

Minutes of May 28, 2024
San Joaquin Health Centers Board of Directors – Finance Committee

Board Members Present: Greg Diederich (Interim CEO); Brian Heck; Japleen Kaur (Finance); Karen Lee (Finance); Samantha Monks (Finance Chair)

Board Members Excused Absent: none

Board Members Unexcused Absent: none

SJHC Staff: Michael Allen (Board Clerk); Kris Zuniga

Guests: none

AGENDA ITEM	ATTACHMENTS	ACTION
<p>1. <u>Call to Order (Samantha Monks)</u> The meeting was called to order at 4:46 p.m. A quorum was established for today's meeting.</p>	No attachments	No action required
<p>2. <u>Approval of Minutes from 4/30/2024 (Samantha Monks)</u> Minutes from April 30, 2024 were approved unanimously.</p>	Finance Committee Minutes 2024-04-30	Karen motioned to approve the minutes from April and Samantha seconded; motion was approved unanimously
<p>3. <u>Presentation of Financials (Kris Zuniga)</u> Year-to-date (YTD) billable visits as of April 2024 are unfavorable to budget by 1,230 visits. The decline in visits is mainly related to vacant positions and physician turnover in FY24. Recruitment efforts are ongoing to fill the vacant positions. Net Patient Service Revenues for the month of April are unfavorable to budget by \$181,603. YTD Net Patient Service revenue includes a true up adjustment recorded for \$1,389,977 for FY2023 PPS reconciliations in December 2023. Also, YTD financials include a favorable adjustment of \$126,100 related to the true up of prior period payment received from DHCS in July 2023. YTD financials reflect an estimated YTD PPS liability accrual of \$250,000.</p> <p>In April, SJGH transferred funds for \$6,780,863 to SJHC related to the Due From SJGH outstanding balance for FY23, which is reflected as an increase in Cash And Cash Equivalents and a decrease in Other Assets categories on the Balance Sheet.</p> <p>YTD 340B pharmacy program revenues include supplemental payments received from Department of Health Care Services for \$735,778 and \$166,222 in February and March. Also, \$27,912 payment from CMS has been reflected on the YTD financials.</p> <p>YTD Supplemental Revenue includes the recognition of estimated Quality Incentive Program (QIP) revenue of \$13,757,173, which plays a significant role in the overall profitability of SJHC. YTD financials include the recognition of additional QIP Revenues for \$555,742 for PY5 (CY2022) and \$5,310,715 for PY6 (CY2023) and \$932,121 from January through April for PY7 (CY2024) based on the updated information received in February. Also, YTD financials include an estimated \$3,000,000 adjustment recorded as a QIP Revenue Reserve.</p> <p>YTD financials include Capitation Revenue of \$5,242,529 and Managed Care Incentives revenue of \$507,297. A HEDIS incentive</p>	CFO Presentation – 2024-04; Finance Narrative – 2024-04	No action required

payment of \$503,092 was received in December 2023 related to calendar year 2022 performance.

YTD combined Grants Revenue includes revenues for CCAEC, Exact Sciences Focus Program, ARPA, ACE/Practice, Test-To - Treat Equity, KP Health Connect, Heluna Health, HRSA Expanding Covid Vaccinations, SOR3, Path Cited, Discovery Challenge Academy, ECM, and HHIP Street Medicine grants for \$2,570,196. April 2024 combined grant revenues are unfavorable compared to budget by \$432,663 mainly due to the reversal of ARPA grant revenues recognized in prior period. Based on the updated guidance received in April 2024, an unfavorable adjustment for \$735,360 has been recorded in April 2024 to reverse the ARPA grant revenues that were recorded in September 2023 related to the reimbursement of rent expenses from July 2022 through September 2024 for clinics located at French Camp and California Street locations. Also, ARPA grant revenues related to the reimbursement of pension costs for \$204,576 from April 2023 through April 2024 have been recognized in April 2024. YTD combined grant revenues are unfavorable to budget by \$1,805,041 mainly due to an underperformance of grant portfolio.

The 340B Pharmacy program revenue of \$2,598,856 has been reflected in the YTD financials and is higher than the budget by \$1,177,294. The increase in 340B program revenues is mainly due to the recognition of CVS pharmacy related revenues for \$361,005 along with supplemental payments received from DHCS for 902,000 on the YTD financials.

Other Revenue includes revenues accrued for \$503,304 related to Purchased Services provided to SJGH by SJHC per the MOU. YTD Interest income for \$665,843 has been reflected on the financials, which is favorable compared to budget by \$609,402 mainly due to higher cash balance contained within the County Treasury.

Total YTD Operating Revenue is favorable to budget by \$3,542,808 primarily due to the favorable QIP adjustments recorded in January and February.

Salaries and Benefits expenses exhibit a favorable variance to budget by \$1,793,178 which is mainly related to lower benefits expense. For purposes of annual budgeting, per SJ County direction, county employees purchased by SJHC were budgeted at 66% benefits cost to salaries. Year-to-date actual benefits cost as a percentage of salaries, as of April 2024 is 44%.

Other operating expenses exhibit an unfavorable variance of \$1,221,942 largely due to an unfavorable variance for \$2,432,827 in Professional Fees, Dues, Repairs, Telephone, Insurance, Travel, Utilities, and Advertising expenses offset by a favorable variance of \$1,210,885 reflected in the Purchased Services, Supplies, Depreciation, Interest, Office, Rent and other expense categories. An estimated accrual for the Purchased Services is recorded for July through April based on the MOU with the County for services purchased from San Joaquin General Hospital. YTD total Operating Expenditures are favorable to budget by \$571,236.

Unaudited, as presented, Net Income of \$4,842,170 on a year-to-date basis represents a favorable variance of \$4,114,044 as

<p>compared to budgeted Net Income of \$728,126. YTD Net Income is favorable mainly due to the recognition of unbudgeted revenues related to PPS reconciliations for prior periods for \$1,516,077, Managed Care Incentive payments for \$503,092, and QIP revenue related adjustments for \$6,798,578 for PY5, PY6 and January through April 2024 for PY7 partially offset by an increase in the QIP revenue reserve of \$3,000,000.</p> <p>Capital Link fiscal year benchmarks were reviewed, showing Operating Margin at 10.7% against a goal of >3%, Bottom Line Margin at 10.9% against a goal of >3%, Days Cash on Hand at 210 against a goal of >45 days, Days in Net Patient Receivables at 34 against a goal of <60 days, and Personnel-Related Expenses at 73% against a goal of <70%.</p>		
<p>4. <u>Fiscal Year 2025 Budget Presentation (Kris Zuniga)</u></p> <p>Assumptions are that we will have 162,162 visits with a revenue of \$32.5 million, that we will achieve 75% of available QIP pool with a revenue of \$15.2 million, that we will have 45k members enrolled with SJ Health for a capitation revenue of \$6.2 million, that we have 5 grants awarded for \$1.5 million in revenue, and \$3.9 million in other revenue for a total of \$59.2 million.</p> <p>We have budgeted \$41.5 million for clinical expenses, \$1.5 million in grant/MOU-related expenses, and \$15.5 million in support expenses for a total of \$58.5 million.</p> <p>We have added 41 new positions for a total of 213 full-time FTEs.</p> <p>Projected net income is \$628,560, with a projected ending cash balance of \$35,969,301 on 6/30/25.</p> <p>Capital outlay for French Camp colocation project and backup power at 3 sites will total \$259,070.</p>		<p>No action required</p>
<p>5. <u>Adjournment (Samantha Monks)</u></p> <p>There being no further topics of discussion, Samantha adjourned the meeting at 5:34 p.m.</p>	<p>No attachments</p>	<p>No action required</p>