

For the 1 month period ended October 31, 2020 St. Francis Health Services reported:

Operating income of (\$1,003,094) compared to (\$47,410) the prior year, a decrease of \$956,494. For the same period net income was (\$956,105) compared to (\$19,103) the prior year, a decrease of \$937,002. For the same period operating margin was (10.62%) compared to (.48%) the prior year (Industry Average CliftonLarsonAllen =1.89%). Total margin is (10.12%) compared to (0.19%) the prior year (Industry Average (CliftonLarsonAllen = 2.31%).

St. Francis net income has increased due to receipt of several rounds of COVID-19 relief funding from the CARES Act Provider Relief Fund. St. Francis locations received a total of \$4,913,215 from 3 rounds of COVID-19 funding from the CARES Act and \$1,340,600 from 1 round of COVID-19 funding from the CARES Act specifically dedicated for testing. The relief payments received may only be used to prevent, prepare for, and respond to coronavirus, and the relief funds shall reimburse only health care related expenses that are attributable to coronavirus. The first 3 rounds may also be used for lost revenues that are attributable to coronavirus. To comply with the terms and conditions of the funding receive a COVID adjusting journal entry was completed for the fiscal year ended September 30, 2020. For St. Francis and subsidiary locations, the entry reduces grant revenue and increases deferred revenue by \$2,485,827 as indicated below. In fiscal year 2021, the residual balance of \$1,171,712 in deferred revenue will be moved from the balance sheet to grant revenue on the income statement to offset lost revenue and COVID related health care expenses.

2020 NH - Grant Revenue 090977 By Location	4,913,215.10
Less:	
COVID-19 Salary Expense 060034	1,298,278.79
Worker's Comp Expense	47,669.25
FICA Expense	97,124.22
Pension Expense	37,600.93
COVID-19 Nursing Supplies Expense 060184	716,495.07
Add back DHS Technology Grant	38,748.00
COVID-19 Dietary Supplies Expense 063056	99,746.24
Net COVID prior to Lost Revenue	2,655,048.60
Estimated Lost Revenue	(1,994,883.10)
Excess(Deficit)	660,165.50
GJE Proposed General CARES Act	
Grant Revenue	1,171,712.27
Deferred Revenue-COVID (Liability Account)	(1,171,712.27)
AR Other	30,000.00
COVID19 Nursing Supplies	(30,000.00)
Balance in Deferred Revenue After above GJE	(1,171,712.27)
Testing Revenue Received	1,340,600.00
COVID-19 Testing Expense 080233	26,485.26
Excess(Deficit)	1,314,114.74
GJE Proposed Testing CARES Act	
Grant Revenue	1,314,114.74
Deferred Revenue-COVID (Liability Account)	(1,314,114.74)
Grand Total in Deferred Revenue after above Entries	(2,485,827.01)
NON COVID Grants Received	90,311.52

New Value Based Nursing Facility Reimbursement Medicaid rates were received on January 1, 2020 which is forecast to increase St. Francis revenue for the 2020 calendar year by \$4.2 for all care centers. In addition, St. Francis projects an increase in revenue for all care centers of \$4.7 million for

the 2021 calendar year based on the Medicaid cost reports submitted for the cost year ended 9/30/2019. Value Based Nursing Facility rates are determined by the annual Medicaid cost reports submitted for the period ended 9/30 each year for all Minnesota care centers. There is a 15 month gap between the submission of the cost report and those expenses reflected in the care centers rates. For example, cost reports submitted 9/30/2019 will determine a care centers 1/1/2021 rates.

Overall, for the period ended October 31, 2020 operating revenue decreased by \$358,261, to \$9.45 million. Total operating expense increased to \$10,452,873 from \$9,854,640, an increase of \$598,233. Resident care expense increased \$349,644 and fringe benefit expense increased \$104,287 from the prior year. Bad debt expense decreased \$3,248 from the prior year.

For the period ended October 31, 2020, Prairie Community Services (PCS) reported total revenue of \$2.468 million and total expense of \$2.461 million. PCS revenue for the period increased by \$92,180 and total expense increased by \$48,853 from the prior year. PCS operating income for the period increased by \$56,707 from the prior year. PCS total census decreased by 496 census days from the prior year. PCS resident care expense increased by \$12,184 and fringe benefit expense increased by \$27,587.

For the period ended October 31, 2020, Skilled Nursing Facility (SNF) and Housing with Services (HWS) reported total revenue of \$7.40 million and total expense of \$8.263 million. SNF and HWS revenue for the period decreased by \$407,636 and total expense increased by \$546,859 from the prior year. SNF and HWS operating income for the period decreased by \$1,090,559 from the prior year. In the prior year, St. Francis made significant investments in labor and benefit costs. As a result, SNF and HWS resident care and dietary expense increased by \$337,461 and \$18,088 respectively and fringe benefit expense increased by \$73,770, respectively. SNF and HWS bad debt expense increased by 3,849.

For the period ended October 31, 2020, St. Francis corporate reported total revenue of \$320,583 and total expense of \$385,748. St. Francis corporate revenue for the period increased by \$26K from the prior year. St. Francis corporate operating income decreased by \$41K from the prior year. Other income which includes internal St. Francis loans generated \$81,828 of other income for the year which equated to a positive net income of \$16,663 through October 31, 2020.

Care center and accounting staff continue to review aged trial balances on a monthly basis. Veterans and insurance continue to have high days in AR, and we are working with leadership and accounting staff of those locations with high AR days to reduce AR days within industry standards. For the period ended October 31, 2020 and October 31, 2019 days in AR were as follows (Total Days in AR Industry Average per CliftonLarsonAllen benchmarking survey = 44.0):

Days in AR Breakdown							
	10/31/2020	Totals		as of 10/31/19	Totals	Variance	
Private Pay	45.05	\$2,667,656		31.11	\$2,157,494	\$510,163	23.6%
Medicaid	30.99	\$5,988,290		31.91	\$5,773,473	\$214,817	3.7%
Medicare A	74.18	\$1,414,023		52.42	\$1,385,587	\$28,436	2.1%
Medicare B	35.83	\$77,852		55.34	\$155,759	-\$77,906	-50.0%
Hospice	68.47	\$492,013		63.90	\$462,939	\$29,074	6.3%
Insurance	225.41	\$867,651		349.74	\$585,680	\$281,971	48.1%
MSHO Unskilled	69.41	\$126,965		78.95	\$669,596	-\$542,632	-81.0%
MSHO Skilled	121.43	\$859,270		88.92	\$955,045	-\$95,775	-10.0%
Veteran	57.11	\$637,921		183.39	\$1,427,017	-\$789,096	-55.3%
Overall	43.08	\$13,131,640		43.02	\$13,572,589	-\$440,949	-3.2%
	Avg Daily Revenue	\$291,719		Avg Daily Revenue	\$303,193	-\$11,474	-3.8%

In addition, during the 2020 audit fieldwork it was noted that year over year credit balances were trending higher and AR days 120+ were also discussed. We are working with leadership and accounting staff of those locations with high credit balances and AR days 120+ to reduce and manage those balances within acceptable audit standards.

Bad debt write-offs thus far for FY2021 by \$3,442

For the period October 31, 2020 average occupancy for all facilities was 81.14%. For the period October 31, 2019 average occupancy for all facilities was 89.22%. Overall, St. Francis is down 1,890 census days for the same time period last year. PCS is down 496 census days and SNF and HWS are down 1,394 days. BVHC, DHS, GAHR, KHS, MHS and PHS contributed to the decrease in days. Conversely, FHS and LFHS have contributed to an increase in census days as the new buildings ramp up their occupancy. Following is a breakdown of SNF and HWS change in days.

Of the change in Nursing Home days they are broken out as follows:			
		% Change from 2019	
Medicare	(270)	-18.01%	
Veterans	384	48.48%	
MSHO Skilled	(271)	-44.72%	
MSHO Unskilled	(234)	-35.73%	
MA	(597)	-4.63%	
Hospice	1	0.14%	
Private	(468)	-9.62%	
Insurance	61	117.31%	
	(1,394)	-6.32%	

In March 2020, St. Francis implemented an automatic payroll and accrual journal entry import process for all locations. This process assures an accurate and timely weekly recording of payroll journal entries with descriptive information from the St. Francis payroll system to the St. Francis general ledger. We thank our Employment Systems staff for the persistence and hard work to implement this process. In April 2020, assisted living billing and accounts receivable for all locations was transitioned from the St. Francis legacy accounting system Melyx to Yardi systems. With this transition, assisted living billing and financial statement preparation are now completed in Yardi systems for all locations. We thank our accounting staff for the determination and hard work involved in the implementation process. In May 2020, St. Francis started work on the Revenue Cycle action plan to transition all location billing to the Morris central office. As of the date of this report, 7 locations billing and accounts receivable have been transitioned to the Morris office. In July and August 2020, St. Francis and subsidiary locations started utilizing Claims Manager to submit claims (837 file) and receive remits (835 file) via the Yardi accounting system. As of the date of this report, 5 assisted living communities have started this transmission process.