

CFO REPORT FOR DECEMBER, 2013

I. FINANCIAL STATEMENTS FOR DECEMBER, 2013

Net patient revenue was over budget for November by \$9,304 (1%) while gross revenue was under budget by \$228,119(21%) (See box below). Deductions from revenue were under budget in December by \$237,424(40%). Contractual allowances were under budget in December by \$205,406(49%) and provision for bad debt was under budget by \$7,964(7%) in December. Charity care was under budget in December by \$3,832 (8%). Furthermore, gross inpatient revenue was under budget by \$47,474(16%) in December due to having 0 swing and acute days vs. a budget of 18. Gross outpatient revenue was under budget by \$73,138(24%) in December. Gross Emergency Room revenue was under budget in December by \$107,506 (21%) due to E/R visits being under budget by 14(11.6%). On a YTD basis, gross inpatient revenue is under budget by 7%, gross outpatient revenue is under budget by 15% and gross emergency room revenue is over budget by .5%.

Overall, net patient revenue was 58.5% of gross revenue compared to budget of 45.4% in December. YTD, net patient revenue is 53.3% of gross revenue vs. budget of 51%.

DECEMBER 2013			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	\$ 21,492	\$ 56,601	\$ (35,109)
SNF	\$ 83,700	\$ 81,558	\$ 2,142
CT Scan revenue	\$ 18,846	\$ 17,835	\$ 1,011
Laboratory revenue	\$ 40,699	\$ 68,949	\$ (28,250)
Ultrasound revenue	\$ 13,947	\$ 9,636	\$ 4,311
Pharmacy revenue	\$ 20,855	\$ 21,214	\$ (359)
Physical therapy revenue	\$ 25,226	\$ 12,096	\$ 13,130
Other revenue	\$ 18,068	\$ 22,419	\$ (4,351)
Total I/P revenue	\$ 242,833	\$ 290,308	\$ (47,474)
Outpatient revenue			
CT Scan revenue	\$ -	\$ 5,527	\$ (5,527)
Physical therapy revenue	\$ 39,172	\$ 75,329	\$ (36,157)
Lab revenue	\$ 50,937	\$ 68,621	\$ (17,684)
Radiology revenue	\$ 18,167	\$ 18,305	\$ (138)
Clinic revenue	\$ 109,107	\$ 105,176	\$ 3,931
Other revenue	\$ 5,231	\$ 22,795	\$ (17,564)
Total O/P revenue	\$ 222,614	\$ 295,753	\$ (73,138)
Emergency Room revenue			
Emergency room revenue	\$ 163,157	\$ 243,819	\$ (80,662)
CT Scan revenue	\$ 95,414	\$ 83,357	\$ 12,057
Laboratory revenue	\$ 62,936	\$ 89,279	\$ (26,343)
Radiology revenue	\$ 22,831	\$ 37,832	\$ (15,001)
Other revenue	\$ 45,832	\$ 43,390	\$ 2,442
Total E/R revenue	\$ 390,170	\$ 497,677	\$ (107,507)
Total Gross Revenue	\$ 855,618	\$ 1,083,738	\$ (228,119)

DECEMBER 2013		Deductions from Revenue and Misc Stats	
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	102,747	110,711	7,964
Contractual Allowances	212,556	417,963	205,407
Charity and Admin Allowances	39,162	63,215	24,053
Acute and Swing Bed days	0	18	(18)
Medicare Utilization	0%	100%	-100%
Clinic Visits	399	376	23
ER Visits	106	120	(14)
Net Rev as a % of Gross Revenue	58.80%	45.40%	13.40%
Expenses as a % of Gross Revenue	74.60%	53.40%	-21.20%

Other operating revenue was under budget for the month by \$2,464. We are amortizing the \$603,134 received from CMS over 60 months.

Operating expenses were over budget by \$59,162(10%) in December and over by \$190,596(5%) YTD. Operating expenses represented 74.6% of gross revenue compared to the budgeted amount of 53.4% in December. Gross patient revenue is 6% under budget while operating expenses are 5% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF December	Year -to-date
SALARIES	\$ (816)	\$ 23,694
EMPLOYEE BENEFITS and HOUSING	\$ 21,933	\$ 50,773
PRO FEES	\$ (19,454)	\$ (119,669)
SUPPLIES-General	\$ (163)	\$ 7,669
SUPPLIES-Pharmacy	\$ (397)	\$ (5,099)
SUPPLIES-Food	\$ 1,033	\$ 4,072
PURCHASED SERVICES-Repairs	\$ (3,240)	\$ 3,865
LICENSES/TAXES	\$ (2,370)	\$ (4,110)
Depreciation	\$ 819	\$ 4,329
TRAVEL	\$ 2,073	\$ 3,885
UTILITIES	\$ (636)	\$ (4,041)
PURCHASED SERVICES-Other	\$ (15,729)	\$ (46,699)
Dues and subs	\$ (3,208)	\$ (4,543)
OTHER EXPENSES	\$ (37,079)	\$ (108,455)
TOTAL	\$ (57,234)	\$ (194,329)

Salaries-Lab (\$4K,\$21K YTD), Rad(\$1K, \$4K YTD) Hospital Admin(\$12K YTD)
Professional fees-Physicians (\$4K, \$33KYTD) Nursing Registry (\$3K, \$26K YTD),
MGO (\$7K,\$38K YTD)

Purchased Services-Other-Lab(\$3K, \$7K YTD) IT (\$11K, \$36K YTD), Gen Acct (\$10K YTD)
 Other expenses- Hospital Admin(\$7K, \$10K YTD) PT (\$21K, \$85K YTD), Dietary (\$5K YTD)

Net Operating Income was \$52,322 under budget for December and under by \$252,004 YTD due to reasons discussed above.

Non-operating revenue and expense was under budget by \$12,882 for December.

The financial position remains strong although working capital decreased by \$76,646 with net days in accounts receivable decreasing to 71 days while gross days decreased to 86 days. Cash and LAIF funds decreased by \$100,000 from November. Net patient accounts receivable decreased by \$272,246 from November. Medicare settlement accounts increased by \$230,871 from November. Accounts payable increased by \$30,551 and current liabilities decreased by \$31,857 from November.

DESCRIPTION	AS OF December 31, 2013	AS OF November 30, 2013	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	\$ 3,111,906	\$ 3,220,409	\$ (108,503)
CURRENT LIABILITIES	\$ (837,232)	\$ (869,089)	\$ 31,857
WORKING CAPITAL	\$ 2,274,674	\$ 2,351,320	\$ (76,646)

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 \$1,597,459 in this project as of December 31, 2013. 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. We have received payment from the state for our four providers for this year (\$85K in total). We have also attested to meaningful use for FY 2012.

- Contract with Blue Shield- We will enter into a contract with Blue Shield for a Medicare Advantage senior product. We already have a commercial contract with Blue Shield.
- Covered California- We have entered into a contract with Blue Shield to be a part of their network that services the new enrollees in Covered California program. We are pursuing a contract with Blue Cross to be a part of their Covered California network. Healthnet is not offering their covered California network in the Avalon zip code.
- California Critical Access Hospital Network(CCAHN)- CCAHN has reviewed our revenue cycle.. They have made some recommendations that we will implement. One of these is having a meeting with the community to discuss any problems. They also made some suggestions to improve our financial assistance program.