

WESTCHESTER COUNTY HEALTH CARE CORPORATION

COMBINED AUDIT/FINANCE COMMITTEE MEETING

April 12, 2017

5:00 P.M.

BOARD ANNEX ROOM

EXECUTIVE OFFICES

COMMITTEE MEMBERS PRESENT:

Mr. Shroff
Mr. Hochberg
Mr. Tulis
Mr. Geist
Dr. Edwards
Mr. Wishnie
Mr. Heimerdinger
Mr. Israel
Mr. Vodola

STAFF PRESENT:

Mr. Brudnicki
Ms. Davis
Ms. Casey
Mr. Fersko
Mr. Morgan
Mr. Ingber
Ms. Brkich
Mr. Costello
Ms. Ariel
Mr. Palovick
Ms. Fernandez

GRANT THORNTON:

Lou Feuerstein
Michael Sorelle
Derrick McGrow

The April 12, 2017 meeting of the Westchester County Health Care Corporation combined Audit/Finance Committee was called to order at 5:00 p.m. by Mr. Shroff, Chair. A quorum was present.

Minutes of March 1, 2017 Finance Committee Meeting

MR. SHROFF REQUESTED A MOTION TO APPROVE THE MARCH 1, 2017, WCHCC FINANCE COMMITTEE MEETING MINUTES. MR. WISHNIE MOTIONED, SECONDED BY MR. ISRAEL. THE MOTION CARRIED UNANIMOUSLY.

Mr. Brudnicki stated that he would like to review for the Committee a few of the significant items that would appear in the 2016 Audit report. He stated that for 2016 there was income before non-cash, non-recurring adjustments and HealthAlliance ("HA") of \$11 million, compared to \$7.2 million for 2015. Mr. Brudnicki reminded the Committee of the following non-cash, non-recurring adjustments: NYSNA retroactive settlement of \$15.7 million; NYS Pension adjustment of \$15 million; and 2016 Bond issuance costs of \$5.1 million. He stated that there is a loss of \$24.8 million for 2016, factoring in these three items. Mr. Brudnicki then stated to the Committee that the HA loss of \$13.8 million brings the bottom line for the consolidated Westchester County Health Care Corporation to a loss of \$38.6 million for 2016.

Mr. Brudnicki reminded the Committee that the 2016 DSH payment of \$54.7 million was received in January, 2017; therefore cash at the end of 2016 was \$135.6 million. He stated that had the DSH payment been received on time, the pro forma cash balance for 2016 would have been \$190.3 million, exceeding the 2016 forecasted budget.

Mr. Brudnicki informed the Committee of the following changes to the 2016 Audited statements:

- Statements include HealthAlliance;
- The last 2 pages of the audited statements includes combining statements that present entire health network, including Charity;
- HealthAlliance results include the financial impact of the disposal of HealthAlliance Senior Living Corporation as discontinued operations; and
- 2016 audited financial statements footnotes includes disclosures for HealthAlliance long term debt and Senior Living Corporation.

Grant Thornton

Lou Feuerstein, the engagement partner for Grant Thornton, addressed the Committee and introduced his colleagues, Michael Sorelle and Derrick McGrow. He presented the 2016 WCHCC audit results to the Committee, reviewing the respective responsibilities of Grant Thornton, WMC's management and those charged with governance. Mr. Feuerstein outlined the scope of the 2016 audit as follows: issue an opinion as of and for the year ended December 31, 2016 for the financial statements of WCHCC, in conformity with accounting principles generally accepted in the U.S.; issue an opinion on WCHCC's Federal Award compliance with Title 2; issue an opinion on WCHCC (Bermuda) Limited; and issue an opinion on the Westchester Medical Center Foundation, Inc. He stated that Grant Thornton would also be issuing reports on Certification of the organization's revenue bond covenants. In addition, Grant Thornton will issue management a letter describing significant deficiencies and material weaknesses identified

during the audit, if any; and communicate to those charged with governance. There were no material weaknesses or significant deficiencies identified during the audit.

Mr. McGrow then informed the Committee of Grant Thornton's areas of emphasis during the 2016 audit as follows: accounts receivables from patients, net patient service revenue, and related contractual allowances and bad debt reserves; estimated settlements with third party payors; cash and cash equivalents, investments, assets restricted as to use and investment income; capital assets; long term debt, compliance with debt covenants and debt transaction; accrued liabilities, including self-insured reserves and contingencies and other liabilities; other postemployment benefit (OPEB) liabilities; net pension liability; subsequent events; financial reporting and financial statement presentation; tax matters related to not-for-profit component units; and fraud procedures.

A discussion ensued.

Mr. Sorelle advised the Committee that Grant Thornton is prepared to issue an unmodified opinion on WCHCC's financial statements. He advised the Committee that the audit for the Bermuda Captive for the Corporation has been issued. He stated that this was a very good audit and thanked management for their hard work and cooperation.

MR. HEIMERDINGER ASKED FOR ALL NON-DIRECTORS TO LEAVE THE ROOM SO THAT GRANT THORNTON MAY ADDRESS THE COMMITTEE WITHOUT MANAGEMENT.

MR. SHROFF ASKED FOR A MOTION TO RECOMMEND TO THE BOARD ADOPTION OF THE 2016 AUDIT RESULTS. MR. HEIMERDINGER MOTIONED, SECONDED BY MR. TULIS. THE MOTION CARRIED UNANIMOUSLY.

Financial Statements

Valhalla and MidHudson

Statement of Net Position – February 28, 2017

Cash at the end of February, 2017 was \$116.5 million dollars. Mr. Morgan advised the Committee that the annual pension payment of \$42 million was made on February 1, 2017.

Patient Accounts Receivables net - \$161 million
Total current assets of \$370.6 million
Total assets – \$1.1 billion

Liabilities and Net Position

Accounts payable and accrued expenses of \$113.3 million
Total current liabilities of \$253.6 million
Total liabilities – \$1.5 billion

Statement of Operations

Total Operating Revenue - \$218.2 million
Total Operating Expenses - \$213.4 million
Operating Income - \$4.8 million
Income Before Excess Fringe Benefits - \$3.3 million
Net Loss – (\$5.3 million)

Statistics

Valhalla Campus

Total Acute Discharges – 3,102
Total Acute Discharges and Outpatient Cases – 3,800
Average Length of Stay – 8.25
Psychiatric Patient Days – 4,139
E.R. Visits – 8,028

MidHudson Campus

Total Acute Discharges – 546
Total Acute Discharges and Outpatient Cases – 673
Average Length of Stay – 5.73
E.R. Visits – 4,778

Other Business

Executive Session

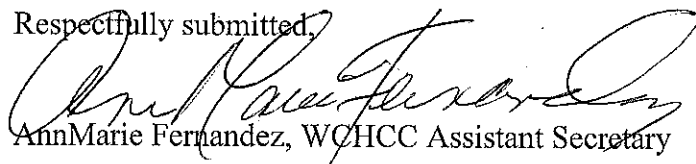
MR. SHROFF MOTIONED TO MOVE INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING FINANCIAL STRATEGIC PLANNING, MR. VODOLA SECONDED. THE MOTION CARRIED UNANIMOUSLY.

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

Adjournment

THE MEETING OF THE WESTCHESTER COUNTY HEALTH CARE CORPORATION FINANCE COMMITTEE ADJOURNED AT 6:00 P.M.

Respectfully submitted,


AnnMarie Fernandez, WCHCC Assistant Secretary