

**HOSPITAL AUTHORITY OF THE METROPOLITAN GOVERNMENT  
OF NASHVILLE AND DAVIDSON COUNTY**

**MINUTES OF THE FEBRUARY 25, 2021 MEETING  
OF THE  
HOSPITAL AUTHORITY FINANCE COMMITTEE**

A virtual meeting of the Finance Committee of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County (the "Hospital Authority") was held on Thursday, February 25, 2021 at 3:30 p.m. Members of the Committee Present: Ms. Alexandria Fisher and Pastor Frank Stevenson, Chair. Reverend Edwin Sanders was absent. The following invited staff members were also present: Ms. Veronica Elders, CNO, Mr. Bruce Naremore, CFO, Mr. Mark Brown, COO, Dr. Joseph Webb, CEO, as well as other ELT members and guests.

**CALL TO ORDER**

Pastor Stevenson, Chair, called the meeting to order at approximately 3:52 p.m. Ms. Fisher made a motion that the items on the meeting agenda constitute essential business of this Board, meeting electronically is necessary to protect the health, safety, and welfare of Tennesseans considering the COVID-19 outbreak, and any rule conflicting with the Governor's Executive orders permitting electronic meetings shall be suspended. Pastor Stevenson duly seconded the motion which unanimously carried with aye votes from Ms. Fisher and Pastor Stevenson

**MINUTES**

Pastor Stevenson asked for a motion to approve the November 19, 2020 minutes of the Hospital Authority Board of Trustees Finance Committee. Ms. Fisher made a motion to approve the minutes as submitted. Pastor Stevenson duly seconded the motion which unanimously carried with aye votes from Ms. Fisher and Pastor Stevenson.

**COVID UPDATE**

Mr. Naremore presented the status of the CARES Act Funds through the month of December. We received the money in 3 separate payments with a total of \$10,275,706.00. In FY2020 we drew down roughly \$2.6 million due to lost revenue ending June 30, 2020. We also drew \$472,997.00 of expenses, labor and supplies in the FY2020 which was part of the audit presented to the HAB and approved.

In the first six months of FY2021 which started July 1, 2020, we have drawn down \$3.4 million for lost revenue and approximately \$1.5 million for expenses much of which is labor related cost, hazard pay differentials, retention payments to critical staff in shortage areas, protective equipment, medical supplies such as Remdesivir that was directly related to COVID care. At the close of December we have a balance of approximately \$2.2 million remaining as we move through the last five months of this fiscal year. We expect it will be spent by that time.

**ACS UPDATE**

Mr. Naremore reported that he and Mark Brown were on a call with the State on Monday. They were informed that the State will discontinue the ACS site here at the hospital that includes the

rental of the 8<sup>th</sup> floor and part of the 2<sup>nd</sup> floor for COVID-19. Effective May 31, 2021, the State will give that space back to the hospital and we will lose \$840,000 in annual rent payments and will impact our 2022 budget and the last month of this fiscal year.

Mr. Naremore asked for any questions. Pastor Stevenson asked if there was a lot of capital or build out associated with the ACS units. Mr. Naremore responded that there was, but it was all paid out by the State, but we did not have significant cost. They are going to largely put it back the way it was prior to the build out. The 2<sup>nd</sup> floor should be back to usable space. The 8<sup>th</sup> floor had the majority of buildout. They will be removing their items including supplies, the nurse call system, and beds. It will be basically a shell, not suitable for acute care at this point. It could be converted at some point for use. It is not set up like a hospital, but more of a ward with shared bathroom. It does not have long benefit to the hospital.

Pastor Stevenson reminded everyone that the COVID and ACS update was for informational purpose and no action needed.

### **CRITICAL CAPITAL NEEDS**

Mr. Naremore stated at the HAB meeting last month we presented about \$2.5 million of critical capital items. The HAB endorsed sending that list to the administration for consideration with 4% capital money in this fiscal year. Board Chairman Feagins received feedback asking that we reduce it down to \$1 million of the most critical items. Dr. Feagins sent a letter to the Mayor requesting the four items presented. Included in the items were:

- Refurb CT so that we do not have to go on diversion when our CT unit is down.
- The second largest item is a refurbished Angio Suite for Interventional Radiology that will allow both Cath Lab and Interventional Radiologist Providers to operate at the same time where currently they must alternate in the Cath Lab which cause some cases to be pushed out. They are the most critical.
- Also included in the request is a Fracture Table to replace the very old table for hip fractures. We have two full-time orthopedist and a podiatrist and believe it is a wise spend of money.
- The last item is to replace an Intra-Aortic Balloon Pump in the Cath Lab which has tripled in volume this year. We do not want to have to use a Balloon Pump but if we must stabilize a patient that is in trouble to get them to another facility, it is a critical item. The current one is going out of date and will no longer be supported by the manufacturer. It is still functional, but a liability risk when it is no longer supported by the manufacturer.

Mr. Naremore stated these four items are the ones the Executive Team selected out of the original \$2.5 million request.

Mr. Naremore stated that this is just information update.

### **FY2022 BUDGET**

Mr. Naremore projected the "Budget Projections Actual 2020 Thru Budget 2022". He reported that this was a difficult budget to put together due to the unusual year. These numbers are rough. He will point out the assumptions and what is changing in 2022.

Mr. Naremore stated the last four months of 2020 and to date in 2021 the hospital was significantly affected by COVID. Patient volumes, operating costs went up a bit, and we had non-recurring revenues at \$10.2 million mentioned previously. All were all big impacts.

Before the pandemic hit in 2020 the first 7 months, the hospital was experiencing growth at almost 10%. We were very close to budget then volumes dropped from 25-40% for the last 4 months of FY2020. We are still a little depressed in ER and elective procedures which are patient behavioral issues, not lack of providers to provide the care. Our clinic volumes have been increasing at about 10%. Ms. Bennett is projecting to go from 40,000 clinic visits this year to almost 46,000 next year. We expect outpatient volume to grow as well. The patient behavior in Emergency Room has changed as people are avoiding ERs in hospitals and seeking care in urgent care or doctors' offices. It makes it hard to estimate. About  $\frac{3}{4}$  of our inpatient volume enters the hospital through the Emergency Room. We used to have 2,600-2,700 ER visits per month, now we run about 2,100 on a good month. We are not sure if or when it will return to pre-pandemic levels. This is common for most hospitals right now.

Mr. Naremore added that in addition to volumes we are looking at operating costs. We had to pay hazard pay differentials in some parts of the hospital such as ICU and ER that were directly taking care of COVID patients and we had shortages of staff. We had to provide an incentive to existing staff to stay on and take care of patients. That hazard pay will be reimbursed through CARES Act money. When pandemic subsidies that should not be extended. We are trying to determine when that would occur through budget projections, but it is an educated guess.

Admissions and outpatient volumes are projected to grow 7% next year compared to what we projected to get this year. We have a 5% charge master increase. All charges at July 1<sup>st</sup> will go up 5% in the hospital though we won't get paid the additional 5%. It is our annual charge master increase.

Mr. Naremore reported that last year our total patient charges were \$216 million, this year we approach \$250 million. Next year we are projecting \$275 million.

The net patient revenue is what we collect from the patients and insurers. Last year with pandemic impact it was \$38.7 million dropping from previous year. This year we project \$46.1 million, about a 16% increase in collected revenues. Next year we are projecting to grow again roughly \$3 million in terms of collected patient revenues.

Mr. Naremore asked all to look down a couple of lines to review "other". That reflects the lack of dollars coming from CARES Act next year. We do not know if there will be another set of grants related to COVID in 2022, it is not clear at this point. He stated we did not think it was responsible to budget as if we would receive those dollars. The revenue drops from \$11.9 million to \$3.8 million.

Mr. Naremore directed all to review the city supplement and explained that is the "last dollar in" to the hospital to support patient care. Substantially to cover the gaps for next year.

Mr. Naremore noted the salaries are expected to go up 5.7%. Part of that is 2.5% wage increase for staff. This year we deferred the increases until January as a cost cutting move. We will have to address it. This is with a 2.5% increase for next year in place. Benefits are a percentage and based on guidance that we get from Metro on pension and healthcare benefits. Contract labor is projected to drop \$1.4 million next year. This is the reason the salaries are going up, because he hopes instead of having contract labor at \$70-\$80 per hour, we will have staff working as employees making half of the cost of contract labor.

Mr. Naremore stated that supply expenses are on the increase because we have added some high intensity services such as two full-time orthopedist, full-time interventional radiologist, and a

full-time interventional cardiologist. Those are vital services to the hospital, but the supplies associated with those specialties are more costly. Those are services that are very important to commercial payors and to one of our best payors which is TDOC. Those are vital services they have requested for us to provide.

Other expenses fall relatively in range with where they are projected for this year. Total expenses for next year are projected to be \$3.9 more than this year due to supplies and labor cost of higher salaries but lower contract labor cost. There is a margin of zero.

Mr. Naremore stated to Chairman Pastor Stevenson that this is an initial proposed budget. This is what we will provide to Metro Government and then go through the budgeting process and we will learn more after January and February close and it will change a little. We believe this is a good road map for where we stand today. Mr. Naremore stated that of the \$46 million we project to collect this year, there is about \$2 million HRSA CARES Act dollars where the government is paying for uninsured patients who access any hospital if they have a COVID diagnosis. That is part of the \$7.5 million increase year over year. United Healthcare is the administrator for those funds.

Mr. Naremore stated the Finance team spent a lot of time working on these numbers. These reflect actual expenses and revenues through December. We will close January shortly and will update the projected accordingly. They may move some but should not move drastically.

Mr. Naremore noted that in 2021 late fall we were informed by Metro that the hospital will have to take over payment for the security services at the hospital. That was not budgeted in 2021 and had a \$900,000 annual negative impact. It is in the expenses for 2021 and is projected for 2022.

Mr. Naremore mentioned that we had \$840,000 projected revenues into 2021 for the Alternate Care Site rented space. That is not reflected in our budget for 2022, so that is a negative of \$840,000 of income that we will not see in 2022.

Mr. Naremore stated he just wanted the HAB to have awareness. There is a lot of improvement, but we have a way to go.

Pastor Stevenson asked for any questions or comments. Ms. Fisher asked Mr. Naremore if we have had any discussions with Metro about the city supplement as projected. Mr. Naremore stated no, it has not been submitted to Metro yet. The initial budget will be due shortly. We requested \$46 million last year. The \$49 million is higher than what we received last year, and higher than the \$43 million that we are slated to receive this year. There may need to be some adjustments going forward and we will bring it back to the Finance Committee and HAB.

Ms. Fisher asked if we would know what the subsidy is before the next HAB meeting. Mr. Naremore stated it should be submitted to Metro before the next HAB meeting, but we will not likely have any hearings before then or have any direction on the subsidy number until around April.

Pastor Stevenson showed appreciation to Mr. Naremore and his team noting this is a moving target and probably one of the toughest budget to predict.

Pastor Stevenson asked if we need an approval or wait for a final budget. Mr. Naremore asked for a preliminary approval from the Finance Committee with expectation that we will bring it

back for final approval from the Finance Committee and the HAB. This budget and a summary have been included in the HAB packet for the meeting this afternoon.

Ms. Fisher made a motion to approve the FY2022 Preliminary Budget Report. Pastor Stevenson duly seconded the motion which carried with the following aye votes: Ms. Fisher and Pastor Stevenson.

### **FINANCIAL STATEMENTS – DECEMBER 2020**

Mr. Naremore reported that December was a pretty good month for the hospital. Admissions were up about 10% to 185, still a little below budget. Observation visits were down a little to 145. Patient days were a little over 960. Length of stay has been a challenge the past few months. Our historical length of stay has been 4.4-4.5 days. With COVID some extreme cases with respiratory issues have bumped up our length of stay to 5.2. This is not good for the hospital as it occupies beds with typically no additional payment. For the YTD length of stay is 5.0. That is reflected in the budget for next year, but it may need to come down a little. We had a couple of COVID patients with over a 100 day stay. The great news is most of them walked out of here well, which is a tribute to the clinical staff here.

Mr. Naremore stated that emergency visits continue to be down. The budget was just under 2,500 and we went a little over 2,000.

He stated that Clinic volume went up about 10% this month. They were above budget. He believes there will be a couple months in the near future with 3,600 – 3,700 visits per month. The clinics are performing well, and volume is up.

December surgeries were down a bit. Inpatient was about 35% below budget and a little below prior month. Outpatient basically flat with last month. He stated he believes many patients are deferring care when not urgent right now.

Cath Lab volume is three times the budgeted volume due to the full-time practitioner and interventional radiologist supporting the numbers.

Deliveries of babies - we had 30 last month, up from a low November. Close to budget.

Hospital Case Mix – the acuity of inpatients is really high for NGH. This reflects the acuity of the COVID, respiratory, and some surgical cases that we managed in the short term. Mr. Naremore noted these are the highest numbers he has seen since he has been here. This is encouraging and good signs for the hospital.

Mr. Naremore projected and discussed the Income Statement for the month ending December 31, 2020. Inpatient volumes were 16% above budget. Even though the days were below budget, the intensity of care were much higher so inpatient revenue was higher.

Outpatient revenues were well below what we had budgeted. This is based on emergency room volume being 20-25% below budget. Our observation patients are patients in a patient bed but ultimately discharged without being technically admitted to the hospital. These are big revenue sources for the hospital and fall in the outpatient revenue bucket.

Observation patients have been lighter, and Mr. Naremore said he thinks it is due to patient behavior more than anything. He stated that reflects why we are about \$3.8 million behind budgeted revenue in the outpatient arena.

Mr. Naremore summarized the total revenues for the hospital \$22 million verses \$24 million budgeted. Net revenues produced at \$4 million verses \$4.4 million budgeted.

Mr. Naremore stated it is pretty good performance for the hospital. He pointed out in the "other revenue" lines the \$733,000 other revenue and \$1.3 million essential access are mainly COVID or CARES Act dollars being drawn down. That is a benefit of the hospital that will not likely occur in the FY22.

Mr. Naremore stated under "Total Expenses" the expenses were about \$500,000 higher than budget. The majority is in salaries and contract labor and a little in supplies.

Mr. Naremore noted that the hospital made a small profit of \$70,000 against a budget of \$131,000. It was a relatively good financial month for the hospital in December.

Pastor Stevenson asked for a motion for approval of the report and stated we will adjourn the Finance Committee to prepare for the HAB meeting beginning shortly.

Ms. Fisher made a motion to approve the Financial Report as submitted. Pastor Stevenson duly seconded the motion which unanimously carried with aye votes from Ms. Fisher and Pastor Stevenson.

Pastor Stevenson apologized for arriving late due to attending a meeting he could not miss. He stated we will need to defer the other items on the agenda in order to be responsible to attend HAB on time.

#### **REVENUE CYCLE**

Deferred

#### **CONTRACTS**

Deferred

Pastor Stevenson asked for a motion to adjourn unless there is something else that needs approval. If not, he will entertain a motion to adjourn. Ms. Groves informed Pastor Stevenson that there are two contracts that she submitted that need approval from the Finance Committee. Pastor Stevenson asked if we could take them up at the next meeting. Ms. Groves responded, "Certainly, I will let Dr. Webb know." Ms. Fisher asked which contracts they are. Ms. Groves stated the contracts are for Community Health Marketing and that one of them is for Community and Stakeholder Relations and the other is for Government Relations. Ms. Fisher asked if we must discuss in Finance Committee or if we can discuss in the full HAB meeting. Ms. Groves stated that Rev. Stevenson felt like they should be discussed in Finance Committee before being presented at HAB meeting.

Ms. Fisher stated to Pastor Stevenson that we could discuss them at the next Finance Committee Meeting. Pastor Stevenson stated we have not taken any contracts to the full HAB until they have been vetted through the Finance Committee. If they have not been resolved at the Finance Committee, then they go to the full HAB. He stated it does not

normally happen in reverse. Ms. Fisher noted that she has some questions about it and thought for the sake of efficiency she could ask questions in front of everyone but stated we can do the vetting process and if we still have questions anyone with information or knowledge to respond to them can give that information to the full HAB as well.

Ms. Fisher made a motion to adjourn. Pastor Stevenson duly seconded the motion which unanimously carried with aye votes from Ms. Fisher and Pastor Stevenson.

**ADJOURNMENT**

Due to lack of time, the meeting adjourned at 4:28 p.m.

The next regular meeting of the Hospital Authority Board Finance Committee will be held on Thursday, March 25, 2021 at 3:30 p.m. virtually.

Respectfully Submitted by:

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Frank Stevenson, Chair  
/jll