



June 23, 2016

Shenandoah Medical Center Finance Committee 2015 Annual Report

Deliverables

- Report to the Board
 - AU-C 260 correspondence
- Audited Financial Statements
- Comparative Ratio's

- The auditor's responsibility under Generally Accepted Auditing Standards
 - Our arrangement letter dated November 25, 2015 (amended April 15, 2016) communicated our responsibility
 - We plan and perform our audits to obtain reasonable assurance, rather than absolute, about whether the financial statements are free from material misstatement caused by error, fraudulent financial reporting or misappropriation of assets

Required Communication with Board

- No
 - Disagreements with management
 - Difficulties encountered during the audit
- Other services performed
- Changes in significant accounting policies
- Significant or unusual transactions
- Management judgments and accounting estimates

Required Communication with Board

- Adjustments
 - Seven audit adjustments, plus six client proposed entries
- Passed audit adjustments – Three
- Internal control related matters
 - Material Weakness
 - None
 - Significant Deficiency
 - One identified

Noteworthy Items

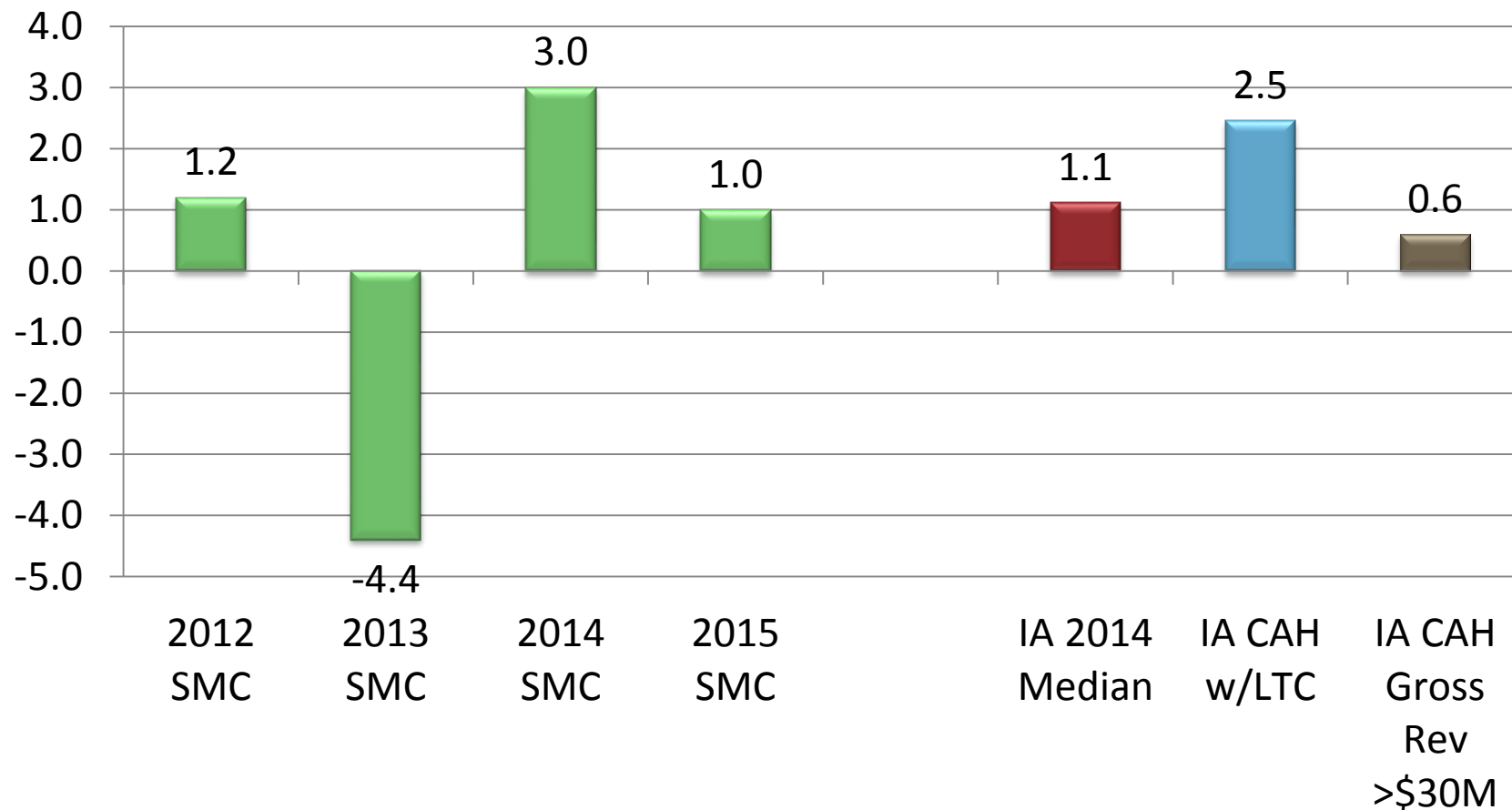
- Days revenue in AR– up 27 days
- Operating revenue – up \$5.2M
- Salaries and benefits – up \$2.2M
- Operating expenses – up \$5.8M
- Operating Margin – down \$600K
- Total Margin – down \$852K
- Key disclosures – Notes 2, 4, 7, 10 and 14

Financial Indicators

- Comparative groups used in the following ratio slides include:
 - All IA CAH Hospitals median - based 2014 Medicare cost report data (82)
 - IA Peer Medians - 2014
 - IA CAH's with long-term care facilities (20)
 - IA CAH's with net patient revenue greater than \$30M (15)

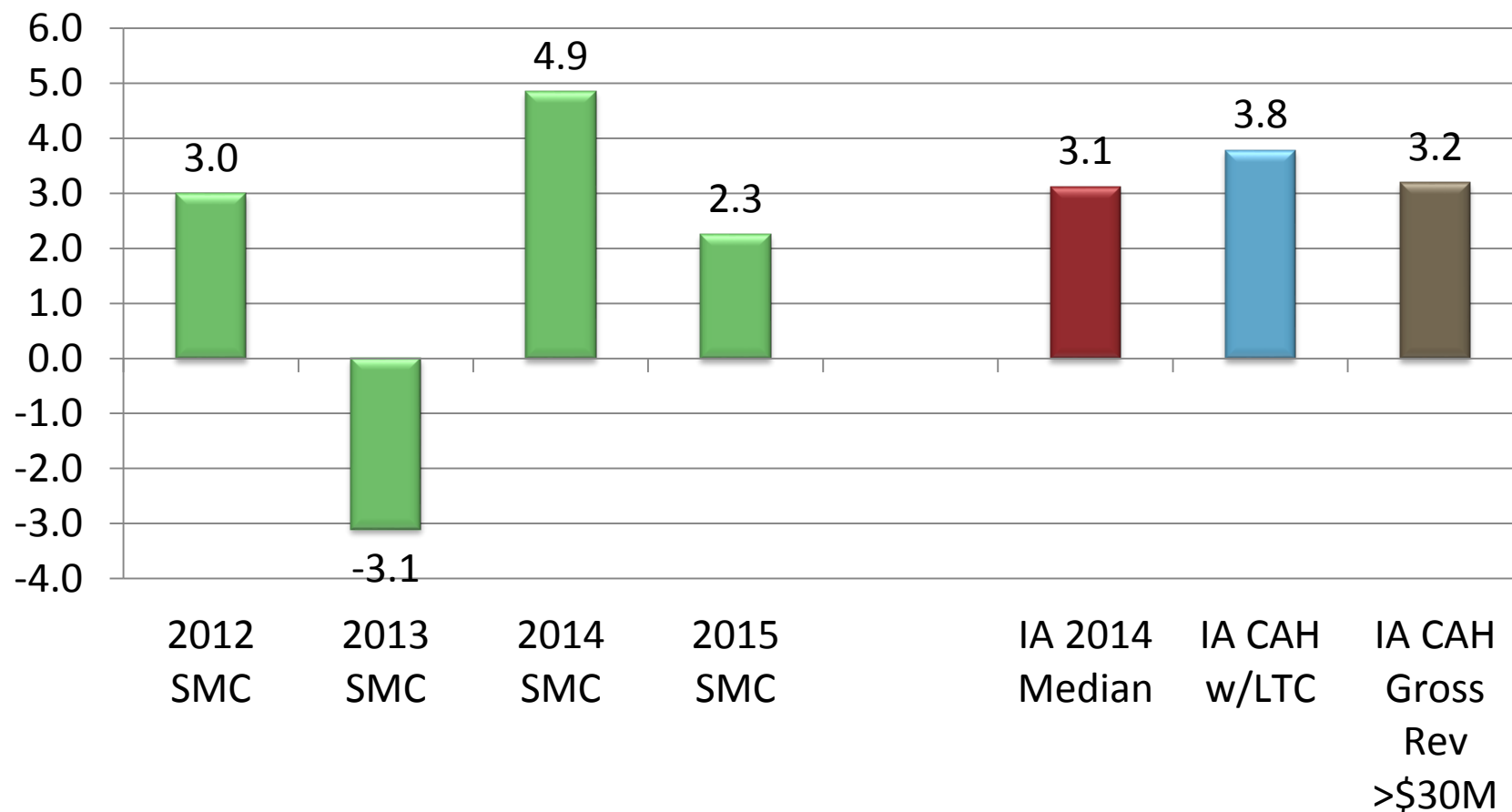
Operating Margin

Preferred Trend

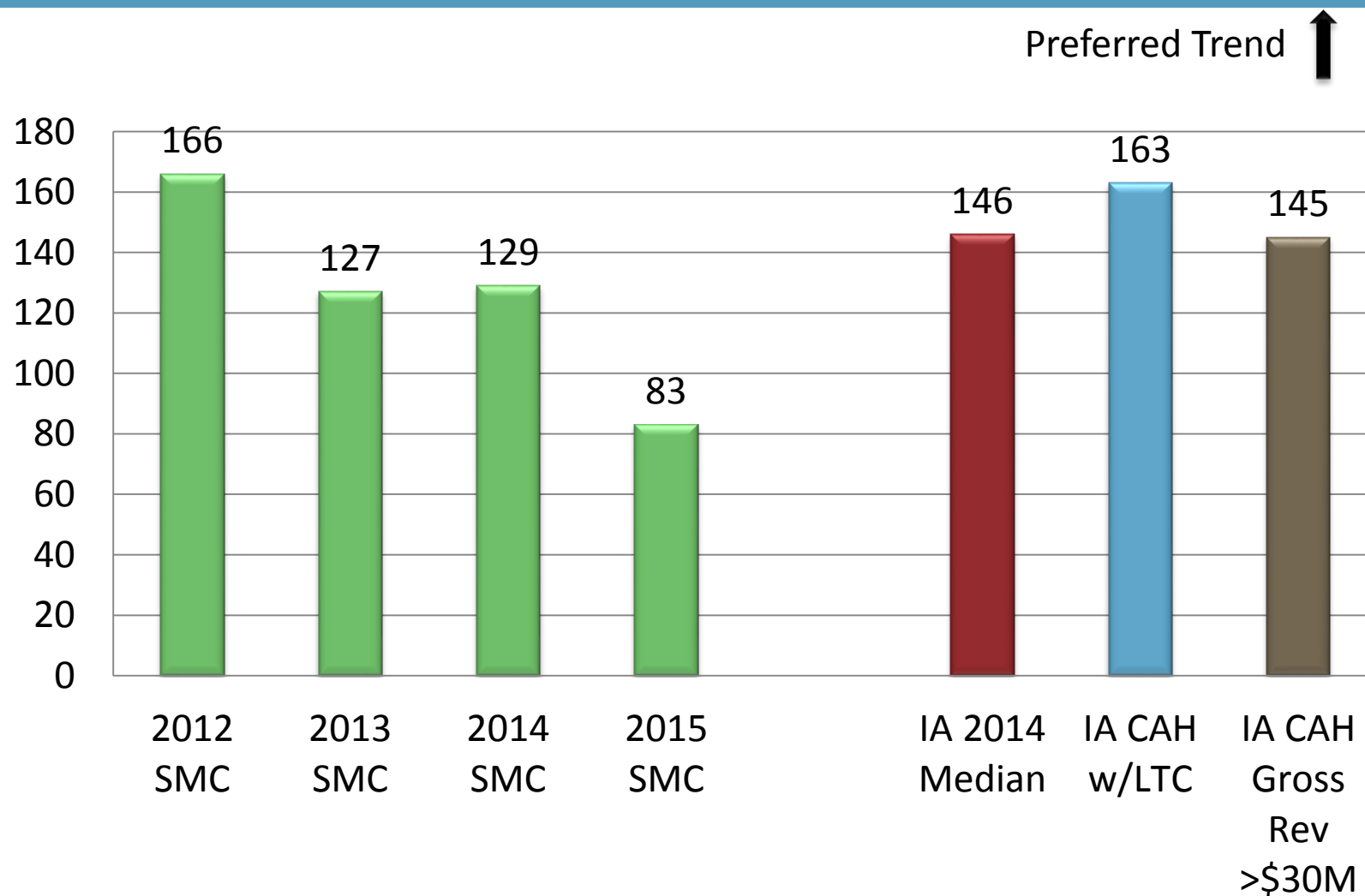


Total Margin

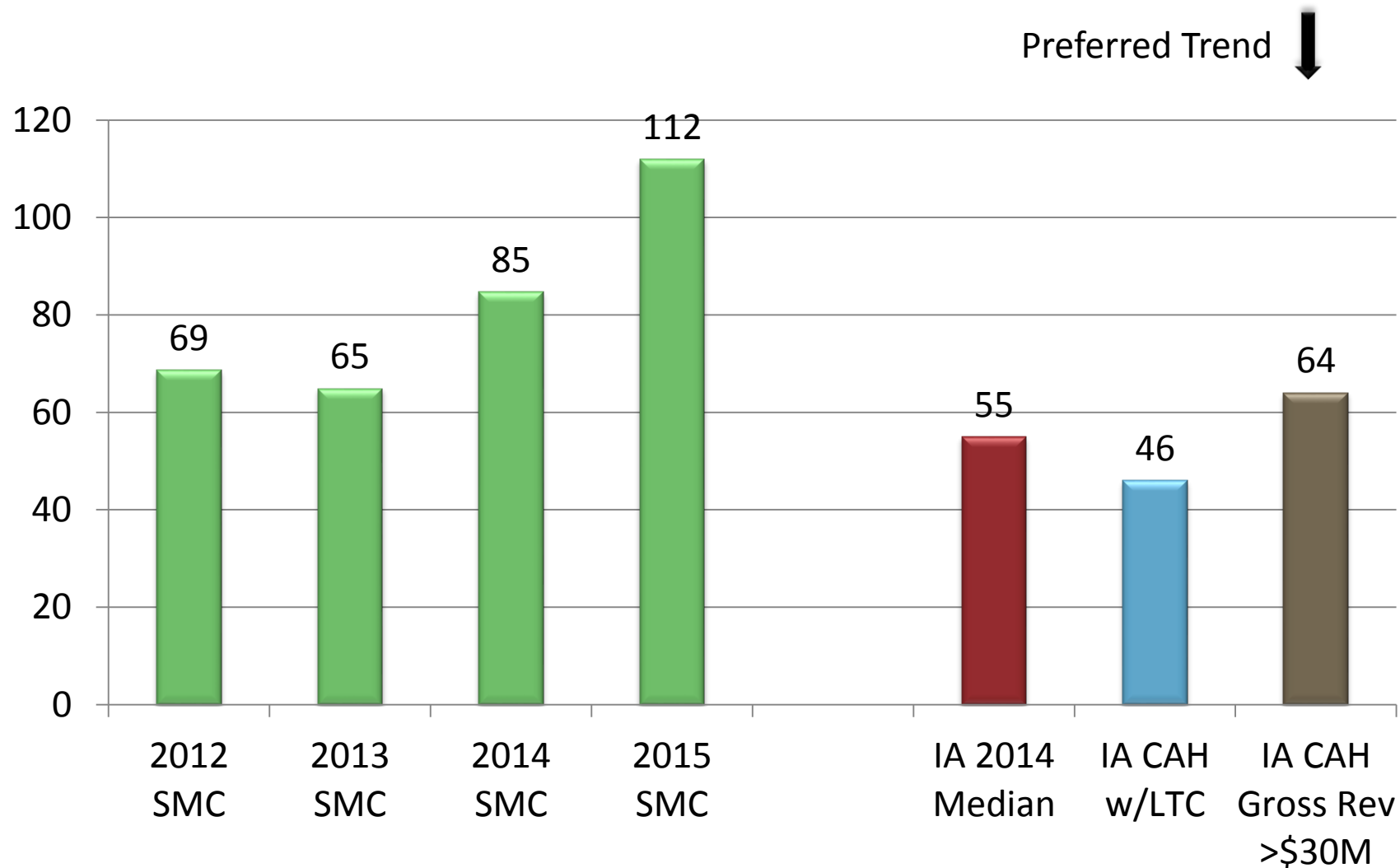
Preferred Trend



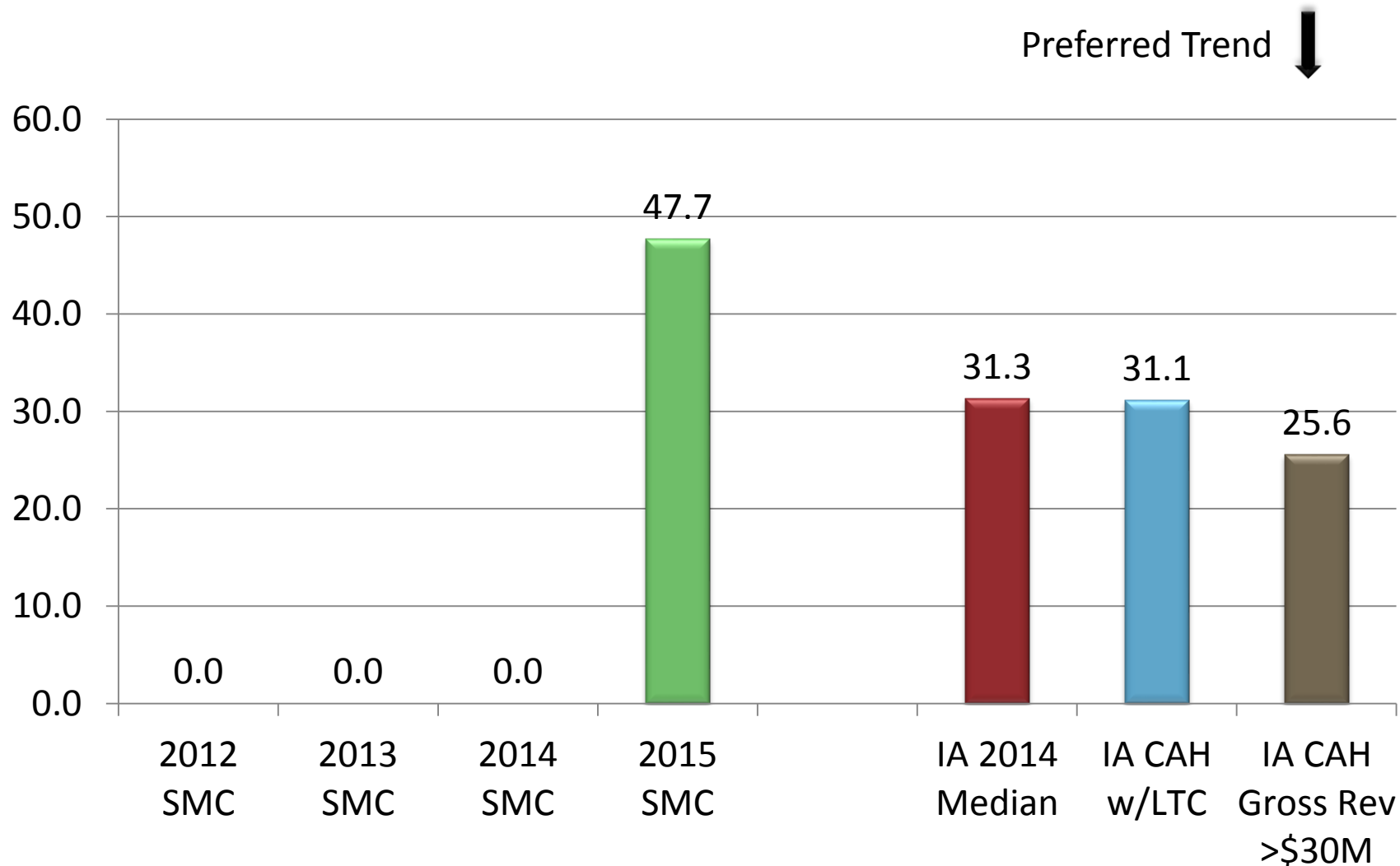
Days Cash on Hand (Cash, ST inv., and board designated investments)



Days Revenue in Accounts Receivable

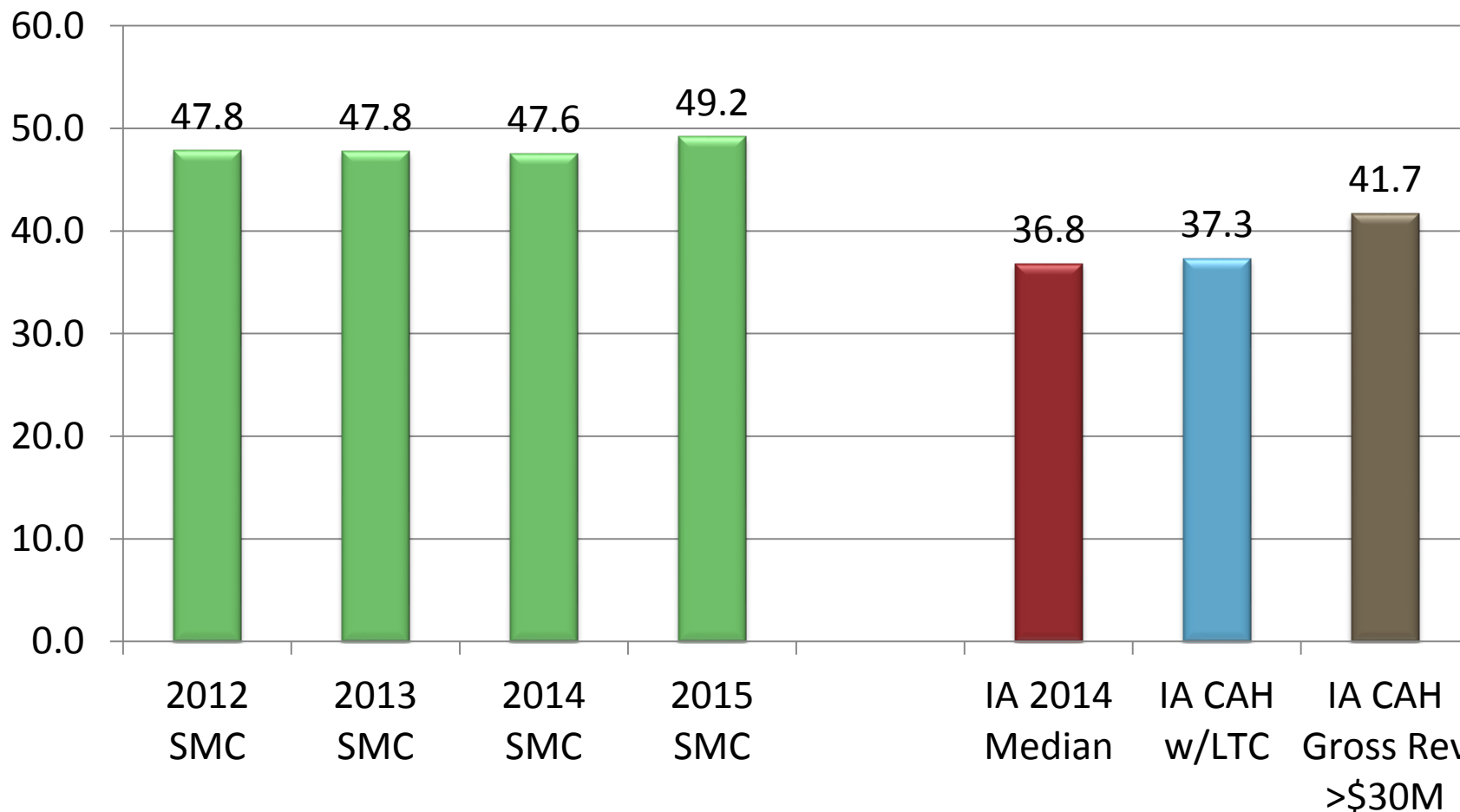


Long-Term Debt to Capitalization

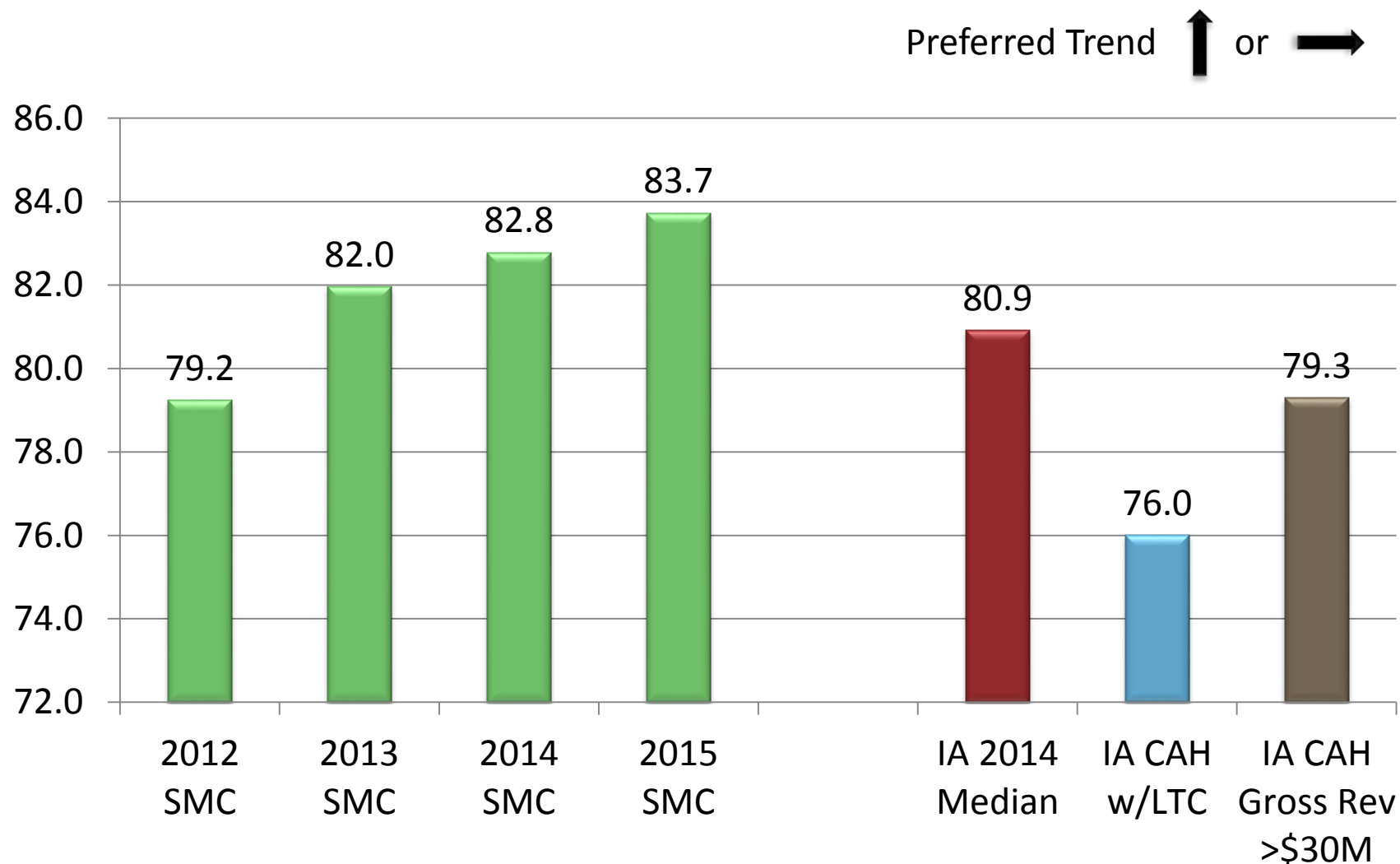


Deductible Ratio

Preferred Trend  or  or 

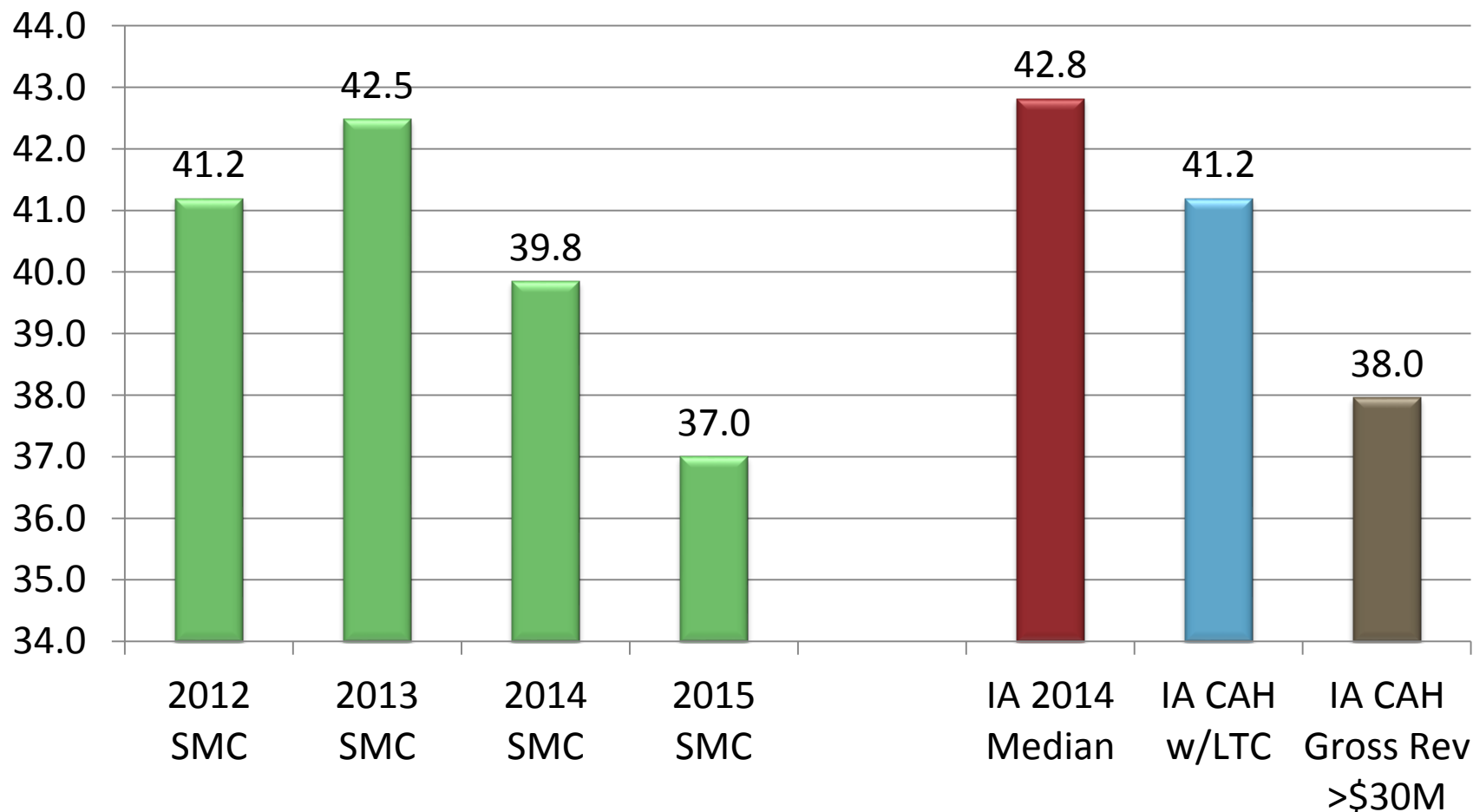


Outpatient Revenue to Total Revenue

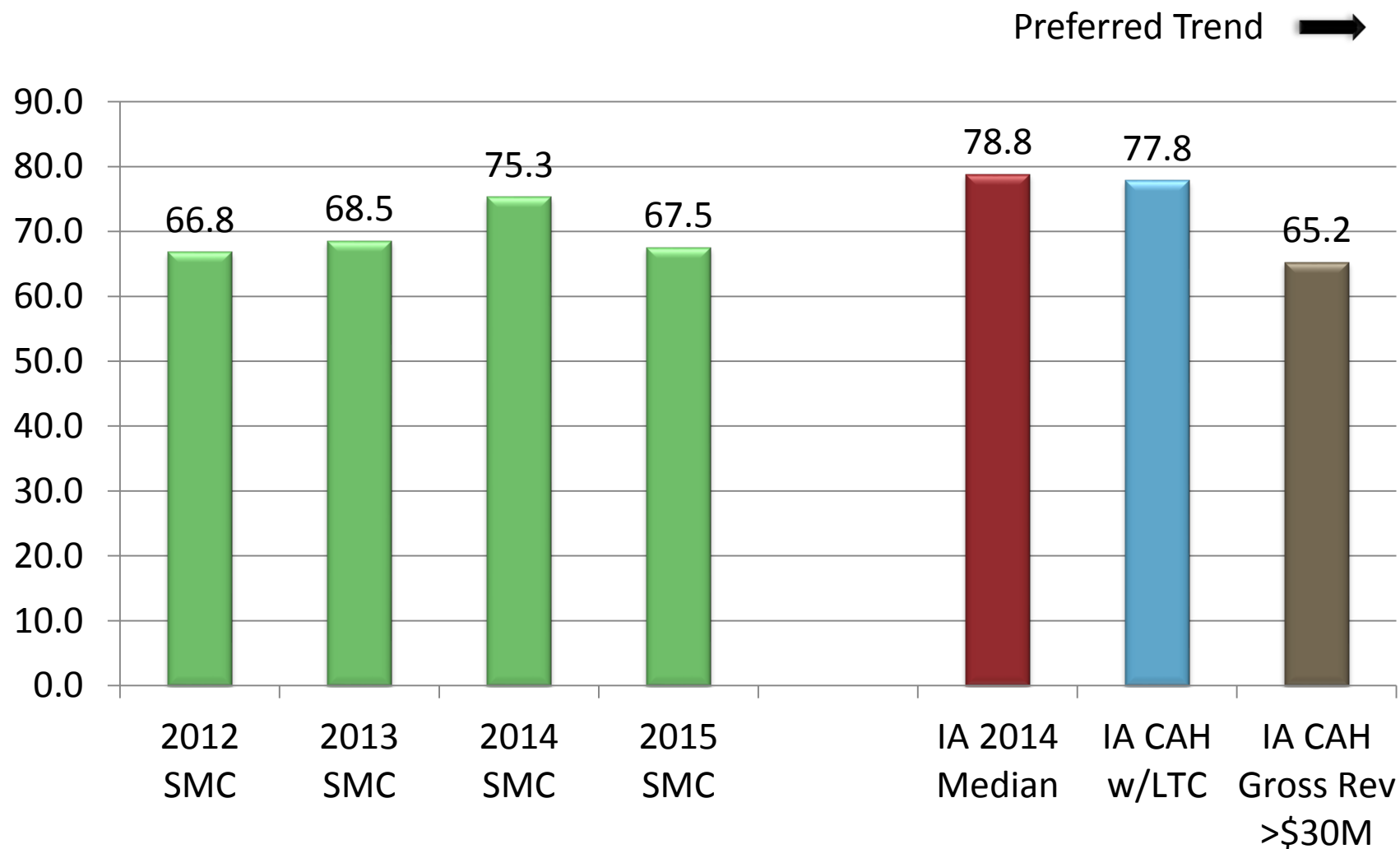


Medicare Outpatient Payor Mix

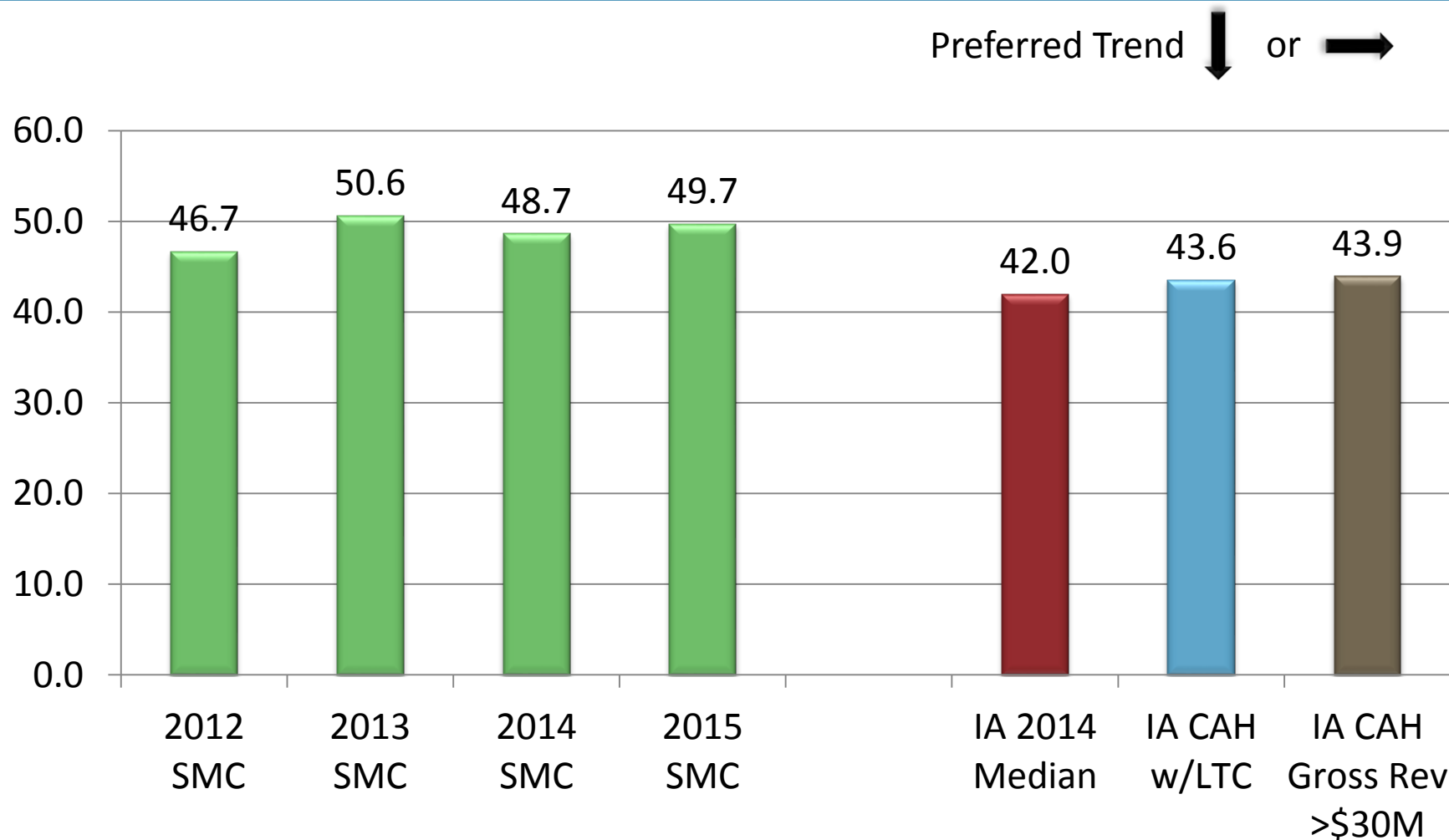
Preferred Trend  or 



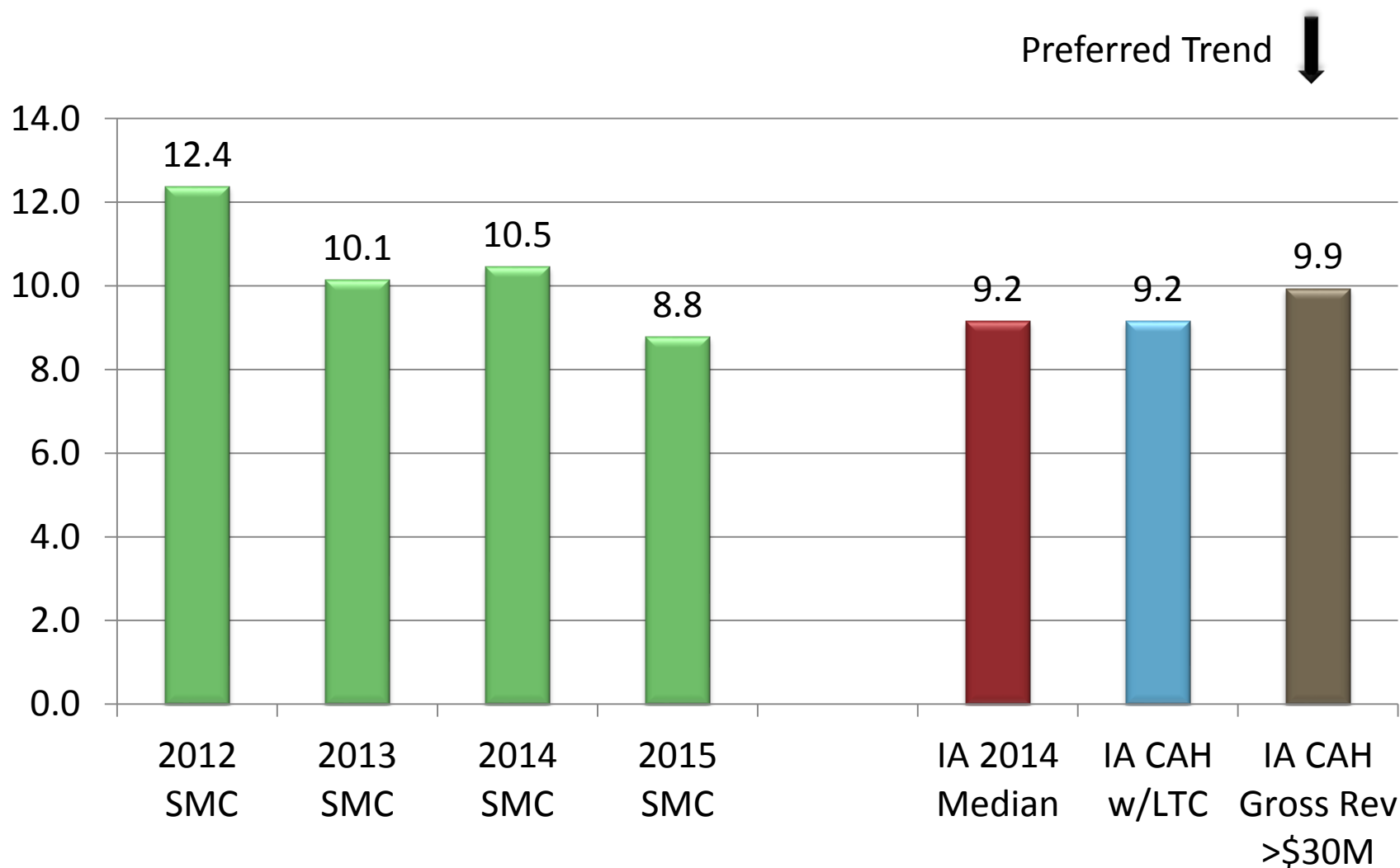
Medicare Inpatient Payor Mix



Salaries as a % of Net Patient Service Revenue



Average Age, Plant



Issues and Suggestions

- Construction Accounting
- Loan Covenant and Compliance
- Revenue Recognition
- Internal Revenue Code §501(r)
- 340B Drug Discount Program Compliance
- 2016 OIG Work Plan
- Not-For-Profit Financial Reporting
- Accounting for Leases
- Medicaid Managed Care Payments

A glass of coffee on a table next to a black leather folder with "SEIM JOHNSON" embossed on it.

Q&A

Data portrayed in the preceding graphic presentation was derived from Medical Center's financial statements. The data should be read in conjunction with Medical Center's financial statements and the auditor's report thereon.