

CFO REPORT FOR MAY, 2013

I. FINANCIAL STATEMENTS FOR MAY, 2013

Net patient revenue was over budget for May by \$72,200 (14%) while gross revenue was over budget by \$23,214(2%) (See box below). Deductions from revenue were under budget in May by \$48,985(10%). Contractual allowances were under budget in May by \$10,755(2%) and provision for bad debt was under budget by \$19,867(30%) in May. Charity care was under budget in May by \$22,838 (78%). Deductions from revenue were over budget by \$42,344 (1%) YTD.

Furthermore, gross inpatient revenue was over budget by \$25,475(9%) in May due to having 6 swing and acute days vs. a budget of 20. Medicare utilization was 100% vs. budget of 100% in May. This affects net reimbursement rates positively. We have had 135 swing and acute days vs. a budget of 221 YTD. Gross outpatient revenue was under budget by \$84,529(26%) in May. Gross Emergency Room revenue was over budget in May by \$82,268 (20%) because E/R visits were over budget by 16(13%) in May. On a YTD basis, gross inpatient revenue was over budget by 3%, gross outpatient revenue was under budget by 11% and gross ER revenue was over budget by 19%, due to ER visits being over budget by 18% .

Overall, net patient revenue was 57% of gross revenue compared to budget of 51% in May and 51% vs a budget of 49% YTD.

MAY 2013			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	\$ 4,942	\$ 43,552	\$ (38,610)
SNF revenue	\$ 87,750	\$ 81,592	\$ 6,158
CT Scan revenue	\$ 11,310	\$ 13,266	\$ (1,956)
Laboratory revenue	\$ 46,242	\$ 88,314	\$ (42,072)
Ultrasound revenue	\$ 31,349	\$ 3,611	\$ 27,738
Pharmacy revenue	\$ 44,411	\$ 10,915	\$ 33,496
Physical therapy revenue	\$ 10,728	\$ 8,097	\$ 2,631
Other revenue	\$ 47,819	\$ 9,728	\$ 38,091
Total I/P revenue	\$ 284,551	\$ 259,075	\$ 25,475
Outpatient revenue			
CT Scan revenue	\$ 5,442	\$ 5,071	\$ 371
Physical therapy revenue	\$ 16,328	\$ 87,858	\$ (71,530)
Lab revenue	\$ 56,094	\$ 64,100	\$ (8,006)
Radiology revenue	\$ 21,837	\$ 18,848	\$ 2,989
Clinic revenue	\$ 135,284	\$ 124,590	\$ 10,694
Other revenue	\$ (3,701)	\$ 15,346	\$ (19,047)
Total O/P revenue	\$ 231,284	\$ 315,813	\$ (84,528)
Emergency Room revenue			
Emergency room revenue	\$ 210,017	\$ 195,007	\$ 15,010
CT Scan revenue	\$ 112,339	\$ 88,656	\$ 23,683
Laboratory revenue	\$ 91,616	\$ 52,093	\$ 39,523
Radiology revenue	\$ 18,649	\$ 30,811	\$ (12,162)
Other revenue	\$ 46,109	\$ 29,895	\$ 16,214
Total E/R revenue	\$ 478,730	\$ 396,462	\$ 82,268
Total Gross Revenue	\$ 994,565	\$ 971,350	\$ 23,214

MAY 2013		Deductions from Revenue and Misc Stats	
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	44,716	64,583	19,867
Contractual Allowances	364,186	374,942	10,756
Charity and Admin Allowances	21,215	39,578	18,363
Acute and Swing Bed days	6	20	(14)
Medicare Utilization	100%	100%	0%
Clinic Visits	463	511	(48)
ER Visits	137	121	16
Net Rev as a % of Gross Revenue	57.00%	51.00%	6.00%
Expenses as a % of Gross Revenue	60.00%	53.00%	-7.00%

Other operating revenue was over budget for the month by \$8,011 due to a amortization of the EMR reimbursement amount that was not budgeted. We will amortize the \$603,134 received from CMS over 60 months.

Operating expenses were over budget by \$85,563(16%) in May. Operating expenses represented 60% of gross revenue compared to the budgeted amount of 53% in May. Gross patient revenue is 5% over budget while operating expenses are 14% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF May	YTD
SALARIES	\$ (16,957)	\$ (141,341)
EMPLOYEE BENEFITS and HOUSING	\$ (13,689)	\$ (77,455)
PRO FEES	\$ (21,546)	\$ (317,357)
SUPPLIES-General	\$ (334)	\$ 11,425
SUPPLIES-Pharmacy	\$ (2,660)	\$ (49,375)
SUPPLIES-Food	\$ (2,657)	\$ 567
PURCHASED SERVICES-Repairs	\$ (219)	\$ (30,156)
LICENSES/TAXES	\$ 360	\$ 2,643
Depreciation	\$ 10,255	\$ 102,332
TRAVEL	\$ (221)	\$ (20,120)
UTILITIES	\$ 2,747	\$ 6,467
PURCHASED SERVICES-Other	\$ (15,427)	\$ (121,298)
Dues and subs	\$ (2,001)	\$ (10,767)
OTHER EXPENSES	\$ (22,175)	\$ (191,998)
TOTAL	\$ (84,524)	\$ (836,433)

Salaries-Nursing (\$8K,\$76K YTD),, Rad(\$2K, \$8K YTD) MGO(\$4K, \$53K YTD),
 Lab (\$2K,\$8K YTD)
 Professional fees-Dietary(\$26K YTD), Nursing Registry(\$11K, \$154K YTD),
 Lab (\$17K YTD) Legal Fees (\$32K YTD) MGO(\$3K, \$33K YTD)
 Purchased `Services-Other-IT(\$2K,\$22K YTD) PT ACCT (\$11K,\$75K YTD)

Purchase Services Repairs- (\$1K, \$30K YTD)
 Other expenses- Nursing (\$2K, \$43K YTD), Recruiting (\$20K YTD) PT (\$8K,\$70K YTD), Dietary(\$5K YTD) Hospital Admin (\$5K,\$22K YTD) Community Health(\$5KYTD)

Net Operating Income was \$6,183 under budget for May due to reasons discussed above.

Non-operating revenue and expense was under budget by \$822 for May.

The financial position remains strong as working capital decreased by \$17,088 with net days in accounts receivable increasing to 66 days while gross days increased to 73 days. Cash and LAIF funds decreased by \$87,912 from April. Net patient accounts receivable increased by \$101,267 from April. Medicare settlement accounts decreased by \$50,494 from April. Accounts payable increased by \$19,537 and current liabilities decreased by \$16,385 from April.

DESCRIPTION	AS OF May 31, 2013	AS OF April 30, 2013	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	\$ 3,414,519	\$ 3,447,992	\$ (33,473)
CURRENT LIABILITIES	\$ (917,834)	\$ (934,219)	\$ 16,385
WORKING CAPITAL	\$ 2,496,685	\$ 2,513,773	\$ (17,088)

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

- THIPA (Torrance Hospital IPA) Accounts Receivable.

Blue Shield is now questioning THIPA's payment practices. They are asking for information from us. For some physical therapy patients, Blue Shield has been by-passing THIPA and paying the claims directly. The visits must still be authorized through THIPA. We are also discussing this same process with and Anthem Health. Healthnet declined this offer.

- 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 \$1,468,238 in this project as of May 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.
- Medi-Cal Change of Scope- We have sent additional information to them regarding the DEXA scan. The request has been denied again. However, we will continue to appeal because we believe that we have additional revenue due to us.
- Contract with Healthnet- We have signed a contract with Healthnet that includes a senior product. The contract was effective June 1, 2013.
- AA Grant Audit- Auditors contracted by the County of Los Angeles audited our AAA grant program. Two auditors were here for two days. We are awaiting their report, but the audit went smoothly. We don't anticipate any changes to the grant besides the 3% sequestration deduction.