



GREENWOOD LEFLORE HOSPITAL

Annual Hospital Audit Presentation
September 30, 2022

Presented to the Board of Commissioners
January 17, 2023

Annual Audit Report Presentation

01

Audit Opinion
and Required
Communications

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Financial
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Benchmark
Comparisons

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Industry
Insights

Audit Opinion and Required Communications



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Audit Opinion

- Audit Report Opinion
 - Unmodified Opinion
 - Emphasis of Matter regarding Going Concern
 - Emphasis of Matter regarding other matters
 - Management's Responsibility
 - Auditor's Responsibility
- Report on Compliance and Internal Controls
 - Compliance
 - Internal Control Over Financial Reporting

01

Required Communications

- Accounting Practices

- Three significant accounting standards adopted
- No significant changes in accounting policies
- No significant or unusual non-COVID transactions identified
- No alternative accounting treatments were discussed with management

01

- Management's Judgments and Accounting Estimates

- Revenue and receivables including cost reports and DSH/MHAP
- Self-funded insurance liabilities
- Net pension liability
- Recognition of CARES Act funding revenue
- Evaluation of Going Concern indicators

Required Communications, Continued

- Financial Statement Disclosures
 - Net patient service revenue and accounts receivable
 - COVID-19 pandemic and related impact
 - Due from third-party payors
 - Insurance programs
 - Pension plan
 - Going Concern and related plan of action
- Adjustments
 - Record GASB 68 pension entry: **(\$415,536)**
 - Record GASB 87 lease implementation entry: **(\$92)**
 - Adjust third party receivable (payable): **\$1,449,450**
 - To adjust IBNR estimate: **\$226,291**
 - Record malpractice expense accrual: **(\$119,382)**

01

Required Communications, Continued

Uncorrected Misstatements



Disagreements with Management



Consultations with Other Accountants



Difficulties Encountered in Performing the Audit



Significant Issues Discussed with Management

- Complexity and uncertainty of HHS regulations pertaining to PRF
- Guidelines and deadline for reporting portal for PRF
- Single audit requirement for USDA and Ryan White grants
- Cancer Center certificate of need valuation
- Going Concern indicators identified



01

Required Communications, Continued

- Other Required Communications to the Board
 - Internal control matters
 - No significant deficiencies or material weaknesses noted
 - Written communications between our Firm and management
 - Included in package

01

Financial Statement Summary



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COVID Funding Impact

02

Funds Received (Cash Flow)	2022	2021
CARES Act Revenue	\$ 8,060,093	\$ 636,634
Medicare Advanced Payment Program	\$(7,938,586)	\$ (2,995,107)

Recoupment of the advance payments began one year after the initial advance payments were received. After the first year, Medicare began automatically recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment increased to 50 percent for another six months. For the outstanding balance after the 29 months, Medicare issued letters requiring repayment of any outstanding balance, subject to an interest rate of four percent. The Hospital submitted and was granted an extended repayment schedule that will allow the Hospital to make 60 monthly payments in the amount of \$103,051.25 over the next five years.

	2022	2021
Contract Liability (Balance Sheet)	\$ 5,595,612	\$ 13,534,198

Condensed Statements of Net Position

02

	2022	2021	2020
Cash and investments (including restricted and internally designated assets)	\$ 6,796,484	\$ 24,650,633	\$ 39,510,928
Patient accounts receivable, net	6,883,027	10,933,670	9,804,850
Other assets	8,515,849	8,173,523	20,886,998
Capital assets, net	35,982,682	42,292,560	44,102,646
Total assets	58,178,042	86,050,386	114,305,422
Deferred outflows of resources	5,532,764	36,212	418,066
Total assets and deferred outflows	<u>\$ 63,710,806</u>	<u>\$ 86,086,598</u>	<u>\$ 114,723,488</u>
Medicare Advance Payments cont. obligations	\$ 5,595,612	\$ 13,534,198	\$ 16,529,305
Deferred revenue	244,945	779,691	11,265,797
Other current liabilities (excluding LT debt)	13,561,293	15,398,207	14,434,612
Long-term debt and capital lease obligations, net of current maturities	1,195,534	2,026,847	5,363,053
Net pension liability	18,918,424	9,476,751	14,130,423
Total liabilities	39,515,808	41,215,694	61,723,190
Deferred inflows of resources	62,818	3,592,403	713,949
Net position	24,132,180	41,278,501	52,286,349
Total liabilities, net position and deferred inflow	<u>\$ 63,710,806</u>	<u>\$ 86,086,598</u>	<u>\$ 114,723,488</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position

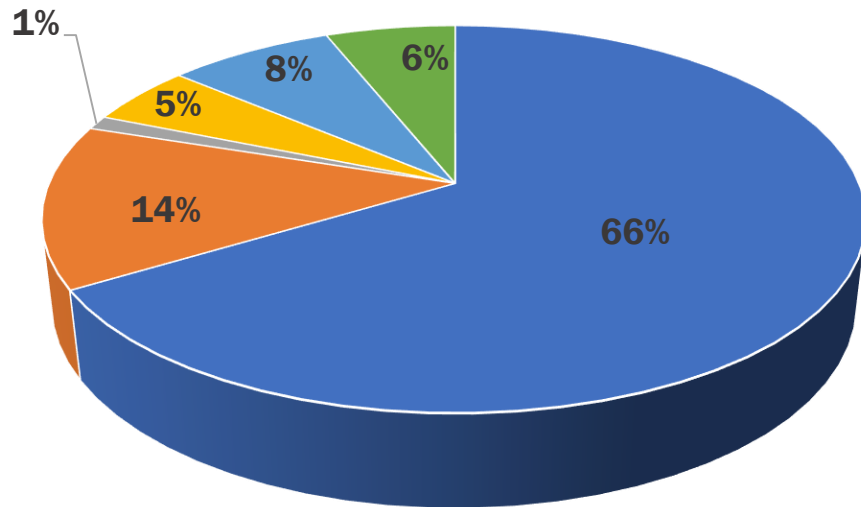
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	2022	2021	2020
Gross patient service revenue	\$ 261,674,118	\$ 308,882,622	\$ 315,281,761
Deductions from revenue	(161,538,065)	(190,437,251)	(191,806,936)
Bad debts	(14,322,479)	(16,769,497)	(15,251,992)
Charity	(5,357,954)	(5,023,770)	(8,285,276)
Other revenues	3,820,096	2,874,688	1,088,060
Total operating revenues	84,275,716	99,526,792	101,025,617
Operating expenses	(110,160,939)	(121,782,915)	(117,614,560)
Loss from operations	(25,885,223)	(22,256,123)	(16,588,943)
Investment income (loss)	(191,212)	265,461	698,582
Interest expense	(79,670)	(142,323)	(129,388)
CARES Act funding	8,594,839	11,122,740	13,580,799
USDA Grant	1,000,000	-	-
Impairment of capital assets	(542,494)	-	-
Gain (loss) on disposal of capital assets	(42,561)	2,397	(63,139)
Decrease in net position	\$ (17,146,321)	\$ (11,007,848)	\$ (2,502,089)

Operating Expenses

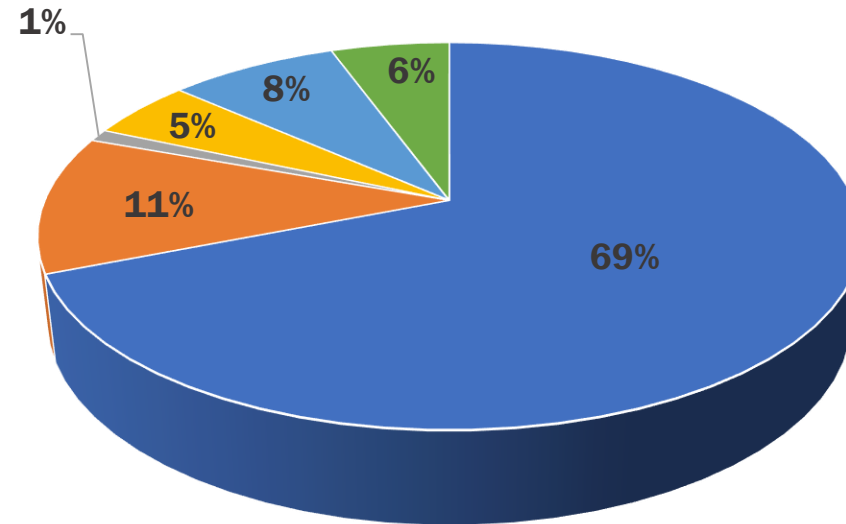
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2022



- Patient care
- Dietary services
- Employee welfare
- G&A services
- Operations
- Depreciation

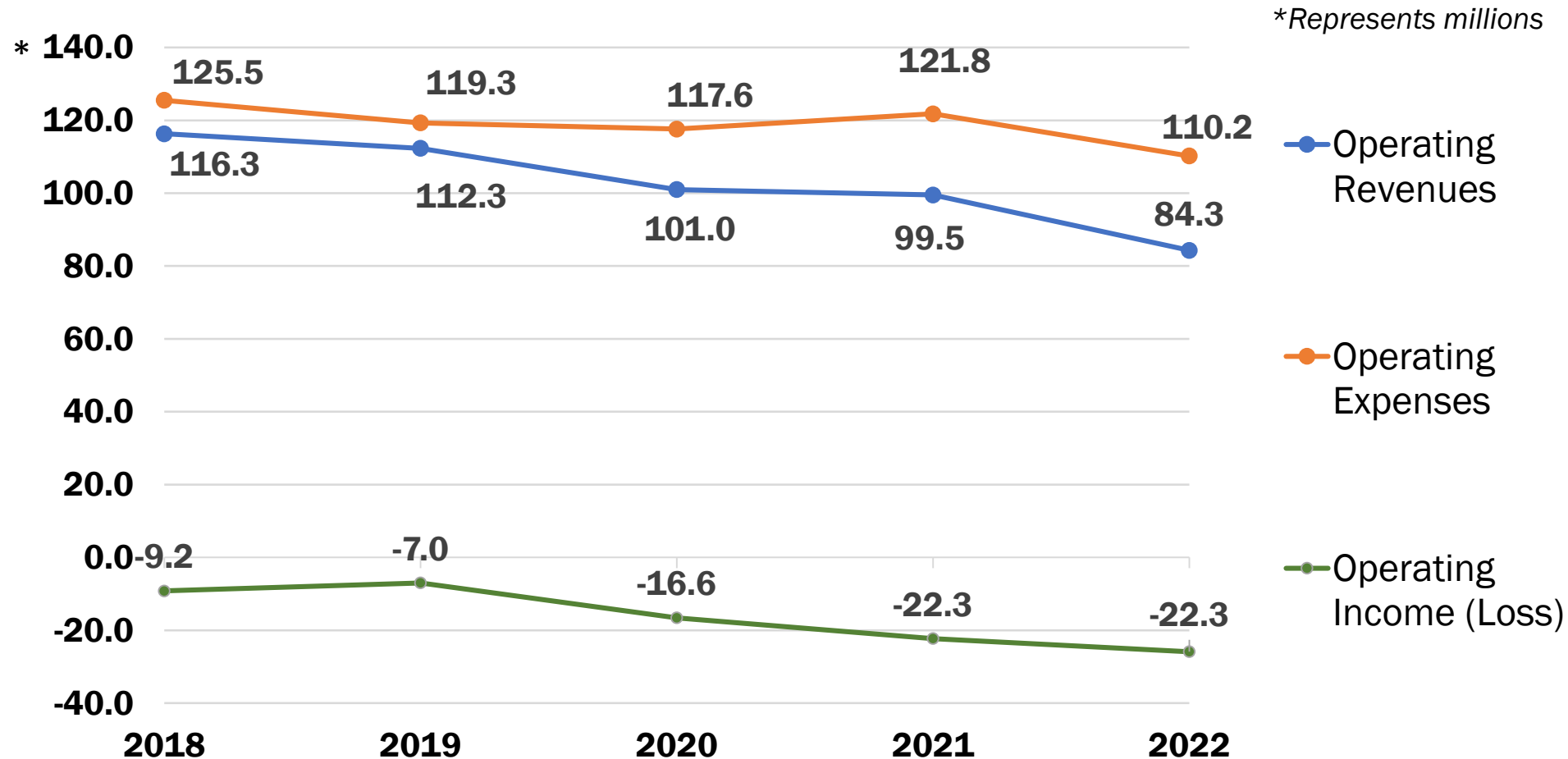
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- Patient care
- Dietary services
- Employee welfare
- G&A services
- Operations
- Depreciation

Revenue, Expenses and Net Position Trends

02



Condensed Statements of Cash Flows

02

	2022	2021
Loss from operations	\$ (25,885,223)	\$ (22,256,123)
Depreciation and amortization expense	6,678,925	6,270,677
Change in patient accounts receivable	4,050,643	(1,128,820)
Net change in other operating assets and liabilities	(999,865)	(3,558,186)
Net cash used in operating activities	(16,155,520)	(20,672,452)
Cash flows from noncapital financing activities		
Medicare Advance Payment receipts	(7,938,586)	(2,995,107)
CARES Act relief funds	8,060,093	636,634
USDA grant funds	1,000,000	-
Net cash provided by (used in) noncapital financing activities	1,121,507	(2,358,473)
Cash flows from capital and related financing activities		
Purchase of capital assets, net of proceeds from sale	(831,402)	(3,314,726)
Payments on long-term debt and capital lease obligations	(1,717,852)	(2,055,275)
Interest payments on long-term debt and capital lease obligations	(79,670)	(124,830)
Net cash used in capital and related financing activities	(2,628,924)	(5,494,831)
Cash flows from investing activities		
Purchase of investments	-	(81,195)
Proceeds from sale of investments	4,610,280	-
Interest and dividends on investments	(191,212)	385,552
Net cash provided by investing activities	4,419,068	304,357
Decrease in cash and cash equivalents	\$ (13,243,869)	\$ (28,221,399)



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Key Benchmark Comparisons



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Key Benchmark Comparisons

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	2022	2021	2020
Days Cash on Hand	24	78	173
Current Ratio	1.0	1.4	1.2
Days Revenue in A/R (Net)	31	41	36
Total Operating Margin %	-20.3%	-11.1%	-2.6%
Outpatient Revenue to Total %	60.2%	51.5%	49.1%
Average Age of Plant	25.2	23.9	26.3
Debt Service Coverage	(5.9)	(1.6)	1.2
Debt-to-Capital Ratio	10.6%	9.8%	9.3%

Industry Insights



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In the News

- Advisory Board reported that “according to a 2022 study from the **Center for Healthcare Quality and Payment Reform (CHQPR)**, at least 40% of rural U.S. hospitals are at risk of shutting down in the near future. Researchers identified more than 500 hospitals at immediate risk of closing in the next two years, largely because of significant, multi-year financial losses.”
- An article released by Becker’s Hospital Review stated, “Nearly all 111 of Mississippi’s hospitals are facing financial difficulties in multiple areas. The state’s rural hospitals in particular are facing serious financial challenges and that 38 of those hospitals are in danger of immediate or near-term closure.”

In the News, continued

- The New York Times reported that “Medicare Advantage plans often deny needed care. According to a report from the inspector general’s office of the Health and Human Services Department, tens of thousands of people enrolled in private Medicare Advantage plans are denied necessary care that should be covered under the program, federal investigators concluded.”
- Mississippi Today reported that “Democratic legislative leaders are proposing a plan to address the Mississippi Hospital crisis. The bill would appropriate \$150 million as a “lifeline” to rural hospitals. The state would send cash directly to the hospitals to help temporarily balance their budgets and fund health care services.”

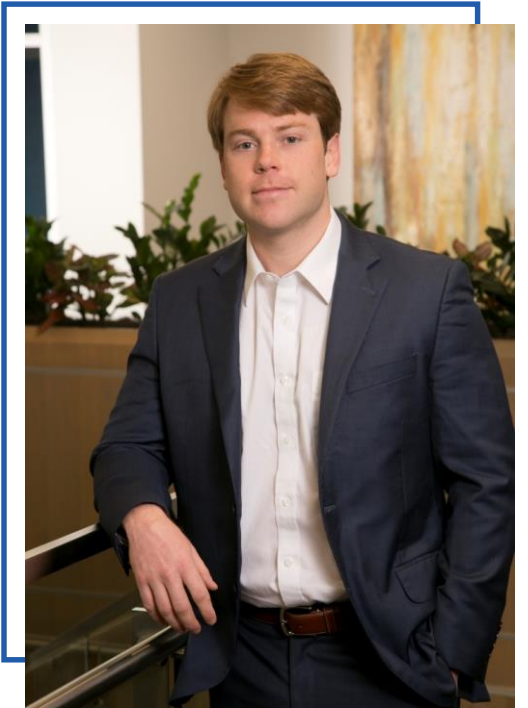
Questions?

THANK YOU!

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