

WESTCHESTER COUNTY HEALTH CARE CORPORATION
COMBINED FINANCE AND TECHNOLOGY COMMITTEE MEETING

July 19, 2017

5:30 P.M.

BOARD ANNEX ROOM

EXECUTIVE OFFICES

FINANCE COMMITTEE MEMBERS PRESENT:

Mr. Shroff
Mr. Hochberg
Mr. Tulis
Mr. Quintero
Mr. Geist
Mr. McCoy
Mr. Staib
Mr. Wishnie
Mr. Heimerdinger
Mr. Israel
Mr. Vodola
Mr. Mehiel – via phone

TECHNOLOGY COMMITTEE MEMBERS PRESENT:

Mr. Staib
Mr. Hochberg
Mr. Quintero
Mr. McCoy
Mr. Israel
Dr. Garrick – via phone
Dr. Adamson
Mr. Geist
Dr. Hayworth
Mr. Shroff
Mr. Wishnie
Ms. Gevertz

STAFF PRESENT:

Mr. Brudnicki
Ms. Switzer
Ms. Casey
Mr. Fersko
Mr. Morgan
Mr. Ingber
Ms. Ariel
Mr. Moustakakis
Ms. Viola
Mr. Palovick
Mr. Costello
Ms. Fernandez

The July 19, 2017 combined meeting of the Westchester County Health Care Corporation Finance and Technology Committees was called to order at 5:30 p.m. by Mr. Shroff, Chair, Finance Committee. A quorum was present.

Minutes of June 7, 2017 Finance Committee Meetings

MR. SHROFF ASKED FOR A MOTION TO APPROVE THE JUNE 7, 2017 WESTCHESTER COUNTY HEALTH CARE CORPORATION FINANCE COMMITTEE MEETING MINUTES. MR. WISHNIE MOTIONED, SECONDED BY MR. HEIMERDINGER. THE MOTION CARRIED UNANIMOUSLY.

Resolution

Mr. Morgan presented a Resolution to the Finance Committee. He stated that in connection with the original issuance of bonds in November, 2000, and subsequently, the Corporation entered into a Master Trust Indenture (“MTI”) by and between the Corporation and U.S. Bank (U.S. Bank) National Association, as successor trustee to Deutsche Bank Trust Company, as successor trustee to The Bank of New York Mellon, as successor trustee to United States Trust Company of New York (the “Master Trustee”). Mr. Morgan informed the Committee that the MTI contains various covenants to which the Corporation has agreed with its lenders, two of which relate to annual certifications as to (i) the Corporation’s financial health and (ii) no default under the various covenants of the MTI. He stated that consistent with current industry standards, and in order to release the Corporation of the obligation to provide an annual certified public accountant (“CPA”) certification as to no default in the performance of any covenant under the MTI, the Corporation seeks to enter into a Twelfth Supplemental Indenture (“Supplement”) with U.S. Bank amending and supplementing the MTI. Mr. Morgan advised that under the Supplement, which is permitted under the MTI, an Officer of the Corporation will provide the annual certification as to no default in the performance of any covenants, and an annual CPA certification will only be required with respect to the Corporation meeting its debt service coverage requirements

A discussion ensued.

MR. SHROFF ASKED FOR A MOTION FROM THE FINANCE COMMITTEE TO RECOMMEND TO THE BOARD APPROVAL OF THE RESOLUTION TO ENTER INTO A TWELFTH SUPPLEMENTAL INDENTURE. MR. TULIS MOTIONED, SECONDED BY MR. WISHNIE. THE MOTION CARRIED UNANIMOUSLY.

Rating Agency Report

Mr. Morgan reviewed for the Finance Committee the S&P Global ratings report for WMC. He stated that S&P affirmed WMC’s BBB rating however, they have revised WMC’s outlook from stable to negative.

Mr. Morgan advised the Finance Committee that after discussions with Moody’s, it appears they will also affirm WMC’s Baa2 and revise WMC’s outlook from stable to negative.

Mr. Morgan advised the Finance Committee that the three factors affecting the change from stable to negative are liquidity, leverage, and the challenges that are facing HealthAlliance, Inc.

Mr. Brudnicki discussed the possible rating implications with the Finance Committee. He stated that any potential financing for the IT system would be in the form of a conventional loan or a private placement which would not require a rating from the rating agencies.

A discussion ensued.

Financial Statements

Valhalla and MidHudson

Statement of Net Position – May 31, 2017

Cash at the end of May, 2017 was \$102.1 million, which was down from \$135.5 million from the end of 2016.

Assets

Patient Accounts Receivable net - \$164.8 million
Total current assets - \$376.9 million
Total assets - \$1.15 billion

Liabilities

Accounts payable and accrued expenses - \$124.0 million
Total current liabilities - \$265.0 million
Long term debt - \$704.8 million
Total liabilities - \$1.56 billion

Statement of Operations

Total Operating Revenue - \$565.7 million
Total Operating Expenses - \$544.4 million
Operating Income - \$21.3 million, compared to \$14.6 million last year
Income Before Excess Fringe Benefits - \$15.3 million, as compared to \$5.8 million last year
Excess pension costs - \$8.2 million
Excess post-retirement health costs - \$7.0 million
NYS pension adjustment - \$6.2 million
Net Loss - (\$6.2 million)

Mr. Shroff asked if someone could explain to the Committee the increase related to supplies and other expenses.

Mr. Morgan stated that WMC has invested in new services and also incurred incremental expenses in medical supplies.

Mr. Ingber stated that in the month of May, WMC had a cost of \$1.7 million for drugs for a hemophiliac patient.

Mr. Israel informed the Committee that perhaps a Board education session in the fall on the changes that have occurred in regards to the Supply Chain would be helpful.

The Committee agreed that that was a good idea.

Mr. Tulis asked what WMC's payout has been in terms of malpractice cases.

Mr. Brudnicki stated that WMC is running at approximately \$6-8 million per year to settle or close malpractice cases; this includes the costs to settle the cases. He stated that an acceptable loss ratio is 1.10 percent, and WMC is running at .60 percent.

Statistics

Valhalla Campus

Total Acute Discharges – 7,856
Total Acute Discharges and Outpatient Cases – 9,820
Average Length of Stay – 8.39
Psychiatric Patient Days – 12,020
E.R. Visits – 20,296

MidHudson Campus

Total Acute Discharges – 1,526
Total Acute Discharges and Outpatient Cases – 1,773
Average Length of Stay – 5.57
E.R. Visits – 11,703

A discussion ensued.

Executive Session

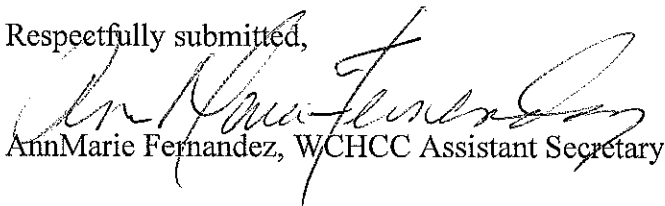
MR. SHROFF MOTIONED TO MOVE INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING FINANCIAL STRATEGIC PLANNING, MR. WISHNIE SECONDED. THE MOTION CARRIED UNANIMOUSLY.

A MOTION WAS MADE BY MR. SHROFF, SECONDED BY MR. HEIMERDINGER, TO MOVE OUT OF EXECUTIVE SESSION. THE MOTION CARRIED UNANIMOUSLY.

Adjournment

THE MEETING OF THE WESTCHESTER COUNTY HEALTH CARE CORPORATION FINANCE COMMITTEE ADJOURNED AT 6:25 P.M.

Respectfully submitted,


AnnMarie Fernandez, WCHCC Assistant Secretary