

CFO REPORT FOR FEBRUARY, 2014

I. FINANCIAL STATEMENTS FOR FEBRUARY, 2014

February

Net patient revenue was over budget for February by \$4,551 (1%).

Gross revenue was under budget by \$71,054(7%) (See box below)

Deductions from revenue were under by \$75,606(15%).

Contractual allowances were under by \$76,958(25%)

Provision for bad debt was over by \$8,795(7%).

Charity care was under by \$50 (0%).

Gross inpatient revenue was under by \$55,063(18%) in February due to having 8 swing and acute days vs. a budget of 18.

Gross outpatient revenue was under by \$37,769(13%).

Gross Emergency Room revenue was over by \$21,778 (5%) despite E/R visits being under budget by 14(10.8%).

On a YTD basis

Gross inpatient revenue is under budget by 8%.

Gross outpatient revenue is under budget by 15%.

Gross emergency room revenue is close to budget.

Deductions from revenue are under by 10%.

Overall, net patient revenue was 54.4% of gross revenue vs. budget of 50% in February.

YTD, net patient revenue is 53% of gross revenue vs. budget of 50.7%.

FEBRUARY 2014			
DESCRIPTION	Actual	Budget	Variance
Inpatient revenue			
Medical	\$ 16,461	\$ 56,601	\$ (40,140)
SNF	\$ 75,600	\$ 81,558	\$ (5,958)
CT Scan revenue	\$ 17,028	\$ 17,835	\$ (807)
Laboratory revenue	\$ 38,000	\$ 68,949	\$ (30,949)
Ultrasound revenue	\$ 13,609	\$ 9,636	\$ 3,973
Pharmacy revenue	\$ 22,985	\$ 21,214	\$ 1,771
Physical therapy revenue	\$ 28,533	\$ 12,096	\$ 16,437
Other revenue	\$ 23,028	\$ 22,419	\$ 609
Total I/P revenue	\$ 235,244	\$ 290,308	\$ (55,063)
Outpatient revenue			
CT Scan revenue	\$ 4,870	\$ 5,527	\$ (657)
Physical therapy revenue	\$ 48,597	\$ 75,329	\$ (26,732)
Lab revenue	\$ 68,443	\$ 68,621	\$ (178)
Radiology revenue	\$ 16,806	\$ 18,305	\$ (1,499)
Clinic revenue	\$ 92,161	\$ 82,858	\$ 9,303
Other revenue	\$ 4,128	\$ 22,135	\$ (18,007)
Total O/P revenue	\$ 235,005	\$ 272,775	\$ (37,769)
Emergency Room revenue			
Emergency room revenue	\$ 206,471	\$ 192,802	\$ 13,669
CT Scan revenue	\$ 73,950	\$ 65,668	\$ 8,282
Laboratory revenue	\$ 70,291	\$ 70,334	\$ (43)
Radiology revenue	\$ 25,781	\$ 29,804	\$ (4,023)
Other revenue	\$ 37,357	\$ 33,464	\$ 3,893
Total E/R revenue	\$ 413,850	\$ 392,072	\$ 21,778
Total Gross Revenue	\$ 884,100	\$ 955,155	\$ (71,054)

FEBRUARY 2014		Deductions from Revenue and Misc Stats	
DESCRIPTION	Actual	Budget	Variance
Provision for Bad debts	119,506	110,711	(8,795)
Contractual Allowances	228,223	305,181	76,958
Charity and Admin Allowances	55,771	63,215	7,444
Acute and Swing Bed days	8	18	(10)
Medicare Utilization	75%	100%	-25%
Clinic Visits	380	469	(89)
ER Visits	116	130	(14)
Net Rev as a % of Gross Revenue	54.40%	50.00%	4.40%
Expenses as a % of Gross Revenue	67.80%	61.20%	-6.60%

Other operating revenue was under budget for the month by \$2,299.

Operating expenses were over budget by \$14,957(2%) in February and over by \$256,208(5%) YTD. Operating expenses represented 67.8% of gross revenue compared to the budgeted amount of 54% in February. Gross patient revenue is 6% under budget while operating expenses are 5% over budget with the significant variances (unfavorable) being:

DESCRIPTION	MONTH OF February	Year -to-date
SALARIES	\$ 25,192	\$ 57,180
EMPLOYEE BENEFITS and HOUSING	\$ (14,566)	\$ 33,892
PRO FEES	\$ (3,383)	\$ (149,315)
SUPPLIES-General	\$ (4,237)	\$ (1,375)
SUPPLIES-Pharmacy	\$ 1,291	\$ (4,464)
SUPPLIES-Food	\$ 139	\$ 3,979
PURCHASED SERVICES-Repairs	\$ (2,760)	\$ (6,985)
LICENSES/TAXES	\$ (1,868)	\$ (5,946)
Depreciation	\$ 844	\$ 6,018
TRAVEL	\$ (6)	\$ 6,097
UTILITIES	\$ 960	\$ (3,790)
PURCHASED SERVICES-Other	\$ (12,828)	\$ (68,376)
Dues and subs	\$ 437	\$ (4,594)
OTHER EXPENSES	\$ (5,811)	\$ (125,481)
TOTAL	\$ (16,596)	\$ (263,160)

Salaries-Lab (\$3K, \$29K YTD), Rad(\$6K YTD) Hospital Admin(\$5K YTD)
Professional fees-Physicians (\$36K YTD) Nursing Registry (\$6K, \$38K YTD),
MGO (\$46K YTD)
Purchased Services-Other-Lab(\$4K, \$12K YTD) IT (\$6K, \$58K YTD), Gen Acct
(\$1K,\$12K YTD)
Other expenses- Hospital Admin(\$12K YTD) PT (\$9K, \$98K YTD), Dietary (\$5K YTD)

Net Operating Income was \$8,106 under budget for February and under by \$352,807 YTD due to reasons discussed above.

Non-operating revenue and expense was under budget by \$11,823 for February.

The financial position remains strong although working capital decreased by \$141,712 with net days in accounts receivable increasing to 83 days while gross days increased to 94 days. Cash and LAIF funds increased by \$58,170 from January. Net patient accounts receivable increased by \$50,612 from January. Medicare settlement accounts increased by \$102,702 from January. Accounts payable decreased by \$10,030 and current liabilities increased by \$313,548 from January.

DESCRIPTION	AS OF February 28, 2014	AS OF January 31, 2014	CHANGE IN WORKING CAPITAL
CURRENT ASSETS	\$ 3,056,571	\$ 2,884,435	\$ 172,136
CURRENT LIABILITIES	\$ (996,553)	\$ (682,705)	\$ (313,848)
WORKING CAPITAL	\$ 2,060,018	\$ 2,201,730	\$ (141,712)

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

- o 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 \$1,708,333 in this project as of February 28, 2014. 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. .
- o Contract with Blue Shield- We have entered into a contract with Blue Shield for a Medicare Advantage senior product. We already have a commercial contract with Blue Shield.
- o Covered California- We have begun to receive our first patients covered by insurance purchased through Covered California. We have entered into contracts with

Blue Shield, Anthem Blue Cross and Healthnet to be a part of their network that services the new enrollees. There are approximately 200 individuals that live on the island who have signed up for a plan with Covered California

- ICD -10 Conversion- We have entered into a contract with HFS consulting firm to provide the training for Physicians and other employees to meet the new ICD-10 requirements that begin October 1, 2013. CPSI tested their system readiness for this conversion in March. There were no issues with CPSI. They will test it again in July. We have begun the process with HFS. We will be ready for the conversion before the deadline.
- Additional Line of Credit-US Bank has increased our line of credit by \$250,000 to a total of \$500,000. It requires Board approval to draw down on this line. As of today, we have not used any of the funds.