

Hi-Desert Memorial Health Care District dba
Morongo Basin Healthcare District
BOARD OF DIRECTORS REGULAR MEETING MINUTES
June 1, 2023 at 6:00 p.m.

Convened on the La Contenta campus; the public was invited to attend the meeting on campus or via Microsoft Teams, an electronic, remote-site platform.

- **Mission Statement:** *To improve the health and wellness of the communities we serve.*
- **Vision:** *A healthy Morongo Basin.*
- **Core Values:** *Commitment, Collaboration, Accountability, Dignity, Integrity.*

Board of Directors:

- Director Cooper
- Director Evans
- Director Markle-Greenhouse
- Director Savitt
- Director Stiemsma

Administrative Staff:

- Cindy Schmall, CEO
- Joe Ruddon, Chief Community Programs Officer
- Tele Thornett, Administrative Assistant
- Kathy Alkire, Wellness Nurse (*remote*)
- Janeen Duff, Program Development Liaison

Guests:

- Linda Evans, Chief Strategy Officer, Desert Market, Tenet (*remote*)
- Garrett Gfeller, Dingas | Zaecor & Associates (*remote*)

CALL TO ORDER

Director Greenhouse called the meeting to order at 6:00 p.m. The meeting was convened on the La Contenta campus and by electronic platform using Microsoft Teams.

ROLL CALL

Tela Thornett, Administrative Assistant, conducted roll call and declared a quorum.

OBSERVANCES

Director Stiemsma read the mission, vision, and core value statements.
Director Evans led the assembly in the pledge to the American flag.

PUBLIC COMMENT

No public comments were presented.

APPROVAL OF MEETING AGENDA

Motion 23-28: Director Stiemsma motioned to approve the meeting agenda; the motion was seconded by Director Savitt and passed by unanimous vote.

APPROVAL OF THE CONSENT AGENDA

Motion 23-29: Director Evans motioned to approve the Consent Agenda as presented; motion was seconded by Director Stiemsma and passed by unanimous vote.

- Minutes: Regular Meeting of the Board of Directors, May 4, 2023.
- Minutes: Public Hearing #4 of the Board of Directors, May 4, 2023.
- Minutes: Public Hearing #5 of the Board of Directors, May 4, 2023.



ACTION ITEMS

ANNUAL FINANCIAL AUDIT REPORT

Director Greenhouse introduced Garrett Gfeller, lead audit manager, of Dingus | Zarecor & Associates. Cindy Schmall, CEO noted that the financial audit report was reviewed prior to this meeting by Directors Greenhouse and Savitt.

Mr. Gfeller placed the written report on the presentation screen. The period audited was for June 20, 2022 and 2021. The audit opinion noted that the new industry guidelines had a significant impact on the District.

BALANCE SHEET:

ASSETS: The balance sheet shows a significant increase in cash between 2021 and 2022 because of Medi-Cal's adjustment to the payment rate, about \$4 million dollars, and receipt of QAF monies as per the lease agreement with HDMC Holdings, about \$2.7 million.

The balance sheet shows two new line items: Current Assets/Lease and Non Current Assets/Lease Receivable. These line items are the result of the new guidelines that were put into place to allow organizations to be more transparent and comparable in their financial information. The amount shown on the balance sheet represents the lease with HDMC Holdings.

LIABILITIES: The overall amount of debt is insignificant. The information presented reflects the lease information as per the new guidelines.

STATEMENT OF REVENUE, EXPENSES & CHANGE IN NET POSITION: Operating revenue reflects the lease information and QAF monies. On the expense side, operations were consistent. Salaries and wages increased. Currently the District is operating in the black. However, Mr. Gfeller noted that if the lease information was not included in the report, the District would have a very different picture. He noted for investments that the Market did not perform well during the audited period and is reflected throughout the industry, this is not unique to the District.

NOTES TO THE FINANCIAL STATEMENT: provides detailed information about the audit. There is a paragraph explaining the new standard and the impact to the District. Also noted are details of the lease between the District and HDMC Holdings.

FINANCIAL INDICATORS: This information provides an historical comparison of the District's financial position.

- **Total Margins:** Represents on organization's profitability. A margin of 3-6 percent is recommended for sustainability. The report shows the District at 23.9 percent for FY2022. However, it should be noted this includes the lease information.
- **Days Cash on Hand:** Recommended buffer is 90 days cash. This shows the District at 742 days which is a very good metric. The significant buffer is due to the PPS adjustment and QAF funds.
- **Current Ratio:** represents liquidity. Recommended ration is 2:1. The District currently sits at 24:1.



- Long-Term Debt to Net Position: A reflection of how much long-term debt is owned by the organization. The District has very little debt on the books which means it is in a good position for strategic planning. Director Evans asked if the board could receive the same information without the lease information for a more realistic view. Discussion followed. Mr. Gfeller will run the numbers for comparison.
- Days and Net Accounts Receivable: Represents how quickly the organization is able to collect monies. The recommended time is between 40-50 days to collect. The District currently stands at 23 days collection time, down from 41 days last audit.
- Contractual Adjustment Percentage: The percentage of gross patient revenue that is discounted to third party payors. The current position presents at 14 percent, down from 27 percent last year.
- Bad Debt and Charity Care Percentage: The percentage of patient revenue that has been determined uncollectable. In 2022, the percentage of uncollectable monies was 1.5% and has decreased from the previous year, indicating that the organization is bringing more cash in the door. The charity care percentage, representing the Sliding Fee Discount Program, presents at 4.9%.
- Full Time Equivalent Employees (FTE): Presents the trend in compensation to staff, the largest single expense of an organization. It is a measure of workload. Employee census increased to 81 from 79 last year. The historical snap shot shows the District as remaining stable over the five-year view.
- Salaries and Benefits per FTE: This measure paints a picture of the rising cost of healthcare. The District's current position is average for the industry (\$93,961).
- Patient Service Revenue per FTE: The net revenue divided by the number of FTEs. This is a good measure of staff productivity. 2022 presents at \$113,034, down from \$136,522 the previous year. Excluding the PPS factor/adjustment, the measure presents around \$85,000 per FTE.

The summary of the audit is presented in the letter to the board. It references the change in accounting standards, accounting estimates and assumptions, that there were no material adjustments as part of the audit, the Foundation was designated immaterial to the District's finances, and identifies key risks and that the auditors dedicated attention to those risks to mitigate them.

Director Evans commented that it appeared to be a clean audit and thanked Mr. Gfeller. He expressed appreciation for Debbie Anderson's (CFO) help during the process.

Greenhouse referred the board to page 31 of the printed report, Summary of Auditors' Results. Mr. Gfeller explained that the "single audit" addresses the federal monies, and is required to comply with required reporting for government entities. He is pleased to report there were no findings, last year's finding was resolved (Sliding Fee Discount Program).

Board members thanked Mr. Gfeller and congratulated Debbie Anderson on the clean audit.

Motion 23-30: Director Savitt motioned to accept the financial audit report presented by Dingas | Zarecor & Associates for fiscal year ending 2021-22, second by Director Evans; motion passed by unanimous vote.



AUTHORIZATION OF ADDITIONAL DISTRICT BANK ACCOUNTS

Cindy Schmall, CEO, referred the board to the agenda packet. The District holds bank accounts at Pacific Western Bank, a regional banking entity. Recent events with Pacific Western Bank (part of PacWest Bancorp) have caused management to look at the potential risk of the six accounts held at the local bank office. Approximately \$1.5 million is held for operational needs such as payroll and expenses. However, payors deposit to this account and until staff allocates the monies to investment accounts, as much as \$10 million can pass through the account.

The Federal Reserve insures the account holder through the Federal Deposit Insurance Corporation (FDIC) for \$250,000 in total, not per account but per account holder. Although PacWest Bancorp has provided a deposit contract guaranteeing protection of at least 110% of the District's deposits, there may be some risk if the bank fails and has not adhered to the requirements.

Staff reached out to the auditors for perspective on the concerns. Staff is requesting to establish additional accounts to mitigate the potential risks. Director Evans asked about moving all District accounts to another bank. Ms. Schmall said it was possible but not recommended because all our payors, government and private, deposit to the established account. It would be extremely difficult to redirect those payors to another account.

Staff recommends opening other accounts and monitoring the Pacific Western Bank account to keep the balance to a minimum for operations. Director Stiemsma asked how US Bank is the chosen entity. Ms. Schmall said US Bank is a national bank, investing at the national level rather than Pacific Western Bank which invests in the local business. US Bank has a branch in the Basin for our convenience.

Director Evans expressed concerns about continuing to keep the primary account at Pacific Western Bank and thanked Staff for their due diligence on the issue.

Motion 23-31: Director Evans motioned to approve Resolution #23-21 to establish additional bank accounts as necessary at US Bank, second by Director Savitt; motion passed by roll call vote 5:0.

REPORTS

OUTREACH AND MARKETING REPORT – *Joe Ruddon, Chief Community Program Officer*

Mr. Ruddon referred the Directors to his written report in the agenda packet. He called out the May 6 health fair with 350 attendees though the Town indicated they issued 250 wrist bands to minors which would bump up the estimate to 500-600. 33 vendors participated in the eve; 25 units of blood were collected by LifeStream. He thanked his colleagues and Tina Huff's staff for their support. He stated they are already planning the 29 Palms health fair in October. The Directors shared their health fair experience and how informative and well delivered.

Director Evans asked about the statistics for health center patients who test positive for HIV. Ms. Schmall explained that the HIV test is a component of the standard blood panel. Less than ten patients have tested positive over the course of the grant. The HRSA UDS annual report for last year was two patients. Regarding the free test kits, the HIV nurse reported four individuals have identified as positive out of 659 kits distributed; they were referred to DAP Health.

FINANCIAL REPORT – *Debbie Anderson, CFO*

Ms. Anderson reported that the consolidated financials for the month of April show income of \$524,922 and year to date income of \$1,911,437. The non-clinic financials for the month show



income of \$406,591 and year to date income of \$1,753,329. The clinic financials for the month show income of \$118,311 and year to date income of \$158,108.

The printed report showed an update of the year-to-date change in net position by service line. As we prepare for the new FY 23-24 budget, this information is provided to the board to further understanding of what the income and losses are for each service line. Ms. Anderson noted that some service lines make money, and some do not. So in reviewing the service lines, considering should be given to the dynamics of each service line. Takeaways from this information include:

- Significant expenses were charged to grants this last year.
- Within the grants income line, the ARP grant (which completed March 31) paid for approximately \$900,000 of expenses that were not charged to various services
- The largest service line losses come from Behavioral Health, community outreach, LIFT and dental.
- For behavioral health, year after year the main cause of the losses can be attributed to high patient no shows, patient volumes, and high salary costs necessary in order to attract and retain qualified providers.
- Community outreach and LIFT are community services that generate no income, although LIFT does have small grants to help defray some of the costs.
- Dental has struggled due to high lease costs (which have now been eliminated), no shows, and the diversion of staff to cover the mobile medical program (which means not as many patients can be seen in the clinics on those days).

Motion 23-32: Director Evans motioned to accept the financial report as presented, second by Director Stiemsma; motion passed by unanimous vote.

CEO STAFF REPORT – Cindy Schmall, CEO

Ms. Schmall referred the Directors to her written report in the agenda packet. She noted that she and Debbie Anderson have been meeting with department managers regarding the budget. The budget has been our focus in preparation for the budget workshop special meeting on June 10.

She referred the Directors to the LAFCO handout and answered questions about LAFCO.

CALENDAR REVIEW AND COORDINATION

- June 10 special board meeting for Foundation and Board Retreat
- July 4 holiday: the District will be closed Monday and Tuesday of that week which presents a problem for issuing the meeting agenda. Staff will discuss and advise of July meeting dates.

DIRECTOR COMMENTS

DIRECTOR COOPER: She stated she is still processing the information presented tonight.

DIRECTOR STEIMSMA: She congratulated Debbie Anderson on the clean audit.

DIRECTOR EVANS: “It’s always good news to get a clean audit, congratulations. And I am looking forward to our special meeting on June 10.”

DIRECTOR GREENHOUSE: She thanked Linda Evans, Janine Duff and Kathy Alkire for attending the meeting tonight.



ADJOURN MEETING TO CLOSED SESSION

The open session of the meeting was adjourned at 7:30 p.m.

The closed session was convened at 7:30 p.m. pursuant to Section 32106 of the Health and Safety Code involving trade secrets regarding District properties located at 58383 Twentynine Palms Hwy, Yucca Valley and at 6380 Split Rock, 29 Palms.

Closed session adjourned back to open session at 8:17 pm. Cindy Schmall, CEO, reported that the Board of Directors authorized Staff to:

- 58383 Twentynine Palm Hwy, Yucca Valley: extend the current lease by two-months.
- 6380 Split Rock, 29 Palms: decline the HRSA capital grant.

The meeting was adjourned at 8:18.



Heidi Stiemsma, Secretary of the Board

Board meeting minutes recorded by K. Graley, Board Clerk.