	48,890,708	42,882,056	6,008,652	40,242,322
	EXPENSES:							
8	Salaries	1,589,111	1,548,830	(40,281)	15,841,990	15,649,834	(192,156)	15,250,992
9	Fringe benefits	360,857	411,827	50,970	3,512,923	4,098,952	586,029	3,743,831
10	Supplies and other	1,952,728	1,826,260	(126,468)	19,464,484	17,658,006	(1,806,478)	15,967,696
11	Interest	33,603	36,968	3,365	349,796	379,610	29,814	457,294
12	Depreciation and amortization	257,679	255,961	(1,718)	2,549,560	2,563,605	14,045	2,612,562
13	Total expenses	4,193,978	4,079,846	(114,132)	41,718,753	40,350,007	(1,368,746)	38,032,375
14	<b>Operating income</b>	<b>663,548</b>	<b>215,789</b>	<b>447,759</b>	<b>7,171,955</b>	<b>2,532,049</b>	<b>4,639,906</b>	<b>2,209,947</b>
15	Investment income	14,783	19,848	(5,065)	273,440	198,477	74,963	531,762
16	Unrealized gains (losses) on investments	547,555	24,707	522,848	(836,225)	247,073	(1,083,298)	1,115,510
17	Interest in earnings of MRI Joint Venture	23,095	19,050	4,045	228,135	190,504	37,631	211,434
18	Other non-operating	-	-	-	-	-	-	4,064,937
19	<b>Excess of revenue over expenses</b>	<b>\$ 1,248,981</b>	<b>\$ 279,394</b>	<b>\$ 969,587</b>	<b>\$ 6,837,305</b>	<b>\$ 3,168,103</b>	<b>\$ 3,669,202</b>	<b>\$ 8,133,590</b>
	<b>BALANCE SHEET</b>	<b>07/31/22</b>	<b>09/30/21</b>				<b>YTD July</b>	<b>09/30/21</b>
20	Cash & short-term investments	\$ 32,946,595	\$ 33,873,549					
21	A/R (net)	6,876,258	6,759,089					
22	Total current assets	41,318,454	41,950,841				5,319,846	4,628,345
23	Certificates of deposit	8,000,000	7,000,000					
24	Investments	10,974,716	10,629,724					
25	Property & equipment (net)	26,629,393	27,237,551				(1,951,279)	(1,503,805)
26	Other assets	13,345,606	9,543,572				(2,169,992)	767,988
27	<b>Total assets</b>	<b>92,268,169</b>	<b>89,361,688</b>					
28	Current liabilities	9,043,726	10,858,317					
29	Long-term debt	8,823,182	10,923,308				(2,224,937)	(1,298,318)
30	Other long-term liabilities	414,999	431,106				-	-
31	Total liabilities	18,281,907	22,212,731				99,408	43,836
32	Net assets	73,986,262	67,148,957				(926,954)	2,638,046
33	<b>Total liabilities &amp; net assets</b>	<b>92,268,169</b>	<b>89,361,688</b>					
	<b>CASH FLOWS</b>							
	Cash provided by (used in):							
	Operating activities							
	Investing activities:							
	Fixed asset purchases & disposals							
	Investments							
	Financing activities:							
	Issuance of debt							
	Payment of debt & related costs							
	Forgiveness of long-term debt							
	Foundation & other							
	<b>Net cash increase (decrease)</b>							
	Cash, beginning						33,873,549	31,235,503
	<b>Cash, ending</b>						<b>32,946,595</b>	<b>33,873,549</b>
	<b>RATIOS</b>	<b>FY20</b>	<b>FY21</b>	<b>May-22</b>	<b>Jun-22</b>	<b>Jul-22</b>	<b>FY22 Budget</b>	<b>2021 RWHC CAH Avg</b>
34	Current Ratio	3.2	3.9	5.1	5.2	4.6	7.4	4.1
35	Operating Margin-Current Month			9.9%	14.9%	13.7%		
36	Operating Margin YTD	2.3%	5.1%	14.8%	14.8%	14.7%	5.4%	7.2%
37	Total Margin YTD	3.7%	22.7%	13.6%	12.6%	13.8%	6.9%	16.6%
38	Days in Accounts Receivable (net)	40	53	43	41	45	43	52
39	Days in Accounts Receivable (gross)	43	52	43	40	44		
40	Days Cash & Investments on Hand	446	431	416	417	423	376	343
41	Long-term Debt to Equity	0.29	0.16	0.12	0.12	0.12	0.12	0.52
42	Debt Service Coverage (YTD) >1.25	2.6	9.2	6.2	6.0	6.4	4.5	8.1
	<b>STATISTICS</b>	<b>FY20</b>	<b>FY21</b>	<b>May-22</b>	<b>Jun-22</b>	<b>Jul-22</b>	<b>YTD July</b>	<b>FY22 Budget</b>
43	Inpatient Days	4,053	3,658	258	263	323	3,118	4,308
44	Adjusted Patient Days (APD)	18,121	24,148	2,511	2,179	2,329	22,270	26,911
45	Net revenue per APD	\$2,314	\$1,938	\$1,827	\$2,228	\$2,017	\$2,103	\$1,585
46	FTE's	221.9	227.2	239.3	234.8	235.7	236.9	241.0
47	FTE's per Adjusted Occupied Bed	4.5	3.3	3.0	3.2	3.1	3.2	3.3
48	Avg # of payroll checks per pay period	327	311	323	323	322	319	
49	Salaries per APD	\$935	\$761	\$653	\$744	\$682	\$711	\$705
50	Benefits per APD	\$269	\$179	\$132	\$160	\$155	\$158	\$184
51	Other Expenses per APD	\$1,131	\$959	\$898	\$1,069	\$949	\$988	\$903

**STOUGHTON HEALTH  
SERVICES SUMMARY  
for the ten months ended July 31, 2022**

**INPATIENT SERVICES**

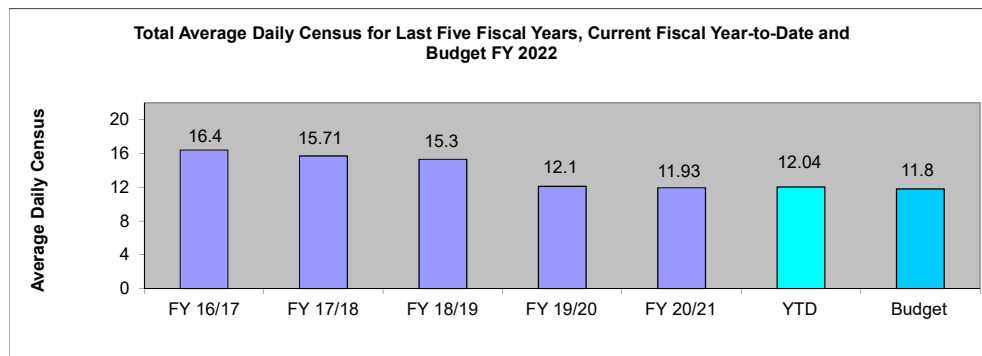
In July, inpatient admissions (including observation patients) averaged 3.13 admissions per day which was below budget by (0.93) admissions per day or (22.9%). Year-to-date inpatient admissions are (0.58) admissions per day or (15.5%) below prior year.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR-TO-DATE	BUDGET
1.45	1.30	1.12	1.22	1.15	Medical	1.42	1.12	1.09
0.47	0.54	0.45	0.37	0.29	Surgical	0.23	0.32	0.26
0.12	0.07	0.18	0.10	0.11	Detoxification	0.10	0.06	0.10
0.63	0.75	1.67	1.40	1.77	Observation	1.19	1.21	2.08
0.19	0.13	0.13	0.07	0.06	Swing Bed	0.03	0.04	0.07
0.16	0.09	0.10	0.08	0.08	Intensive Care	0.03	0.12	0.05
0.42	0.44	0.36	0.28	0.27	Geriatric Psychiatric	0.13	0.28	0.41
<b>3.44</b>	<b>3.32</b>	<b>4.01</b>	<b>3.52</b>	<b>3.73</b>	Average Admissions per day	<b>3.13</b>	<b>3.15</b>	<b>4.06</b>

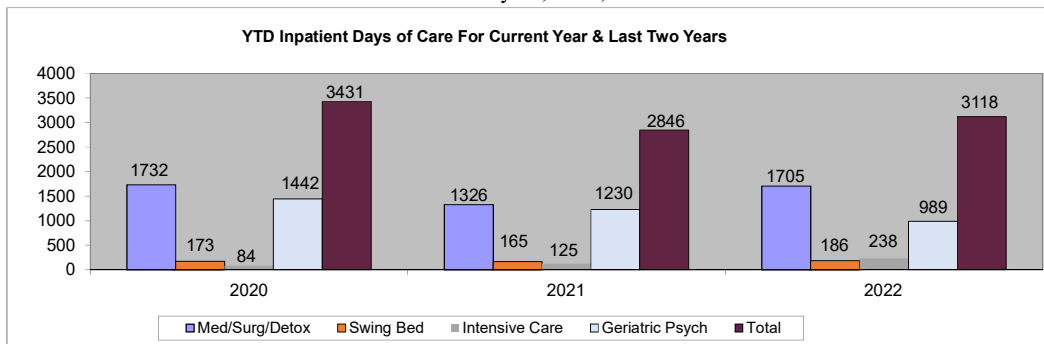
The overall average daily census in July was 12.33 which is above the budgeted average daily census of 11.80 and above the prior year average daily census of 11.93. Inpatient Average Daily Census numbers for the past thirteen months, year-to-date for Fiscal 2022, budget and prior year averages are shown in the following chart:

	JUL 2021	AUG 2021	SEP 2021	OCT 2021	NOV 2021	DEC 2021	JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022	JUL 2022	CURRENT FISCAL 2022 BUDGET	PRIOR FISCAL YR	
Medical / Surgical Unit	3.94	6.61	6.67	6.61	8.27	7.90	3.55	4.14	6.55	3.77	4.13	4.73	6.29	5.61	2.95	4.74
Observation	2.62	2.71	1.47	2.26	1.78	1.64	1.16	1.57	1.62	2.30	2.45	1.17	1.91	1.79	1.90	1.91
Swing Bed	0.29	0.48	0.77	0.00	0.00	0.29	1.39	1.21	1.16	0.67	0.97	0.30	0.16	0.61	0.55	0.56
Intensive Care Unit	0.16	0.16	1.20	1.71	1.47	1.13	1.03	0.43	0.26	0.73	0.39	0.63	0.03	0.78	0.27	0.45
Geriatric Psychiatry Unit	4.71	5.77	4.97	3.71	3.00	2.58	2.61	3.64	3.61	3.53	2.84	3.10	3.94	3.25	6.13	4.27
	<b>11.72</b>	<b>15.73</b>	<b>15.08</b>	<b>14.29</b>	<b>14.52</b>	<b>13.54</b>	<b>9.74</b>	<b>10.99</b>	<b>13.20</b>	<b>11.00</b>	<b>10.78</b>	<b>9.93</b>	<b>12.33</b>	<b>12.04</b>	<b>11.80</b>	<b>11.93</b>

Inpatient average daily census numbers for the past five fiscal years, year-to-date for Fiscal 2022, and budget are shown in the following graph:



Additional inpatient service volume statistics for the ten months ended July 31, 2020, 2021 and 2022 are as follows:



**STOUGHTON HEALTH  
SERVICES SUMMARY  
for the ten months ended July 31, 2022**

**INPATIENT SERVICES - CONTINUED**

					Discharge Length of Stay			
16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR-TO-DATE	BUDGET
2.67	3.41	2.77	2.88	2.28	Medical	2.64	2.62	2.28
2.86	2.68	2.54	1.68	0.29	Surgical	1.67	0.37	0.29
5.42	6.47	9.28	9.12	9.59	Swing Bed	5.00	19.00	9.45
7.00	5.85	2.50	2.73	9.64	Intensive Care	1.00	3.25	7.36
2.63	3.18	2.48	2.22	2.94	Detoxification	2.00	3.19	2.95
2.36	2.27	3.47	4.09	3.38	Hospice Acute	4.75	3.27	3.36
19.57	16.86	11.46	13.28	12.31	Geriatric Psychiatric	14.50	10.39	12.33
5.40	5.81	4.35	4.29	3.84		3.43	3.66	4.22

**OUTPATIENT SERVICES**

Outpatient/Emergency services averaged 173.14 visits per day in July which was 21.32 visits per day or 14.0% above budget for the month. Year-to-date Outpatient/Emergency services is 37.97 visits or 29.1% above the prior year average visits per day of 130.69.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR-TO-DATE	BUDGET
13.73	13.52	13.61	13.36	14.57	Emergency Department	18.16	17.01	13.53
37.17	35.44	41.67	37.02	34.06	Urgent Care - Stoughton	57.94	53.28	41.67
9.62	8.67	8.11	6.47	6.30	Urgent Care - Oregon	8.19	8.14	8.11
-	-	-	-	2.11	Urgent Care - McFarland	16.45	10.79	14.40
3.92	3.03	2.76	2.95	3.20	Ambulatory Infusion	2.55	2.82	2.73
3.75	3.87	3.71	3.12	3.72	Surgical	4.00	4.36	3.58
0.71	0.98	1.02	0.68	1.04	Sleep Lab	0.71	0.77	1.16
29.01	28.56	29.67	23.79	30.60	PT - SWAC/Hosp Rehab	30.94	34.65	30.41
20.34	20.49	20.94	15.42	19.82	PT - Oregon	16.68	19.21	19.73
11.23	12.30	13.25	9.48	15.27	Rehabilitation - Other	17.52	17.63	16.50
129.48	126.86	134.74	112.29	130.69	Average Visits per day	173.14	168.66	151.82

**DIAGNOSTIC SERVICES**

Diagnostic services (laboratory & medical imaging areas) averaged 233.10 service units per day in July which was (13.91) units or (5.6%) below budget. Year-to-date diagnostic services are 26.32 service units per day or 10.7% above last year's average.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR-TO-DATE	BUDGET
181.81	199.67	189.28	176.31	192.08	Lab including reference lab	165.55	206.24	195.68
23.24	23.17	21.55	20.53	20.57	Medical Imaging	28.10	26.24	18.40
3.79	4.98	6.12	5.73	8.16	Mammography	7.55	8.46	7.83
8.48	9.09	10.64	11.01	11.62	CT	15.81	14.58	10.97
1.17	1.42	1.82	1.42	2.96	Echocardiogram	4.39	4.90	2.24
5.77	5.76	5.94	4.88	5.92	Ultrasound	6.06	6.78	5.23
0.81	0.98	0.80	0.61	0.94	Nuclear Medicine	0.87	1.27	0.78
3.07	3.68	3.76	4.04	4.87	MRI	4.77	4.97	5.88
228.14	248.75	239.91	224.53	247.12	Average Service Units per Day	233.10	273.44	247.01



**STOUGHTON HEALTH  
SERVICES SUMMARY  
for the ten months ended July 31, 2022**

**GENERAL SURGERY SERVICES**

In July, the General Surgery clinic had a total of 120 visits for the month which was (27.00) visits or (18.4%) below the prior month and below budget by (112.00) visits or (48.3%).

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
872	926	1,191	1,081	1,001	General Surgery Clinic Visits - Traditional	59	168	82	816	1,720
0	0	0	15	41	General Surgery Clinic Visits - Virtual	3	0	3	28	0
255	386	918	879	701	Wound Clinic Visits	58	64	62	573	835
1,127	1,312	2,109	1,975	1,743	Total Clinic Visits	120	232	147	1,417	2,555

Dr. Aaron Schwaab, General Surgeon, had 13 surgical cases in July. Inpatient cases were at budget for the month and outpatient cases were below budget by (9) cases or (42.9%).

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
49	23	30	26	24	Inpatient Surgical Cases	1	1	0	20	13
191	234	247	212	218	Outpatient Surgical Cases	12	21	19	168	215
240	257	277	238	242	Total Surgical Cases	13	22	19	188	228

**ORTHOPEDIC SERVICES**

During the month of July, the OrthoTeam Clinic (Stoughton and Madison) had 282 visits and averaged 14.1 visits per clinic day. July visits were (58) visits or (17.1%) below budget.

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
2,122	2,453	2,497	3,002	1,489	OrthoTeam Clinic Visits - Traditional	232	340	355	2,623	3,249
0	0	0	261	106	OrthoTeam Clinic Visits - Virtual	50	0	27	321	0
2,122	2,453	2,497	3,263	1,595	Total OrthoTeam Visits	282	340	382	2,944	3,249

OrthoTeam had 20 surgical cases in July. Inpatient cases were equal to budget for July. Outpatient cases were below budget by (7) cases or (31.8%) for the month of July.

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET	YEAR- TO-DATE Variance
136	151	151	152	45	Inpatient Surgical Cases	5	5	4	27	52	(25)
42	46	116	109	197	Outpatient Surgical Cases	15	22	17	206	216	(10)
178	197	267	261	242	Total Surgical Cases	20	27	21	233	268	(35)

**CARDIOLOGY SERVICES**

The Cardiology Clinic opened in July 2021. It had 22 total visits in the month of July.

**STOUGHTON HEALTH  
BALANCE SHEET  
July 31, 2022**

Line	ASSETS	7/31/2022	Audited 9/30/2021
	Current Assets		
1	Cash and cash equivalents	\$ 32,946,595	\$ 33,873,549
2	Patient accounts receivable, net of allowances	6,876,258	6,759,089
3	Supplies	588,488	536,876
4	Other current assets	907,113	781,327
5	<b>Total current assets</b>	<b>41,318,454</b>	<b>41,950,841</b>
	Assets Limited as to Use		
6	Certificates of deposit	8,000,000	7,000,000
7	Board designated and other	10,974,716	10,629,724
		<b>18,974,716</b>	<b>17,629,724</b>
8	Property and equipment	64,628,594	62,869,570
9	Less accumulated depreciation	(37,999,201)	(35,632,019)
10	Net property and equipment	<b>26,629,393</b>	<b>27,237,551</b>
	Other Assets		
11	Interest in net assets of Stoughton Hospital Foundation Inc.	1,190,219	1,374,175
12	Other non-current assets	3,007,855	-
13	Investment in Stoughton Hospital Imaging LLC	1,147,532	1,169,397
14	<b>Total assets</b>	<b>\$ 92,268,169</b>	<b>\$ 89,361,688</b>

**LIABILITIES AND NET ASSETS**

	Current Liabilities		
15	Current portion of long-term debt	\$ 1,215,947	\$ 1,317,080
16	Accounts payable	1,244,021	1,105,863
17	Accrued salaries and related withholdings	865,479	1,061,195
18	Accrued vacation compensation	1,284,115	1,193,641
19	Accrued interest	31,235	37,109
20	Other current liabilities	101,217	102,881
21	Refundable advance - COVID Provider Relief Funds	407,331	-
22	CMS advance payments, current portion	1,704,381	4,590,548
23	Estimated third-party payor settlements	2,190,000	1,450,000
24	<b>Total current liabilities</b>	<b>9,043,726</b>	<b>10,858,317</b>
25	Deferred compensation liability	414,999	431,106
26	Long-term debt, net of current portion	8,823,182	10,923,308
27	<b>Total liabilities</b>	<b>18,281,907</b>	<b>22,212,731</b>
	Net Assets		
28	Without donor restrictions	72,458,650	65,621,345
29	With donor restrictions	1,527,612	1,527,612
30	<b>Total net assets</b>	<b>73,986,262</b>	<b>67,148,957</b>
31	<b>Total liabilities and net assets</b>	<b>\$ 92,268,169</b>	<b>\$ 89,361,688</b>

	Budget		
32	Days revenue in accounts receivable	43	53
33	Days cash on hand, all unrestricted sources	376	431
34	Current Ratio	7.4	3.9
35	Age of Plant	13.1	11.3

STOUGHTON HEALTH  
 INCOME STATEMENT  
 For the ten months ended July 31, 2022

Variance Key: Better than (worse than) budget

Line	Current Month			Year to Date			Year to Date LAST YEAR	
	July	Budget	Variance	TOTALS	Budget	Variance		
<b>REVENUES</b>								
Patient service revenue:								
1	Inpatient	\$ 1,710,733	\$ 1,751,874	\$ (41,141)	\$ 17,384,291	\$ 17,336,131	\$ 48,160	\$ 14,475,014
2	Outpatient	10,626,850	9,141,463	1,485,387	106,782,575	90,512,488	16,270,087	84,311,825
3	Gross patient charges	12,337,583	10,893,337	1,444,246	124,166,866	107,848,619	16,318,247	98,786,839
4	Contractual discounts and allowances	(7,498,052)	(6,586,640)	(911,412)	(75,597,931)	(65,210,501)	(10,387,430)	(59,061,775)
5	Charity care	(25,569)	(29,870)	4,301	(479,995)	(295,722)	(184,273)	(263,962)
6	Provision for bad debts	(116,000)	(116,439)	439	(1,255,000)	(1,152,798)	(102,202)	(1,022,400)
7	<b>Patient service revenue</b>	<b>4,697,962</b>	<b>4,160,388</b>	<b>537,574</b>	<b>46,833,940</b>	<b>41,189,598</b>	<b>5,644,342</b>	<b>38,438,702</b>
8	Other operating revenue	74,228	65,052	9,176	749,260	650,516	98,744	769,018
9	Contributions	15,935	393	15,542	618,037	343,925	274,112	339,470
10	Rental income	69,401	69,802	(401)	689,471	698,017	(8,546)	695,132
11	<b>TOTAL REVENUES</b>	<b>4,857,526</b>	<b>4,295,635</b>	<b>561,891</b>	<b>48,890,708</b>	<b>42,882,056</b>	<b>6,008,652</b>	<b>40,242,322</b>
12	Salaries	1,589,111	1,548,830	(40,281)	15,841,990	15,649,834	(192,156)	15,250,992
13	Employee benefits	360,857	411,827	50,970	3,512,923	4,098,952	586,029	3,743,831
14	Professional fees	522,891	557,649	34,758	5,193,133	5,217,123	23,990	4,555,813
15	Purchased services	623,325	524,154	(99,171)	6,172,112	5,138,794	(1,033,318)	4,985,935
16	Supplies	595,638	526,287	(69,351)	6,076,805	5,288,343	(788,462)	4,631,040
17	Interest	33,603	36,968	3,365	349,796	379,610	29,814	457,294
18	Administrative and general	190,659	198,129	7,470	1,838,412	1,819,597	(18,815)	1,640,553
19	Insurance	20,215	20,041	(174)	184,022	194,149	10,127	154,355
20	Depreciation and amortization	257,679	255,961	(1,718)	2,549,560	2,563,605	14,045	2,612,562
21	<b>Total expenses</b>	<b>4,193,978</b>	<b>4,079,846</b>	<b>(114,132)</b>	<b>41,718,753</b>	<b>40,350,007</b>	<b>(1,368,746)</b>	<b>38,032,375</b>
22	<b>Operating income (loss)</b>	<b>663,548</b>	<b>215,789</b>	<b>447,759</b>	<b>7,171,955</b>	<b>2,532,049</b>	<b>4,639,906</b>	<b>2,209,947</b>
Other income (loss):								
23	Investment income (loss) - realized	14,783	19,848	(5,065)	273,440	198,477	74,963	531,762
24	Unrealized gains (losses) on investments	547,555	24,707	522,848	(836,225)	247,073	(1,083,298)	1,115,510
25	Earnings (loss) in Sto Hosp Imaging	23,095	19,050	4,045	228,135	190,504	37,631	211,434
26	Other gains (losses)	-	-	-	-	-	-	-
27	Forgiveness of Refundable Advance - PRF	-	-	-	-	-	-	-
28	Forgiveness of Paycheck Protection Program Loan	-	-	-	-	-	-	4,064,937
29	<b>Excess of revenues over expenses</b>	<b>\$ 1,248,981</b>	<b>\$ 279,394</b>	<b>\$ 969,587</b>	<b>\$ 6,837,305</b>	<b>\$ 3,168,103</b>	<b>\$ 3,669,202</b>	<b>\$ 8,133,590</b>
30	<i>Operating Margin</i>	<i>13.7%</i>	<i>5.0%</i>		<i>14.7%</i>	<i>5.9%</i>		<i>5.5%</i>
31	<i>Total Margin</i>	<i>25.5%</i>	<i>6.4%</i>		<i>13.8%</i>	<i>7.3%</i>		<i>18.1%</i>
32	<i>Adjusted Patient Days</i>	<i>2,329</i>	<i>2,262</i>		<i>22,270</i>	<i>22,399</i>		<i>20,440</i>
33	<i>Net revenue per APD</i>	<i>\$ 2,017</i>	<i>\$ 1,839</i>		<i>\$ 2,103</i>	<i>\$ 1,839</i>		<i>\$ 1,881</i>
34	<i>Salaries per APD</i>	<i>\$ 682</i>	<i>\$ 685</i>		<i>\$ 711</i>	<i>\$ 699</i>		<i>\$ 746</i>
35	<i>Benefits per APD</i>	<i>\$ 155</i>	<i>\$ 182</i>		<i>\$ 158</i>	<i>\$ 183</i>		<i>\$ 183</i>
36	<i>Supplies per APD</i>	<i>\$ 256</i>	<i>\$ 233</i>		<i>\$ 273</i>	<i>\$ 236</i>		<i>\$ 227</i>

**STOUGHTON HEALTH**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the ten months ended July 31, 2022**

	<u>7/31/22</u>	<u>Audited 9/30/21</u>
Unrestricted net assets:		
Excess (deficit) of revenues over expenses	6,837,305	13,406,181
Net assets released from restrictions	-	65,901
Contributions and grants for purchases of property and equipment	-	148,521
<b>Increase (decrease) in unrestricted net assets</b>	<u>6,837,305</u>	<u>13,620,603</u>
Temporarily restricted net assets:		
Restricted contributions	-	46,291
Change in interest in net assets of the Foundation	-	90,707
Net assets released from restrictions	-	(65,901)
<b>Increase (decrease) in temporarily restricted net assets</b>	<u>-</u>	<u>71,097</u>
<b>Increase (decrease) in net assets</b>	6,837,305	13,691,700
Net assets, beginning	<u>67,148,957</u>	<u>53,457,257</u>
Net assets, ending	<u><u>73,986,262</u></u>	<u><u>67,148,957</u></u>

**STOUGHTON HEALTH**  
**STATEMENT OF CASH FLOWS**  
**For the ten months ended July 31, 2022**

	<b>Current Month</b>	<b>YTD July</b>	<b>Audited 9/30/2021</b>
Cash Flows From Operating Activities			
Increase (decrease) in net assets	\$ 1,249,376	\$ 6,837,305	\$ 13,691,700
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Change in interest in net assets of Stoughton Hospital Foundation Inc.	-	-	(90,707)
Depreciation and amortization	257,679	2,549,560	3,150,926
Amortization of debt issuance costs	2,368	23,678	30,501
Net realized and unrealized gains and losses on investments	(539,585)	825,000	(1,307,892)
Forgiveness of Paycheck Protection Program Loan	-	-	(4,064,937)
Loss (gain) on disposal of property and equipment	-	9,876	(14,684)
Change in investment in Stoughton Hospital Imaging, LLC	(23,095)	(228,135)	(265,082)
Distribution from Stoughton Hospital Imaging, LLC	-	250,000	200,000
Contributions and grants for property and equipment	-	-	(194,812)
Increase (decrease) from changes in:			
Patient accounts receivable, net	(588,306)	(117,169)	(2,143,837)
Supplies	(39,082)	(51,612)	157,584
Estimated third-party payor settlements	180,000	740,000	1,575,000
Other current / non-current assets	(3,059,814)	(3,133,641)	(107,491)
Refundable advance - provider relief funds (forgiven)	-	407,331	(5,023,434)
CMS advanced payments	(314,368)	(2,886,167)	(1,237,502)
Accounts payable, accrued expenses and other current liabilities	255,602	93,820	273,012
<b>Net cash provided by (used in) operating activities</b>	<b>(2,619,225)</b>	<b>5,319,846</b>	<b>4,628,345</b>
Cash Flows From Investing Activities			
Acquisition of property and equipment	(60,516)	(1,951,279)	(1,561,623)
Proceeds from disposal of property and equipment	-	-	57,818
Maturities/(Purchases) of certificates of deposit	-	-	-
Purchases of assets limited as to use	(3,117,393)	(11,875,505)	(11,603,172)
Sales/Proceeds from maturities of assets limited as to use	85,234	9,705,513	12,371,160
<b>Net cash provided by (used in) investing activities</b>	<b>(3,092,675)</b>	<b>(4,121,271)</b>	<b>(735,817)</b>
Cash Flows From Financing Activities			
Proceeds from issuance of new debt	-	-	-
Payment of debt issuance costs	-	-	-
Payment of accounts payable for equipment and financing costs	-	(84,548)	(150,976)
Repayment of long-term debt	(116,136)	(2,224,937)	(1,298,318)
Restricted contributions and grants	-	183,956	194,812
<b>Net cash provided by (used in) financing activities</b>	<b>(116,136)</b>	<b>(2,125,529)</b>	<b>(1,254,482)</b>
<b>Net increase (decrease) in cash</b>	<b>(5,828,036)</b>	<b>(926,954)</b>	<b>2,638,046</b>
Cash, beginning	38,774,631	33,873,549	31,235,503
Cash, ending	<b>\$ 32,946,595</b>	<b>\$ 32,946,595</b>	<b>\$ 33,873,549</b>

## Capital Budget Request Form

**\*\*RETURN COMPLETED FORM TO ACCOUNTING@STOUGHTONHEALTH.COM**

<b>Requestor's Name:</b>	Michelle Abey/Chris Schmitz
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<b>Department:</b>	9236 - BUILDING MAINTENANCE-Clinic Building
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<b>Description:</b>	As part of the new lease agreement with SSM Stoughton Clinic, Stoughton Health, as landlord, will be paying for \$270,000 of tenant improvements to the clinic building. This is to ensure that the building stays updated and in good shape.
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<b>Requesting for quarter:</b>	4
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<b>Estimated Cost (provide two quotes):</b>	\$270,000
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<b>Capital Function/Purpose</b>	Replacement
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<b>Is used an option?</b>	No
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<b>Is this new or a replacement?</b>	Replacement
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<b>Will this purchase require ongoing operating costs (regular maintenance, software contracts, purchase of supplies to operate, etc.)?</b>	
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<b>If yes, describe the ongoing operating costs and an estimated amount per year.</b>	<b>Description</b>	<b>Estimated Yearly Cost</b>
	Enter Description	Enter Cost
	Enter Description	Enter Cost
	Enter Description	Enter Cost
	Enter Description	Enter Cost

<p><b>Provide a business case for why this capital item should be or needs to be purchased.</b></p> <p><b>Clinical Impact:</b> Improves clinical experience in terms of outcomes, patient safety, waiting times, throughput times and general comfort.</p> <p><b>Financial Impact:</b> Increases profitability through higher patient volumes, additional services, additional charge capture, reduced expense or enhanced productivity.</p> <p><b>Market Share:</b> Enhances market share by increasing the number of patients seen or increasing the ability to attract new patients.</p> <p><b>Routine Infrastructure:</b> Improves or maintains the quality of the hospital, outside facilities, and</p>	<p>Stoughton Health, as landlord, wishes to ensure that its property is maintained and after twenty five years of leasing to SSM Health Dean Medical Group, it is time to invest more in the building to maintain it. These improvements will be done by SSM Health Dean Medical Group and will be reimbursed by Stoughton Health as part of the lease agreement.</p>
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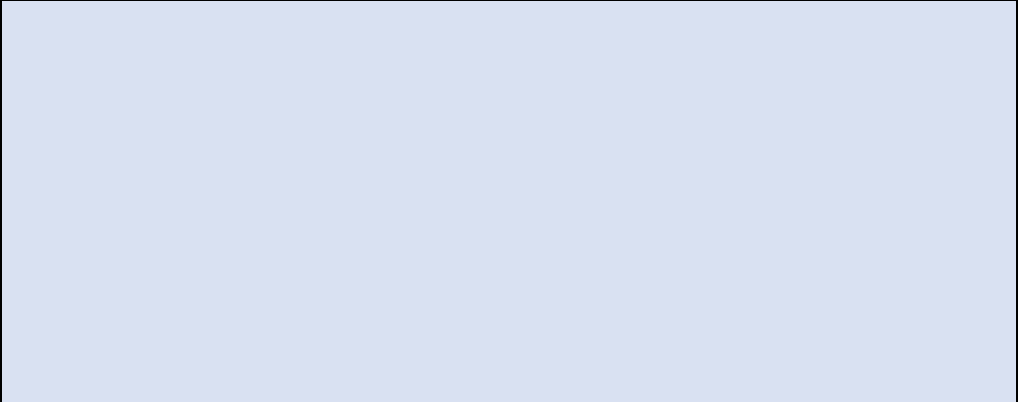
equipment. This includes expenditures for the safety, code and accreditation standards.

**Staff/Physician Relationships:** Improves the ability of employees and medical staff to work effectively and productively.

**Regulatory Compliance:** Change is required due to a new or impending regulation from Joint Commission, CMS or other governing body.



**Other Comments:**



**\*\*RETURN COMPLETED FORM TO ACCOUNTING@STOUGHTONHEALTH.COM**



Situation Background Assessment Recommendation

**Capital Request: Tenant Improvements Agreement (TIA) –  
SSM Dean Medical Group Stoughton Clinic**

<p><b>S</b> <b><u>Situation</u></b></p>	<p>The current tenant improvement amount included within the draft lease agreement is \$270,000 which is over \$100,000 and thus, requires Governing Board capital approval. This was budgeted for in the FY2022 capital budget.</p>
<p><b>B</b> <b><u>Background</u></b></p>	<p>Stoughton Health has leased the Stoughton SSM Health Dean Medical Group Clinic to them since the mid-1990s under a twenty five year lease which has expired in the last year. Stoughton Health and SSM Health have been working to re-negotiate lease terms for the future. As part of these negotiations, discussion has been held around the condition of the clinic and the need to do some maintenance including carpeting, painting, etc.</p>
<p><b>A</b> <b><u>Assessment</u></b></p>	<p>The clinic is in need of maintenance and given ongoing clinic operations are owned by SSM Health, improvements are better managed when done by SSM Health so they can schedule around their clinical operations rather than Stoughton Health performing the maintenance which requires additional coordination with SSM (the tenant). During the lease negotiations, the draft lease document provides for SSM to make these improvements with Stoughton Health reimbursing for them. Reimbursement will not be done until invoices evidencing completion are received by Stoughton Health from the tenant.</p>
<p><b>R</b> <b><u>Recommendation</u></b></p>	<p>Request the Executive Committee, on behalf of the Governing Board and pending approval by the Finance Committee on Friday, August 26, 2022, approve \$270,000 of FY2022 budgeted capital expenditures for tenant improvements for the Stoughton SSM Dean Medical Group clinic (owned by Stoughton Health), pursuant to the lease agreement when signed.</p>



**DRAFT**

**STOUGHTON HEALTH**

**BUDGET**

**Fiscal Year Ending September 30, 2023**

**STOUGHTON HOSPITAL ASSOCIATION  
BUDGET NARRATIVE  
Fiscal Year Ending September 30, 2023**

**BACKGROUND**

Stoughton Health has experienced significant turbulence during the last three fiscal years due to the COVID-19 pandemic. The theme of the FY2023 budget is a slight cooling down of volumes from the unprecedented increases seen during FY2022 as a result of delayed healthcare and sicker patients as well as an uptick in preventative services during the year.

Overarching assumptions include:

- No further grant funding and provider relief funds available for COVID 19 testing and mitigation expenses and lost revenues.
- Lower volumes in several areas as outlined below. Overall a ~4.6% volume driven increase in gross revenue.
- Increased compensation and benefit costs in order to remain competitive in the market as well as an assumption that open positions will be filled in the coming year.
- Continued increased expenses as a result of supply cost increases as well as professional fees increasing at a greater rate than the past few years as a result of the rising consumer price index (CPI).

**OPERATING ACTIVITIES**

A 4.0% overall increase in Hospital charges is planned for and was approved by the Governing Board effective October 1, 2022.

The FY2023 inpatient services budgeted numbers represent a decrease in inpatient days from FY22 of (150) days or (4%). This represents the net result from a predicted decrease in Medical/Surgical volumes and an increase in Geriatric Psychiatry (GP) volumes as we plan to be able to increase the GP capacity back up to eight beds following Labor Day. Staffing has stabilized for that unit such that they can safely care for more than the five patient capacity they have been handling since they re-opened following the pandemic shutdown in 2020.

Outpatient service revenues are projected to increase by 8.6% or \$10,879,000 from what is projected for FY2022. This increase is a combination of factors as follows:

- Surgical services cases budgeted to increase 9%. Service lines with the greatest budgeted growth are as follows:

Stoughton Health Surgical Cases Budget FY2023								
Specialty	Final FY19	Final FY20	Final FY21	YTD FY22 thru Jul	Annualized FY2022	% Change from LY	FY23 Budget	% Change from Annualized FY2022
Orthopedics	381	282	277	257	309	12%	375	18%
Gynecology	8	1	0	0	0	0%	35	100%
Urology	9	11	7	6	7	0%	10	30%
General	307	250	255	203	233	-9%	265	12%
Ophthalmology (Phaco)	290	211	225	185	223	-1%	225	1%
Podiatry	11	44	58	65	85	47%	90	6%
Dental	34	130	199	132	156	-22%	170	8%
ENT	52	37	30	28	32	7%	40	20%
Total Surgical Procedures	1092	966	1051	876	1045	-1%	1210	14%
GI Endoscopy	517	379	423	514	601	42%	605	1%
Total OR Procedures	1609	1345	1474	1390	1646	12%	1815	9%

- Combined emergency room and urgent care visits at all three sites are expected to decline (4.8%) from 32,560 visits projected for FY2022 to 30,990 visits projected for FY2023. This decline is budgeted as a result of not expecting the COVID-19 surges and testing visits that have been seen in the last year.

Compensation and benefits are projected to increase \$3,277,000 or 12% from projected FY2022. Key assumptions include:

- Maintaining the changes in staffing of departments so that 80% of departments are in the upper quartile for their productivity standards.
- 5.0% wage increase effective January 2023, if feasible.
- Increased shift differential rates for employees working nights and weekends which were effective July 31, 2022, thus will have a full year impact of approximately \$115,000.
- The FY2023 budget is based on 253 full time equivalent employees (FTE) which is an increase of 16 FTEs from the projected FTEs for FY2022 of 237. This expected increase is the result of the assuming that open positions will be filled as well as openings that we had during FY2022 but which were filled during FY2022 will be in place for the entire year of 2023. Included within the budget are FTEs for services provided by Hospital staff to other organizations for which the Hospital is reimbursed. These organizations include the Stoughton Hospital Foundation, SSM Health Dean Clinic, Stoughton Hospital Imaging and Partners of Stoughton Hospital.
- Both of our health insurance vendors are projecting increases in premiums for calendar year 2023 which is reflected as an increase to benefits expense in January 2023.

Inflationary increases coupled with surgical services volume increases drive increases in other expense line items.

Contractual discounts are projected to increase to 62.4% from the projected 61.2% for FY2022. Continued critical access hospital (CAH) status was assumed in estimating Medicare and Medicaid reimbursements. Payer mix was assumed to remain consistent with previous year, however, on average commercial payers cap increased reimbursement at 3%, thus the entire 4% rate increase doesn't flow down to the bottom line. In addition, Medicare reimbursement will be decreased by the return of sequestration as well as the increased revenues in Geri-Psych will depress Medicare Critical Access Hospital (CAH) reimbursement.

Net Patient Service Revenue is budgeted to be \$58,351,000 which is a 5.4% increase from projected FY2022 results. Operating Income is budgeted at \$4,500,000 which results in an operating margin of 7.4%. The total excess of revenues over expenses for the year is budgeted at \$5,500,000 representing a 9.0% total margin.

### **BALANCE SHEET ASSUMPTIONS**

Capital expenditures are budgeted at \$3,000,000 for routine equipment purchases/replacements, facilities upgrades and information technology investments and \$500,000 for the EUA design fees for the medical office building approved at the August Executive Committee meeting. The other portion of design fees will occur in FY2024 based upon the timelines currently in place.

Financing activities include monthly principal and interest payments on outstanding debt. The budget does not contemplate prepayment of debt this fiscal year as rising interest rates plus cost reimbursement of interest expense makes maintaining the current debt structure advantageous in planning for financing the medical office building in the next couple of years.

Investing activities assumes another \$1,000,000 investment quarterly into the investment account as well as increasing certificates of deposit by \$3,000,000 during the course of the year. The rate of return on investments is assumed to be 4.5% with increases on the CD rates as they renew of 2-3%.

**STOUGHTON HEALTH**

**BALANCE SHEETS**  
**Budget 2022 - 2023**

ASSETS	Balances as of September 30,		
	Budget 2023	Projected 2022	Audited 2021
<b>ASSETS</b>			
Current Assets			
Cash	\$ 29,685,000	\$ 30,374,000	\$ 33,874,000
Patient accounts receivable, net of allowances	7,194,000	6,827,000	6,759,000
Supplies	1,165,000	1,008,000	537,000
Other current assets	889,000	847,000	781,000
<b>Total current assets</b>	<b>38,933,000</b>	<b>39,056,000</b>	<b>41,951,000</b>
Assets Limited as to Use			
Certificates of deposit	11,000,000	8,000,000	7,000,000
Board designated and other investments	12,730,000	11,390,000	10,630,000
Property and Equipment	67,731,000	64,231,000	62,870,000
Less accumulated depreciation	(41,424,000)	(38,389,000)	(35,632,000)
Net property and equipment	26,307,000	25,842,000	27,238,000
Other Assets			
Interest in net assets of Foundation	1,407,000	1,357,000	1,374,000
Other non-current assets	3,024,000	3,012,000	-
Investment in MRI Joint Venture	1,222,000	1,192,000	1,169,000
<b>Total assets</b>	<b>\$ 94,623,000</b>	<b>\$ 89,849,000</b>	<b>\$ 89,362,000</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Current portion of long-term debt	\$ 1,138,000	\$ 1,200,000	\$ 1,317,000
Accounts payable	1,612,000	1,496,000	1,106,000
Accrued salaries and related withholdings	1,146,000	1,245,000	1,061,000
Accrued vacation compensation	1,541,000	1,380,000	1,194,000
Accrued interest	26,000	29,000	37,000
Deferred revenue	101,000	101,000	103,000
CMS advance payments, current portions	-	-	4,591,000
Estimated third-party payor settlements	2,015,000	2,015,000	1,450,000
<b>Total current liabilities</b>	<b>7,579,000</b>	<b>7,466,000</b>	<b>10,859,000</b>
Deferred compensation liability	473,000	415,000	431,000
Long-Term Debt, net of current portion	7,558,000	8,720,000	10,923,000
<b>Total liabilities</b>	<b>15,610,000</b>	<b>16,601,000</b>	<b>22,213,000</b>
Net Assets			
Unrestricted	77,452,000	71,737,000	65,621,000
Temporarily restricted	1,561,000	1,511,000	1,528,000
<b>Total net assets</b>	<b>79,013,000</b>	<b>73,248,000</b>	<b>67,149,000</b>
<b>Total liabilities and net assets</b>	<b>\$ 94,623,000</b>	<b>\$ 89,849,000</b>	<b>\$ 89,362,000</b>

RWHC 2021 CAH Avg	RATIOS	Budget 2023	Projected 2022	Actual 2021
4.1	Current ratio	5.1	5.2	3.9
52	Days revenue in AR (net)	45	45	53
343	Days cash & investments on hand	388	401	435
9.2	Age of plant (years)	13.6	12.6	11.3
8.1	Debt service coverage ratio	5.9	5.8	3.9
0.5	Long term debt to equity	0.1	0.1	0.2

STOUGHTON HOSPITAL ASSOCIATION  
 INCOME STATEMENTS  
 Budget 2022 - 2023

	%			Percent of Total Gross Revenues				
	Budget 2023	Change from Projected 2022	Projected 2022	Budget 2022	Audited 2021	Budget 2023	Budget 2022	Audited 2021
<b>REVENUES</b>								
Patient service revenues:								
Inpatient	22,781,000	9.0%	20,898,000	20,742,000	18,670,000	14.2%	16.0%	15.1%
Outpatient	138,076,000	8.6%	127,197,000	108,830,000	104,576,000	85.8%	84.0%	84.9%
Total gross patient services revenues	160,857,000	8.6%	148,095,000	129,572,000	123,246,000	100.0%	100.0%	100.0%
Less contractual discounts	(100,327,000)	10.7%	(90,634,000)	(78,345,000)	(74,727,000)	-62.4%	-60.5%	-60.6%
Less charity care	(632,000)	4.3%	(606,000)	(355,000)	(376,000)	-0.4%	-0.3%	-0.3%
	59,898,000	5.4%	56,855,000	50,872,000	48,143,000	37.2%	39.3%	39.1%
Less allowance for uncollectible accounts	(1,547,000)	4.7%	(1,478,000)	(1,385,000)	(1,356,000)	-1.0%	-1.1%	-1.1%
<b>Net patient service revenues</b>	<b>58,351,000</b>	<b>5.4%</b>	<b>55,377,000</b>	<b>49,487,000</b>	<b>46,787,000</b>	<b>36.3%</b>	<b>38.2%</b>	<b>38.0%</b>
Contractual discounts %	-62.4%		-61.2%	-60.5%	-60.6%			
Other operating revenue	985,000	9.4%	900,000	781,000	917,000	0.6%	0.6%	0.7%
Contributions and grants	439,000	-29.5%	623,000	345,000	344,000	0.3%	0.3%	0.3%
Rental income	897,000	6.7%	841,000	838,000	844,000	0.6%	0.6%	0.7%
<b>TOTAL REVENUES</b>	<b>60,672,000</b>	<b>5.1%</b>	<b>57,741,000</b>	<b>51,451,000</b>	<b>48,892,000</b>	<b>37.7%</b>	<b>39.7%</b>	<b>39.7%</b>
<b>EXPENSES</b>								
Salaries	22,012,000	11.6%	19,716,000	18,961,000	18,366,000	13.7%	14.6%	14.9%
Employee Benefits	5,184,000	23.3%	4,203,000	4,940,000	4,322,000	3.2%	3.8%	3.5%
Professional fees	6,848,000	7.6%	6,365,000	6,250,000	5,567,000	4.3%	4.8%	4.5%
Purchased services	7,620,000	-0.7%	7,673,000	6,183,000	6,252,000	4.7%	4.8%	5.1%
Supplies	8,335,000	15.6%	7,211,000	6,345,000	6,023,000	5.2%	4.9%	4.9%
Interest	359,000	-13.5%	415,000	451,000	538,000	0.2%	0.3%	0.4%
Administrative and general	2,504,000	10.4%	2,268,000	2,207,000	1,990,000	1.6%	1.7%	1.6%
Insurance	275,000	22.8%	224,000	234,000	184,000	0.2%	0.2%	0.1%
Depreciation	3,035,000	-0.7%	3,056,000	3,080,000	3,151,000	1.9%	2.4%	2.6%
<b>Total expenses</b>	<b>56,172,000</b>	<b>9.9%</b>	<b>51,131,000</b>	<b>48,651,000</b>	<b>46,393,000</b>	<b>34.9%</b>	<b>37.5%</b>	<b>37.6%</b>
<b>Operating income</b>	<b>4,500,000</b>	<b>-31.9%</b>	<b>6,610,000</b>	<b>2,800,000</b>	<b>2,499,000</b>	<b>2.8%</b>	<b>2.2%</b>	<b>2.0%</b>
Other income (expense):								
Investment income	438,000	33.5%	328,000	238,000	758,000			
Unrealized gains (losses) on investments	282,000	-133%	(850,000)	296,000	796,000			
Equity in earnings of MRI joint venture	280,000	2.6%	273,000	229,000	265,000			
Gain (loss) on disposal of assets	-	-100.0%	(420,000)	-	-			
Paycheck Protection Program Loan Forgiveness	-	0%	-	-	4,065,000			
Provider Relief Funds	-	-100.0%	407,331	-	5,023,000			
<b>Excess of revenues over expenses</b>	<b>\$ 5,500,000</b>	<b>-7.4%</b>	<b>\$ 5,941,000</b>	<b>\$ 3,563,000</b>	<b>\$ 13,406,000</b>			
<i>Operating Margin</i>	7.4%		11.4%	5.4%	5.1%			
<i>Total Margin</i>	9.0%		10.2%	6.9%	26.9%			
Net patient revenue per APD	\$2,299	10.2%	\$2,087	\$1,839	\$2,580			
Salaries per APD	\$867	16.7%	\$743	\$705	\$1,013			
Benefits per APD	\$204	29.0%	\$158	\$184	\$238			
Supplies per APD	\$328	20.8%	\$272	\$236	\$332			
Other expenses per APD	\$874	8.0%	\$810	\$719	\$1,258			

**STOUGHTON HOSPITAL ASSOCIATION**  
**STATEMENTS OF CHANGES IN NET ASSET**  
**Budget 2022 - 2023**

	<b>Budget</b>	<b>Projected</b>	<b>Audited</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Unrestricted net assets:			
Excess of revenues over expenses	\$ 5,500,000	\$ 5,941,000	13,406,000
Net assets released from restrictions used for property and equipment	-	-	66,000
Contributions and grants for property and equipment	215,000	175,000	149,000
<b>Increase (decrease) in unrestricted net assets</b>	<b>5,715,000</b>	<b>6,116,000</b>	<b>13,621,000</b>
Temporarily restricted net assets:			
Restricted contributions	-	-	46,000
Change in interest in net assets of Foundation	50,000	(17,000)	91,000
Net assets released from restrictions used for property and equipment	-	-	(66,000)
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>50,000</b>	<b>(17,000)</b>	<b>71,000</b>
Change in net assets	5,765,000	6,099,000	13,692,000
Net assets, beginning	73,248,000	67,149,000	53,457,000
Net assets, ending	<b>\$ 79,013,000</b>	<b>\$ 73,248,000</b>	<b>\$ 67,149,000</b>

**STOUGHTON HOSPITAL ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**Budget 2022 - 2023**

	Budget	Projected	Audited
	2023	2022	2021
Cash Flows From Operating Activities			
Increase (decrease) in net assets	\$ 5,765,000	\$ 6,099,000	\$ 13,692,000
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Change in interest in net assets of Foundation	(50,000)	17,000	(91,000)
Depreciation	3,035,000	3,056,000	3,151,000
Amortization of debt issuance costs	26,000	28,000	31,000
Change in net unrealized gains and losses	(282,000)	850,000	(1,308,000)
Loss (gain) on disposal of property and equipment	-	420,000	(15,000)
Forgiveness of Paycheck Protection Program Loan	-	-	(4,065,000)
Uncollectible accounts	1,547,000	1,478,000	1,356,000
Contributions restricted for equipment acquisitions	(215,000)	(175,000)	(195,000)
Change in investment in Stoughton Hospital Imaging LLC	(280,000)	(273,000)	(265,000)
Distribution from SHI	250,000	250,000	200,000
Increase (decrease) from changes in:			
Patient accounts receivable, net	(1,914,000)	(1,546,000)	(3,500,000)
Supplies	(157,000)	(471,000)	158,000
Estimated third-party payor settlements	-	565,000	1,575,000
Other assets	(54,000)	(3,078,000)	(107,000)
Refundable advance	-	-	(5,023,000)
CMS advance payments	-	(4,591,000)	(1,238,000)
Accounts payable, accrued expenses and deferred revenue	233,000	847,000	272,000
<b>Net cash provided by (used in) operating activities</b>	<b>7,904,000</b>	<b>3,476,000</b>	<b>4,628,000</b>
Cash Flows From Investing Activities			
Acquisition of property and equipment	(3,500,000)	(2,080,000)	(1,562,000)
Proceeds from sale of property and equipment	-	-	58,000
Net sales (purchases) of certificates of deposit	(3,000,000)	(1,000,000)	-
Net change in assets limited as to use	(1,058,000)	(1,610,000)	768,000
<b>Net cash provided by (used in) investing activities</b>	<b>(7,558,000)</b>	<b>(4,690,000)</b>	<b>(736,000)</b>
Cash Flows From Financing Activities		29,000	
Proceeds from issuance of debt	-	-	-
Repayment of long-term debt	(1,250,000)	(2,348,000)	(1,298,000)
Contributions restricted for property & equipment	215,000	175,000	195,000
Payment of accounts payable for equipment & financing costs	-	(113,000)	(151,000)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,035,000)</b>	<b>(2,286,000)</b>	<b>(1,254,000)</b>
<b>Net increase (decrease) in cash</b>	<b>(689,000)</b>	<b>(3,500,000)</b>	<b>2,638,000</b>
Cash, beginning	<b>30,374,000</b>	33,874,000	31,236,000
Cash, ending	<b>\$ 29,685,000</b>	\$ 30,374,000	\$ 33,874,000

**STOUGHTON HOSPITAL ASSOCIATION**  
**STATISTICAL ANALYSIS**  
**Budget 2022 - 2023**

	Budgeted		Projected		
	2023	2022	2021	2020	2019
Inpatient revenue	22,781,000	20,898,000	18,670,000	23,420,000	27,476,000
Outpatient revenue	138,076,000	127,197,000	104,576,000	81,293,000	86,348,000
Total gross patient service revenue	160,857,000	148,095,000	123,246,000	104,713,000	113,824,000
Contractual discounts	(100,327,000)	(90,634,000)	(74,727,000)	(60,685,000)	(66,053,000)
<i>Contractual discount %</i>	<i>-62.4%</i>	<i>-61.2%</i>	<i>-60.6%</i>	<i>-58.0%</i>	<i>-58.0%</i>
Allowance for uncollectible accounts and charity care	(2,179,000)	(2,084,000)	(1,732,000)	(2,092,000)	(2,104,000)
Net patient service revenue	57,719,000	55,377,000	46,787,000	41,936,000	45,667,000
<i>Overall Collection %</i>	<i>35.9%</i>	<i>37.4%</i>	<i>38.0%</i>	<i>40.0%</i>	<i>40.1%</i>
<b>PATIENT SERVICES STATISTICS:</b>					
Inpatient admissions (Med Surg/ICU)	537	604	616	670	721
Inpatient admissions (GerPsych)	147	102	100	103	133
	684	706	716	773	854
Inpatient admissions per day (excluding Observation)	1.9	1.9	2.0	2.1	2.3
Average daily census (excluding Observation)	9.8	10.3	10.0	11.1	14.5
Average length of stay - Med/Surg/ICU	3.4	3.4	3.5	3.5	3.6
Average length of stay - GerPsych	12.0	11.6	15.6	16.6	20.5
Inpatient days - Med Surg/ICU	1,830	2,557	2,100	2,342	2,563
Inpatient days - GerPsych	1,764	1,187	1,558	1,714	2,722
	3,594	3,744	3,658	4,056	5,285
Equivalent outpatient days **	21,783	22,788	20,490	14,079	16,609
Adjusted patient days (IP days + Equivalent OP days)	25,377	26,532	24,148	18,135	21,894
Adjusted admissions	4,827	5,003	4,727	3,456	3,538
ER/Urgent Care Visits (including Oregon & McFarland)	30,990	32,560	20,126	20,811	23,141
** Equivalent outpatient days = Outpatient revenue/(Inpatient revenue/Inpatient days)					29,000
<b>OPERATING STATISTICS:</b>					
Net patient revenue per adjusted patient day	\$ 2,274	\$ 2,087	\$ 1,938	\$ 2,338	\$ 2,107
Compensation and benefits as a % of net patient service revenue	46.6%	43.2%	48.5%	52.0%	52.8%
Full-time equivalent employees (FTE'S)	253	237	227	222	261
Paid hours per adjusted patient day	20.70	18.57	19.57	25.45	24.81
Paid hours per adjusted admission	108.82	98.49	99.98	133.56	159.55
Supplies as a % of net patient service revenue	14.3%	13.0%	12.9%	11.6%	11.4%
Adjusted Occupied Beds	69.5	72.7	66.2	49.7	60.0
FTEs per Adjusted Occupied Beds	3.63	3.26	3.43	4.47	4.35





August 9, 2022

To the Board of Directors  
Stoughton Hospital Association  
Stoughton, WI

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of Stoughton Hospital Association (Hospital) as of and for the year ending September 30, 2022. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits, including significant risks we have identified.

As stated in our engagement letter dated August 9, 2022, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views relating to qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". Although we are currently in the planning stage of our audit, we have preliminarily identified the following significant risks that require special audit consideration.

**Management Override of Controls** – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the Hospital may have the ability to override controls that the Hospital has implemented.

**Revenue Recognition** – We identified revenue recognition as a significant risk due to the complexity associated with the recognition of revenue, including provider relief funds.

**Allowance for Implicit and Explicit Price Concessions** – We identified the allowance for implicit and explicit price concessions as a significant risk as the allowance is a significant estimate for the Hospital. Accounting guidance requires management to estimate the net realizable value of outstanding patient receivables. To establish the allowance, management uses historical loss levels applied to portfolios of accounts based on underlying insurance payor arrangements, their current knowledge of facts, and assumptions about the future.

**Estimated Third-Party Settlements** – We identified estimated third-party settlements as a significant risk since the laws and regulations governing the settlement program(s) are extremely complex and subject to interpretation. Accounting guidance requires management to estimate the remaining settlements based on both final and tentatively settled cost reports.

**Provider Relief Funds** – We identified the Provider Relief Funds as a significant risk as the funds are subject to various terms and conditions imposed by the Department of Health and Human Services. The recognition of the funds as revenue requires the Hospital to have met the required terms and conditions through estimates of the Hospital's lost revenues and identification of allowable costs by management, including considerations for whether those allowable costs are subject to reimbursement by other sources.

The financial statements include the financial statements of the Hospital, Stoughton Hospital Foundation (Foundation), Partners of Stoughton Hospital (Auxiliary) and Stoughton Hospital Imaging, LLC (Company). For the purposes of our audit, we consider the Hospital to be a significant component of the financial statements. We do not consider the Foundation, Auxiliary and Company to be significant components of the financial statements. Consistent with the audit of the financial statements as a whole, our audit will include obtaining an understanding of the Hospital, Foundation, Auxiliary and Company, and their environments, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the Hospital, Foundation, Auxiliary, and Company and to design the nature, timing, and extent of further audit procedures.

We expect to begin our audit in September 2022 and issue our report in December 2022.

This information is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa