

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY**

**MINUTES OF THE AUGUST 20, 2020 MEETING**

**(Open Session)**

**Attendees:**

Authority Board Members: Fred Ghiglieri, Joel Callins, Dr. Kathy Hudson, Clinton Johnson, Dr. Michael Laslie, Ferrell Moultrie, Glenn Singfield, Sr., Dr. Tania Smith, and Nyota Tucker

Authority Legal Counsel: Tommy Coleman

Those Present on Behalf of Phoebe Putney Memorial Hospital, Inc.: Joe Austin, Dawn Benson, Brian Church, Lori Jenkins, Dr. Steven Kitchen, Felicia Lewis, Scott Steiner, Tony Welch, Dr. Jennifer Williams

**Absent Authority Members:** None

**Open Meeting and Establish a Quorum:**

Chair Ghiglieri called the meeting to order at 7:30am and noted the Members were participating via teleconference while Phoebe Staff Members were in the Willson Board Room at Phoebe Putney Memorial Hospital. Mr. Ghiglieri thanked all Members for their participation and he observed that a quorum was present.

**Approval of the Agenda:**

The proposed Agenda had been previously provided to the Authority Members. Chair Ghiglieri recommended adding "Open Records Request to the HAADC" to the agenda. A motion to adopt the revised Agenda for the meeting was made by Ms. Nyota Tucker and seconded by Dr. Tania Smith. A copy of the Agenda as adopted is attached.

**Approval of the Minutes:**

The proposed Minutes of the May 21, 2020 open session meeting of the Authority had likewise been provided to Members prior to this meeting and the same were considered for approval. Ms. Tucker made a motion and Dr. Kathy Hudson seconded the motion, to approve the Minutes as previously provided. The motion passed unanimously by vote of all Members.

**Community Health Needs Assessment:**

Ms. Lori Jenkins presented the Community Health Needs Assessment (CHNA) Priorities for 2020-2022. She stated that community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. Ms. Jenkins reported on the implementation plans for: improving birth outcomes and reproductive responsibility; diabetes prevention and management; cancer prevention and treatment; and behavioral health and addictive disease advocacy. Discussion ensued.

## **Financial Reports:**

Brian Church, CFO of PPMH, Inc., presented and reviewed an interim financial report for the Authority's current fiscal year through June 30, 2020 and a Proposed 2021 Budget for the Authority. Copies of the Authority's Financial Statements as presented by Mr. Church and the 2021 Proposed Budget are attached. Mr. Church noted the Authority 2021 Budget has been increased due to the proposed lease analysis which will result in increased audit and legal fees. A motion was made by Dr. Tania Smith, seconded by Ms. Tucker to approve the 2021 Budget for the Authority. The motion passed unanimously by vote of all Members.

Mr. Church presented the FY2021 Operating and Capital Budget for the Hospital. Ms. Tucker commended Mr. Church for the positive budget in light of COVID-19. She also spoke on the Lown Institute's ranking of Phoebe and Mr. Steiner reported a breakdown of the ranking would be sent to the Authority members and provided at a future meeting.

Mr. Church provided a Rating Agency Update and reported Phoebe Putney Memorial Hospital's rating with Moody's was upgraded from A1/Negative to A1/Stable and rating with S&P remained the same at A+/Stable.

The Members engaged Mr. Church in discussion.

## **PPMH, Inc. CEO and Operational Reports:**

Joe Austin, CEO of the Hospital, provided an update on current COVID-19 conditions at Phoebe Main and North. He presented PPMH COVID-19 data for admissions, average admissions/day, average daily census, and number of deaths for March through August 18. Mr. Austin reported door monitoring has restarted following CDC guidelines. He reported the State has committed to help with staff through the end of September. Mr. Austin also reported a difficult time sourcing staff due to the lack of highly trained contract nursing staff. He provided projected completion dates for the OP Procedure Lab, Phoebe Vascular Office, Emergency Department (access control points required due to COVID-19), Observation Unit, OR Room 8, and the Lighthouse. He reported on the following projects at Phoebe North: Med Gas Project / Central Monitoring System (adding medical gas and suction as well as the central monitoring system on 2W/3W will allow placement of any type patient on these floors) and a temporary helipad placed between Phoebe North and the Modular Unit.

Mr. Church provided an update on Georgia House Bill 888 regarding Surprise Medical Billing, which becomes effective January 1, 2021. Mr. Church noted that 95% of Phoebe providers are in-network.

Scott Steiner, President & CEO of the Hospital and Health System, reported on Phoebe's new Values, Mission, and Vision Statements.

Tony Welch, Chief Human Resource Officer of the Hospital and Health System, introduced Dr. Jennifer Williams, Organization Development Coach for the Hospital and Health System. Dr. Williams provided a presentation on Workplace Diversity at Phoebe, a copy of which is attached. She reported that Phoebe's goal is to more accurately reflect the overall diversity of the communities Phoebe serves at all levels of the organization. Dr. Williams reported on the current diversity and inclusion efforts which includes the development of a Diversity Council and an annual update as part of the Human Resource

Annual Report for the board. Chair Ghiglieri requested the Authority discuss at their next meeting adding Diversity Update to the annual Authority reporting calendar.

The Members engaged the Phoebe Staff in questions and discussion.

**Lease Analysis Ad-Hoc Committee Update:**

Dr. Tania Smith reported that due to the COVID-19 pandemic, the committee decided to postpone deadline. Questions are now due September 30, 2020 with Written Proposals due October 30, 2020. She reported the information will be presented at the November meeting.

**Closing of the Meeting:**

A motion was made by Mr. Callins, seconded by Mr. Johnson to close the meeting for the purposes of: (i) engaging in privileged consultation with legal counsel; (ii) to discuss potentially valuable commercial plans, proposals or strategies that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital or its medical facilities, or (iii) to discuss confidential matters or information pertaining to peer review or provided by a peer review organization as defined in O.C.G.A. §31-7-131.

Chair Ghiglieri polled each individual Authority Member present with respect to his or her vote on the motion and the vote of each of the Members is shown below, with no Member opposing:

Fred Ghiglieri	Yes
Joel Callins	Yes
Dr. Kathy Hudson	Yes
Clinton Johnson	Yes
Dr. Mike Laslie	Yes
Ferrell Moultrie	Yes
Glenn Singfield, Sr.	Yes
Dr. Tania Smith	Yes
Nyota Tucker	Yes

The motion having passed, the meeting closed.

**Open Session Reconvened:**

Following unanimous vote of all Members in attendance at the conclusion of the Closed Session, the meeting reopened.

**Open Records Request to the HAADC:**

Tommy Coleman, Authority Legal Counsel, reported on a recent open records request from Lee County's attorney related to the Lee County Medical Center. Mr. Coleman reported all files were checked but there is nothing to send. Chair Ghiglieri reminded the Members there are five years remaining under the FTC agreement.

**Adjournment:**

There being no further business the meeting was adjourned.

**AMENDED  
AGENDA**

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**(OPEN SESSION)  
Meeting of August 20, 2020  
(Via Teleconference / Media & Guests at PNW)**

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- |       |  |                                 |
|-------|--|---------------------------------|
| I.    | Open meeting and establish quorum  | Chair                           |
| II.   | Consider Approval of Agenda (draft previously provided to Members)                                   | Chair                           |
| III.  | Speaker Appearances (if applicable)  | Chair                           |
| IV.   | Consideration of Open Session Minutes of May 21, 2020 meeting (draft previously provided to Members) | Chair                           |
| V.    | Community Health Needs Assessment  | Lori Jenkins                    |
| VI.   | Financial Reports  | Brian Church                    |
|       | a. Hospital Authority Financial Update   |                                 |
|       | b. Hospital Authority Budget Presentation for 2021   |                                 |
|       | c. PPMH 2021 Budget Presentation   |                                 |
|       | d. Rating Agencies Update  |                                 |
| VII.  | Phoebe Putney Memorial Hospital, Inc. CEO and Operational Reports                                    | Scott Steiner / Joe Austin      |
|       | a. COVID-19 Update   |                                 |
|       | b. Surprise Billing Legislation  |                                 |
|       | c. New Vision, Mission, Value Statement  |                                 |
| VIII. | Report on Diversity / Anti-Discrimination Policies   | Tony Welch / Jennifer Williams  |
| IX.   | Lease Analysis Ad-Hoc Committee Update since May 20, 2020 Meeting                                    | Dr. Tania Smith / Tommy Coleman |
|       | a. Progress Update/Discussion since May 21, 2020   |                                 |
|       | b. Next Steps  |                                 |
| X.    | Consideration of vote to close meeting for Executive Session   | Chair                           |
| XI.   | Open Records Request to the HAADC  | Tommy Coleman                   |
| XII.  | Additional Business  | Chair                           |
| XIII. | Adjournment  | Chair                           |



# Community Health Needs Assessment

Open Session Meeting



## 4 Priority Areas



**Improving  
Birth Outcomes  
Coalition of SWGA**

...where healthcare & community work together to make a positive impact on birth outcomes...



**SOUTHWEST GEORGIA  
DIABETES  
COALITION**

Diabetes Prevention & Management

**phoebe cancer center**

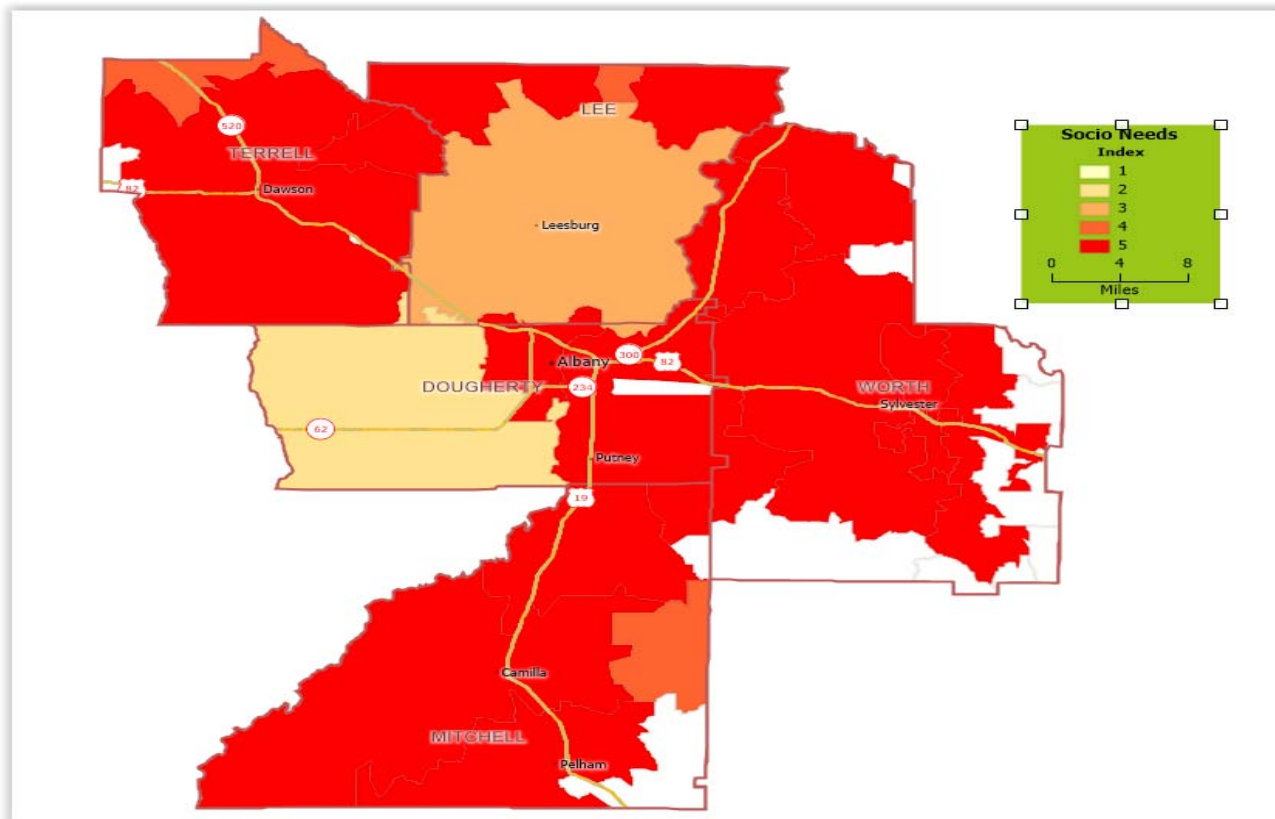
Cancer Prevention & Treatment



Behavioral Health & Addiction Disease Advocacy

# CONDUENT-HCI SocioNeeds Index 2020

*Ranks Derived From National Zip Code Percentiles*



*Data Source: Conduent-HCI, 2020*





# Implementation Planning

Improving Birth Outcomes & Reproductive Responsibility	Diabetes Prevention & Management	Cancer Prevention & Treatment	Behavioral Health & Addiction Disease Advocacy
<ul style="list-style-type: none"> <li>• Jim Hotz, AAPHC</li> <li>• Elois Edge, AAPHC</li> <li>• Kayla Roach, PPMH</li> <li>• Jennifer Lawson, PPMH</li> <li>• Deborah Block, PPMH</li> <li>• Brittany Berry, PPMH</li> <li>• Dr. Francis Kwarteng, AAPHC</li> <li>• Dr. William Sewell, PPMH</li> <li>• Dr. Michael Edwards, PPMH</li> </ul>	<ul style="list-style-type: none"> <li>• Dr. Jim Hotz, AAPHC</li> <li>• Dr. Derek Heard, PPG</li> <li>• Tina Halverson, PPG</li> <li>• Jackie Jenkins, Public Health</li> <li>• Ebonee Kirkwood, Public Health</li> <li>• Denise Ballard, Horizons</li> <li>• Kimberly Scott, Horizons</li> <li>• Betsey Powell, AAPHC</li> <li>• Rashundra Trice, PPG</li> </ul>	<ul style="list-style-type: none"> <li>• Dr. Jim Hotz, AAPHC</li> <li>• Dr. Adam Jones, Phoebe-Oncology</li> <li>• Colleen Vann, PPMH</li> </ul> <p>* Made Priority Presentation to the full Cancer Committee</p>	<ul style="list-style-type: none"> <li>• Dr. Jim Hotz, AAPHC</li> <li>• Mark Miller, PPMH</li> <li>• Darrell Sabbs, PPMH</li> </ul>



# Implementation Strategy

## Priority I: Birth Outcomes and Reproductive Responsibility

What	Who	Where	Metric/Intended Outcomes
Provide Pre-Natal Education and Parenting to School Age Teens	Phoebe Network of Trust/School Nurse program	Dougherty County School System	<ul style="list-style-type: none"> <li>• Improve 1st Trimester Prenatal enrollment to 80%</li> <li>• Decrease Teen Pregnancy to the GA value</li> <li>• Reduce Repeat Pregnancy toward the GA value</li> <li>• Improve Infant Mortality Rates toward the GA value</li> <li>• Improve Low Birth Weight outcomes toward the GA value</li> </ul>
HIV/AIDS, STD & Reproductive Responsibility Education	Phoebe School Nurse Program	Dougherty County School System	
Teen Early Adult MAZE	Phoebe School Nurse Program and Taking Time of Teens Coalition	Dougherty County	
Conduct a 2nd Trimester Research Study of Women Entering the Prenatal Care	PPMH/AAPHC	Primary Service Area	
Targeted Public Awareness Campaign	PPMH/AAPHC	Primary Service Area	
Find Funding Streams to Address Social Determinants of Health that hinder healthy mother/healthy baby	PPMH/AAPHC	Dougherty County and Primary Service Area	



## Priority II: Diabetes Prevention and Management

What	Who	Where	Metric/Intended Outcomes
Continued Support of Community Gardens in the School System and other locations in our community.	Phoebe Network of Trust, PPMH	Dougherty County	<ul style="list-style-type: none"> <li>Promote the eating of fresh fruits and vegetables</li> <li>Decline of Age Adjusted Death Rate toward the GA value</li> <li>Decrease in inpatient discharges due to Diabetes</li> <li>Reduction of IP Self-Pay Cost</li> <li>PPG and AAPHC work toward no more than 20% of its diabetic patients with an A1C of 9 or higher</li> <li>Diabetes PQI Indices (mortality, readmit rates) will trend toward 1.0.</li> </ul>
Develop a Primary Care High-Risk Protocol.	PPMH & AAPHC	Primary Service Area	
Pre-Diabetic Management and Referral System	PPMH	Dougherty County	
Professional and Public Education Campaign	PPMH	Primary Service Area	
Develop a Dedicated Diabetes Specific Care Management Program in the ER to connect patients to Primary care Provider.	PPMH	Dougherty County	



## Priority III: Cancer Screening & Early Detection (Cervical, Lung, Colorectal, Breast, and Prostate)

What	Who	Where	Metric/Intended Outcomes
Promote and support direct and in-kind for screening in low income and uninsured individuals	PPMH	Primary Service Area	<ul style="list-style-type: none"> <li>• Meet the 70% HPV target recommended by the National Advisory Committee on Immunization Practices (ACIP)</li> <li>• 10% reduction in gap in lung screening for the uninsured and low income individuals</li> <li>• Increase Lung Cancer Screening Rates by 2.5% per annum</li> <li>• Increase Colorectal Screening Rates to 80%</li> </ul>
Expand Public Awareness Campaigns	PPMH	Primary Service Area	
Provide 200-250 Free Mammograms to the Uninsured annually	PPMH	Primary Service Area	
Provide 500 Free Colonoscopies to the Uninsured annually	PPMH	Primary Service Area	
Facilitate access to high-quality breast cancer screening as well as genetic screening, counseling, and preventive clinical services related to Hereditary Breast and Ovarian Cancer Syndrome (HBOC) for all women, regardless of income, race, insurance, or employment status.	PPMH	Primary Service Area	
Promote the use of informed decision making for the development of appropriate prostate screen approaches.	PPMH	Primary Service Area	



## Priority IV: Behavioral Health & Addiction Disease Advocacy

What	Who	Where	Metric/Intended Outcomes
Manage Behavioral Health Medication for school age children	Phoebe's School Nurse Program	Dougherty County	<ul style="list-style-type: none"> <li>• Appropriate and safe administration of behavioral medication.</li> <li>• Link and refer school age children to the appropriate behavioral health service.</li> <li>• Decrease the stigma of behavioral health diagnosis and promote available resources.</li> <li>• Improve the Coordination of Care delivery model between organizations who share patients and to improve access to care.</li> </ul>
School Nurse Case Management to school age children	Phoebe's School Nurse Program	Dougherty County	
Link Partners to various Media Outlets for education, awareness and access of services	Phoebe's Community Benefit Program	Dougherty County	
Provide issue/topic related strategy and action planning to the local BH/AD Collaborative	Phoebe Strategy & Planning Department	Dougherty County	
Continue Opioid Awareness and Education	Network of Trust, PPMH	Dougherty County	



**Questions?**



# Financial Reports

Open Session Meeting

# HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

Financial Statement Update  
June-2020 YTD Financials  
Fiscal Year 2020  
August 20th Authority Meeting



**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**BALANCE SHEET**

**6/30/20**

	<b>Unaudited</b>
	<b><u>June 30, 2020</u></b>
ASSETS	
<b>Current Assets:</b>	
<b>Cash and cash equivalents</b>	<b>\$ 96,324</b>
Assets limited as to use - current	-
Patient accounts receivable, net of allowance for doubtful accounts	-
Supplies, at lower of cost (first in, first out) or market	-
Other current assets	-
<b>Total current assets</b>	<b>96,324</b>
<b>Property and Equipment, net</b>	<b>-</b>
<b>Other Assets:</b>	
Goodwill	-
<b>Total other assets</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 96,324</b>

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**BALANCE SHEET**

**6/30/20**

**Unaudited  
June 30, 2020**

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	-
<b>Accrued expenses</b>	<b>2,997</b>
Estimated third-party payor settlements	-
Deferred revenue	-
Short-term obligations	-
<b>Total current liabilities</b>	<b>2,997</b>
<b>Total liabilities</b>	<b>2,997</b>
Net assets:	
Unrestricted	93,327
	-
<b>Total net assets</b>	<b>93,327</b>
<b>Total liabilities and net assets</b>	<b>\$ 96,324</b>

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN UNRESTRICTED NET ASSETS**  
**6/30/2020**

	<b>Unaudited</b> <b>June 30, 2020</b>
<b>OPERATING REVENUE:</b>	
Net patient service revenue (net of provision for bad debt)	
<b>Lease Consideration</b>	<b>37,000</b>
Total Operating Revenue	37,000
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	
Employee health and welfare	
Medical supplies and other	
<b>Professional services</b>	<b>43,555</b>
<b>Purchased services</b>	<b>315</b>
Depreciation and amortization	
Total Operating Expenses	43,870
Operating Loss	(6,870)
<b>NONOPERATING INCOME (EXPENSES):</b>	
Gain in Long Term Lease	-
Interest Expense	-
Total Nonoperating Income	-
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<b>(6,870)</b>
<b>*** Professional Fees Include Legal Fees, Audit Fees and Consultant Fees</b>	
<b>** Purchased Services Include Bank Account Fees</b>	

# Questions

# Hospital Authority of Albany-Dougherty County

Fiscal year 2021 Budget

Approval Needed

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**Proposed Operating Budget**

**Fiscal Year Ending July 31, 2021**

**BUDGET  
FY 2021**

**OPERATING REVENUE:**

Lease Consideration	275,000
<b>Total Operating Revenue</b>	<b>275,000</b>

**OPERATING EXPENSES:**

Salaries and Wages	
Employee health and welfare	
Medical supplies and other	
Professional services	274,500
Purchased services	500
Depreciation and amortization	
<b>Total Operating Expenses</b>	<b>275,000</b>

**Operatin Income(Loss)** -

**NONOPERATING INCOME (EXPENSES):**

Gain in Long Term Lease	-
Interest Expense	-
<b>Total Nonoperating Income</b>	<b>-</b>

**EXCESS OF REVENUE OVER EXPENSE** -



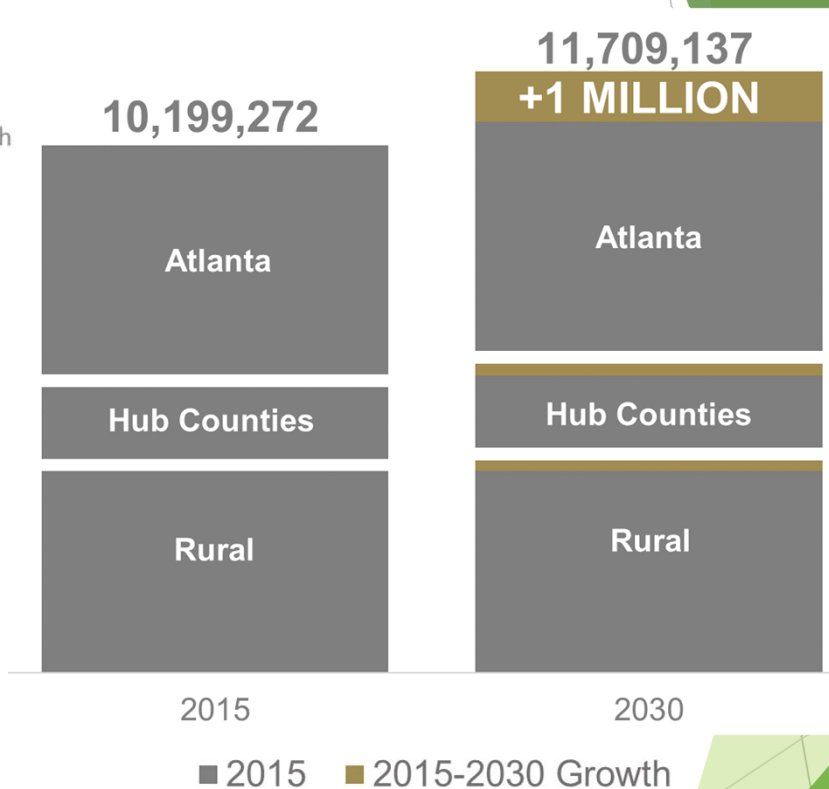
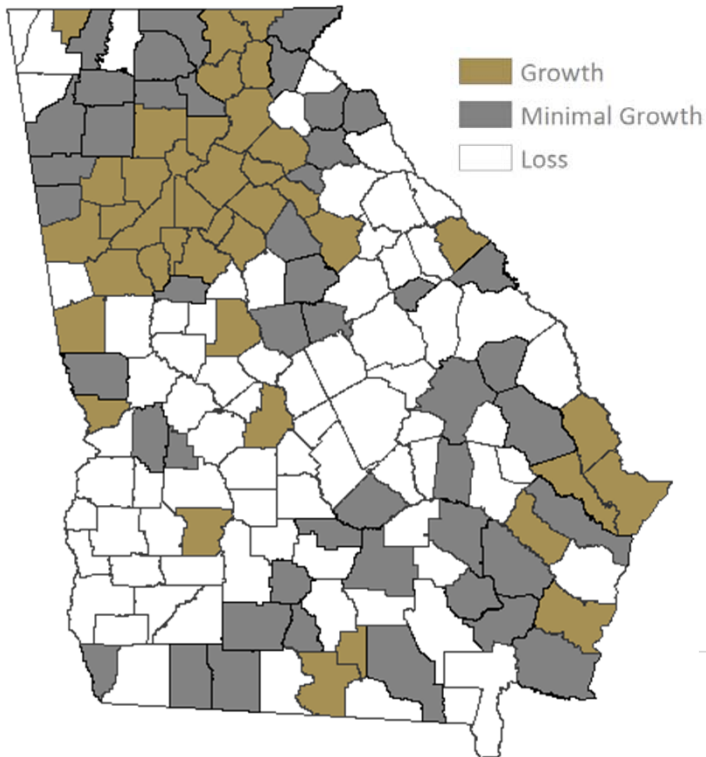
**FY2021 OPERATING AND CAPITAL BUDGET**  
**Phoebe Putney Memorial Hospital**

# Budget 2021 = COVID 19 Uncertainty Vaccine in 2021 ?





# POPULATION GROWTH 2015 TO 2030



Source: JohnPO



# Operating Outlook

## PPMH Budgeted Statistics

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020 Budget</b>	<b>FY2021 Budget</b>
Admissions	18,225	18,520	18,712	19,308
Patient Days	100,923	108,104	108,783	118,368
Deliveries	2,130	2,142	2,171	2,250
Surgeries	12,376	12,765	12,431	13,768*
ER Visits	74,809	77,078	75,025	69,500*
FTE's	2,820	2,918	2,942	3,063
FTE/AOB	4.17	3.89	3.93	3.83

\*Surgeries FY20 Projection: 13,336

\*ER Visits FY20 Projection: 80,802



## Market Forces Driving Costs & Reducing Reimbursement

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- **Increased financial pressure** on retaining and recruiting a high-quality workforce.
- **Nursing recruitment/retention** and cost has been an ongoing challenge across Georgia and the country as nurses age and retire
  - **Assistive personnel (CNA, techs)** recruitment and retention
- **Drug Cost Increases**
- **Lack of Medicaid Expansion in Georgia**
  - Georgia is one of the states with highest uninsured % and lowest reimbursed Medicaid program.
  - Georgia has forgone Billions of Dollars in reimbursement since ACA passage
- **Commercial Payer** reimbursement shifts to “less costly” settings
- **Government Payment Reductions** (Medicare, DSH, 340B)
- **Medicare population** continued growth (Baby Boomers)
- **Increased Administration Burdens/Cost/Regulations**
- **Annual Inflationary Increases** for Salaries, Supplies, Utilities, etc.



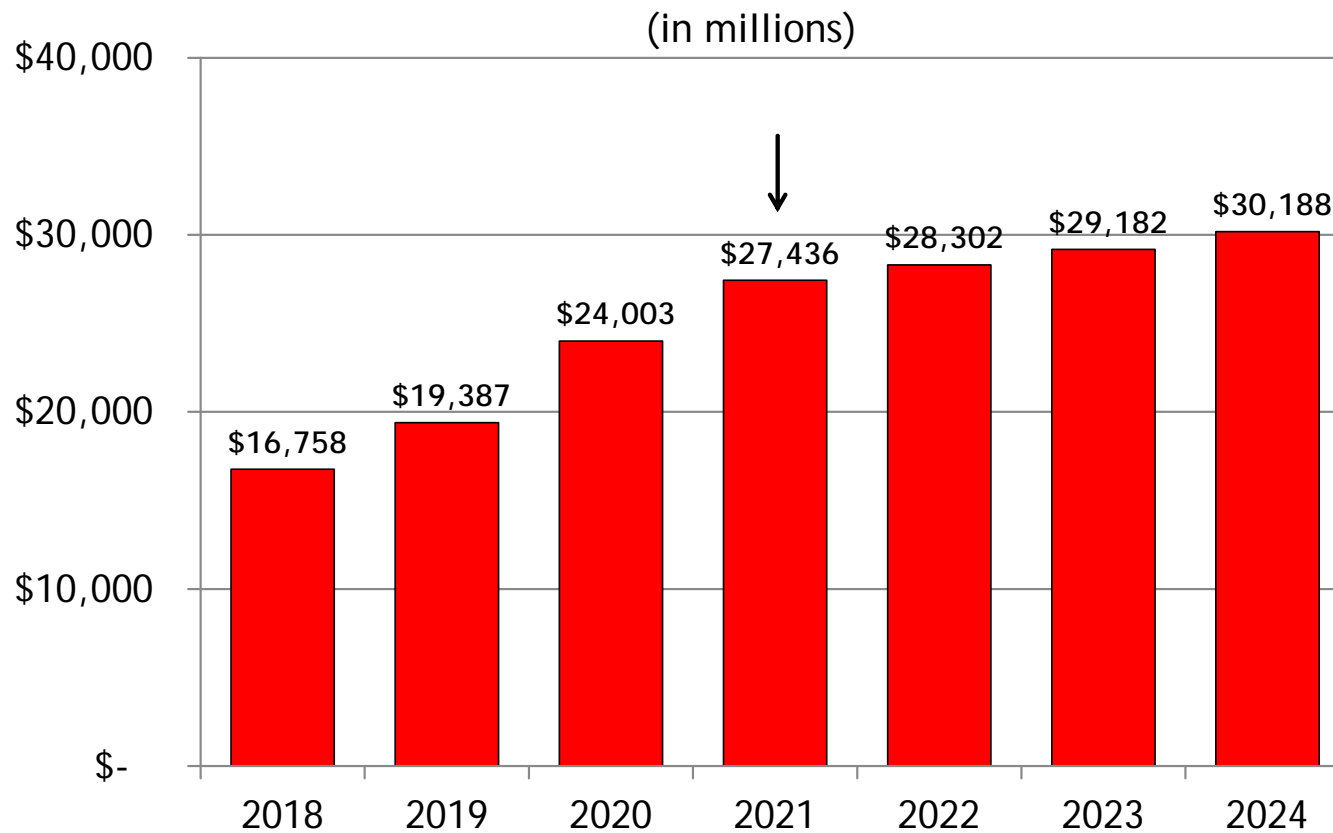
## FY21 Budget – Strategic Initiatives

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- Minimum Volume of 95% IP / 90% OP of pre-COVID on August 1 and increasing throughout the year
- North COVID Units Budgeted for FY2021: ICU ADC of 17.6 / MedSurg ADC of 18.4; This Resulted in 13,140 New Patient Days Budgeted
- Average 3% compensation increase Pool (merit & market adjustments) for workforce in 2<sup>nd</sup> quarter of FY21
- Continued Pursuit of Level 2 Trauma Designation
- Creation of Observation Unit to shift Observations away from the floors
- Emergency Center and Lab Consolidation to Main
- Vascular Lab Opening at Main
- Simulation Lab
- International Nursing Continuation
- Specialty Pharmacy / 340B Pharmacy



# PPHS – ACA & Sequester Reductions in Reimbursement (Cumulative)





# ICTF and UPL Funding

(Indigent Care Trust Fund and Upper Payment Limit)

<b>ICTF</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 Budget</b>
PPMH	4,959,719	6,897,901	4,729,243	4,896,140	4,500,000

	<b>A</b>				
<b>UPL</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 Budget</b>
PPMH	4,172,745	5,511,403	6,592,078		3,000,000

**B**

Notes:

- A** PPMH underinsured shortfall (Medicaid and self-pay) decreasing and other larger hospitals in Georgia increases receiving more of the available funds
- B** FY2020 UPL has not been approved and will pay in September 2020. Budgeted amount for 2020 is \$3M



## GME Funding

### GME FUNDING

	ACTUAL	ACTUAL	ACTUAL	ANNUALIZED	BUDGET
REVENUE	2017	2018	2019	2020	2021
MEDICARE IIME/GME REIMBURSEMENT	2,384,641	2,388,009	2,174,972	2,404,459	2,400,000
MEDICAID GME REIMBURSEMENT	680,048	614,101	652,619	833,450	833,000
STATE FUNDING	1,019,476	1,197,582	1,236,155	1,279,627	1,280,000
TOTAL REVENUES	4,084,165	4,199,692	4,063,746	4,517,536	4,513,000
NUMBER OF RESIDENTS	18	20	22	24	24



## PPMH Budget - Indigent & Charity Write-offs by County

County	Total Amount
DOUGHERTY	\$ (32,228,840)
Terrell, Lee, Worth, Mitchell Counties	\$ (18,893,467)
<b>Total Primary Service Area</b>	<b>\$ (51,122,307)</b>
<b>Total PPMH</b>	<b>\$ (66,700,231)</b>





# FY2021 Compensation Investments

- ▶ **FY2021 Annual Performance Based Merit**

- ▶ Annualized investment = \$3,800,000

- ▶ **FY2021 Market Adjustments**

- ▶ Annualized investment = \$800,000

- ▶ **Combined Annualized Investment = \$4,600,000**

- ▶ **Additionally, Increasing Minimum Wage of all Phoebe Employees to \$10 per hour**

- ▶ To go into effect 2Q FY2021

- ▶ Annual Impact **\$2,100,000**

- ▶ Budget 2021 Impact **\$1,575,000**



## Charge Increase Built Into FY21 Budget

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### **Key Model Constraints**

- No increase in Outpatient Price Sensitive Consumer Areas
- No increase in charges already higher than peer hospitals
- Lower Prices were out of market or Outpatient Price Sensitive
- Adjust Prices in areas where below market data for peer hospitals

### **Goals**

- Fund Merit and Market Adjustments pool for FY 2021
- Partially fund Cost Increases from Drugs, Supplies and Services

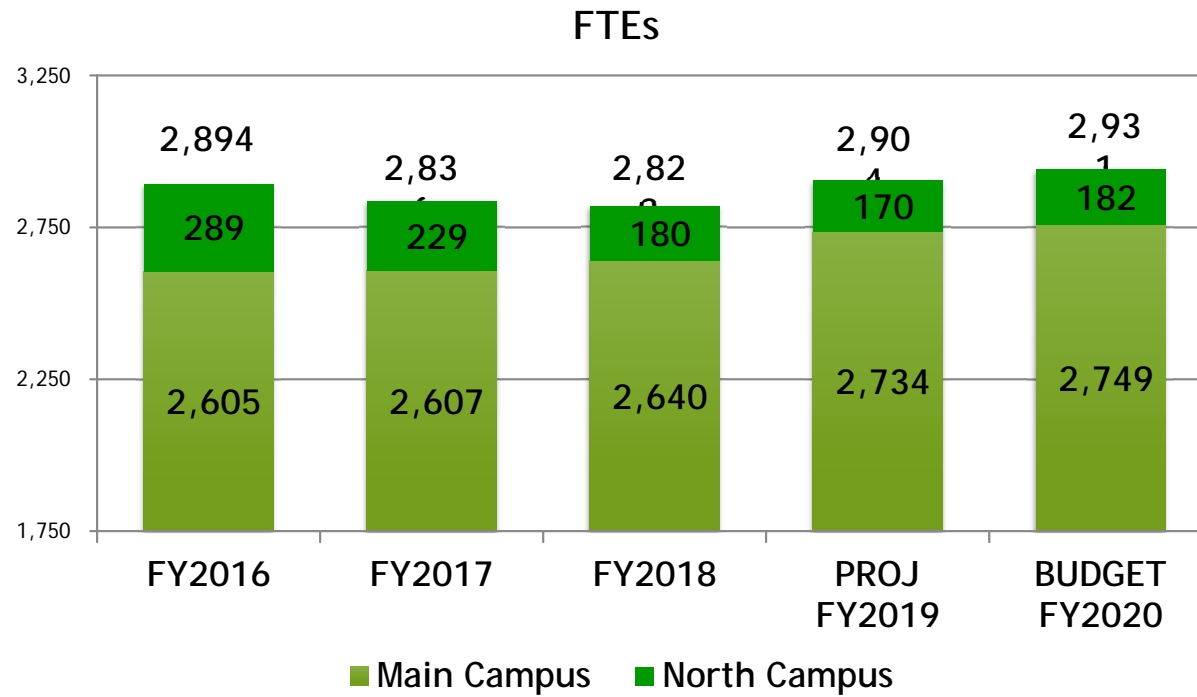
**2.1% Overall Charge Increase**

**2.26% will be Inpatient / 0.31% will be Outpatient**



# Operating Outlook

.9% Increase





## FTE Changes

Area	Position	FTE
<b><u>PPMH</u></b>		
Phoebe North COVID	Staffing 2 ICUs and Med Surg	67.15
Operating Room	Increased Cases	22.54
Nursing Ed & Orient	Nursing Education (NSTEP)	18.91
Command Center	Fully Staffed	7.11
Rheumatology	340B Benefits	4.00
Specialty Pharmacy	Full Year Implementation	2.17
EC Consolidation - Main	Various	(12.27)
Lab Consolidation - Main	Various	(9.05)
Other Decreases	Various	(20.66)



# Operating Outlook

FTE per Adjusted Occupied Bed (AOB)

		<b>Annualized</b>	<b>Budget</b>
	<u><b>FY2019</b></u>	<u><b>FY2020</b></u>	<u><b>FY2021</b></u>
<b>PPMH</b>	<b>3.85</b>	<b>4.06</b>	<b>3.83</b>



## Phoebe Property Taxes – FY2021 (Dougherty County)

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VPILOT (Voluntary Payment in Lieu of Taxes)	\$551,063	(Phoebe North)
Other Dougherty County Properties	\$398,596	
Total Dougherty County Property Taxes	<b>\$949,659</b>	

\*\* This is based on prior year assessed taxes and projected out for FY 2021



## Budget Risks

- COVID Spike
- Anticipated Volume Return does not Happen / People too Scared to Utilize Hospital Services
- Unplanned cuts in Reimbursement – seems to occur with governmental payers as well commercial payers each year
- Nursing shortage continues to worsen
  - Retention
  - Turnover
  - Contract Staffing Usage
- Drug costs increase greater then planned
- Health Insurance Cost Increases



## FY2020 PHOEBE PUTNEY MEMORIAL HOSPITAL BUDGET

*( In Thousands )*

	Actual 2019	Annualized 2020	Budget 2021	Variance %
Gross Patient Revenue	\$ 1,936,721	\$ 1,929,307	\$ 2,220,605	15.1%
Other Operating Reve	\$ 22,010	\$ 45,886	\$ 22,505	-51.0%
Deductions	\$ (1,378,591)	\$ (1,358,555)	\$ (1,587,429)	16.8%
Net Revenue	\$ 580,139	\$ 616,637	\$ 655,681	6.3%
Operating Expenses	\$ (568,742)	\$ (606,237)	\$ (649,384)	7.1%
<b>Operating Income (Loss)</b>	<b>\$ 11,397</b>	<b>\$ 10,400</b>	<b>\$ 6,296</b>	<b>-39.5%</b>
Investment Income	\$ 69	\$ (1,938)	\$ (965)	-50.2%
Net Income	\$ 11,466	\$ 8,462	\$ 5,332	-37.0%
Operating Margin %	2.0%	1.7%	1.0%	
<b>*** PPMH Operating Income (Loss) Includes PHS and PPG Allocations</b>				





# Financial Ratios

	A Moody's Median	Audited FY 2019	YTD FY 2020	<b>Budgeted FY 2021</b>	
Profitability Ratios:					
Operating Margin	2.2%	2.2%	2.6%	<b>0.95%</b>	+
Excess Margin	5.0%	4.1%	2.0%	<b>4.9%</b>	+
Liquidity Ratios:					
Days Cash on Hand	215.10	355.20	398.77	<b>245.98</b>	+
Cash to Debt	167.70%	251.69%	297.01%	<b>251.69%</b>	+
Capital Ratios:					
Debt to Capitalization	32.20%	24.91%	25.23%	<b>24.91%</b>	-
Debt to Cash Flow	2.90	4.84	5.76	<b>4.29</b>	-

**Note:** + = Ratios that should be above the Moody's median.  
 - = Ratios that should be below the Moody's median.



**FY2021 CAPITAL BUDGET**  
**Phoebe Putney Memorial Hospital**



## PPMH & PPG Capital Expenditure Budget FY 2021

<b>Capital Categories - PPMH</b>	<b>FY 2021</b>
Plant Operations	4,964,286
General Medical & Other	2,847,887
Operating Room & Surgical Services	2,058,346
Information Systems & Telecommunications	1,125,000
Reference Lab	22,063
Pharmacy	4,309,680
<b>Sub-Total Capital - PPMH</b>	<b>15,327,262</b>
<b>Capital Categories - PPG</b>	
Plant Operations	4,500,000
General Medical & Other	464,053
<b>Sub-Total Capital - PPG</b>	<b>4,964,053</b>
<b>PPMH &amp; PPG Grand Total</b>	<b>20,291,315</b>



## PPMH & PPG Capital Expenditure Budget FY 2021

### Top 20 (Dollars)

Project	FY2020
PPMH OR - Room 8 Hybrid OR	3,764,286
PPMH Pharmacy - G4 Omnicell Cabinets	3,750,000
Plant Operations - Expansion of Ortho Clinic PPG	2,500,000
Plant Operations - Urgent Care Clinic Expansion/Renovation PPG	2,000,000
PPMH OR - Stryker Tower Phase II: Video Intergration	909,776
PPMH IS Customer Support - Storage Area Network	775,000
PPMH Cardiac Nuclear Medicine - 2 Cardiac Nuclear Cameras	600,000
PPMH Cardiac Cath Lab - GE MACLAB System Replacements	532,739
PPMH OR - Stryker Drills	495,052
PPMH Pharmacy - Alaris IV Smart Pumps	495,000
PPMH Plant Operations - Upgrade Central Monitoring System for 7T	450,000
Plant Operations - Refurb Premier Building PPG	450,000
PPMH Central Sterile Processing - Wound Vacs	379,320
PPG Plastics & Recon Surg - Office Equipment	350,000
PPMH IS Applications - Meditech Expanse Labor & Delivery Module	325,000
PPMH Respiratory Therapy - Navigational Bronchoscopy System	250,000
PPMH Blood Bank - Blood Irradiator	210,858
PPMH Pain Management - C-Arm	207,620
PPMH Plant Operations - FY21 Energy Reduction Project	200,000
PPMH Radiology Diagnostice - C-Arm	185,000



# Phoebe

## **PPMH-HAADC Rating Agency Update FYTD 2020**

August 20, 2020

## Updated Rating June 25, 2020

Albany Dougherty Cnty Hosp Auth, Georgia Phoebe Putney Mem Hosp, Georgia Albany

**Long Term Rating      A1 / Stable**

### **Credit strengths**

- » Material CARES Act funding, extraordinary state support given the outbreak of COVID-19 in the service area, and ongoing Sole Community Hospital designation should allow the system to show fiscal 2020 and 2021 performance relatively on par with 2019 results; management expects to be in compliance with the debt service covenant
- » Strong liquidity, as measured by days cash on hand and cash-to-debt, should continue as capital spending will be lowered in the near term; a new line of credit (undrawn) will also be a source of liquidity
- » While early days, elective volumes are approaching pre-COVID-19 levels, indicating that PPHS may be able to return to the financial momentum demonstrated toward the end of fiscal 2019 and the first half of 2020; designation of Phoebe North as the COVID-19 facility should enable elective volumes to return
- » Distinctly leading market position will continue as the system's role as the only tertiary level provider in a large 22 county service area and full service array

## Updated Rating June 25, 2020

### **Credit challenges**

- » Financial performance, with expected OCF margins between 6-7%, and the size of the enterprise (\$750 million in revenues), are below average for an A1 rating as the system recovers from the outbreak
- » Some exposure to equities will create volatility in cash levels; expectations for a ramp up of capital in 2022 with preliminary consideration given to a new tower at the flagship
- » Thin revenue growth, even with new and ongoing SCP funding, will persist reflecting stagnant population levels, above average Medicaid and economic profile in southwest Georgia
- » Longer-term competition may materialize if a new 60-bed hospital in adjacent Lee County opens (CON approved)

Rating outlook The stable outlook reflects expectations that PPHS will show financial stability as COVID-19 cases continue to decline, Medicare Sole Community Provider funding continues. Liquidity will remain at above average levels, the expectation of no additional debt and a reduction in capital spending in 2020.

**Albany Dougherty Cnty Hosp Auth, Georgia Phoebe Putney Mem Hosp, Georgia Albany**

**Long Term Rating     A+ / Stable**

The rating further reflects our view on Phoebe's:

- Excellent business position in its eight-county PSA, with an incredibly solid and stable market share;
- Track record of positive earnings with the expectations that financial performance will remain above break even in fiscal 2020 and beyond;
- Low debt levels, leading to solid debt service coverage (DSC); and
- Healthy balance-sheet metrics, with days' cash on hand, reserves to debt, and leverage that is consistent with rating category medians.



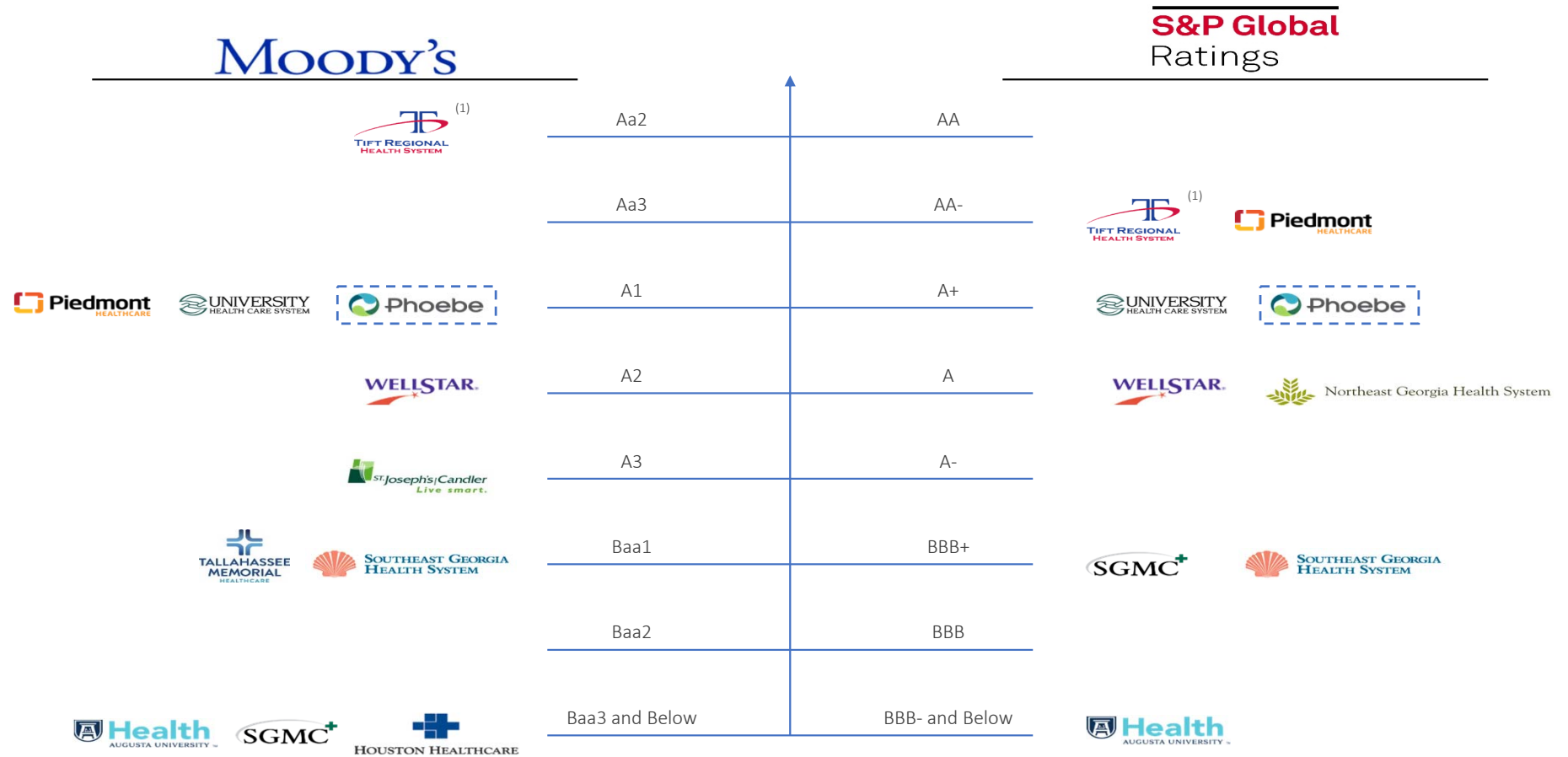
## Updated Rating July 24, 2020

Offsetting rating factors, in our opinion, include:

- Weak economic indicators in Phoebe's PSA which could be further pressured by the recession;
- Uncertainty related to the competitive landscape with the potential for increased competition over the next few years;
- A somewhat elevated reliance on government payors for net patient service revenues; and
- Relatively risky debt profile with a high amount of contingent debt.

The stable outlook reflects our expectations that Phoebe will maintain a dominant market share in its PSA and will continue to post positive operating margins while maintaining solid balance-sheet metrics during the two-year outlook period. We believe there is limited room for deterioration in the enterprise and financial profile at the current rating level.

## Regional Hospital and Health System Rating Landscape



(1) Rating associated with General Obligation ("GO") Bonds.  
Source: Moody's, Standard & Poor's

# Other Updates

- **Truist COVID 19 \$75M Credit Line**
  - No Draw
- **Bond Covenants**
  - No Issues for FY 2020
- **Laundry Facility**
  - Transaction Complete
- **Restarting a close look at Debt Market Options**
  - Federal Reserve has lowered rates (FFR 1.5% since March 3<sup>rd</sup>)
  - Market has “stabilized” and new issues picking up
  - Looking at options on current 2018 Variable rate debt ~ \$168M
    - Fix out 7-10 years some percentage of current
  - Looking at Options on 2012 debt ~ \$90M, callable 2022 current avg. rate ~3.0%
    - Pre call options at today's rates (limited options - due to discontinuation of refunding's on tax-exempt debt)



**Questions?**

## CREDIT OPINION

25 June 2020

 Rate this Research

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# Phoebe Putney Memorial Hospital, GA

Update following change to stable outlook

## Summary

Phoebe Putney Health System (A1 stable) will continue to generate improved pre-pandemic performance and effectively manage the COVID-19 outbreak in part due to the extraordinary support received from the state of Georgia and federal government through CARES Act grant funding. The A1 reflects expectations that Phoebe Putney Health System (PPHS) should be able to return to the financial momentum demonstrated through mid-2020 prior to the coronavirus, given new physician recruitments, volume growth, expense reductions and a Medicare designation as a Sole Community Hospital, the latter of which will provide a material increase in revenues. Fiscal 2020 performance will show a departure from the momentum through the first half of 2020 given the outbreak of the virus in Albany and Dougherty County, although the CARES Act funding should allow PPHS to report financial metrics that are on par with fiscal 2019. Despite high exposure to equity investments, the A1 will also reflect maintenance of a strong absolute and relative liquidity position, even prior to the receipt of Medicare accelerated funds, and expectations of no additional debt. Offsets will include a modest revenue base for the rating level and an aging population in the rural southwestern part of the state. High exposure to Medicaid, which is a social risk under Moody's ESG taxonomy because of heightened exposure to government policy changes, will also continue to be a credit challenge. Longer-term competition will arise if a proposed new 60-bed facility opens in adjacent Lee County.

## Credit strengths

- » Material CARES Act funding, extraordinary state support given the outbreak of COVID-19 in the service area, and ongoing Sole Community Hospital designation should allow the system to show fiscal 2020 and 2021 performance relatively on par with 2019 results; management expects to be in compliance with the debt service covenant
- » Strong liquidity, as measured by days cash on hand and cash-to-debt, should continue as capital spending will be lowered in the near term; a new line of credit (undrawn) will also be a source of liquidity
- » While early days, elective volumes are approaching pre-COVID-19 levels, indicating that PPHS may be able to return to the financial momentum demonstrated toward the end of fiscal 2019 and the first half of 2020; designation of Phoebe North as the COVID-19 facility should enable elective volumes to return
- » Distinctly leading market position will continue as the system's role as the only tertiary level provider in a large 22 county service area and full service array

## Credit challenges

- » Financial performance, with expected OCF margins between 6-7%, and the size of the enterprise (\$750 million in revenues), are below average for an A1 rating as the system recovers from the outbreak
- » Some exposure to equities will create volatility in cash levels; expectations for a ramp up of capital in 2022 with preliminary consideration given to a new tower at the flagship
- » Thin revenue growth, even with new and ongoing SCP funding, will persist reflecting stagnant population levels, above average Medicaid and economic profile in southwest Georgia
- » Longer-term competition may materialize if a new 60-bed hospital in adjacent Lee County opens (CON approved)

## Rating outlook

The stable outlook reflects expectations that PPHS will show financial stability as COVID-19 cases continue to decline, Medicare Sole Community Provider funding continues. Liquidity will remain at above average levels, the expectation of no additional debt and a reduction in capital spending in 2020.

## Factors that could lead to an upgrade

- » Enterprise growth that leads to a significant increase in scale
- » Material and sustained improvement in financial performance
- » Maintenance of strong liquidity

## Factors that could lead to a downgrade

- » Inability to reach or exceed an operating budgeted cash flow margin in fiscal 2021 which incorporates turnaround efforts and impact from the coronavirus
- » Sizable decline in liquidity
- » Increase in debt without a return to cash flow levels demonstrated during the first half of fiscal 2020
- » Decline in market share or volumes resulting from new competition

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 1

### Phoebe Putney Health System, GA

	2016	2017	2018	2019	2020 B
Operating Revenue (\$'000)	682,787	691,165	704,143	763,499	791,418
3 Year Operating Revenue CAGR (%)	0.7	2.2	1.5	3.8	4.6%
Operating Cash Flow Margin (%)	8.6	8.7	6.9	7.0	7.1
PM: Medicare (%)	45.7	47.8	49.4	49.1	N/A
PM: Medicaid (%)	18.4	18.5	16.8	18.1	N/A
Days Cash on Hand	249	301	306	299	314
Unrestricted Cash and Investments to Total Debt (%)	150.5	187.9	203.4	220.7	246.7
Total Debt to Cash Flow (x)	3.4	3.1	3.4	3.1	3.0

Based on audited financial statements for Phoebe Putney Health System, Inc., fiscal year end July 31; investment returns normalized at 5%; 2020 budget projection includes \$34 million in CARES Act funding in operating revenue and excludes advanced Medicare payments in unrestricted liquidity

Source: Moody's Investors Service

## Profile

Phoebe Putney Health System, Inc. is a 501c3 organization and includes: Phoebe Putney Memorial Hospital - Main Campus (413-staffed bed acute care hospital) and North Campus, (162-staffed beds) in Albany; Phoebe Sumter Medical Center (76-bed hospital located in Americus, Sumter County, GA); and Phoebe Worth Medical Center (25-bed critical access hospital located in Sylvester, Worth County, GA). The system assists in the management of Southwest Georgia Regional Medical Center (25-bed critical access hospital in Cuthbert, Randolph County). The system also includes: Phoebe Putney Health Ventures; Phoebe Physician Group, Inc. (an employed physician practice with approximately 183 clinicians); Phoebe Putney Indemnity (a captive insurance company); and Phoebe Foundation.

## Detailed credit considerations

### Market position: while early, volumes show good momentum after material outbreak; designation of Phoebe North as COVID-19 facility should enable smoother ramp up

Southwest Georgia experienced a significant outbreak of coronavirus. As the sole inpatient provider, PPHS quickly became a hotspot and has treated over 550 cases since March 8 with the apex during the week of April 13. In concert with the state, PPHS quickly converted the Phoebe North facility to the COVID-19 hospital which will remain the designated site for coronavirus cases going forward. Electives restarted May 15 at the flagship facility with early indications that volumes are quickly approaching pre-COVID-19 levels. The number of COVID-19 cases have declined dramatically as the virus was contained and measures were taken to stop the spread. While a second surge cannot be ruled out, PPHS is in a materially better position to handle another flare up given the designation of Phoebe North as a coronavirus hospital.

PPHS will continue to enjoy a distinctly leading market position in southwestern Georgia, providing a full array of tertiary level services in an expansive 22 county regional service area. Tertiary services include advanced cardiology, NICU and Level III Trauma services. PPHS continues to build its ambulatory presence in the surrounding service area and further points north with strategic ambulatory locations and consolidated ED operations at the flagship. PPHS will also seek a level 2 trauma designation. Over the longer term PPHS may face increased competition if a new 60-bed hospital (CON approved) approximately five miles from PPHS' main facility opens in adjacent Lee County. Given some delays due to COVID-19, the opening of the hospital will likely be pushed back another year, lowering the credit risk that a new competitor would bring in the immediate future.

### **Operating performance, balance sheet and capital plans: improved pre-COVID performance helped system manage the outbreak; lower capital spending and strong liquidity will provide a strong financial cushion**

PPHS' operating performance should show stabilization and improvement as the system endeavors to return to a pre-COVID level of operations. When including \$34 million of CARES Act funding (out of \$97 million received), fiscal 2020 results will be similar to 2019 with a 7.1% operating cash flow margin compared to 7.0% in 2019 and, in part, attributable to the strong financial momentum leading up to the outbreak.

Prior to the pandemic, PPHS was ahead of budget and generating a 9.2% operating cash flow margin through the first half of fiscal 2020. The primary driver of the improvement was higher Medicare reimbursement following PPHS' designation as a Sole Community Hospital effective in fiscal 2019. PPHS realized \$12 million of SCH benefit in 2019 and will be on pace recognize \$25 million in 2020. We view this new designation as a key driver to durable improvement once performance returns to more normal levels. PPHS also began realizing margin improvement through its performance improvement plan and numerous physician recruitments. Outpatient surgical procedures were up 10% in the first half of 2020 before being limited by the pandemic. FY 2019 results, while below average compared to A1 medians, were ahead of budget.

We expect PPHS will meet or exceed its fiscal 2021 budget which includes elevated expenses due to the coronavirus and excludes any recognition of additional CARES Act funding, of which about \$60 million is yet to be recognized through the income statement. PPHS projects a 6.6% operating cash flow margin on \$775 million of revenues in 2021 and assumes volumes nearly return to pre-COVID levels. If additional CARES Act funding is included in revenues, we would expect PPHS will show better performance. The state has agreed to reimburse PPHS for some expenses related to converting an existing PPHS facility into a designated COVID-19 hospital. While the size of the funds are not material compared to the CARES Act funding, the extraordinary support is indicative of the size of the outbreak and the state's and PPHS's efforts to contain the spread.

Capital spending will continue to be modest in the near term in response to the pandemic. PPHS projects only \$26 million of capital spending in 2021. Conditions permitting, the health system will then embark on a 5-year \$250 million capital plan beginning 2022 to be funded with internal cash reserves. This follows a period of lower capital spending (below 1.0 times) due to the uncertainty around the competing Lee County hospital project. PPHS will invest in expanding its ambulatory network across a broad service area, expanding inpatient and ED capacity at the flagship, attaining a level 2 trauma designation, and improving women and children's services. Large IT capital needs are behind the system following a conversion in fiscal 2016.

#### **LIQUIDITY**

A solid cash position will continue to be a fundamental credit strength for PPHS. Excluding the \$54 million received in advanced Medicare payments, the health system projects 314 days cash on hand at fiscal year end 2020. The A1 median is 248 days. Investment allocation is somewhat risky with 38% equities, 33% cash, 14% hedge funds, 12% other and 3% fixed income. PPHS secured a \$75 million line of credit due to the pandemic but it remains undrawn.

#### **Debt structure and legal covenants: solid headroom to covenants remain**

PPHS' leverage will be manageable. Projected 2020 cash to debt of 247% is above the A1 median of 199%. However, the 2.95 times debt to cash flow will be slightly unfavorable to the 2.6 times A1 median. Per management's calculation, debt service coverage declined to 3.2 times as of April 30, 2020, although well above of the 1.1 times maximum annual debt service covenant requirement. Management expects to make the debt service coverage covenant (discussed below) for fiscal 2020.

#### **DEBT STRUCTURE**

PPHS's debt structure will continue to carry some risk with 65% variable rate debt (before swaps). The Series 2018A and 2018B bonds are directly placed with SunTrust Bank. Prior bank covenants of days cash on hand and debt-to-capitalization were eliminated with the refunding. There is one MTI financial covenant: 1.1 times maximum annual debt service measured annually. A breach would require a consultant call. Below 1.0 times is an event of default. Sun Trust maintains a 1.0 times debt service coverage requirement measured quarterly and a rating trigger below Baa1/BBB+ from Moody's and S&P.



**DEBT-RELATED DERIVATIVES**

PPHS has five swaps with three different counterparties with a notional amount of \$124.6 million and a mark-to-market liability of \$10.7 million. Collateral threshold for the A1 rating levels is \$25 million on the two CMS (Constant Maturity Swaps); no collateral is required by PPHS on the three fixed payer swaps. All swaps are associated with the 2018A debt which mature in 2032.

**LEGAL SECURITY**

Certificates are secured by a joint and several obligation of the obligated group, which includes PPMH and PPHS. The obligated group pledges all gross receipts, including a security interest in present and future accounts receivable, contract rights, general intangibles and the proceeds of all of the foregoing.

**PENSIONS AND OPEB**

PPHS has somewhat elevated exposure to indirect debt. The plan is fully frozen to new and existing employees. Various lift outs have been executed, the most recent during fiscal 2018, reducing further benefit obligations and PBGC fees. However, the pension liability increased \$110 million (66% funded) at fiscal year end 2019 compared to \$79 million (72% funded) the prior year.

**ESG considerations****Environmental**

Environmental considerations are considered average for the sector for the Phoebe Putney Health System service area located in southwest Georgia. While inland and not located along the coastal areas, the system has experienced the impact of hurricanes and flooding in recent years.

**Social**

Social considerations are elevated in for the Phoebe Putney Health System service area located in southwest Georgia. PPHS has high exposure to Medicaid, approximately 18% of the total payor mix, which subjects the health system to changes in governmental policies at both the state and federal levels. The state of Georgia has opted not to expand Medicaid coverage under the Affordable Care Act and we expect this to continue in at least the near term. PPHS' service area is also mostly rural and subject to relevant operating challenges such as an aging low growth population and modest economy.

PPHS will also continue to contend with the impact from COVID-19 as Albany, Georgia was considered a hot spot during the early part of the outbreak in March and April. While the number of positive COVID-19 cases has dramatically declined following restrictive measures taken by the state and health system, including cancellation of elective procedures over a 8 week period beginning in the middle of March through May 15, the virus remains present in the community. Offsetting this risk is the above average state and federal support PPHS has received to combat the pandemic.

**Governance**

Governance considerations are favorable given disclosure practices and demonstrated ability to respond and navigate through a significant public health crisis. Management provides detailed projections annually which reflect conservative financial planning. The system board is comprised of 12 members with no terms limits. Albany Dougherty County Hospital Authority is the owner and lessor of Phoebe Putney Memorial Hospital, Inc. (which includes the flagship campus and the north campus). New CEO joined in 2019 following the retirement of the long-standing individual.

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## Albany Dougherty County Hospital Authority, Georgia Phoebe Putney Memorial Hospital; Hospital

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Rationale

Stable Outlook

Enterprise Profile--Strong

Financial Profile--Strong

# Albany Dougherty County Hospital Authority, Georgia

## Phoebe Putney Memorial Hospital; Hospital

### Credit Profile

#### Albany Dougherty Cnty Hosp Auth, Georgia

Phoebe Putney Mem Hosp, Georgia

Albany Dougherty Cnty Hosp Auth (Phoebe Putney Mem Hosp) rev antic certs

*Long Term Rating*

A+/Stable

Current

### Rationale

S&P Global Ratings long-term rating on Albany Dougherty County Hospital Authority, Ga.'s revenue debt, issued for Phoebe Putney Memorial Hospital (Phoebe) is 'A+'. The outlook is stable.

#### Credit overview

In March 2020, Albany experienced a surge in COVID-19 cases, which resulted in a significant number of hospitalizations at several Phoebe locations through mid-April. In response to capacity constraints and in an effort to preserve the safety of patients and staff, Phoebe repurposed portions of its northern campus to treat patients suffering from COVID-19. State support associated with this project has been significant including paying for contract staffing, providing medical teams and National Guard support, as well as additional financial support. Phoebe's fiscal 2020 financial performance has also been supported by the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding which management estimates will add about \$64.5 million in non-reoccurring operating revenue to the fiscal 2020 income statement, of which \$41.6 million is associated with the high impact funding. Hospitalizations associated with COVID-19 has trended lower since mid-April and at this time management projects fiscal 2020 operating margins will remain above break even, which we view positively.

The rating also reflects our view of Phoebe's strong enterprise profile, which is characterized by an excellent and historically stable market share and volume trends in its primary service area (PSA). Phoebe's solid market share is offset somewhat by weak economic indicators in its PSA, including very limited population growth and declining employment levels projected over the next five years. The rating also reflects a financial profile that we view as strong, with solid days' cash on hand and low debt. The financial profile is offset somewhat by a history of modest, albeit positive, operating margins for the rating. Also included in the rating is a positive holistic adjustment that further reflects Phoebe's excellent market share, with limited competition and balance sheet metrics that are generally consistent with the 'A+' rating.

The rating further reflects our view on Phoebe's:

- Excellent business position in its eight-county PSA, with an incredibly solid and stable market share;
- Track record of positive earnings with the expectations that financial performance will remain above break even in

fiscal 2020 and beyond;

- Low debt levels, leading to solid debt service coverage (DSC); and
- Healthy balance-sheet metrics, with days' cash on hand, reserves to debt, and leverage that is consistent with rating category medians.

Offsetting rating factors, in our opinion, include:

- Weak economic indicators in Phoebe's PSA which could be further pressured by the recession;
- Uncertainty related to the competitive landscape with the potential for increased competition over the next few years;
- A somewhat elevated reliance on government payors for net patient service revenues; and
- Relatively risky debt profile with a high amount of contingent debt.

The stable outlook reflects our expectations that Phoebe will maintain a dominant market share in its PSA and will continue to post positive operating margins while maintaining solid balance-sheet metrics during the two-year outlook period. We believe there is limited room for deterioration in the enterprise and financial profile at the current rating level.

### **Environmental, social, and governance factors**

We view Phoebe's social risk as in line with our view of the industry. Despite operating in a somewhat limited service area with employment levels projected to decline over the next five years, we view the PSA's population size and limited competition in the area as mitigating factors. In addition, as evidenced by the COVID-19 pandemic, the core mission of health care facilities is to protect the health and safety of the communities they serve which we believe exposes Phoebe and its peers to additional social risks. We view Phoebe's environmental and governance risks as in line with those of industry peers.

## **Stable Outlook**

### **Downside scenario**

We could lower the rating or revise the outlook to negative if the hospital's enterprise profile, specifically market position, deteriorates from current levels. Underlying operating stress that result in losses such that coverage and balance sheet metrics are no longer consistent with 'A+' medians would also pressure the rating.

### **Upside scenario**

A positive rating action or outlook change is unlikely during the outlook period given the limited demographics in Phoebe's service area. A positive rating action is possible beyond the outlook period if Phoebe begins to generate much stronger operating surpluses such that balance sheet metrics strengthen to levels that surpass the higher rated medians.

## Enterprise Profile--Strong

### Dominant market share offset somewhat by weak economic indicators

Phoebe's PSA includes Dougherty, Lee, Mitchell, Sumter, Worth, Macon, Schely, and Terrell counties; these counties have a combined population of about 200,000. Overall population, employment growth, and income per capita in the eight-county service area is expected to lag national averages over the next five years, which may be limiting to Phoebe's enterprise profile. Leading service area employers include the Dougherty County Board of Education, a logistics base for the Marine Corps, and several manufacturing corporations.

We will continue to monitor the competitive landscape in the coming years. The state department of health recently approved a certificate of need (CON) for a hospital in Lee County located about five miles away from Phoebe. Because of the recent Federal Trade Commission (FTC) settlement outlined in our prior reviews, Phoebe was unable to appeal the CON. Since the initial approval, we understand Lee County has had to request several extensions related to implementation and a construction contract has not yet been signed for the new hospital. At this time, we do not anticipate significant changes to Phoebe's competitive position within the outlook period. Effective August 2018, the hospital's status of sole community hospital has been improved. This approval resulted in increased Medicare reimbursement for fiscal 2019 and is expected to result in future financial benefits to the organization over time so long as the sole community provider status remains.

### Management and governance

In January 2019, Phoebe named Scott Steiner the new president and CEO. Steiner formerly served as CEO of four Tenet hospitals in Detroit, Mich. and officially began his role as president and CEO on March 1, 2019, after completing an integrated transition plan with the prior CEO. The remainder of the senior management team is long tenured and has improved the system's financial profile over time; it now has increased balance sheet cushion and stable operating performance. We believe this consistency and knowledge of the local markets is a credit strength. Management provides detailed projections on operations and capital spending, which we view as a best practice. Projections are updated on an annual basis with management routinely meeting expectations.

**Table 1**

Phoebe Putney Memorial Hospital Inc., Georgia Enterprise Statistics				
	--Nine months ended April 30--	--Fiscal year ended July 31--		
	2020	2019	2018	2017
PSA population	N.A.	228,092	227,860	227,459
PSA market share (%)	N.A.	73.0	74.7	75.5
Inpatient admissions	15,482	21,852	21,562	21,434
Equivalent inpatient admissions	45,151	64,106	61,843	59,073
Emergency visits	77,599	111,941	110,277	119,640
Inpatient surgeries	3,322	4,720	4,859	5,002
Outpatient surgeries	8,538	12,421	11,693	11,644
Medicare case mix index	1.8100	1.7600	1.6900	1.6700
FTE employees	3,914	4,324	4,224	4,192
Active physicians	393	395	402	402

**Table 1**

<b>Phoebe Putney Memorial Hospital Inc., Georgia Enterprise Statistics (cont.)</b>				
	<b>--Nine months ended April 30--</b>		<b>--Fiscal year ended July 31--</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Based on net/gross revenues	Gross	Gross	Gross	Gross
Medicare (%)	48.5	49.1	49.7	47.8
Medicaid (%)	17.8	18.1	17.9	18.5
Commercial/Blues (%)	26.1	24.3	26.1	26.9

N/A--Not applicable. N.A.--Not available. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

## Financial Profile--Strong

### Operations expected to remain positive

Phoebe continued its history of generating positive operating results in fiscal 2019 as the hospital capitalized on its solid business position, favorable volume trends, and sole community provider status resulting in improved governmental payer rates. Improving operating performance has resulted in solid maximum annual debt service (MADS) coverage that is in line with the medians. We believe management has a history of conservative budgeting practices and has typically delivered actual results equal to or greater than budget, which we view positively.

The first nine months of fiscal 2020 closed with a positive 1.3% operating margin which we also view favorably given the current environment. While Phoebe has experienced a significant variance from budgeted revenues and expenses due to the COVID-19 pandemic, expense controls enacted by management combined with CARES Act funding and additional state support is expected to help mitigate a majority of the budgeted shortfall and keep operations above break even.

### Liquidity and financial flexibility are credit strengths

Liquidity, as measured by days' cash on hand and unrestricted reserves to debt, continue to be a key credit strength supporting the rating on Phoebe. Both metrics are solid compared with rating category medians and peers despite the non-operating losses associated with investment income through April. Our calculation of unrestricted reserves excludes approximately \$56 million in Medicare advance payments which provides some additional liquidity over the immediate term. We understand management has also secured a \$75 million line of credit though they have no plans to pull on the line. At this time, we do not anticipate a significant spend down of reserves and we believe Phoebe has some financial flexibility at the current rating to handle operating stress given its strong liquidity.

The most current strategic capital plan has a total capital budget of about \$250 million through fiscal 2025, with \$26 million in spending allocated to fiscal 2021. While many of these projects are preliminary, we believe they are manageable at the current rating, and expect management to ramp down spending if projected cash flow do not meet expectations. Management indicated it does not plan to issue debt to fund capital plans during the outlook period.

### Light debt profile

Phoebe's debt burden is very manageable in our opinion, at just over 2%. This is also reflected in the organization's leverage with debt-to-capitalization levels of about 26%. With no additional debt plans within the outlook period, we



anticipate these metrics will continue to be a credit strength supporting stability at the current rating level. We consider about 66% of Phoebe's long-term debt as contingent as it is directly placed with SunTrust Bank. We understand financial covenants include the maintenance of a 1.0x MADS coverage ratio and a minimum credit rating of 'BBB+'. If Phoebe were to violate a covenant, debt repayment could accelerate. However, due to Phoebe's higher cash balances, ample liquidity, and significant cushion compared to covenants, we do not view this as a risk at this time.

**Table 2**

Phoebe Putney Memorial Hospital Inc, Georgia Financial Statistics				
	--Nine months ended April 30--	--Fiscal year ended July 31--		
	2020	2019	2018	2017
<b>Financial performance</b>				
Net patient revenue (\$000s)	563,481	733,791	677,526	661,748
Total operating revenue (\$000s)	597,332	763,305	703,932	686,808
Total operating expenses (\$000s)	589,526	747,066	694,867	680,124
Operating income (\$000s)	7,806	16,239	9,065	6,684
Operating margin (%)	1.31	2.13	1.29	0.97
Net nonoperating income (\$000s)	5,207	31,227	17,245	17,557
Excess income (\$000s)	13,013	47,466	26,310	24,241
Excess margin (%)	2.16	5.97	3.65	3.44
Operating EBIDA margin (%)	6.75	7.02	6.85	8.17
EBIDA margin (%)	7.55	10.67	9.08	10.46
Net available for debt service (\$000s)	45,521	84,797	65,493	73,665
Maximum annual debt service (\$000s)	16,938	16,938	16,939	16,939
Maximum annual debt service coverage (x)	3.58	5.01	3.87	4.35
Operating lease-adjusted coverage (x)	3.01	4.19	3.28	3.66
<b>Liquidity and financial flexibility</b>				
Unrestricted reserves (\$000s)	560,811	588,305	555,622	525,510
Unrestricted days' cash on hand	272.3	298.7	305.6	300.7
Unrestricted reserves/total long-term debt (%)	213.4	223.6	205.6	189.7
Unrestricted reserves/contingent liabilities (%)	324.4	340.3	314.3	292.1
Average age of plant (years)	15.8	18.5	16.6	13.2
Capital expenditures/depreciation and amortization (%)	132.1	110.7	72.8	90.0
<b>Debt and liabilities</b>				
Total long-term debt (\$000s)	262,752	263,127	270,194	276,985
Long-term debt/capitalization (%)	26.2	25.3	25.7	27.7
Contingent liabilities (\$000s)	172,865	172,865	176,755	179,925
Contingent liabilities/total long-term debt (%)	65.8	65.7	65.4	65.0
Debt burden (%)	2.11	2.13	2.35	2.40
Defined-benefit plan funded status (%)	N.A.	65.55	72.37	66.82

**Table 2**

<b>Phoebe Putney Memorial Hospital Inc, Georgia Financial Statistics (cont.)</b>				
	<b>--Nine months ended April 30--</b>	<b>--Fiscal year ended July 31--</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Miscellaneous</b>				
Medicare advance payments (\$000s)*	56,357	N/A	N/A	N/A

\*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N.A.--Not available. N/A--Not applicable. MNR--Median not reported.

### Credit Snapshot

- Security Pledge: Bonds are secured by the obligated group's gross receipts pledge.
- Group Rating Methodology: Core. The 'A+' rating reflects our view of Phoebe's group credit profile (GCP) and the obligated group's core status. Accordingly, we rate the bonds at the same level as the GCP.
- Organization Description: PPHS operates Phoebe Putney Memorial Hospital, its flagship hospital, and the former Palmyra facility, now known as Phoebe North, both in Albany. PPHS also operates Phoebe Worth, a critical-access hospital in Worth County, and Phoebe Sumter, a 76-bed facility in Sumter County. The group includes Phoebe Putney Health System (PPHS) and Phoebe Putney Memorial Hospital. Our analysis includes Phoebe Putney Memorial Hospital; Phoebe Worth; Phoebe Sumter; Phoebe North; a foundation; Phoebe Putney Indemnity, a captive insurance company; and a for-profit health ventures group.

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# PPMH CEO & Operational Reports

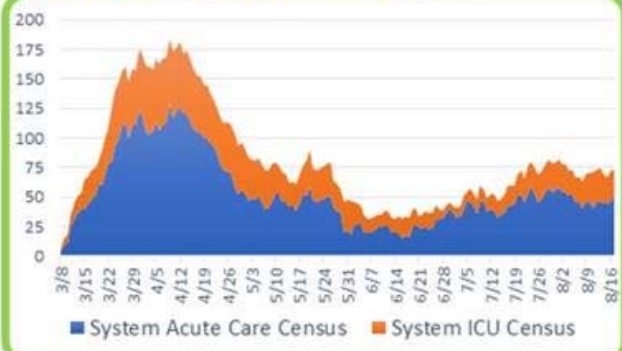
Open Session Meeting



# COVID-19 Update

# COVID-19 Update

## COVID-19 CENSUS - SYSTEM

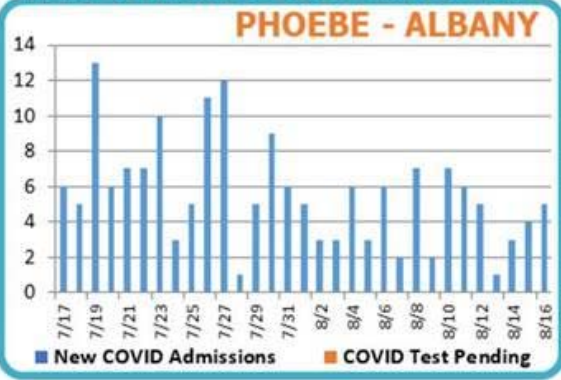


## HOSPITALIZED CASES

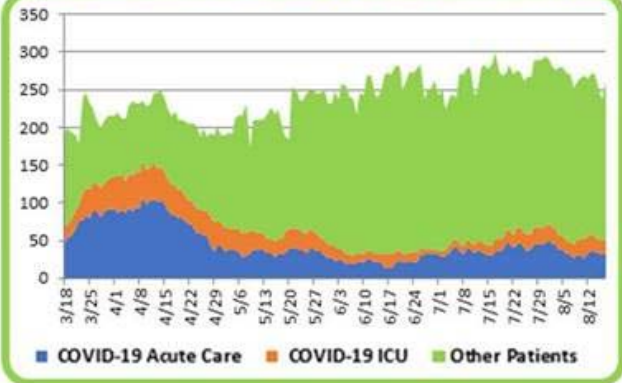
- ⊕ **Total COVID-19 (77)**
  - COVID-19 Patients 77
  - COVID-19 Pending 0
  - COVID-19 Transfers In 0
- ✓ **Recovered (658)**
- ⊘ **Deceased (165)**

	COVID-19 Patient	COVID-19 Pending	COVID-19 Transfers In	Recovered	Deceased
Phoebe (Albany)	55	0	0	566	131
Phoebe Sumter (Americus)	18	0	0	80	34
Phoebe Worth (Sylvester)	4	0	0	12	0

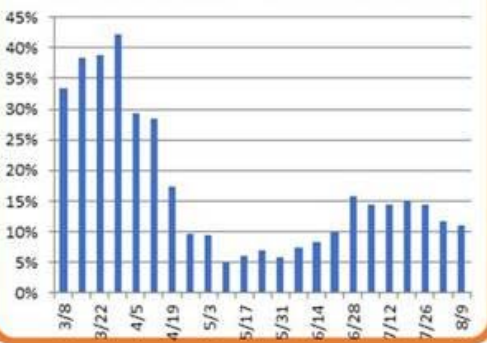
## NEW PATIENTS HOSPITALIZED FOR COVID-19



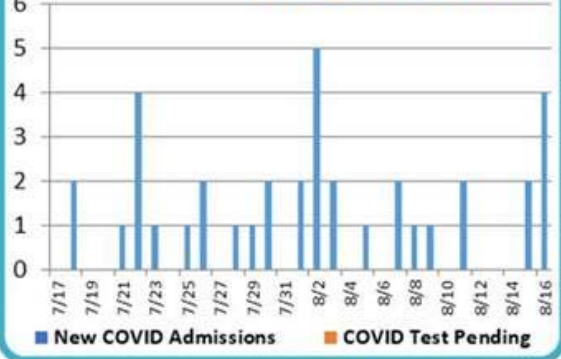
## TOTAL CENSUS - PHOEBE ALBANY



## % POSITIVE-OUTPATIENT



## PHOEBE SUMTER



August 17, 2020



## PPMH COVID-19 Data

---

	March	April	May	June	July	August (thru 8/18)
Admissions	306	405	111	64	188	79
Average Admissions/Day	21.9	13.5	3.6	2.1	6.0	4.4
Average Daily Census	81	122	60	35	53	55
Deaths	56	38	10	5	13	3



# PPMH COVID Update

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- Door Monitoring- CDC Guidelines
- State Support of North
- Staffing





## PROJECT UPDATE

MAIN CAMPUS	PROJECTED COMPLETION DATE
OP Procedure Lab – MT2	12/1/2020
Physician Vascular Office – MT2	12/15/2020
Emergency Department	9/30/2020
<input type="checkbox"/> Front Lobby	
<input type="checkbox"/> Results Waiting	
<input type="checkbox"/> Trauma Room	
Observation Unit – 2C	10/1/2020
OR Room 8 – Hybrid OR	11/1/2020
Lighthouse	12/18/2020
NORTH CAMPUS	
Med Gas Project 2W/3W	9/18/2020
Helipad	8/21/2020
Central Monitoring System	TBD



# Georgia Surprise Billing Legislation

## GA House Bill 888 – Surprise Billing

- ▶ *What is Surprise Medical Billing ?*
- ▶ **Surprise Medical Billing**, occurs when a patient receives care from a doctor or hospital outside of their insurer's network and the doctor or hospital subsequently bills the patient for the amount their insurance didn't cover.

## GA House Bill 888 - Surprise Billing

- ▶ *Out of Network vs In Network ?*
- ▶ **Out of network** simply means that the doctor or facility providing your care does not have a contract with your health insurance company.
- ▶ **In-network** means that your provider has negotiated a contracted rate with your health insurance company

# GA House Bill 888 – Surprise Billing

- ▶ Example of Surprise Billing :
- ▶ Patient looks up a hospital on their insurers website and it shows as **in-network**. Patient goes to the hospital and gets Emergency Services. Patient gets an **in-network facility** bill 30 days after service from the hospital, but then days later gets an **out-of-network provider** bill from the ER doctor company they never thought to check ahead of time as in-network. The patient's insurer pays a minimal % of the **out-of-network** provider bill and the ER doctor company then bills the large remaining amount of the bill's balance to the patient. Patient is surprised their insurance company does not pay more and they are responsible for the large balance.

# GA House Bill 888 – Surprise Billing

- ▶ Gov. Brian Kemp signed legislation into law July 16 that aims to curb instances of surprise medical billing in Georgia. Bill becomes effective January 1, 2021.
- ▶ The legislation, HB 888, outlines consumer protections against surprise billing. Under the law, health insurers can't send balance bills, commonly referred to as "surprise" medical bills, to members who received services from an out-of-network healthcare provider.
- ▶ Patients won't pay any more than their deductible, copay or in-network requirements in these situations. The bill requires new mechanisms/methods to establish and ultimately resolve payment disputes between insurers and the out of network providers.
- ▶ The bill requires the state's insurance department to create an all-payer health claims database and establish an arbitration payment resolution process. Providers can request arbitration for additional payment from health insurers, but the patient wouldn't be involved in these discussions.
- ▶ Implementation guidance is still pending from the Insurance Commissioners office ----  
MORE DETAILS TO COME LATER -----



**Questions?**



# New Vision, Mission, Value Statement





# Guiding Principles

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## MISSION

*(What we do every day – the how and what)*

We empower every member of the Phoebe Family to safeguard the health of our communities – embracing a culture that delivers great patient experiences, innovative treatments, and access to superior care.

## VISION

*(Big picture, inspirational goal and guiding North Star)*

To make every life we touch better.

## VALUES

*(Who we are & what we stand for)*

**Safety** is fundamental. Zero harm is priority #1.

**Community** is our focus. We are a part of the places we serve. These are our families, our friends, and our neighbors – together, we rise.

**Compassion** is our core. For us, it's not a catch phrase – it's who we are.

**Service** is a calling. This is not just a job, this is our life's work – it's what we love and what we are meant to do.

**Commitment** is our promise to always get better. We don't settle for "that's how it's always been done." We learn from our past and build a better tomorrow.



# Report on Diversity/ Anti-Discrimination Policies



# Welcome Dr. Jennifer Williams To the Phoebe Family



**Tony Welch**  
Senior VP & CHRO

Dr. Jennifer Williams joined Phoebe in May of 2020 at the height of the COVID-19 pandemic and at the height of the Black Lives Matter movement. Because of her education and background, she was immediately tapped to help lead our diversity and inclusion efforts in conjunction with Cassandra Haynes, our Corporate Director of Human Resources. Dr. Williams holds a PhD in Policy & Administration with a concentration in Management and Leadership. She works as an Organizational Development Coach in the Learning and Innovation Center. Dr. Williams has spent the majority of her professional career working to develop high achieving teams in both the non-profit and government agency sectors. She's passionate about creating opportunities for individuals to use their strengths to contribute to organizational goals, and she is a staunch advocate for the creation of diverse and inclusive workplace cultures.



**Dr. Jennifer Williams**  
Organization Development  
Coach



# Workplace Diversity



**“Diversity is being invited to the  
dinner party; inclusion is having  
a say about the menu.”**

Quote from a  
participant in the  
Diversity Focus Group



## A Diverse Workforce

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A workforce consisting of a broad mix of employees:

- from different racial and ethnic backgrounds
- of different ages and genders
- of different domestic and national cultures

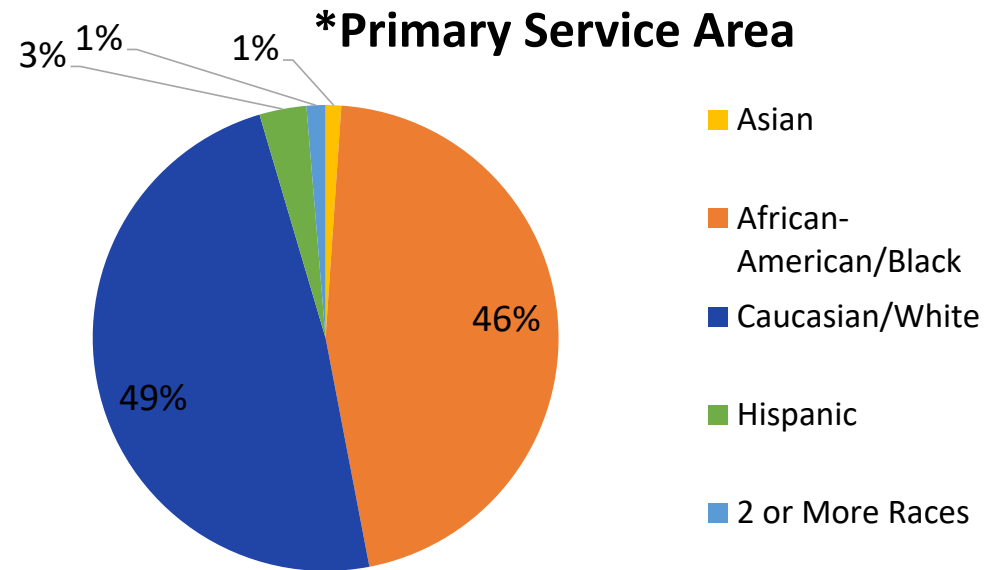
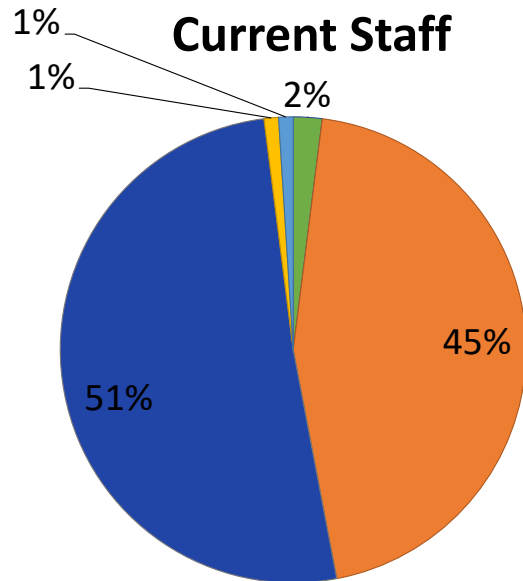


## Diversity

Phoebe's goal is to more accurately reflect the overall diversity of the communities we serve at all levels of the organization.



# Employees by Ethnicity



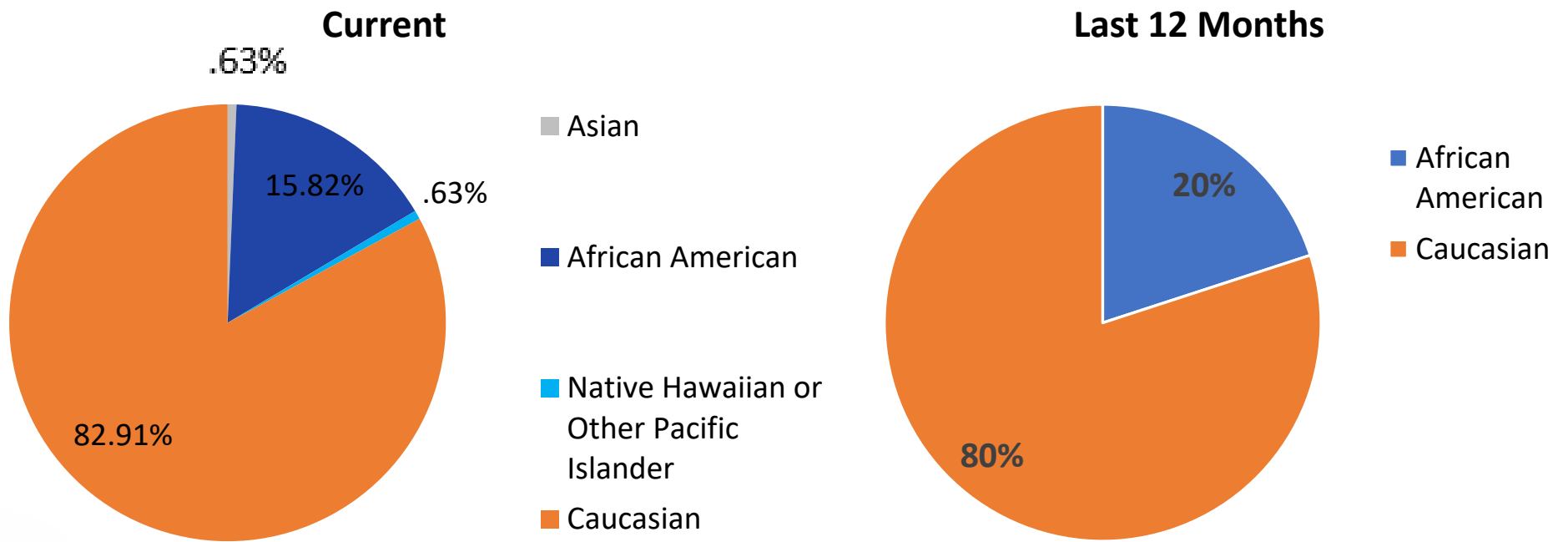
*\*Primary Service Area= Dougherty, Lee, Mitchell, Terrell, and Worth Counties*

*U.S Census Bureau Quick Facts (July 1, 2019)*





# Leadership by Ethnicity

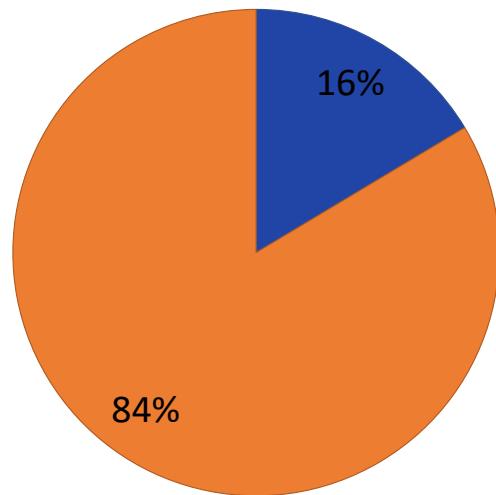


(Managers and up)

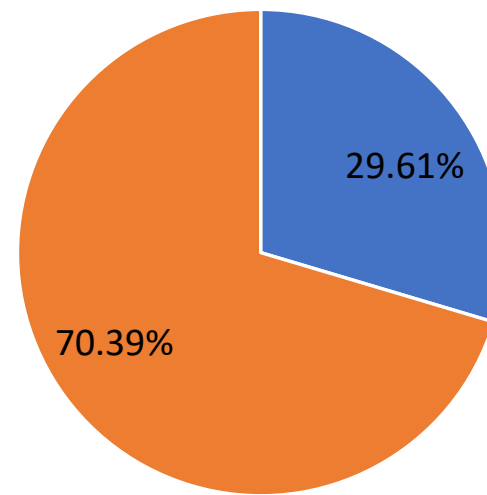


# Employees by Gender

**Current Staff**



**Phoebe Leadership**

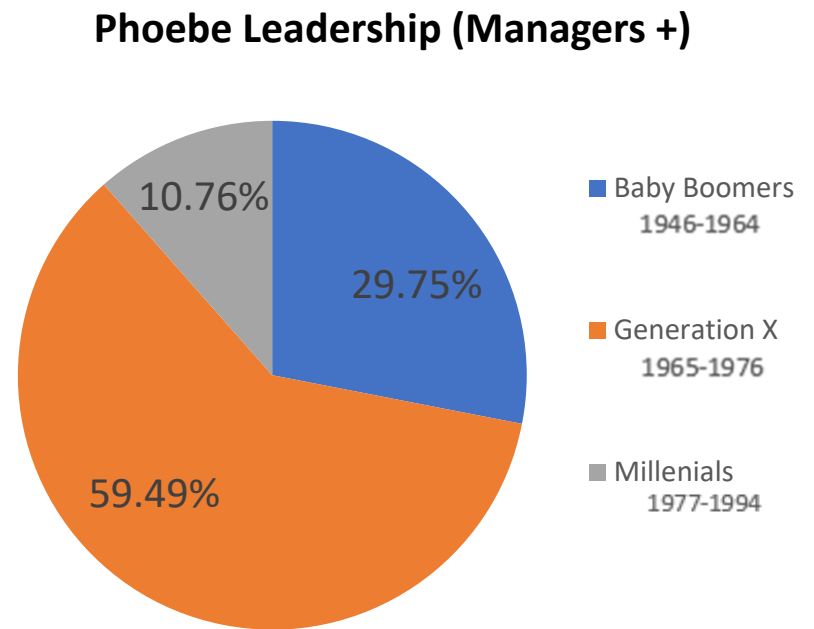
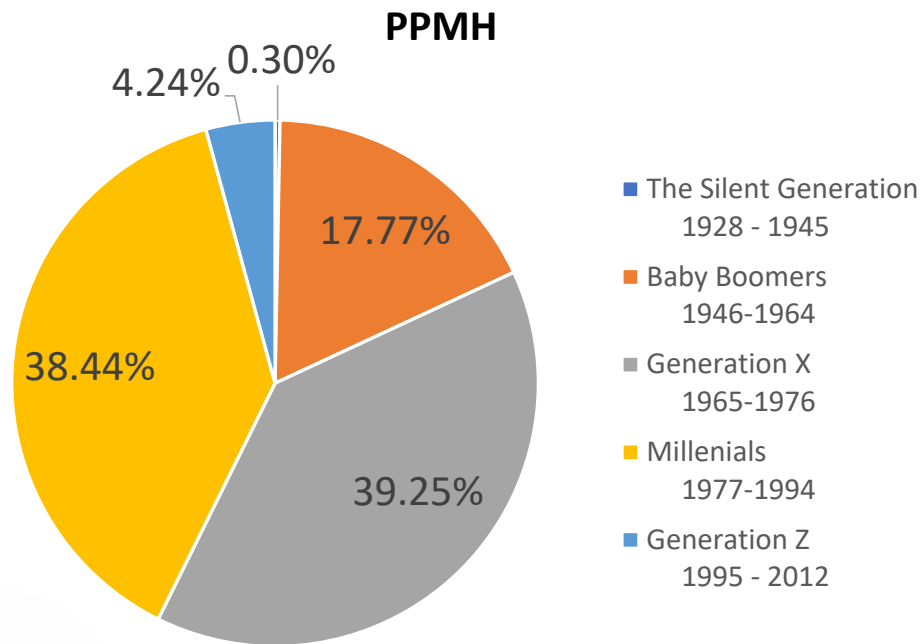


- Male
- Female

*Note: National Avg of Women in Healthcare Organizations= 78%*



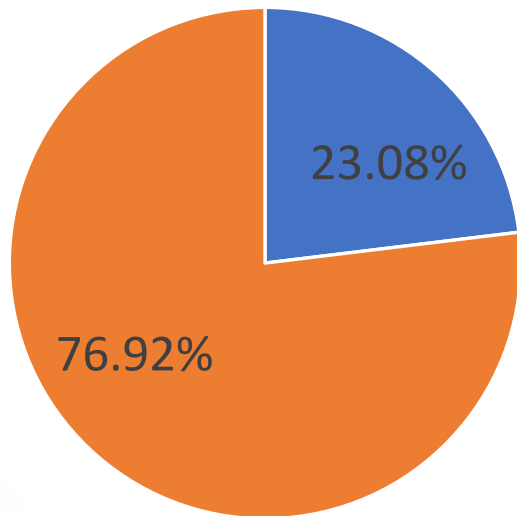
# Phoebe by Generation





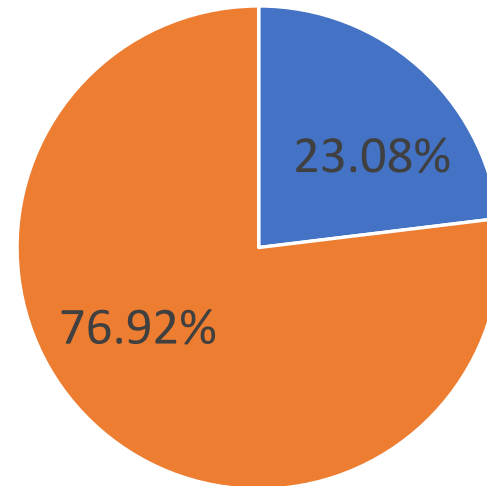
# Phoebe Board Gender & Ethnicity

**Gender**



- Female
- Male

**Total**

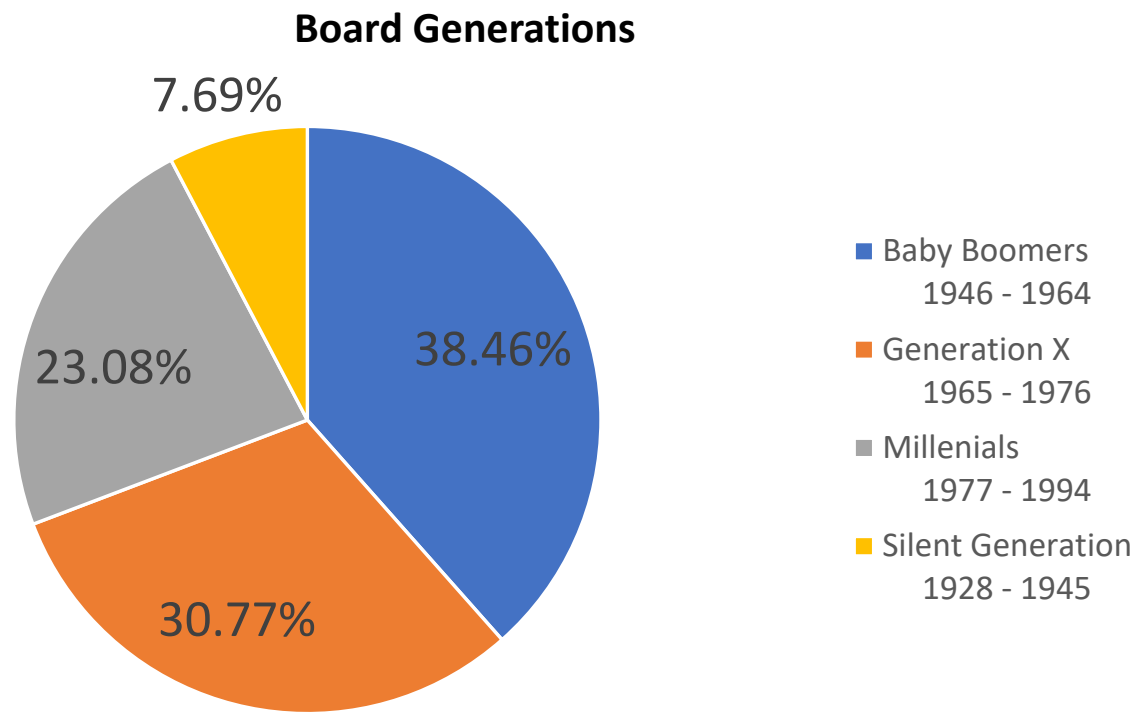


- African American
- White

*Note: Avg of Phoebe Board members = 56.6 years of age*



# Phoebe Board Generations



*Note: Avg of Phoebe Board members = 56.6 years of age*



## Be Intentional About Diversity

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- Recognizing this is a national issue
- Not advocating hiring quotas or ratios
- Broadening our search and our reach for diverse talent
- Making sure all employees are provided the same opportunities for growth
- Becoming aware of unconscious bias
- Respecting the cultures and backgrounds of others who experience life differently than we do



## Current Diversity & Inclusion Efforts

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- Create a diversity focus group led by the Organizational Development team to identify barriers – **established**
- Launch a Diversity Council and include an annual update as part of the HR Annual Report for the Board – **in process**
- Provide specialty training for HR staff to obtain the SHRM Inclusive Workplace Culture Specialty Credential – **scheduled**
- Provide unconscious bias training for leadership – **scheduled**
- Perform a gap analysis of diversity metrics by department – **planned**
- Create a diversity dashboard and add a diversity metric to our organizational goals – **planned**
- Create administrative internship/fellowship programs for local graduates through Albany State University – **planned**

An abstract graphic on the left side of the slide, consisting of several overlapping, curved shapes in shades of green and white. The shapes are smooth and organic, resembling stylized leaves or petals. The largest shape is a light green curve that starts at the top left and curves downwards and to the right. Below it is a darker green shape, and further down is a white shape that curves upwards and to the right. The overall effect is a layered, flowing composition.

**Thank you**