

Northfield Hospitals + Clinics

2019 Audit Results and Report to Northfield City Council

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Presentation Overview

- **Audit Overview & Outcomes**
- **Industry Trends: COVID-19 Impact on Health Systems**
- **NH+C 2019 Financial Position & Results**



Audit Overview

CLA Responsibility

- *Express Opinion on financial statements*
- *Reasonable, not absolute assurance no material misstatements*

Risk Based Approach

- *Evaluation of internal controls*
- *Focus on areas of greatest risk of error*
- *Data Analytics*

Adjustments

- *No audit adjustments*
- *No passed adjustments*
- *Worked with Mgt. to update GASB 68*

Difficulties Encountered

- *Audit went as planned*
- *No difficulties*
- *No disagreements*
- *No issues*
- *Great prep!!*



Industry Trends: COVID-19 Impact on Health Systems

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COVID-19 Timeline & Key Events

- January 31st: Secretary of HHS declares a public health emergency under Section 319 of the Public Health Services Act in response to COVID-19.
- March 13th: President Trump declares COVID-19 a National Emergency.
- March 19th: MN Governor Walz issues Emergency Executive Order 20-09 indicating effective March 23rd all non-essential or elective surgeries and procedures are postponed indefinitely.
- The vast majority of surgeries and procedures performed by health systems are considered to be “elective”, but are medically necessary.
- Cancelling them has a significant negative impact on cash flow for health systems as they typically comprise the driving force for profitability.
- Cancellation of these procedures has equated to lost revenues ranging from 40% to 65% for health systems across the country.



COVID Health System Liquidity Impact*

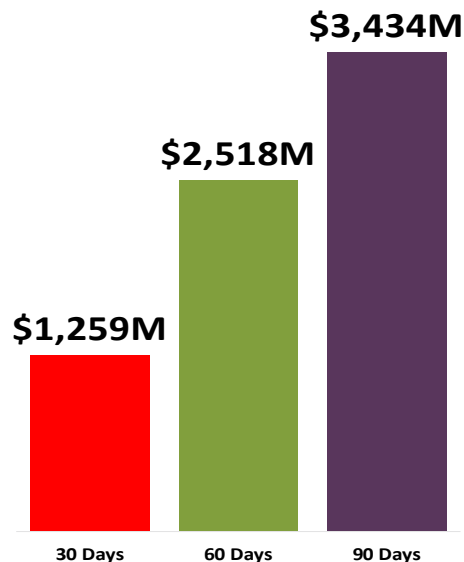
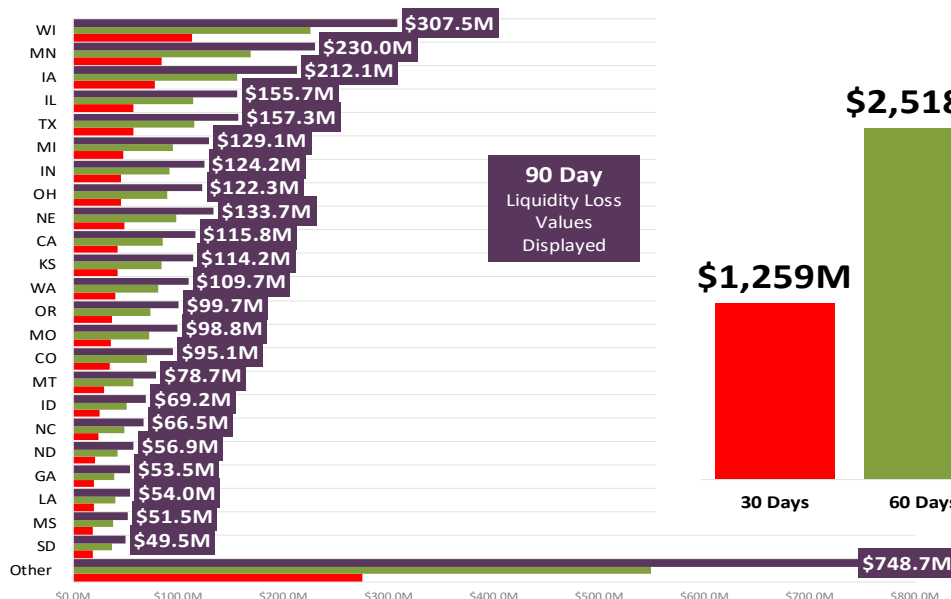
CLA COVID CURVE ASSUMPTIONS

30 Day DIP (4/21)	55%	4 Weeks
30-60 Day DIP (5/21)	55%	8 Weeks
60-90 Day DIP (6/20)	40%	12 Weeks

Hospital Liquidity Loss (\$M)

Before Interventions (3/22/2020 Start)

Liquidity Lost by State \$M

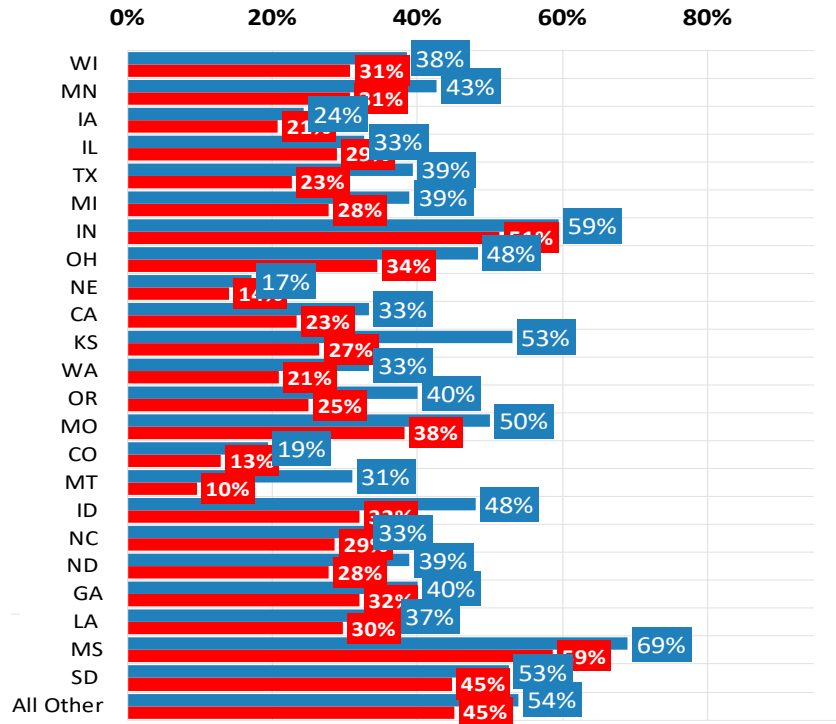


*Source: CLA analysis based on estimated lost revenues during the COVID dip period.

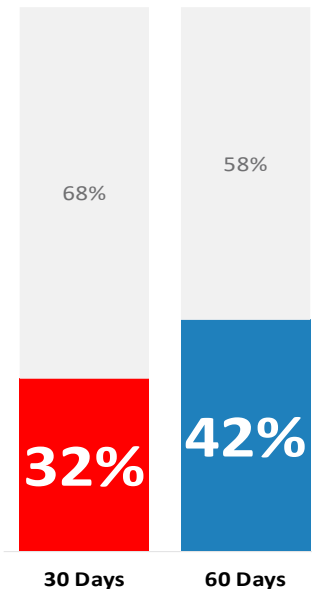


COVID Health System Liquidity Impact*

% of Hospital Facilities at Risk of Negative Current Cash



Projected % of Facilities with Negative Current Cash



*Source: CLA analysis based on estimated lost revenues during the COVID dip period.



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Federal Response to Liquidity Concerns

- CARES Act enacted March 27, 2020 included \$2T+ economic support.
- Policies aimed at providing assistances business, individuals, states, municipalities.
- Specifically for health care providers:
 - \$100 Billion in financial aid
 - \$50 billion for “General Distributions”
 - Remaining paid out through “Targeted Distributions”
 - ◇ \$10B for rural providers
 - ◇ \$12B for COVID “hot spots”
 - ◇ \$4.9B for certified nursing homes
 - ◇ ~\$30 billion for uninsured care
 - Additional \$75 billion in Paycheck Protection & Health Care Enhancement Act





Northfield Hospital + Clinics 2019 Financial Position & Results

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Industry Benchmark Data

Northfield Hospital + Clinics (NHC)

- \$108 Million Net Patient Service Revenue
- 2016 –2019 Data, Based on Audited Financial Statements


 2016-2019

CLA Health System Clients (CLA)

- 22 PPS Facilities with \$50 Million to \$250 Million of Net Patient Revenue

 2016-2018

Standard & Poors (AA+ to AA-)

 2016-2018

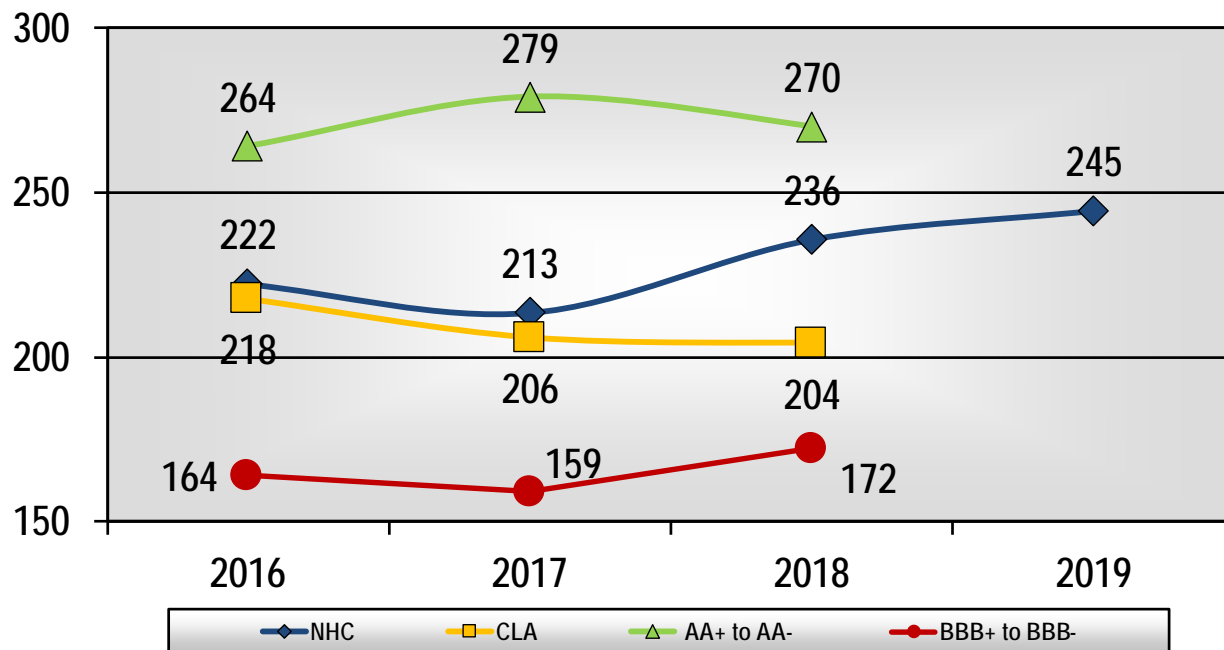
Standard & Poors (BBB+ to BBB-)

 2016-2018

Days Cash on Hand (All Sources)

Definition:

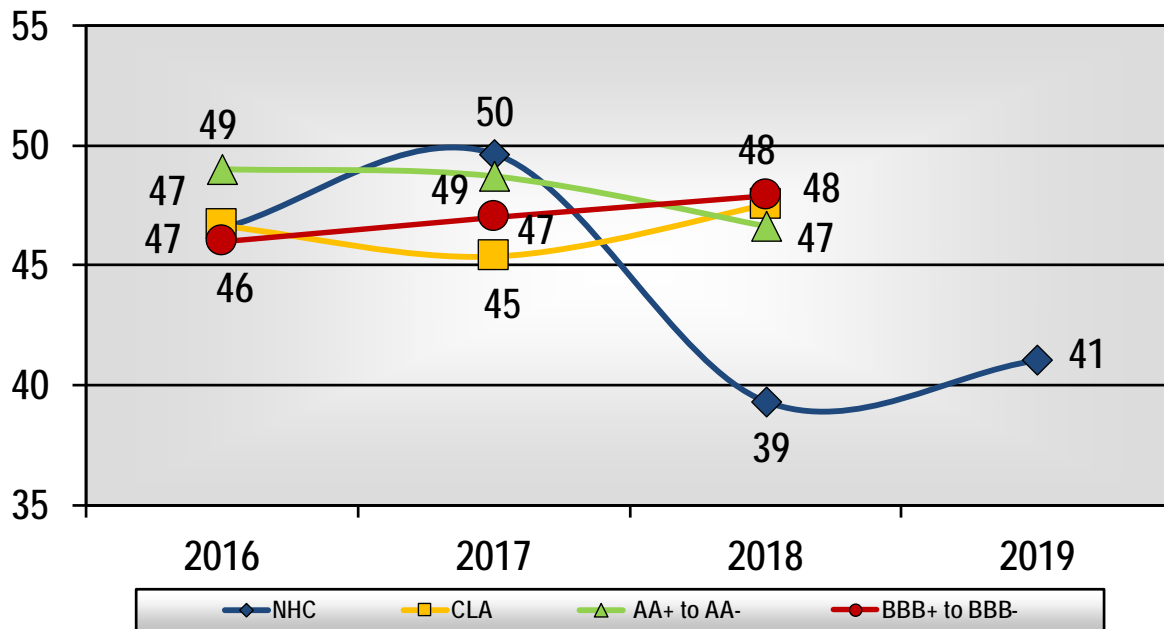
Days Cash on Hand measures the number of days of average cash expenses that the facility maintains in cash and amounts reserved for capital improvements. High values usually imply a greater ability to meet both short-term obligations and long-term capital replacement needs.



Net Days in Accounts Receivable

Definition:

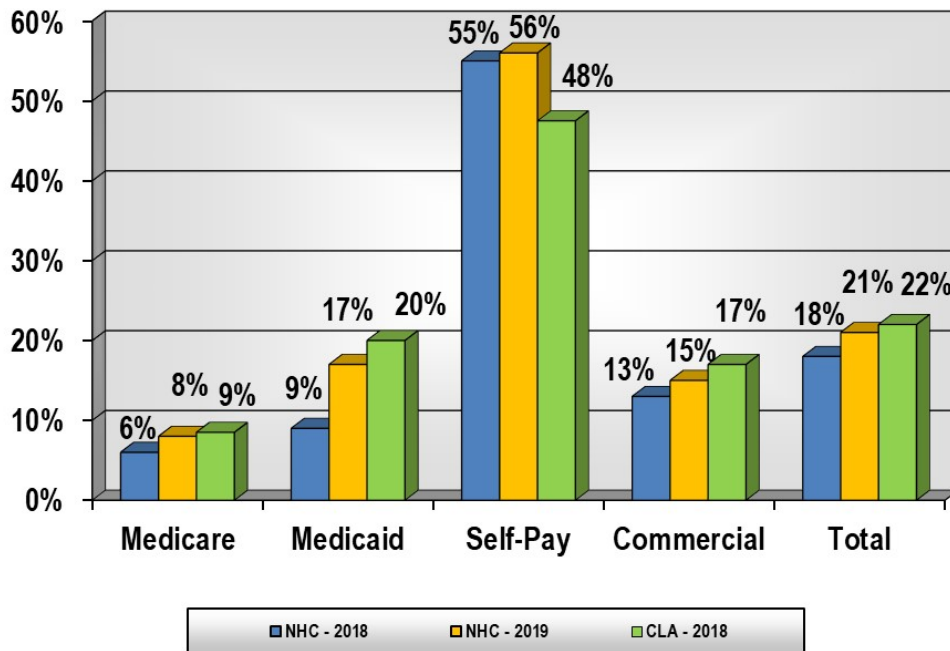
Days in patient accounts receivable is defined as the average time that receivables are outstanding, or the average collection period.



Accounts Receivable by Payor > 90 Days Old

Definition:

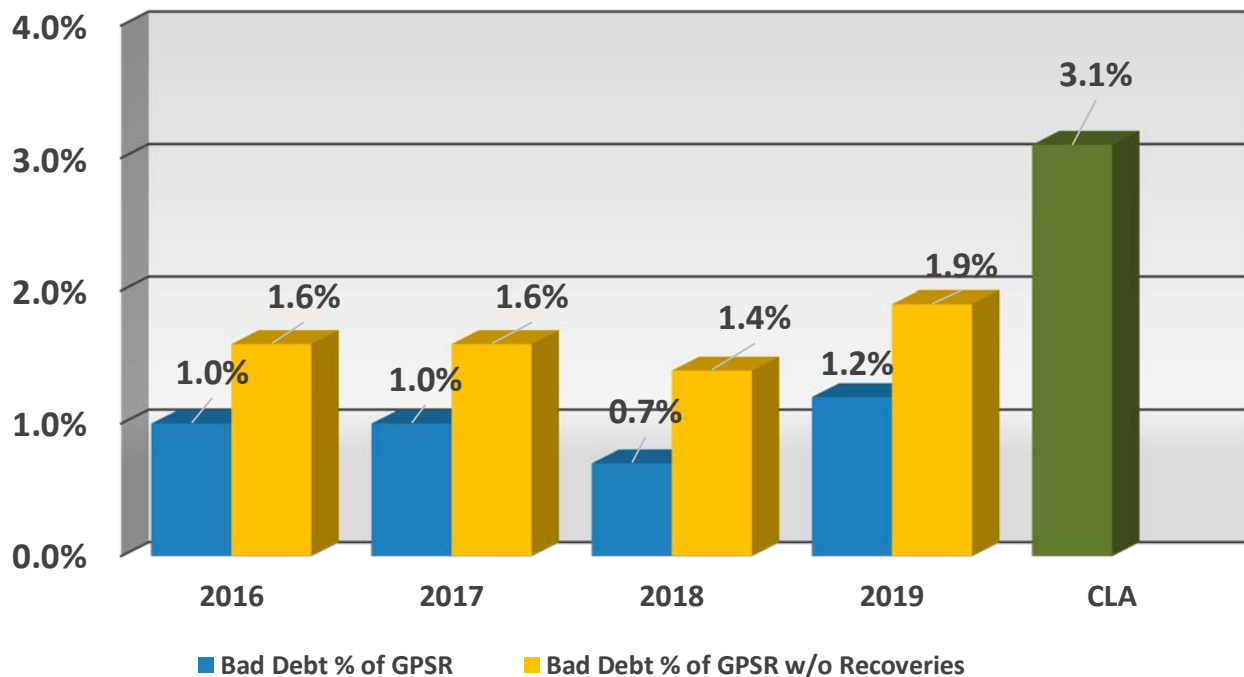
The portion of accounts receivable from each payor classification that is greater than 90 days old.



Bad Debt as a Percent of Gross Revenue Trends

Definition:

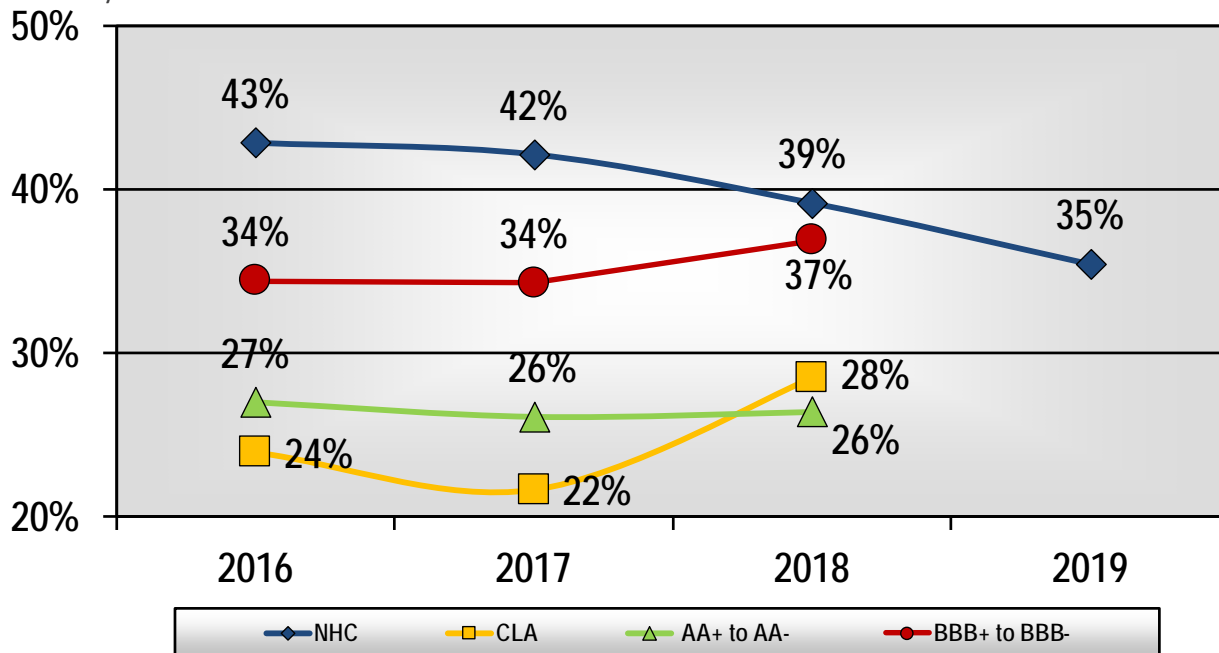
The portion of accounts receivable written off as a percentage of gross patient service revenue.



Debt to Capitalization

Definition:

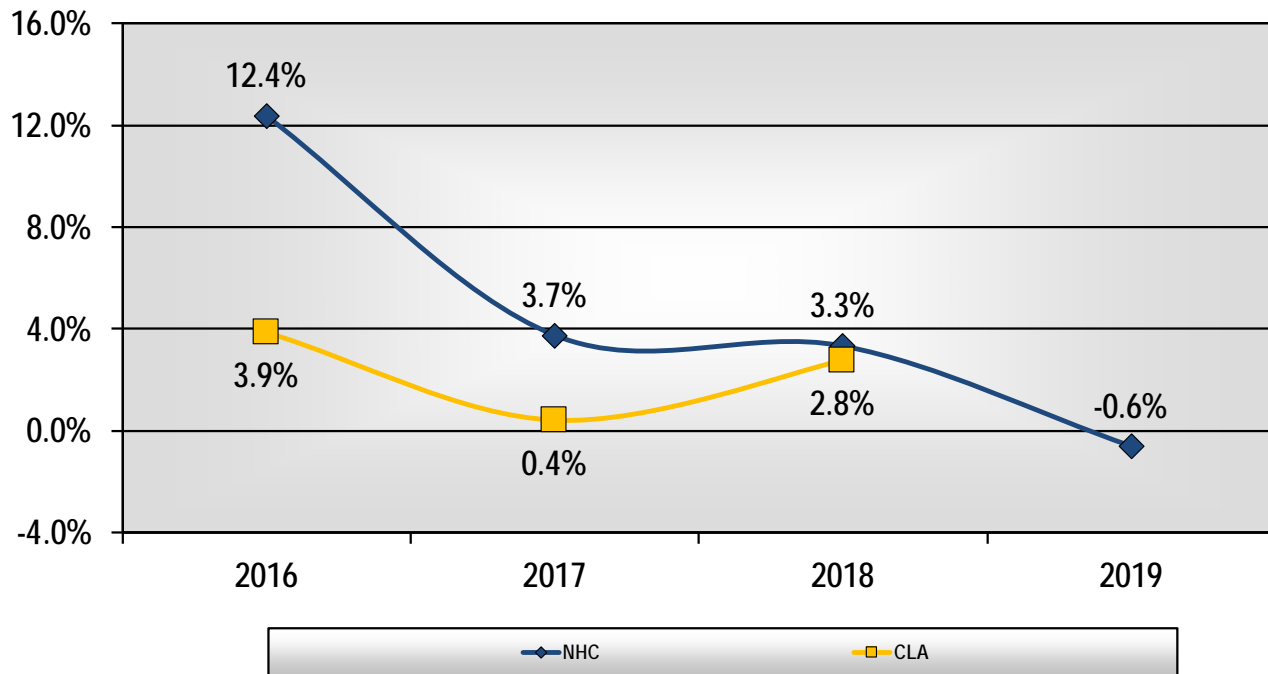
This ratio is defined as the proportion of long-term debt divided by long-term debt plus total net assets. Higher values for this ratio imply a greater reliance on debt financing and may imply reduced ability to carry additional debt.



Percentage Change in Net Patient Service Revenue

Definition:

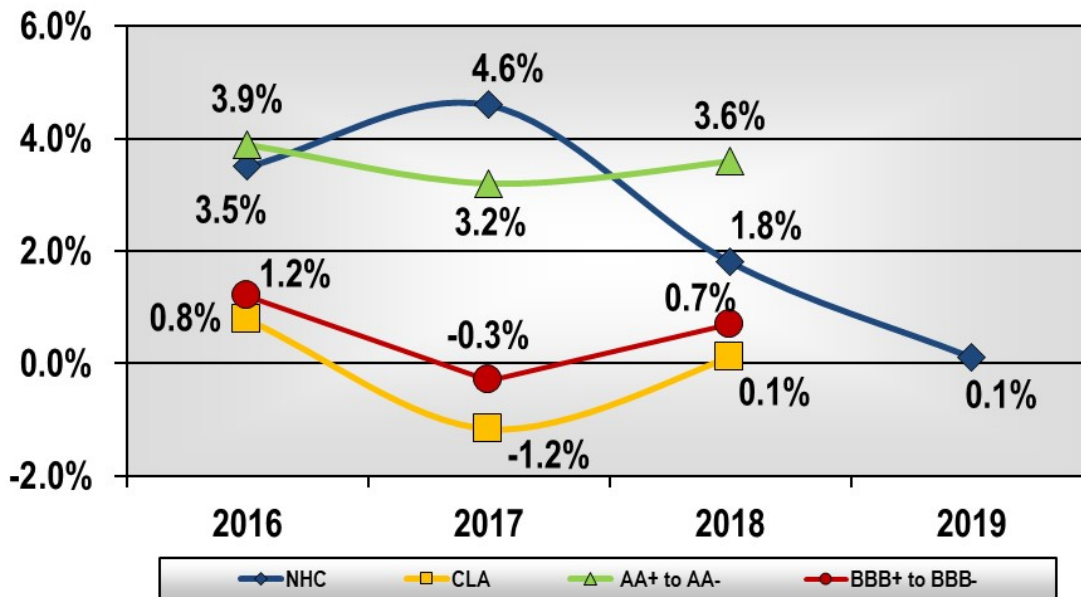
Below is the percentage change in net patient services revenues from the prior year. The ratio reflects the increases and decreases in charges, volumes, and contractual adjustments from the prior year.



Operating Margin – Pre-GASB 68

Definition:

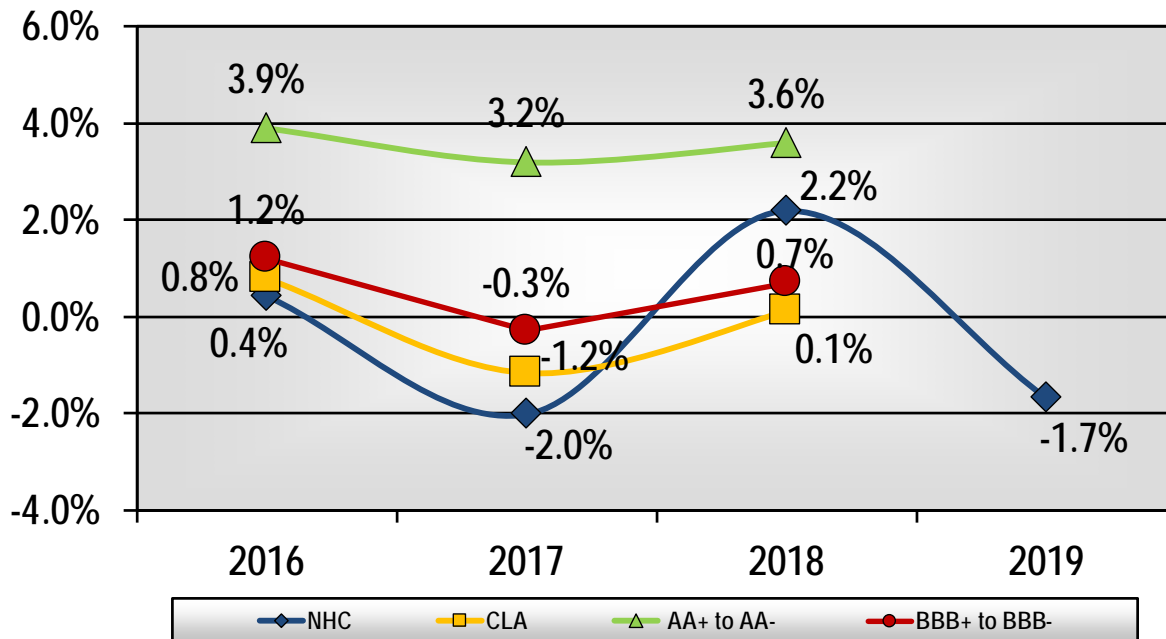
This ratio is operating margin as a percentage of net patient service revenue plus total other operating revenue. It is used to report the facility's return on revenues which relates to the main purpose of operations. The "Pre-GASB 68" means this is the operating margin before recording the impact of GASB 68 for PERA in each of the year's presented.



Operating Margin – Post-GASB 68

Definition:

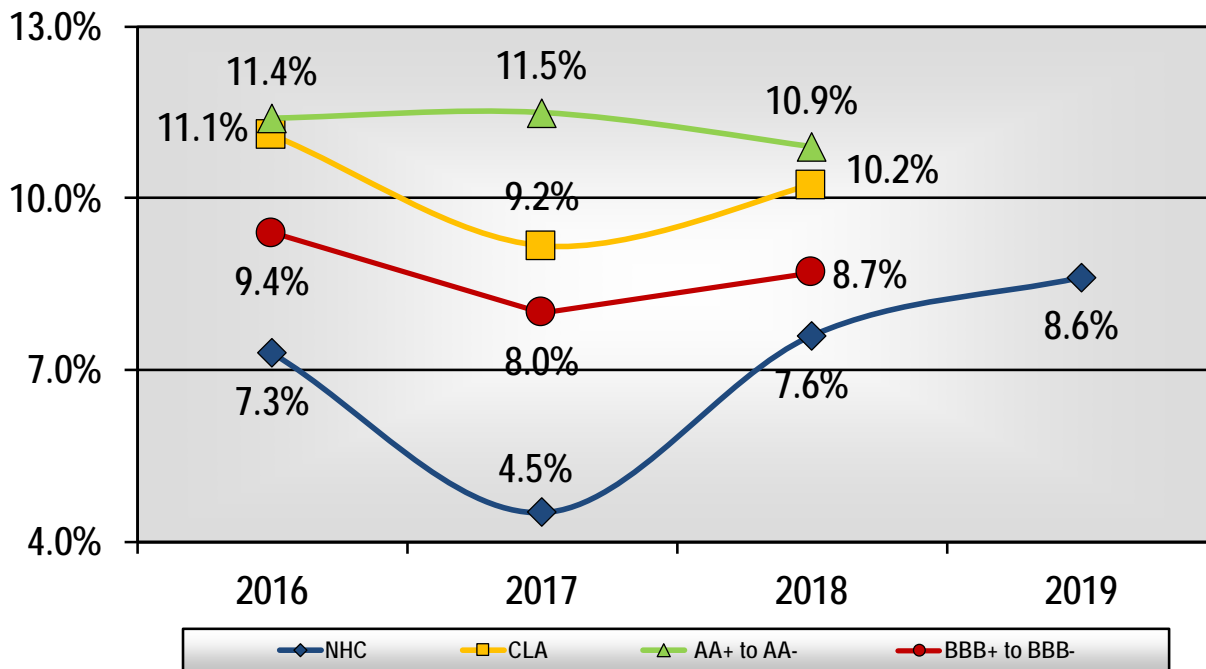
This ratio is operating margin as a percentage of net patient service revenue plus total other operating revenue. It is used to report the facility's return on revenues which relates to the main purpose of operations. The "Post-GASB 68" means this is the operating margin after recording the impact of GASB 68 for PERA in each of the year's presented.



EBIDA

Definition:

EBIDA represents Earnings (excess (deficit) of revenue over expenses) Before Interest, Depreciation, and Amortization divided by total revenues. This ratio is often used when evaluating debt capacity.





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QUESTIONS?

THANK YOU!!

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