AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES' MEETING
TUESDAY, JANUARY 19, 2016 – 6:00 P.M.
CITY COUNCIL CHAMBERS
410 AVALON CANYON ROAD
A G E N D A

In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact Denise Radde, City Clerk (310) 510-0220. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35. 102-35.104 ADA Title II). All public records relating to an agenda item on this agenda are available for the public inspection at the time the records are distributed to all, or a majority of all, members of the Board of Trustees. Such records shall be available at City Hall located at 410 Avalon Canyon Rd.

CALL TO ORDER / ROLL CALL / ANNOUNCEMENTS / WRITTEN COMMUNICATIONS

PRESENTATION - None

ORAL COMMUNICATION
The Board of Trustees will accept comments from the public at this time. No action will be taken on non-agenda items at this meeting. Speakers should limit comments to three (3) minutes each.

CONSENT CALENDAR

1. Board of Trustee's Actions
   Although the live recording of the meetings is the official record, Board actions are also prepared by the City Clerk.
   Recommended Action
   Approve the December 15, 2015 Hospital Board of Trustees Actions.

2. Chief Executive Officer's Board Report and Chief Financial Officer's Report
   Attached for the Avalon Medical Development Corporation (AMDC) Board of Trustees' review:
   - The CEO's Board Report for September 18, 2015 and October 22, 2015
   - The CFO's Financial Statement for August, 2015 and September, 2015

   Recommended Action
   Receive and file the reports.

GENERAL BUSINESS - None

CHAIR'S REPORT / MEMBER REPORT

ADJOURN

NOTICE OF POSTING
I, Denise Radde, declare that the Hospital Board of Trustees Agenda for January 19, 2016 was posted on Friday, January 15, 2016, on the City's website www.cityofavalon.com, and at City Hall, 410 Avalon Canyon Road. Copies of agendas and staff reports are available at City Hall.

Denise A. Radde, City Clerk / Chief Administrative Officer

AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES

MEETING DATE: January 19, 2016 **AGENDA ITEM:** 1

ORIGINATING DEPT: Administration **CITY MANAGER:** DR

PREPARED BY: Denise Radde, City Clerk

SUBJECT: Avalon Municipal Hospital Board of Trustees Actions

RECOMMENDED ACTION(S): Approve the December 15, 2015 Avalon Municipal Hospital Board of Trustees Actions.

REPORT SUMMARY: Although the live recording of the meeting is considered to be the official record, actions of the meeting are prepared for the Board's approval.

FISCAL IMPACTS: N/A

GOAL ALIGNMENT: Not aligned.

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION(S): N/A

FOLLOW UP ACTION(S): File the actions.

ADVERTISING, NOTICING AND PUBLIC CONTACT:
This item was properly listed on the posted agenda pursuant to the Brown Act.

ATTACHMENTS: Avalon Municipal Hospital Board of Trustees Actions.

AVALON MUNICPAL HOSPITAL BOARD OF TRUSTEE'S MMEETING
TUESDAY, DECEMBER 15, 2015
ACTIONS

CALL TO ORDER at 9:31 p.m.

ROLL CALL-Present: Chairman Oley Olsen, Trustees Anni Marshall, Cinde Cassidy, Richard Hernandez, and Joe Sampson.

PRESENTATION - None

CONSENT CALENDAR
There were two items on the Consent Calendar. Motion to approve Items 1 and 2 by Trustee Marshall, seconded by Trustee Sampson. (All Ayes)

1. Board of Trustee's Actions
   Approved the September 15, 2015 Hospital Board of Trustees Actions.

2. Chief Executive Officer's Board Report and Chief Financial Officer's Report
   Received and filed the following reports:
   - The CEO's Board Report for November 17, 2015
   - The CFO's Financial Statement for October, 2015

GENERAL BUSINESS - None

ADJOURNED at 9:35 p.m.

I, Denise Radde, City Clerk of the City of Avalon, do hereby certify that the DVD videotape of the City Council Meeting, Hospital Board of Trustee's Meeting, on December 15, 2015, is the official record of that Meeting and is on file and maintained in City Hall.

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Denise A. Radde, City Clerk/Chief Administrative Officer

AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES

MEETING DATE: January 15, 2016 **AGENDA ITEM:** 2

ORIGINATING DEPT: Administration. **CITY MANAGER:** DR

PREPARED BY: Denise Radde, City Clerk

SUBJECT: CEO's Board Report and CFO's Monthly Financial Statement

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RECOMMENDED ACTION(S): Receive and file the reports.

REPORT SUMMARY: Attached is a copy of Bryan Ballard's CEO Board Report to the Board of Directors for September 18, 2015 and October 22, 2015; and CFO's Financial Statement for August, 2015 and September, 2015.

FISCAL IMPACTS: N/A

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION(S): N/A

GOAL ALIGNMENT: Not aligned.

FOLLOW UP ACTION(S): File the actions.

ADVERTISING, NOTICING AND PUBLIC CONTACT: This item was properly listed on the posted agenda pursuant to the Brown Act.

ATTACHMENTS: CEO's report to the AMDC Board of Directors and the CFO's Financial Statement.

CATALINA ISLAND MEDICAL CENTER
Chief Executive Officer's Report
September 18, 2015

Medical Staff

With the announced departures of Drs. Mellon (September 30) and Norton (November 30), our Medical Group Manager has addressed the MGO and ED slots for the remainder of the year. The majority of those positions have been filled by two excellent physicians with strong emergency medicine skills. Between the two of them they represent experience in serving as the MercyAir regional medical director in the greater San Diego area, faculty for over 20 years in emergency medicine at UCSD, faculty ties to the UCI School of Medicine, and extensive experience in resuscitation/cardiac case management. Those slots not covered by them will be filled-in by locums with Catalina experience. The shifts for the remainder of calendar year 2015 have been addressed.

On Friday of this week I will be meeting with the department head of emergency medicine and faculty to discuss future coverage and referral opportunities. Interest has been expressed in being available to fill Dr. Mellon's slot with a combination of the above two individuals and a combination of one or two others from UCI with extensive emergency background. There is also an interest in exploring means of increasing the availability of specialists for identified needs on the Island as well as looking at a rural residency track for students to rotate through CIMC similar to the arrangement with Downey.

For Dr. Norton's position, I've contracted with a national recruiter with a very strong presence in Southern California to for a boarded family practice physician. Mailings have gone out to approximately 5,000 targeted FP physicians describing our opportunity. The expectations for this position are that the individual will be a full-time resident of the Island. The recruiter has begun sourcing candidates in advance of the mailing. Expectations are that I'll start seeing candidates in a few weeks. Our opportunity is very appealing and should resonate well with the field; however, recognizing organized corporate medicine places a high premium on family practice so there are a lot of organizations looking for this specialty.

A farewell event is scheduled for Dr. Mellon at the Buffalo Nickle on Thursday September 24 at 6:00 p.m. The community has been invited to attend. An event honoring Dr. Norton will be scheduled closer to her departure date.

Community Needs Assessment

All is in readiness to kick-off with our community this most important step in the hospital looking to the future as to how to better serve our residents and visitors. We've scheduled eleven focus groups, the largest number our project director has ever conducted for a single engagement, but I think this approach is vital for feedback in our community as opposed to a written survey approach. The first group will be Sunday evening for the Hispanic Parish of Saint Catherine's. I'm told there are about ninety members of our community who attend this service. I've asked Father Peronne to participate as well and he has also agreed to serve as our translator. Rochelle will be meeting with the Board at its Tuesday meeting to give an update. She will be wrapping up her presence on the Island on Thursday.

CEO Recruitment

With the Board's approval of the Leadership Profile at your last meeting, Mark has activated the powerful resources within the Witt/Kieffer organization to begin identifying candidates. As you can imagine this position generates interest on the part of many but his expertise comes into play in sorting out potential candidates, not just applicants. The principle thrust has been directed toward the West and understandably a higher interest level has come from California. He is getting good results with his efforts thus far and all is moving ahead according to the plan.

Chief Patient Care Services

With David's announced resignation effective October 2, the recruiter who brought him to has begun sourcing candidates. We've also begun evaluating the resumes of other candidates who were a part of the prior search. I've had Krista place notices in the Southern California market as well as with California nurse leadership circles. The advantage of ad placement today is accessibility through the World Wide Web from virtually any location. Given the fact that time is short and while I don't expect the search to be protracted, I've begun sourcing for an interim CPCS.

Hospital Generator

I've previously described the miscommunication between OSHPD and our engineering firm. That got sorted out and the revised plans addressing the OSHPD plan check are expected to be completed and submitted next week. The next plan review should be fairly brief. There have been no recent communications to us from the air resource's district.

After your approval of the generator application proposal at your August 25 meeting, that draft document was submitted to the City of Avalon for its consideration. I understand it is under review.

Program BETA Risk Assessment

The hospital's professional liability coverage is with Program BETA. They serve over one hundred hospitals in California very effectively. One of their services that I've used frequently is a liability risk audit. This is a free service offered to its members. It's been a few years since such an audit has been conducted here and so I had them come in on September 10 and 11. They examined nursing documentation, quality assurance process, drug administration methodology, etc. In addition to the survey a detailed inservice was provided for staff primarily addressing EMTALA (Federal protocols for how emergency patients are handled). This session was very well attended by many of our nurses who work in emergency as well as our medical staff and registration staff. At the conclusion of the survey an in-depth exit conference was held. A written report will be provided to our Quality Assurance Department for processing with our medical staff.

Physical Therapy

The department has been busy serving our community. We have a full-time employee; a registry member who has been with us for two weeks and will be with us for four additional weeks; a registry staff member who is with us 3-4 days per week; and we're expecting a full-time PT to move to the Island October 1. In addition to serving our patients, David has undertaken the project of getting all documentation current and has gotten very good results. PT recruitment, retention and management of the department have historically been a challenge for the Island given its volume and desired staffing. I've been evaluating a rehabilitation company I learned of through David to address this chronic issue. Under the provisions of the agreement they would manage the department and be responsible for the employees. Under the terms we've been able to negotiate not only will there be greater assurance of a stable operation but it makes a positive improvement in its financial performance.

Department of Health Care Services

There has been no further communication from the Department since the July 31, 2015 communication regarding the pay back issue.

CATALINA ISLAND MEDICAL CENTER
Chief Executive Officer's Report
October 22, 2015

Information Technology Upgrades

This past month has probably been the most significant scope of change we've had in the EMR since we installed the software in 2010. The finesse with which all handled the transition was phenomenal. A huge tip-of-the-hat to Jami and Leah in IT; Amy and Sal in the MGO; the entire nursing staff; the medical staff; Pixie in Medical Records; our Receptionist Staff; and John in Finance.

The first new element introduced was a complete transition to the EMR in the ED. There are elements of it that have been in play since the initial install but the complete record as performed by the physician had not been undertaken. This was done on October 1. Our physicians did a great job with strong support from nursing. At times it appeared we had a small committee of five or so individuals working with the doctor to complete the record.

Also on October 1 we, along with the other 5,000 hospitals in the United States, switched over from an older version of how patients are assessed or treated to a newer version called ICD-10 (International Classification of Disease, version 10). Every step of a patient's findings is assigned a code. The old system had about 10,000 codes in it whereas the new system has in the neighborhood of 175,000 codes. To help with this we've transitioned our Medical Records Manager from her typical duties to a CDI Specialist (Clinical Documentation Improvement) whose job is to ensure the physician uses the new current code for the diagnosis and other relevant indicators. These codes are on what we submit to third party payers and from which they determine how much they are going to pay us so their accuracy is vital to the hospital and its financial position. Since we're on EMR, we can now have our coding performed remotely thereby making staff time available for more local patient centered services.

The third change was the introduction of new software used by the physician and staff in the MGO for recording patient clinical findings. The original format implemented in 2010 had some awkwardness to it that in time the new will make it easier for our physicians and ultimately benefit the patient. Our doctors were oriented to the software but then needed to just dig in and start using it. This resulted in delays the first week as individuals were adjusting to the system but it ultimately has worked out.

Department of Health Care Services Repayment

We've received the final agreement documents for CIMC to repay to the State the $614,000 owed as a consequence of a reversal position taken by the State on two different programs dating back to 2002. The documents represent the terms agreed to by the AMDC Board and will be acted on at the October 27 meeting. The agreement provides for repayment over thirty years with no interest charged and an annual payment of $20,000.

Physician Recruitment

We had a good test of our reserve ED physicians I brought in from the staff of San Bernardino County Emergency Medicine Program this past week. We had a last minute

cancellation on our physician coverage panel and needed to draw in additional resources. The previously established pool of physicians had atrophied so we got busy and developed new sources. These were seasoned (ten years or more) ED physicians who did well with our patients, our EMR and our staff and will definitely be a source for future needs.

For Dr. Norton's position, I interviewed a physician on Monday currently practicing in Northern California who is mid-career, boarded in family practice and has had excellent medico-administrative responsibilities at his current site. He and his wife have been there ten years but now, with a child in school at UCI and another at UCSD, they're ready to leave for new adventures. My conversation with him was very good and we're working toward an early interview date for him and his wife in November. There's another CV in the works that I've not seen yet but it sounds similar to the forgoing. The only difference he is in the greater Los Angeles Area and I'm told he and his wife have always wanted to live on Catalina! I know there are others in the que and will be forthcoming shortly. This search was formally initiated the first of September and appears to be ahead of a time line I'd ordinarily expect for a search of this nature.

Chief Patient Care Services

I engaged a noted west coast search firm the first of October to conduct this search. They not only are healthcare oriented but have a major thrust toward director/manager and C-Suite positions. The CEO conducting the search was on-Island October 1 for the site assessment. She has a very thorough approach and has already presented a qualified candidate with others in the wings.

Catherine has adapted to her responsibilities quickly not only due to her extensive background and experience but her previous successful time with us. Issues of policy establishment and inservice, availability for consultation, consistency of practice, organizational communication and accountability on a daily performance basis have enabled her to quickly establish her positive presence.

BLG Culture of Caring

In 2009 CIMC embarked on a culture transformation initiative supported by the AMDC Board to redirect the organization's attitudes toward patients, one another and the community. It was a formalized two year project but indeed is a life-long initiative. While the culture we desired to achieve still beats strong, given the fact it has been three years since issues of customer satisfaction have been addressed for the initial graduates and that we have several new employees who have never had the formal experience, the CIMC CARES Team has been seeking a means of revisiting this program. I've revisited with the "coach" who worked with us collectively and individually for those years and have arranged for a two day session on November 10 and 11. There will be multiple formats and audiences (nursing staff, registration staff, etc.) with targeted information and guidance as well as broader information for the staff as a whole. Since this AMDC Board has not had the chance to participate in the program on a

first-hand basis we've been able to set aside Tuesday November 10 from 4:00 p.m. to 5:00 p.m. for the members to be given a special presentation regarding their own role in our overall culture. At this month's Foundation Board meeting I was given the opportunity to present this financial need and they generously agreed to pay for almost one-half of this two day program. Carol was most supportive because of her own observations of the changes that occurred in our attitudes as a result of the lessons learned from the curriculum and in-service sessions.

Community Needs Assessment

All the focus groups went well and even before we've received the formal report we have started addressing some of the community identified issues. Last week the employees participated in their part of the survey and their information has been forwarded to Rochelle. On Monday of this week we began a two week period of surveying our patients with a written survey. When completed those surveys will be incorporated into the report along with geographically relevant environmental elements. We're scheduled to receive the report at the end of November.

Rehabilitation Services

We have two full-time physical therapists and two that we get through agencies. They do well in working together interacting with our patients. Catherine is looking at expanding the daily hours of operation and this week has started providing services on Saturday.

At last month's meeting you approved entering into a contract with Brighton Rehabilitation Services. Thus far the contract has not been signed, not due to any action or inaction on the part of CIMC, their corporate office simply has not advanced the agreement. It's a mystery to us as well as those with Brighton we've talked with. I know they went through some major corporate change about two months ago and perhaps it is in some way related to that but it is a bit of a mystery. In the meantime there is not an immediate downside for us.

Emergency Generator

There is no new information from OSHPD on our plans. When we do get word I expect there will be approval and word could come any day. We do continue to have exposure from a compliance standpoint with the air quality resource board but there simply is nothing we can do about it at this point and would be able to describe what we've done to address the need to replace the generator.

You'll recall the City of Avalon requested we prepare an approach whereby the City might participate in the purchase of the generator. The grant approach was presented to you in August and following your approval was transmitted to the City. This week there was a communication from a staff member clarifying aspects of the proposal and a request we consider expanding the covered lives to residents of the Island. We would not be able to do that because of federal pricing laws as related to Medicare and commercial insurance companies.

CFO REPORT FOR AUGUST, 2015

I. FINANCIAL STATEMENTS FOR AUGUST, 2015

August

Net patient revenue was over budget for August by $75,797 (12%).
Gross revenue was over budget by $48,833(3%) (See box below)
Deductions from revenue were underr budget by $26,963(5%).
Including:

- Contractual allowances were under by $34,072(5%)
- Provision for bad debt was over by $4,505(3%).
- Charity care was over by $3,260(17%).
- Administrative allowances were under budget by $656(2%)

Gross inpatient revenue was under by $9,967(3%) in August despite to having 41 swing and acute days vs. a budget of 16.
Gross outpatient revenue was under by $11,555(3%).
Gross Emergency Room revenue was over by $70,356 (9%) due to E/R visits being over budget by 22(11%).

YTD

Net patient revenue was over budget YTD by $98,099 (4%).
Gross revenue was over budget by $112,122(3%) (See box below)
Deductions from revenue were over budget by $14,023(3%).
Including:

- Contractual allowances were over by $11,761(3%)
- Provision for bad debt was under by $7,692(3%).
- Charity care was under by $2,400(6%).
- Administrative allowances were over budget by $12,354(25%)

Gross inpatient revenue was over by $54,382(10%)YTD due to having 114 swing and acute days vs. a budget of 32.
Gross outpatient revenue was under by $23,181(3%).
Gross Emergency Room revenue was over by $80,921 (4%) with E/R visits being under budget by 1.

August 2015	Deductions from Revenue and Misc Stats		
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	119,505	115,000	(4,505)
Contractual Allowances	641,682	675,754	34,072
Charity and Admin Allowances	45,315	42,711	(2,604)
Acute and Swing Bed days	41	16	25
Medicare Utilization	100%	100%	0%
Clinic Visits	455	471	(16)
ER Visits	223	201	22
Net Rev as a % of Gross Revenue	45.60%	41.90%	3.70%
Expenses as a % of Gross Revenue	50.91%	43.20%	-7.71%

AUGUST 2015			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	$ 73,906	$ 34,969	$ 38,937
SNF	$ 87,210	$ 75,943	$ 11,267
CT Scan revenue	$ 28,034	$ 27,776	$ 258
Laboratory revenue	$ 6,336	$ 31,101	$ (24,765)
Ultrasound revenue	$ 28,466	$ 20,819	$ 7,647
Pharmacy revenue	$ 22,251	$ 27,705	$ (5,454)
Physical therapy revenue	$ 743	$ 17,552	$ (16,809)
Other revenue	$ 14,965	$ 36,013	$ (21,048)
Total I/P revenue	$ 261,911	$ 271,878	$ (9,967)
Outpatient revenue			
CT Scan revenue	$ -	$ 21,829	$ (21,829)
Physical therapy revenue	$ 77,530	$ 115,513	$ (37,983)
Lab revenue	$ 100,541	$ 74,681	$ 25,860
Radiology revenue	$ 26,887	$ 26,903	$ (16)
Clinic revenue	$ 130,929	$ 120,354	$ 10,575
Other revenue	$ 34,002	$ 22,164	$ 11,838
Total O/P revenue	$ 369,889	$ 381,444	$ (11,555)
Emergency Room revenue			
Emergency room revenue	$ 402,211	$ 379,737	$ 22,474
CT Scan revenue	$ 193,432	$ 151,301	$ 42,131
Laboratory revenue	$ 114,033	$ 116,724	$ (2,691)
Radiology revenue	$ 55,913	$ 54,656	$ 1,257
Other revenue	$ 85,492	$ 78,307	$ 7,185
Total E/R revenue	$ 851,081	$ 780,725	$ 70,356
Total Gross Revenue	$ 1,482,881	$ 1,434,047	$ 48,833

Other operating revenue was under budget for the month by $7,127.

Operating expenses were over budget by $134,387(21%) in August. Operating expenses represented 50.9% of gross revenue compared to the budgeted amount of 43.2% in August. Gross patient revenue was over budget by 3% while operating expenses are 21% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF August	YTD
SALARIES	$ (19,130)	$ (38,773)
EMPLOYEE BENEFITS and HOUSING	$ (9,155)	$ (26,705)
PRO FEES	$ 3,811	$ (11,161)
SUPPLIES-General	$ (18,957)	$ (13,982)
SUPPLIES-Pharmacy	$ 2,749	$ (2,539)
SUPPLIES-Food	$ 794	$ 628
PURCHASED SERVICES-Repairs	$ (12,736)	$ (1,835)
LICENSES/TAXES	$ 207	$ (58)
Depreciation	$ 2,685	$ 5,170
TRAVEL	$ 1,228	$ (697)
UTILITIES	$ (2,519)	$ (4,313)
PURCHASED SERVICES-Other	$ (32,294)	$ (27,713)
Dues and subs	$ 238	$ 685
OTHER EXPENSES	$ (52,954)	$ (70,685)
TOTAL	$ (136,033)	$ (191,978)

Salaries-Lab ($2K, $5K YTD), Clinic ($2K,$10K), Radiology($1K, $5K YTD), Dietary($1K, $2K YTD)
Employee benefits-($21K YTD)
Professional fees-Physicians ($1K, $11K YTD), Patient Acct($3K YTD) Legal Fees ($4K, $5K YTD)
Purchased Services- IT($10K YTD)
Other expenses-HR Recruiting ($47K, $63KYTD), PT($11K, $19K YTD)

Net Operating Income was $65,718 under budget for August.

Non-operating revenue and expense was under budget by $23,598 for August.

The financial position remains strong even with working capital decreasing by $15,067 with net days in accounts receivable decreasing to 81 days while gross days decreased to 74 days. We are working with our new billing company to improve the process. Cash and LAIF funds increased by $590,963 from July. Net patient accounts receivable decreased by $33,935 from July. Medicare settlement accounts decreased $497,997 from July. Accounts payable decreased by $39,502 and current liabilities increased by $33,404 from July.

DESCRIPTION	AS OF August 31, 2015	AS OF July 31, 2015	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	$ 4,126,713	$ 4,108,376	$ 18,337
CURRENT LIABILITIES	$ (608,098)	$ (574,694)	$ (33,404)
WORKING CAPITAL	$ 3,518,615	$ 3,533,682	$ (15,067)

II. New developments (Not reflected in the financial statements)

- **Electronic Medical Records (EMR)-** The EMR project continues to be addressed. We will be reimbursed for most costs associated with the EMR project by the government for expenses incurred after February 17, 2009. We have invested $1,935,183 in this project as of August 31, 2015. CPSI is certified by the government for its EMR product. We have filed an appeal through the cost report process and it will be reviewed during the Medicare audit. . We believe that we are due between $250,000 and $300,000 in additional reimbursement.

- **ICD -10 Conversion-** We have entered into a contract with CPSI to provide the training for Physicians and other employees to meet the new ICD-10 requirements that has again been delayed until October 1, 2015. CPSI tested their system readiness for this conversion in March. There were no issues with CPSI. They tested again in July. We have begun to schedule training for our physicians and nurses in September with CPSI. This will be an intensive two weeks of training on ICD-10 and CPSI functions. This is being done to ensure that we are capturing all charges and that we are ready for the ICD-10 conversion. We will be ready for the conversion before the deadline.

- **Billing Company-** Cross America Financial, LLC took over our billing and collection function on October 1, 2014. We have terminated our agreement with CAF effective September 1, 2015 We have entered into an agreement with PM

Nagel and Associates to provide our biling and collection services. We have been working with this company since February 2015. Please see Accounts Receivable Improvement Plan for an update on this process.

- **Electronic Medical Records Audit**-We have contacted Noridian regarding completion of the audit. They responded that they have not yet reviewed the information that we sent to them.

- **AAA Grant Audit**-Auditors contracted by the County of Los Angeles were on site to conduct an audit of the AAA grant. This grant provides funds for CIMC personnel to provide home help services. We provided additional information to them as requested.

- **DHCS Settlement**-CIMC agreed to payment terms with DHCS on the debt owed to them. CIMC will pay $20,000 per year until the debt is paid. This will take over thirty years. There is no interest on this payment plan.

- **Annual Audit**-TCA Partners, LLC was on site to conduct the annual independent audit for the year ended June 30, 2015. He will be presenting the findings at the October board meeting. There have been no adjustments proposed as of today.

CFO REPORT FOR SEPTEMBER, 2015

I. FINANCIAL STATEMENTS FOR SEPTEMBER, 2015

September

Net patient revenue was over budget for September by $107,375 (17%).
Gross revenue was over budget by $234,683(17%) (See box below)
Deductions from revenue were over budget by $127,308(17%).
Including:

- Contractual allowances were over by $155,303(5%)
- Provision for bad debt was under by $26,017(22%).
- Charity care was under by $2,257(12%).
- Administrative allowances were over budget by $279(1%)

Gross inpatient revenue was over by $70,361(25%) in September due to having 29 swing and acute days vs. a budget of 15.
Gross outpatient revenue was over by $85,923(22%).
Gross Emergency Room revenue was over by $78,398 (11%) due to E/R visits being over budget by 10(6%).
Days Cash on hand at September 30, 2015 was 60.7 days compared to 73 days at August 31, 2015.

YTD

Net patient revenue was over budget YTD by $205,474 (11%).
Gross revenue was over budget by $346,805(7%)
Deductions from revenue were over budget by $141,331(5%).
Including:

- Contractual allowances were over by $167,065(7%)
- Provision for bad debt was under by $33,709(9%).
- Charity care was under by $4,658(8%).
- Administrative allowances were over budget by $12,633(17%)

Gross inpatient revenue was over by $124,744(15%)YTD due to having 143 swing and acute days vs. a budget of 46.
Gross outpatient revenue was over by $62,741(5%).
Gross Emergency Room revenue was over by $159,319 (4%) with E/R visits being over budget by 9.

September 2015	Deductions from Revenue and Misc Stats		
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	88,982	115,000	26,018
Contractual Allowances	706,058	550,754	(155,304)
Charity and Admin Allowances	40,733	42,711	1,978
Acute and Swing Bed days	29	15	14
Medicare Utilization	100%	100%	0%
Clinic Visits	392	488	(96)
ER Visits	180	170	10
Net Rev as a % of Gross Revenue	46.00%	46.00%	0.00%
Expenses as a % of Gross Revenue	47.20%	47.70%	0.50%

SEPTEMBER 2015			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	$ 53,172	$ 34,969	$ 18,203
SNF	$ 88,920	$ 75,943	$ 12,977
CT Scan revenue	$ 62,810	$ 27,776	$ 35,034
Laboratory revenue	$ 15,139	$ 31,101	$ (15,962)
Ultrasound revenue	$ 27,353	$ 20,819	$ 6,534
Pharmacy revenue	$ 29,925	$ 27,705	$ 2,220
Physical therapy revenue	$ 38,790	$ 17,552	$ 21,238
Other revenue	$ 26,131	$ 36,013	$ (9,882)
Total I/P revenue	$ 342,240	$ 271,878	$ 70,361
Outpatient revenue			
CT Scan revenue	$ -	$ 21,829	$ (21,829)
Physical therapy revenue	$ 235,022	$ 115,513	$ 119,509
Lab revenue	$ 70,487	$ 74,681	$ (4,194)
Radiology revenue	$ 28,562	$ 26,903	$ 1,659
Clinic revenue	$ 117,327	$ 120,354	$ (3,027)
Other revenue	$ 15,969	$ 22,164	$ (6,195)
Total O/P revenue	$ 467,367	$ 381,444	$ 85,923
Emergency Room revenue			
Emergency room revenue	$ 337,452	$ 321,171	$ 16,281
CT Scan revenue	$ 151,695	$ 127,966	$ 23,729
Laboratory revenue	$ 113,736	$ 98,722	$ 15,014
Radiology revenue	$ 56,636	$ 46,226	$ 10,410
Other revenue	$ 79,193	$ 66,229	$ 12,964
Total E/R revenue	$ 738,712	$ 660,314	$ 78,398
Total Gross Revenue	$ 1,548,319	$ 1,313,636	$ 234,683

Other operating revenue was over budget for the month by $2,747.

Operating expenses were over budget by $103,774(16%) in September. Operating expenses represented 47.2% of gross revenue compared to the budgeted amount of 47.7% in September. Gross patient revenue was over budget by 17% while operating expenses are 16% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF September	YTD
SALARIES	$ (5,983)	$ (44,757)
EMPLOYEE BENEFITS and HOUSING	$ 462	$ (26,244)
PRO FEES	$ (7,635)	$ (18,796)
SUPPLIES-General	$ (1,747)	$ (15,729)
SUPPLIES-Pharmacy	$ (1,834)	$ (4,374)
SUPPLIES-Food	$ (320)	$ 307
PURCHASED SERVICES-Repairs	$ 3,514	$ 1,678
LICENSES/TAXES	$ 965	$ (213)
Depreciation	$ 2,685	$ 7,856
TRAVEL	$ 1,589	$ 901
UTILITIES	$ (2,317)	$ (6,630)
PURCHASED SERVICES-Other	$ (44,521)	$ (72,234)
Dues and subs	$ 447	$ 1,133
OTHER EXPENSES	$ (47,544)	$ (118,230)
TOTAL	$ (102,239)	$ (295,332)

Salaries-Lab ($2K, $7K YTD), Clinic ($6K, YTD), Radiology($3K, $8K YTD), Dietary($3K, $5K YTD)
Employee benefits-($15K YTD)
Professional fees-Physicians ($11K YTD), Patient Acct($2K YTD) Legal Fees ($5K, $9K YTD)
Purchased Services- IT($10K YTD)PT Acct($49K, $64K,YTD)
Other expenses-HR Recruiting ($20K, $83K YTD), PT($17K, $36K YTD)

Net Operating Income was $6,346 over budget for September.

Non-operating revenue and expense was under budget by $16,522 for September.

The financial position remains strong with working capital increasing by $74,806 with net days in accounts receivable increasing to 89 days while gross days increased to 77 days. We are working with our new billing company to improve the process. Cash and LAIF funds decreased by $295,794 from August. Net patient accounts receivable increased by $241,895 from August. Medicare settlement accounts decreased $182,785 from August. Accounts payable decreased by $54,529 and current liabilities increased by $74,641 from August.

DESCRIPTION	AS OF September 30, 2015	AS OF August 31, 2015	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	$ 4,276,160	$ 4,126,713	$ 149,447
CURRENT LIABILITIES	$ (682,739)	$ (608,098)	$ (74,641)
WORKING CAPITAL	$ 3,593,421	$ 3,518,615	$ 74,806

II. New developments (Not reflected in the financial statements)

- **Electronic Medical Records (EMR)-** The EMR project continues to be addressed. We will be reimbursed for most costs associated with the EMR project by the government for expenses incurred after February 17, 2009. We have invested $1,945,555 in this project as of September 30, 2015. CPSI is certified by the government for its EMR product. We have filed an appeal through the cost report process and it will be reviewed during the Medicare audit. . We believe that we are due between $250,000 and $300,000 in additional reimbursement.

- **ICD -10 Conversion-** CPSI was on site to train physicians and staff on the ICD conversion during the week of October 1st. The training went well and the transition to ICD 10 is continuing to go as planned. The coding process is a bit more involved and will take more time to properly code accounts so that the bills can be correctly sent.
- **Billing Company-** PM Nagle and Associates took over the billing function on September 1, 2015. There were a few issues with the billing software company for a week to 10 days, but the process is moving smoothly now and the AR should begin to decrease again.
- **Electronic Medical Records Audit-**We have contacted Noridian regarding completion of the audit. They responded that they have not yet reviewed the information that we sent to them.

- **DHCS Settlement**-CIMC agreed to payment terms with DHCS on the debt owed to them. CIMC will pay $20,000 per year until the debt is paid. This will take over thirty years. There is no interest on this payment plan.

- **Annual Audit**-TCA Partners, LLC was on site to conduct the annual independent audit for the year ended June 30, 2015. He will be presenting the findings at the October board meeting. There have been no adjustments proposed as of today.