The introductory and closing slides were prepared and presented by Vanessa Ignacio, who has served as RCMS board chair since June 2019.

THANK YOU FOR COMING

- Where Are We Financially?
- How Did We Get Here?
- Why? What Happened?
- Recovery Plan – Return to Financial Health
- Importance of RCMS
- Q & A at End (after break)

RCMS
COMMUNITY HEALTHCARE

What is RCMS?

- Community-Based, Non-Profit
  - Governed by Volunteer Board
  - Open Board Meetings, 2nd Tues, 5:00 PM
- Federally Qualified Health Center (FQHC)
  - Eligible for Federal Grants
  - Must Serve Everyone, Regardless of Ability to Pay

RCMS AT RISK

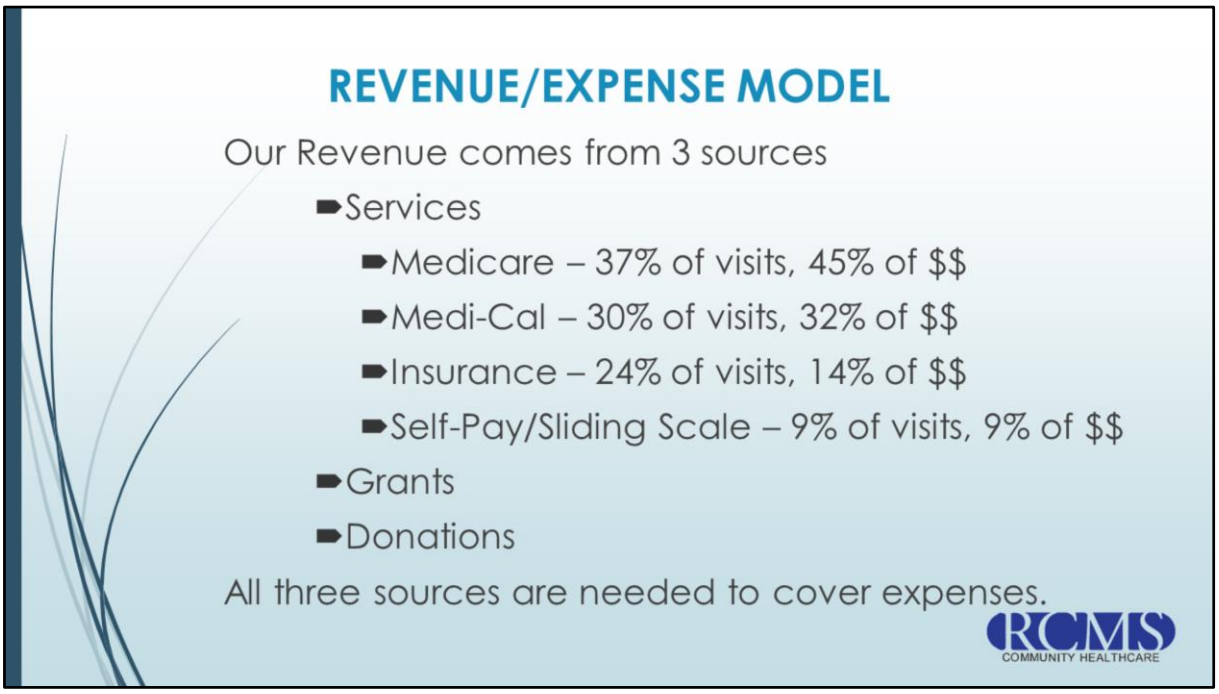
A recovery plan is in place but we also need your help…

- Visits
- Donations

➢But first . . .

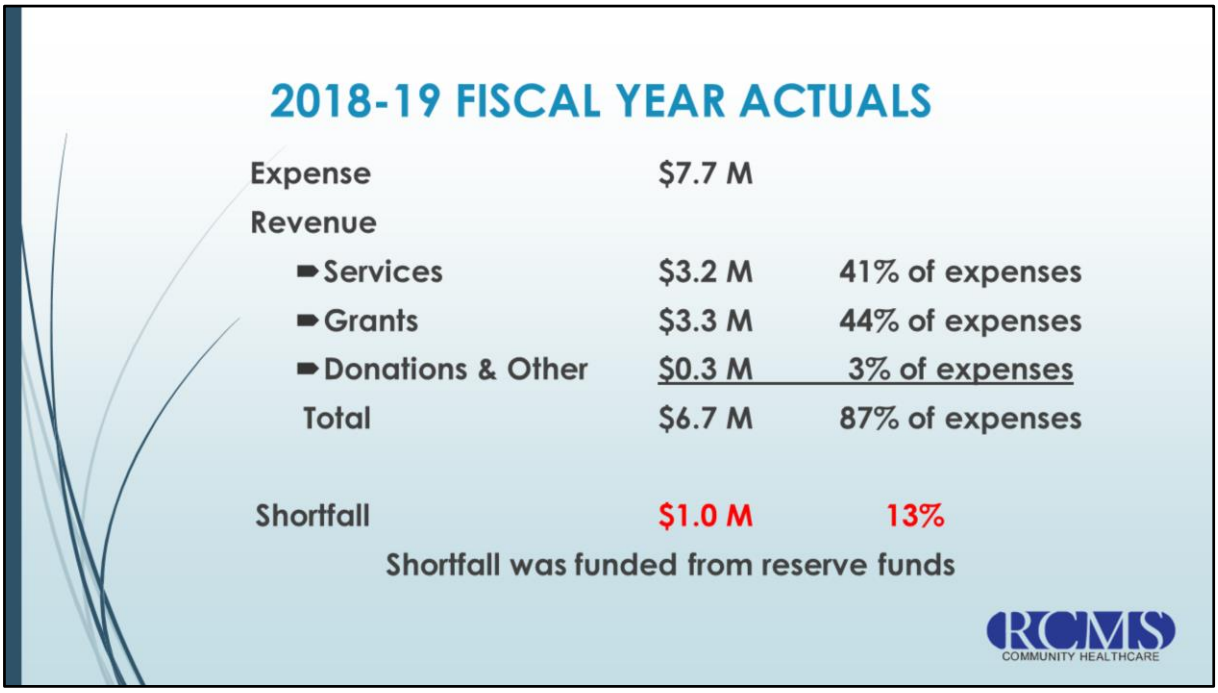
You Deserve
Information & Explanations
& a Credible Recovery Plan

RCMS
COMMUNITY HEALTHCARE

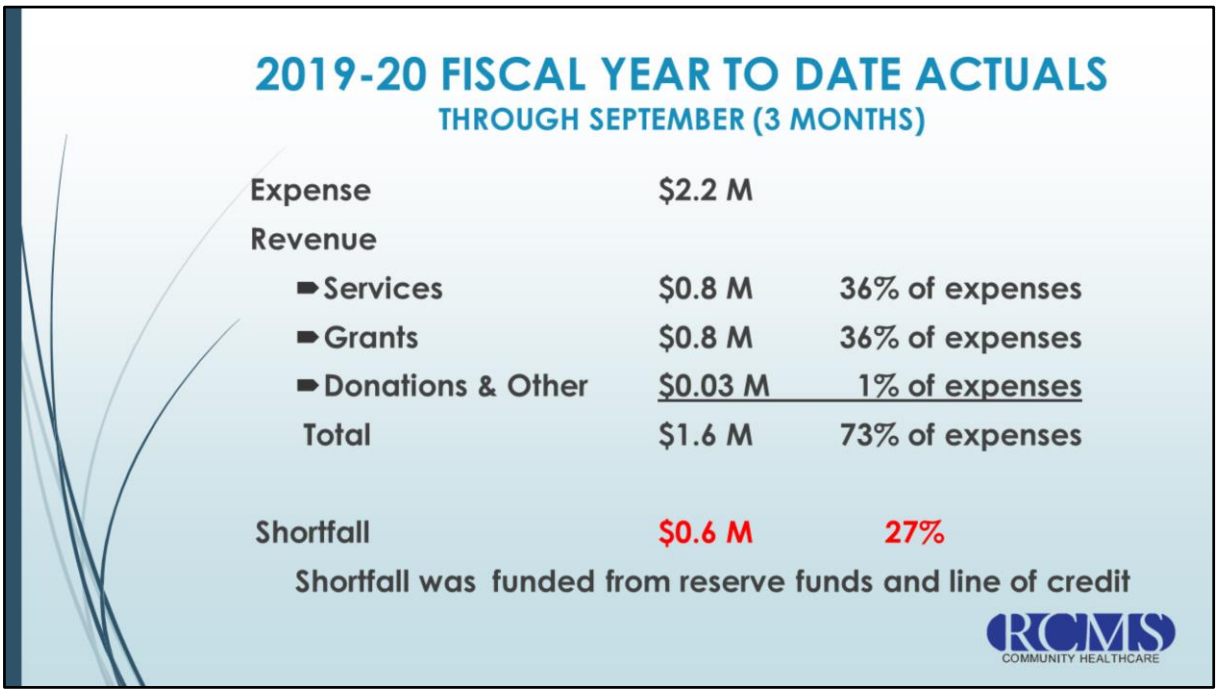


Medi-Cal is the California version of the Federally-subsidized, State-run Medicaid program to facilitate health care for lower income people.
Self-pay is people without insurance. Sliding scale refers to the mandated provision of lower prices to individuals who are below a certain percentage of the Federal poverty level.
Grants are mostly federal.

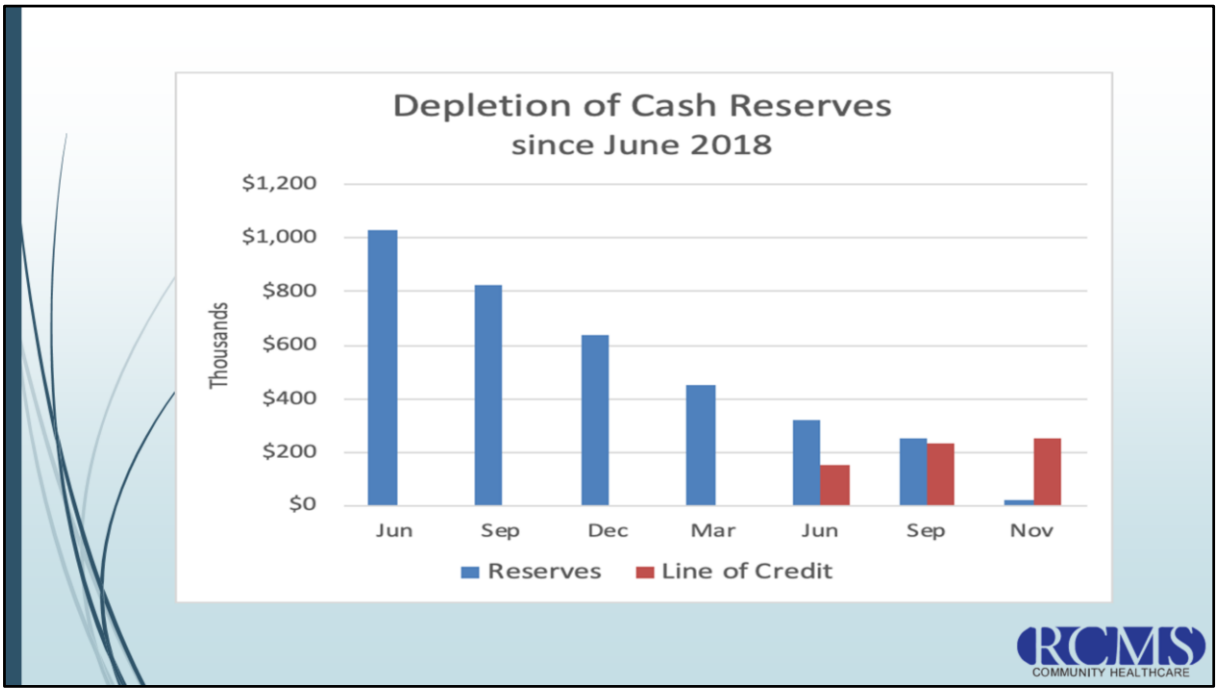
The financial and historical information (slides 5-24) were prepared and presented by Drew McCalley, who served on the RCMS board for the last three years, as treasurer since April 2019.



An annual loss of this magnitude is unprecedented in RCMS's history and is obviously unsustainable.

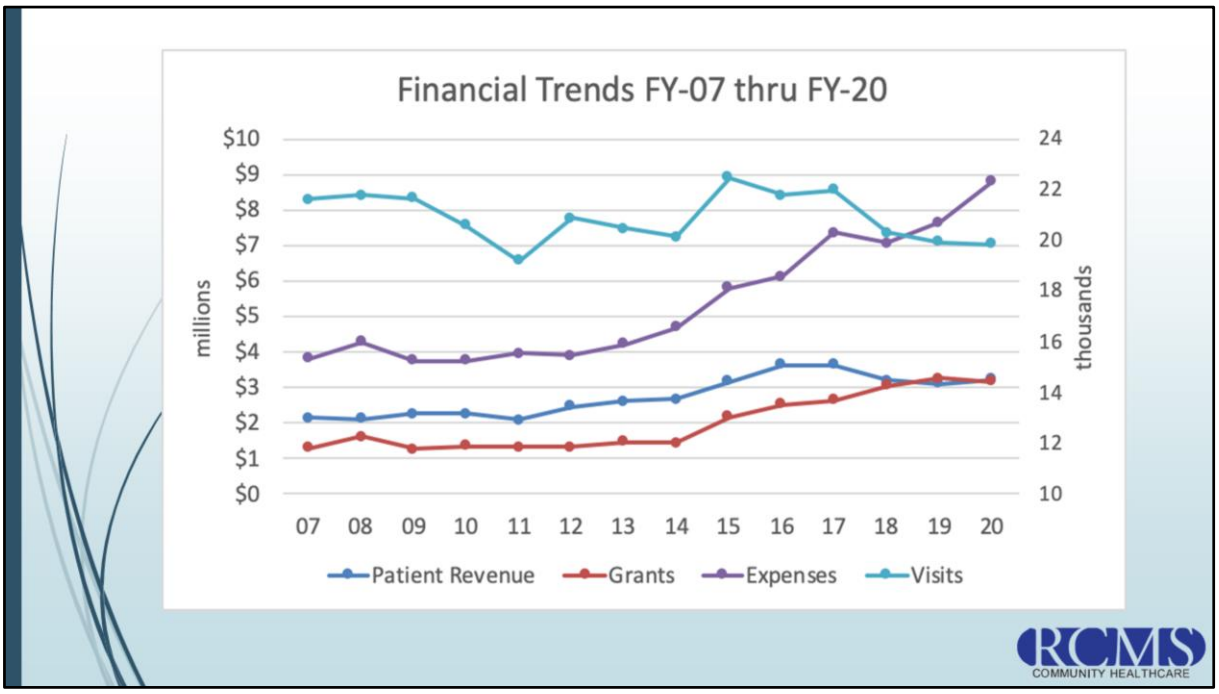


Financial results for the first quarter of the current fiscal year were significantly worse than the already-bad results for the last fiscal year. Note that use of borrowings from a line of credit became necessary to supplement the dwindling cash reserves in funding the deficit.



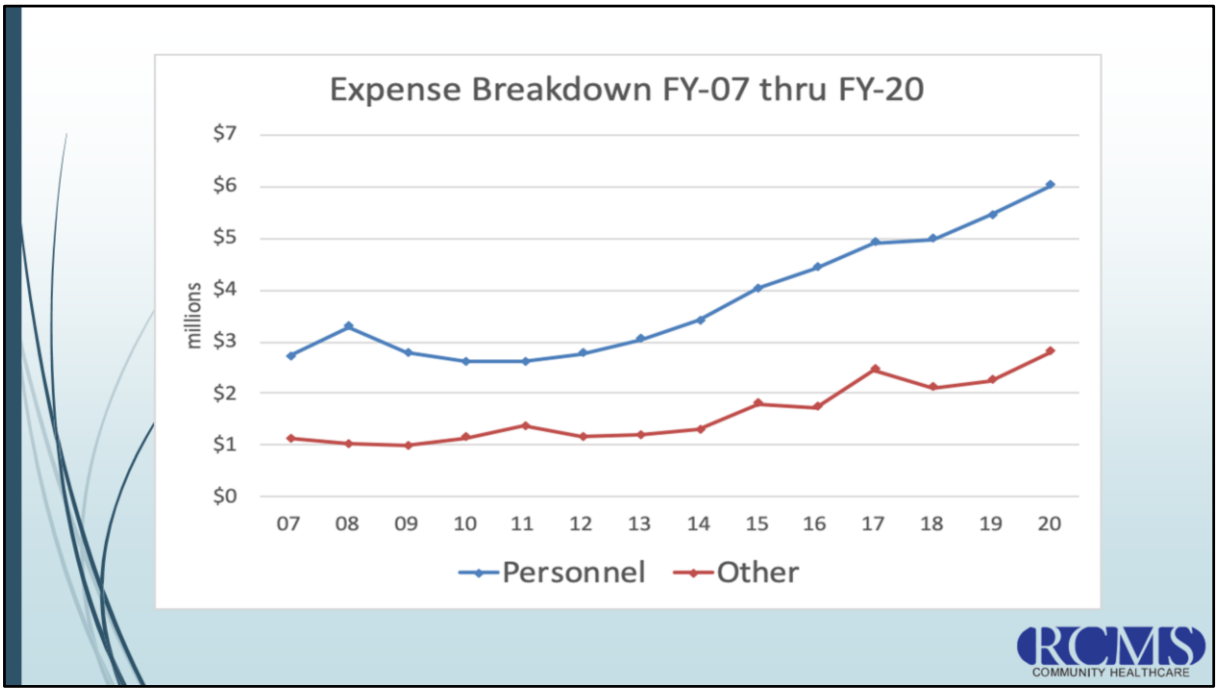
This shows unrestricted cash reserves, which are now gone.
The only good news about this picture is that the $250K line of credit is the only debt on RCMS's books at this time.


HOW WE GOT HERE
HISTORICAL TRENDS
RCMS
COMMUNITY HEALTHCARE

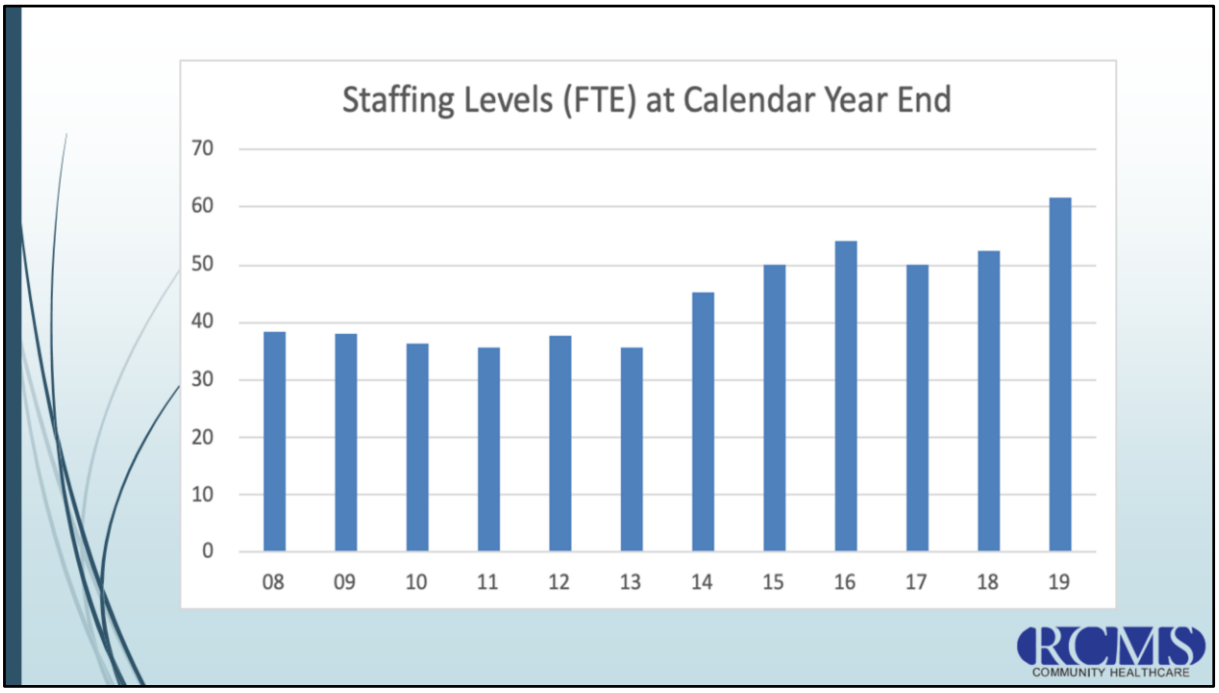


The red and dark blue lines at the bottom of the graph are the primary revenue sources – patient services and grants. They should add up to something close to the purple line, and for many years they did. But in recent years, expenses have gotten seriously out of balance with revenues.

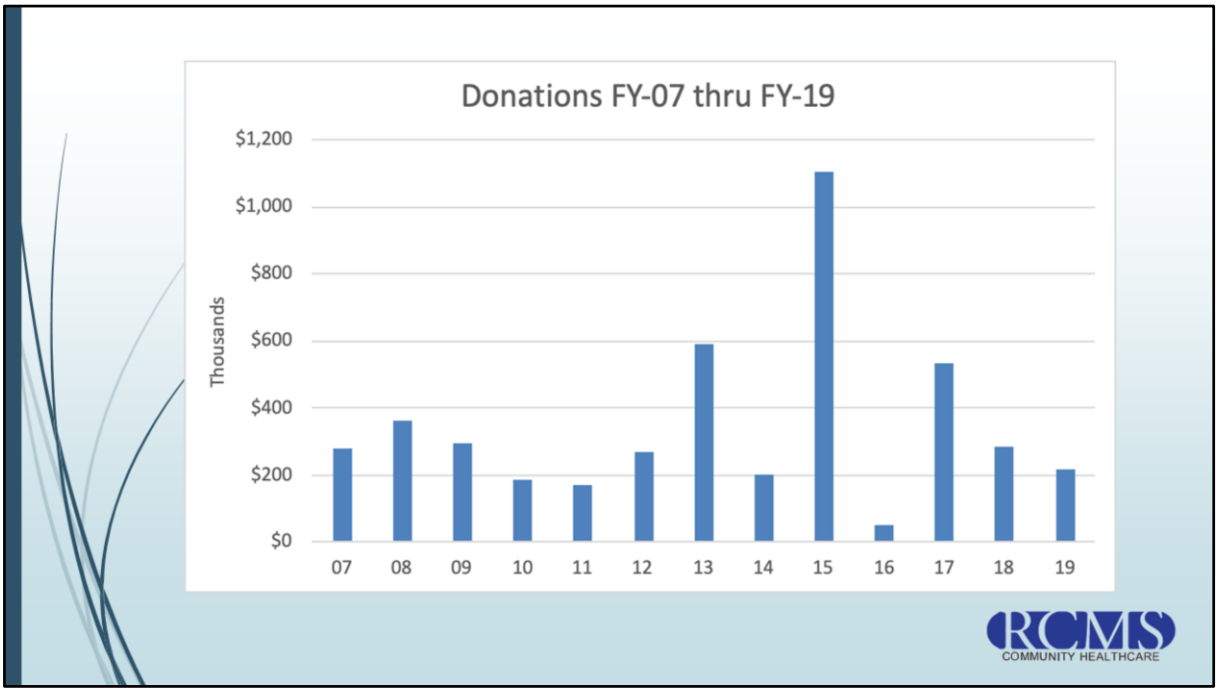
The visits line (which is on the right-hand vertical scale) follows the patient revenue line closely. Both lines have declined in recent years, while expenses have risen.



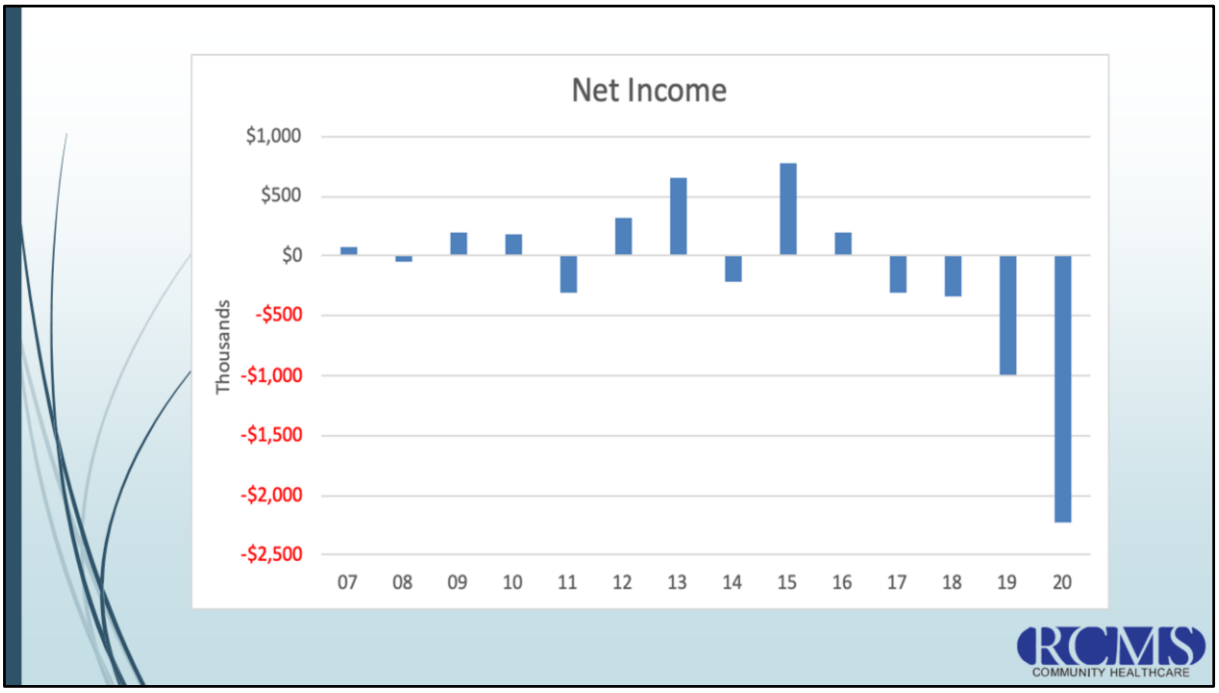
Most of the increase in expenses has been in personnel expenses.
The increase in other expenses since 2015 has been mainly due to the implementation of electronic health records, which was mandated by the federal government.



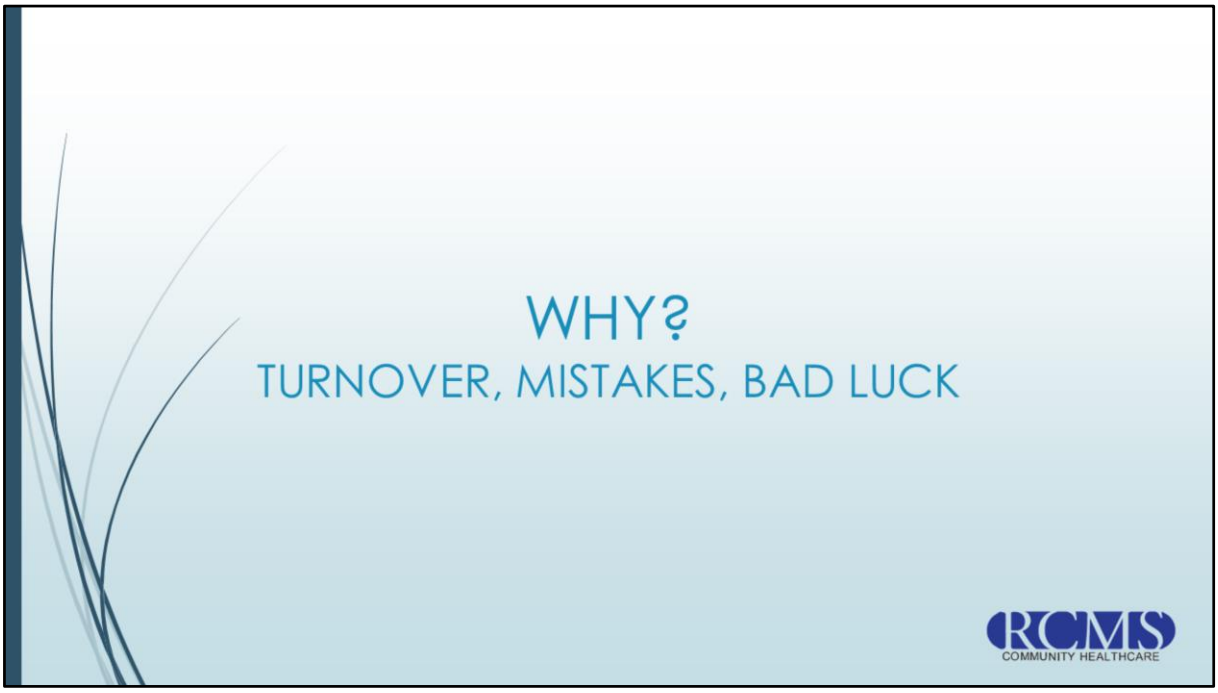
Headcount, expressed as Full-Time Equivalent (FTE), has driven the increase in personnel expenses.
These headcount increases, unsupported by revenues, have continued (even accelerated) in the current year.
Please note that this out of balance situation is not the employees' fault. They were offered jobs and accepted them, and they have worked very skillfully and very hard. It's just that the cumulative amount of personnel expenses is no longer supported by revenues.



Most years, donations have hovered around $200K.
Occasional spikes have come from large bequests. These bequests provided the cash reserves that have been depleted in the last year and a half.
RCMS has never really had a culture of fundraising.

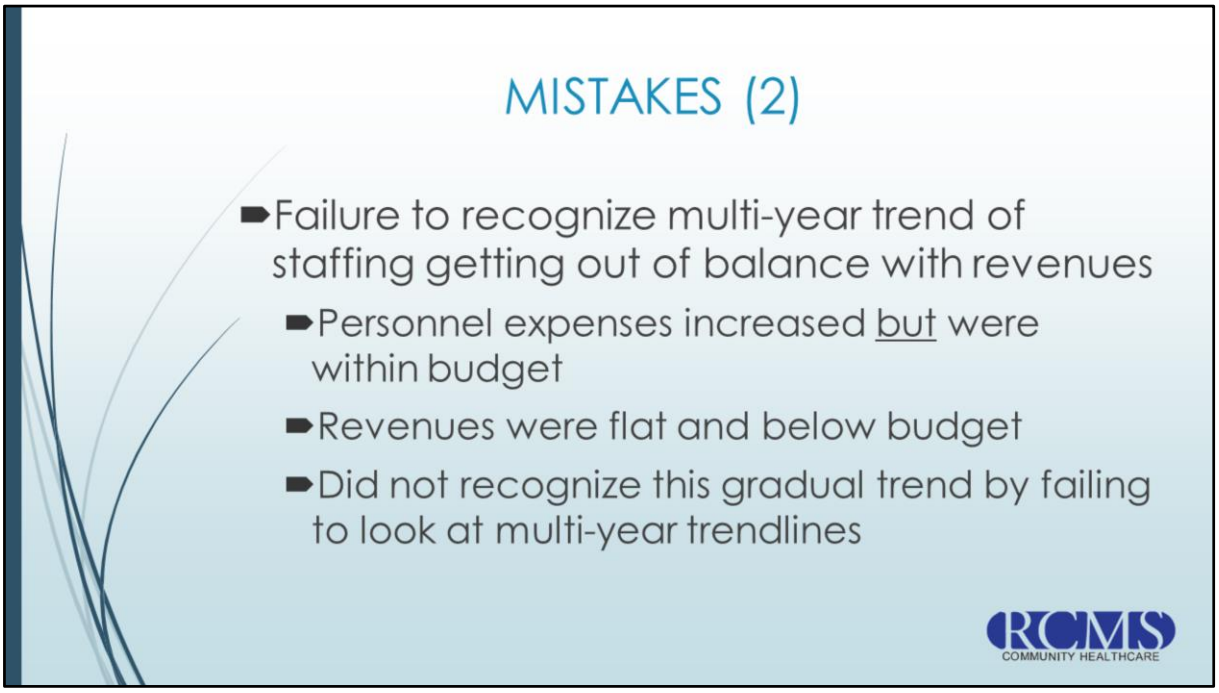


This graph shows that, prior to the last 3+ years, RCMS generally was slightly profitable.
A statement that has been frequently heard recently ("RCMS has never been profitable") is simply not true.
The dramatically negative bar shown for FY-20 is simply an annualization of the deep losses in the 1st quarter. This shows what would happen if corrective action were not taken.

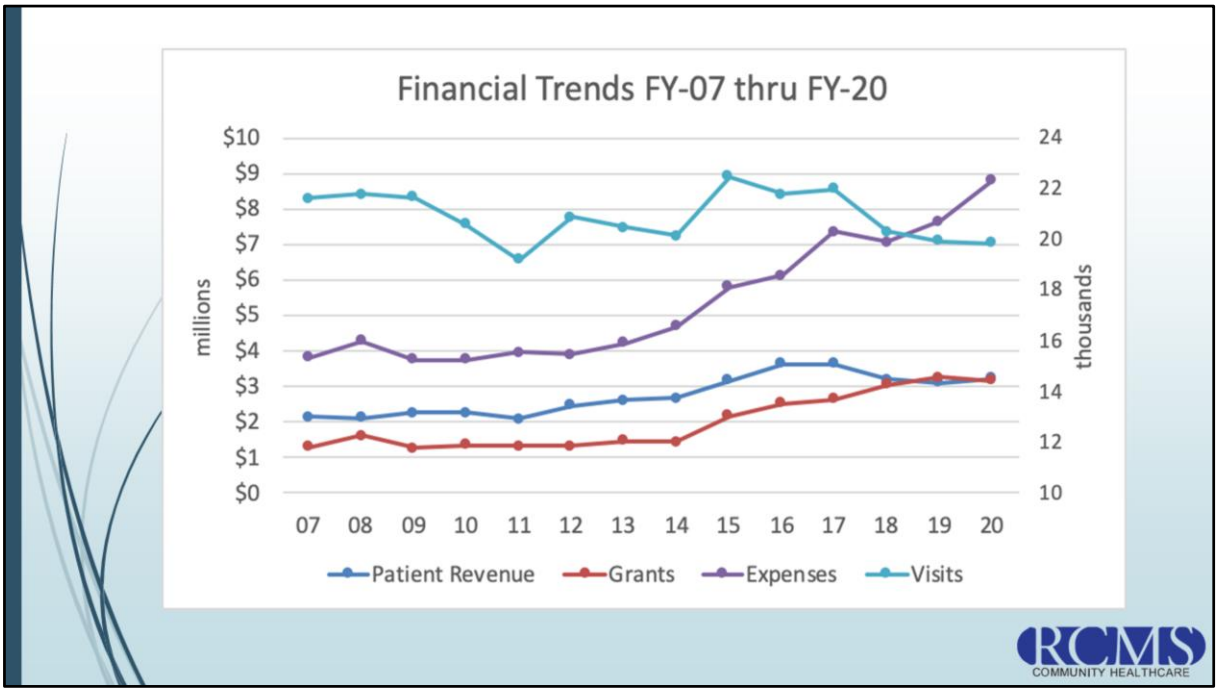

WHY?
TURNOVER, MISTAKES, BAD LUCK
RCMS
COMMUNITY HEALTHCARE

Leadership turnover creates discontinuities in planning and execution.
Turnover in providers reduces productivity, because when a new provider is hired (typically after a search lasting many months), every patient he/she sees is a new patient, requiring more time, which reduces the number of patients seen.

The optimistic plans for increasing productivity and revenue were based on reasonable assumptions, but these assumptions and plans were repeatedly not achieved.
Staffing was increased incrementally based on these revenue projections.



The fact that the rising personnel expenses were within budget led to the false assumption that “expenses are not the problem”, keeping the focus continually on visits, productivity, and revenues, which stubbornly resisted efforts at improvement.
The failure to step back and take a multi-year look (like in the graph on the following slide) slowed the response to this emerging imbalance.


Financial Trends FY-07 thru FY-20
millions
$10
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
thousands
24
22
20
18
16
14
12
10
07
08
09
10
11
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13
14
15
16
17
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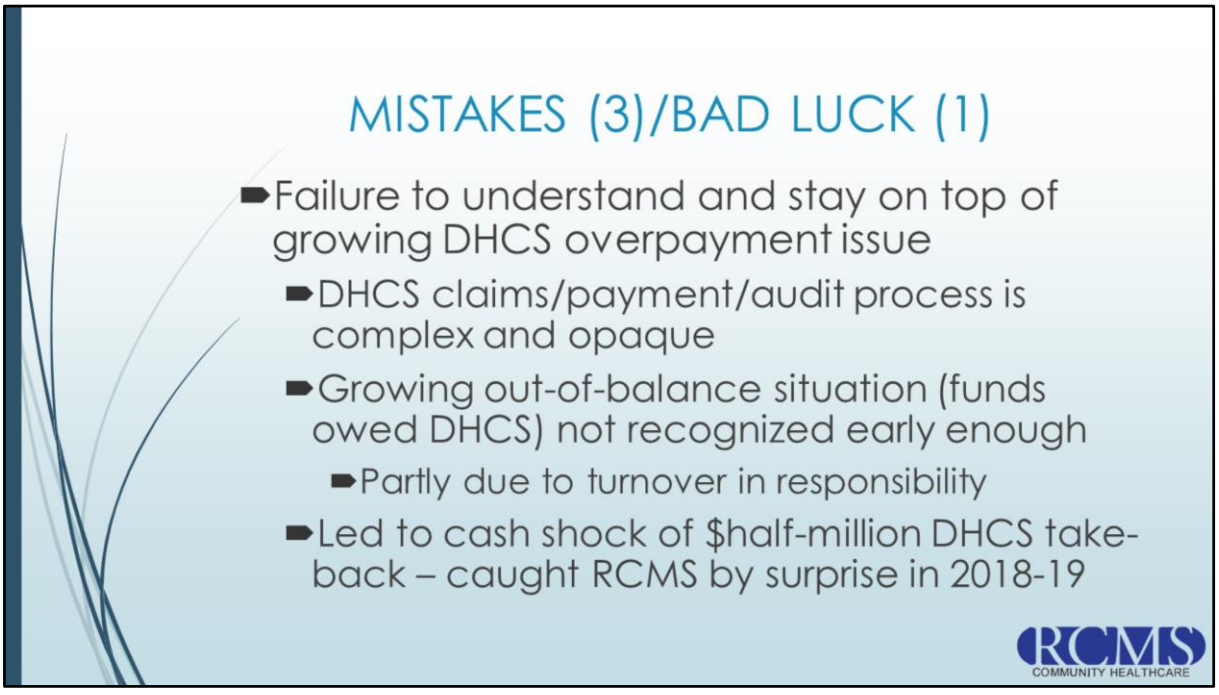
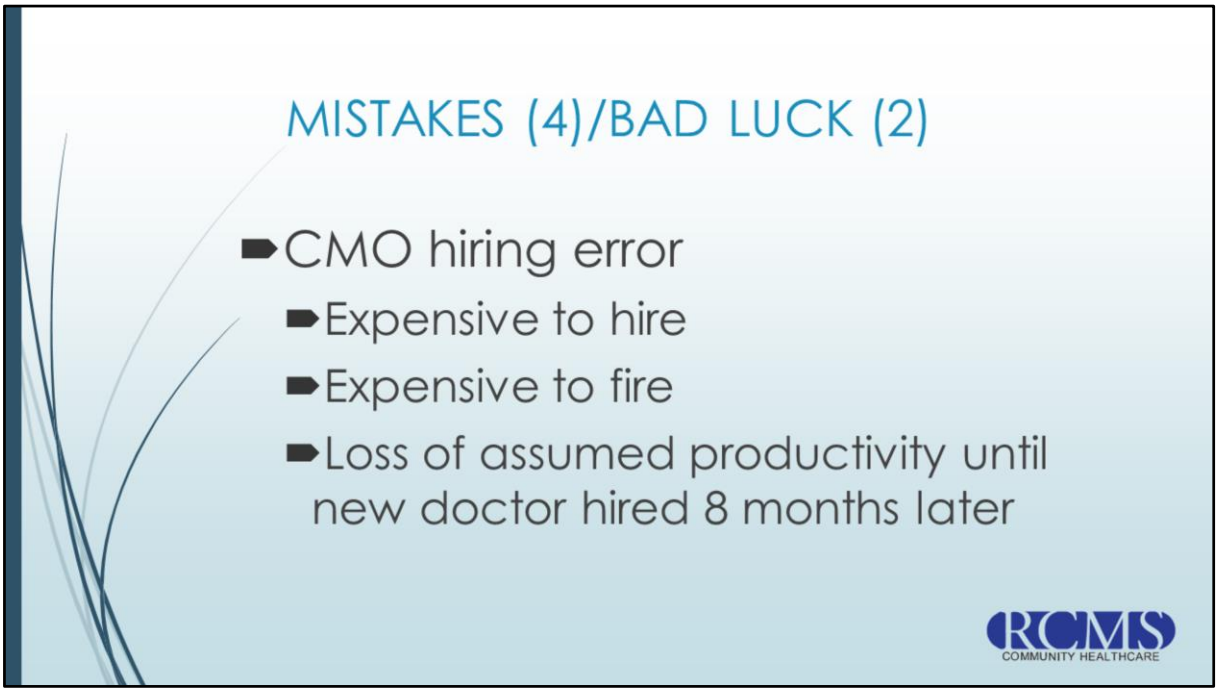
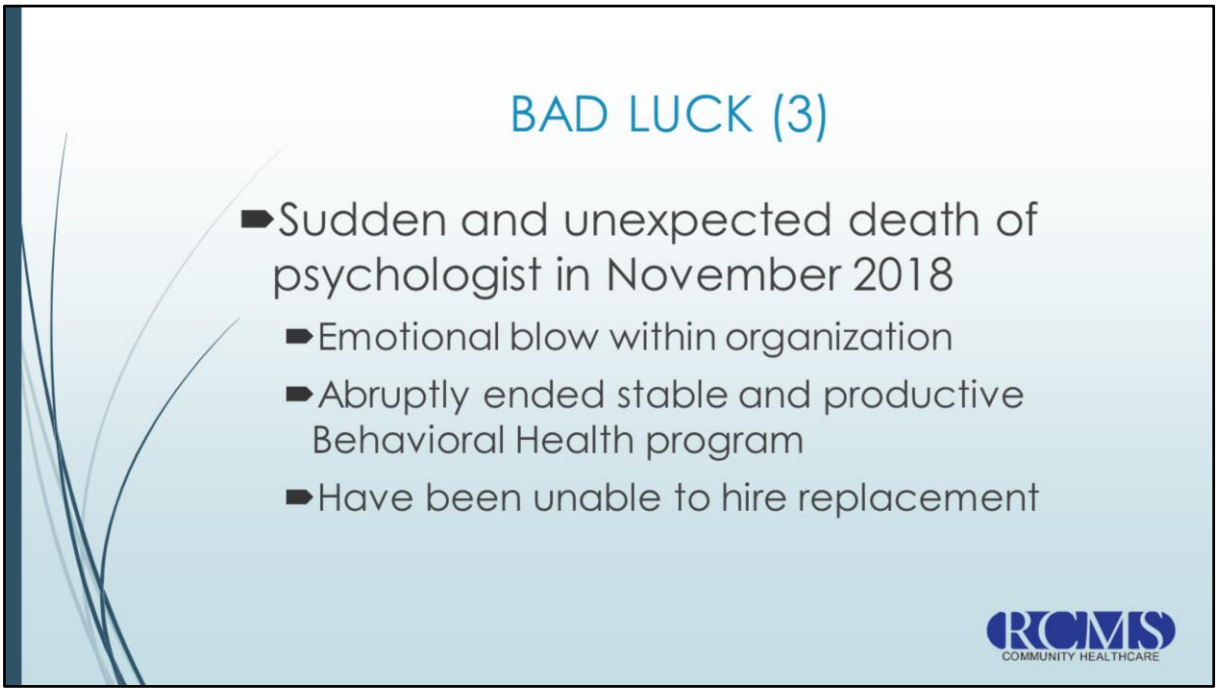
20
Patient Revenue
Grants
Expenses
Visits
RCMS
COMMUNITY HEALTHCARE



DHCS is the California state Department of Health Care Services, the agency that governs Medi-Cal reimbursements.
The erroneous coding on claims continued through the 2018-19 fiscal year but was corrected this summer. As a result, DHCS take-backs will continue for another year but should then end.

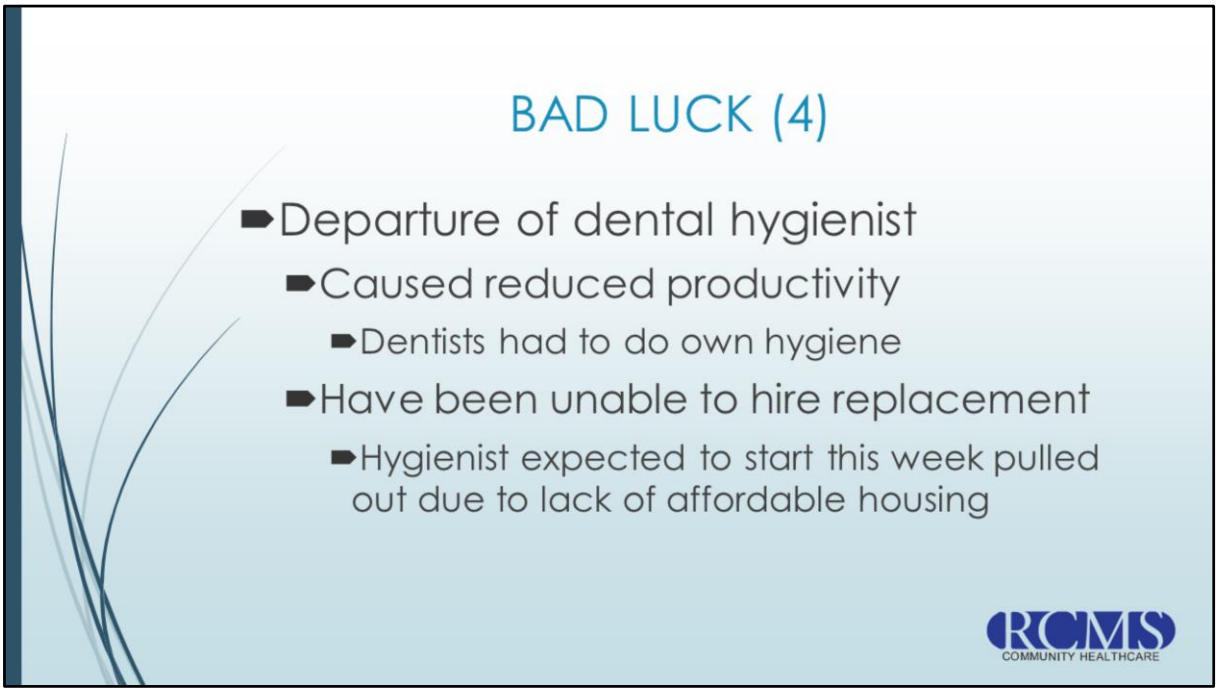


CMO is Chief Medical Officer, who is both a physician seeing a full patient load and the supervisor of the providers.
This situation occurred in the spring and early summer of 2018.



This illustrates the difficulty in attracting qualified providers to our remote area. Substantial efforts have been expended for over a year to fill this void, but with no success so far.

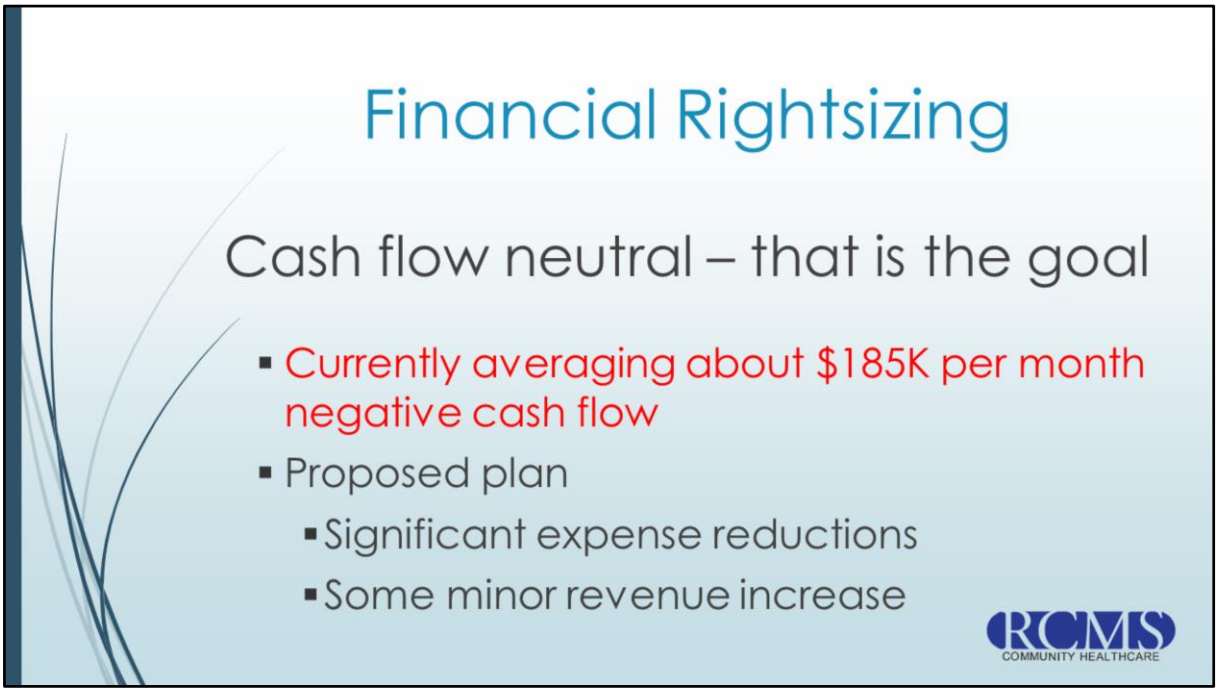
The Behavioral Health program was one that more than paid for itself, in addition to providing vital mental health services to the community. It has been essentially non-existent for the past year.



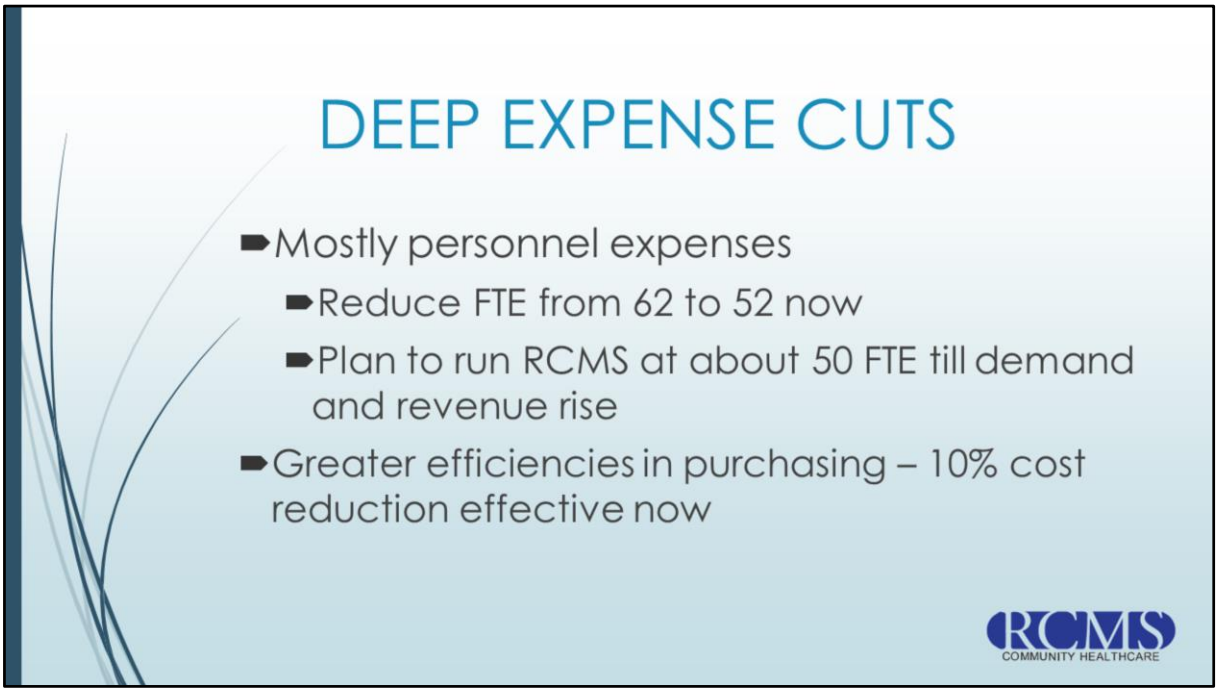
The dental program was a net revenue producer with the hygienist in place but has been unprofitable since then.

The Recovery Plan (slides 25-38) were prepared and presented by Ara Chakrabarti, who has recently joined RCMS as Chief Financial Officer and Chief Operating Officer, after a successful career managing startups in the Bay Area.

We cannot continue to operate with the current spend rate. We have exhausted our unrestricted cash reserves. We must rightsize the organization while making sure that our service delivery is not impacted.



Goal is to run the organization in such a way that our cash inflow and outflow matches. We have to reduce our expenses.



Majority of our expenses are personnel related – about 65 to 70 percent. We cannot have any real impact on the expense side unless we address that. Based on conversations that we have had with CEOs of other FQHCs in our general area – consensus is that for our size, revenue, and the services we provide – we should be in the range of about 50 FTE. That was the number when RCMS was financially more stable.

SOME REVENUE ENHANCEMENTS

CONSERVATIVELY PROJECTED

- Modest in amount – not "pie in sky"
  - Pharmacy
  - Behavioral Health – partial restart
  - Billing/payment recovery Efficiency

We will not count on visits increase until they come

RCMS COMMUNITY HEALTHCARE


Financial Rightsizing
The Numbers
RCMS
COMMUNITY HEALTHCARE

Dec '19 -- June '20 Cash Inflow
without adjustments

-	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Cash Inflows								
Patient Visits	**220,000**	**220,000**	**240,000**	**240,000**	**240,000**	**240,000**	**240,000**	**1,640,000**
Coding correction and correct billing		**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**90,000**
Grants								0
330	124,144	124,144	124,146	144,836	144,836	144,836	144,836	951,776
SUD-MH		53,000	54,000	53,000	54,000	53,000	54,000	321,000
QI		10,000	11,000	10,000	11,000	10,000	11,000	63,000
CLSD	66,000	66,000	66,000	66,000	66,000	66,000	66,000	462,000
340B Pharmacy revenue			**1,000**	**2,000**	**3,000**	**4,000**	**5,000**	**15,000**
Other revenue	2,700	2,700	2,700	2,700	2,700	2,700	2,700	18,900
								0
Total Cash Inflows	**412,844**	**490,844**	**513,846**	**533,536**	**536,536**	**535,536**	**538,536**	**3,561,676**

We are forecasting about the same revenue from visits and grants as we have currently with some minor increase in revenue with 340(b) pharmacy in Gualala. Fairly conservative approach.

Dec '19 -- June '20 Cash Outflow
without adjustments

	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Total Cash Inflows	**412,844**	**490,844**	**513,846**	**533,536**	**536,536**	**535,536**	**538,536**	**3,561,676**
Cash Outflows								
Personnel Costs								
Salary (net payroll)	260,000	260,000	260,000	260,000	260,000	390,000	260,000	1,950,000
Benefits	45,000	45,000	45,000	45,000	45,000	45,000	45,000	315,000
Taxes - employee	90,000	95,000	95,000	95,000	95,000	143,000	95,000	708,000
Taxes - employer obligation	30,000	35,000	35,000	35,000	35,000	53,000	35,000	258,000
Total Personnel Costs	**425,000**	**435,000**	**435,000**	**435,000**	**435,000**	**631,000**	**435,000**	**3,231,000**
								0
AP	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,400,000
DHCS	15,000	15,000	15,000	15,000	15,000	15,000	15,000	105,000
West America LOC		22,000	22,000	22,000	22,000	22,000	22,000	132,000
								0
Total Cash Outflows	**640,000**	**672,000**	**672,000**	**672,000**	**672,000**	**868,000**	**672,000**	**4,868,000**

As we can see, our personnel cost itself is close to our total revenue. With our monthly other costs (supplies, rents, various vendor payments, etc) along with DHCS payback and West America line of credit pay back – total expenses are $1.3M over revenue.

Resulting Shortfall
without adjustments

	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Total Cash Inflows	412,844	490,844	513,846	533,536	536,536	535,536	538,536	3,561,676
Total Cash Outflows	640,000	672,000	672,000	672,000	672,000	868,000	672,000	4,868,000
Cashflow impact	(227,156)	(181,156)	(158,154)	(138,465)	(135,465)	(332,465)	(133,465)	(1,306,324)

Without any expense reductions, we would continue to run negative cash flow every month. Funds are not available from any source to cover deficits of this size. In May situation is worse because we have 3 payrolls (we have 26 pay periods a year – every 2 weeks. So 2 months in a year we have 3 payrolls).

Planned Expense Reductions

	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Personnel -- FTE reduction	(10,000)	(108,000)	(108,000)	(108,000)	(108,000)	(108,000)	(108,000)	(658,000)
Variable Cost (AP)	(5,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(125,000)
Staff medicare reimbursement		(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	(13,200)
Eliminating Staff hotel cost		(900)	(900)	(900)	(900)	(900)	(900)	(5,400)
Total Reductions	(15,000)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(801,600)

This is what we are proposing. Significant FTE reduction – by about 10. A 10% savings on our other costs. We will also discontinue current reimbursements to Medicare-covered employees who do not take our medical benefits. We also pay some small amount for hotel accommodations for providers who are out of towners – we will stop that and accommodate them in the properties that we own or rent. Total estimated reduction for the remainder of the Fiscal year is about $800K.

Results with expense reductions

	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Total Cash Inflows	412,844	490,844	513,846	533,536	536,536	535,536	538,536	3,561,676
Total Cash Outflows	640,000	672,000	672,000	672,000	672,000	868,000	672,000	4,868,000
Cashflow impact	(227,156)	(181,156)	(158,154)	(138,465)	(135,465)	(332,465)	(133,465)	(1,306,324)
Total Reductions	(15,000)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(801,600)
Cashflow w/reductions	(212,156)	(50,056)	(27,054)	(7,365)	(4,365)	(201,365)	(2,365)	(504,724)

Even with that significant reduction, we are short by about $500K. That is where we need help from the community.

Need Your Help
to Fill in the Rest of the Gap

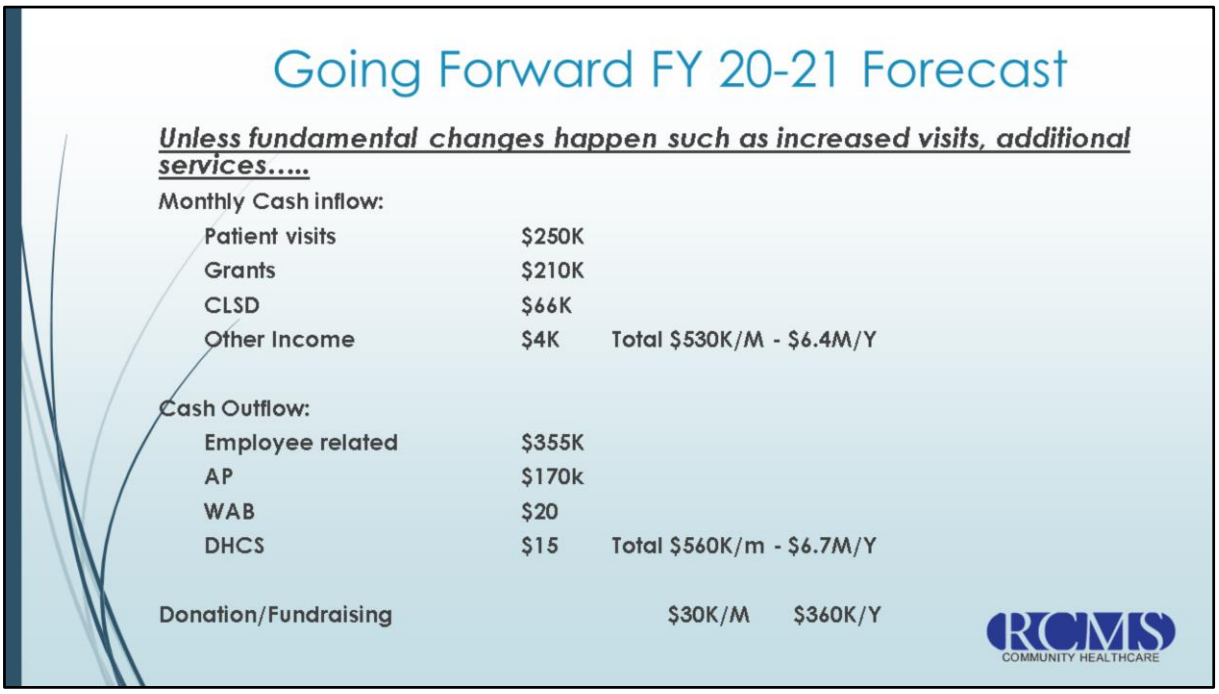
	Dec ' 19	Jan '20	Feb '20	March '20	Apr '20	May '20	June '20	Total
Total Cash Inflows	412,844	490,844	513,846	533,536	536,536	535,536	538,536	3,561,676
Total Cash Outflows	640,000	672,000	672,000	672,000	672,000	868,000	672,000	4,868,000
Cashflow impact	(227,156)	(181,156)	(158,154)	(138,465)	(135,465)	(332,465)	(133,465)	(1,306,324)
Total Reductions	(15,000)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(131,100)	(801,600)
Cashflow w/reductions	(212,156)	(50,056)	(27,054)	(7,365)	(4,365)	(201,365)	(2,365)	(504,724)
Donations (Dec-Jan)	200,000	100,000						300,000
Donations (ongoing)			20,000	20,000	20,000	20,000	20,000	100,000
Incentive revenue		15,000			15,000	60,000		90,000
Adjustments to cash flow	200,000	115,000	20,000	20,000	35,000	80,000	20,000	490,000
Net Cash flow	(12,156)	64,944	(7,054)	12,636	30,636	(121,365)	17,636	(14,724)

We need about $300K in donations over the next 45 to 60 days and another $100K for the remainder of the fiscal year. We are expecting close to $100K incentive revenue from our partners. If we can execute this plan, and we will – we will have a small shortfall of about $14K (from an estimated $1.3M currently). But we must get the donations to get us to that almost cash neutral position.

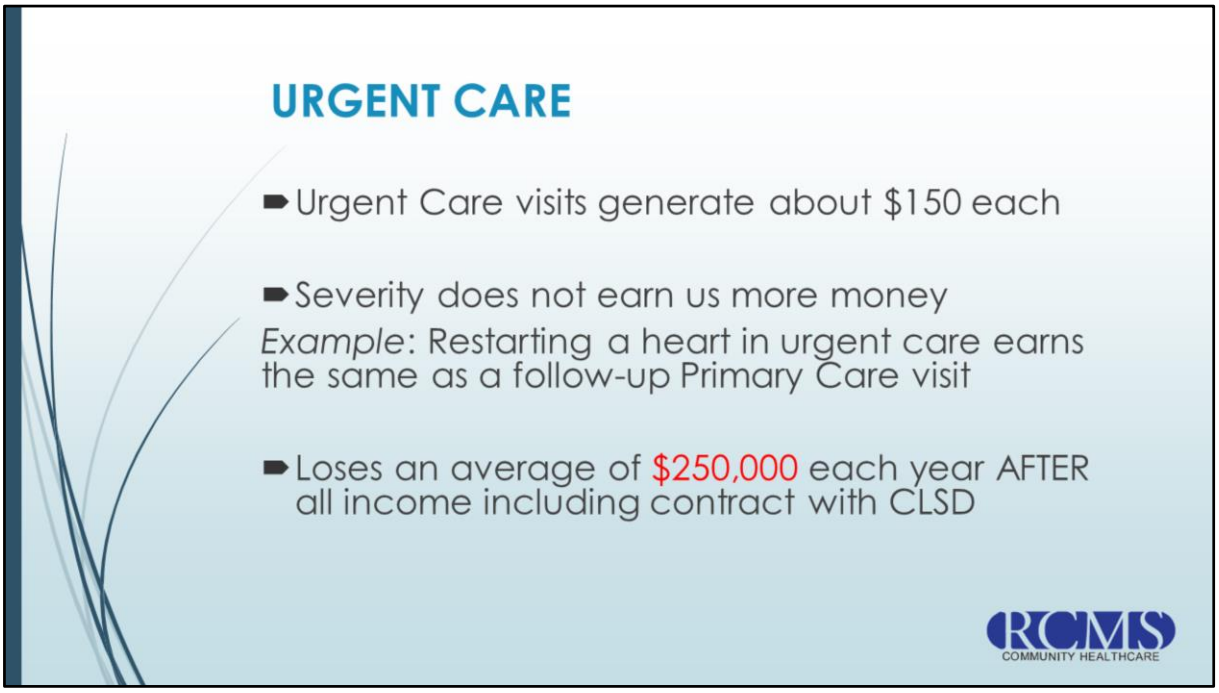
DONATIONS URGENTLY NEEDED

- $300K in Dec-Jan
- Additional $100K over Feb-Jun ($20K/mon) to stabilize finances

RCMS COMMUNITY HEALTHCARE



Going forward in FY 20-21 we should be able to run in a cash flow neutral situation as long as we get about $30K in donations per month. It is not realistic to run RCMS in a cash neutral position without some significant donations. And that is true for most rural health clinics.



All our visits earn the same amount – about $150 to $170 per visit. That is what Medicare and Medi-Cal will pay. Our expense in urgent care is many times more. And it is the most valued service to the community. We need help to continue to provide this service. Our Urgent Care functions like an Emergency Room (due to our remoteness) but cannot be reimbursed at ER rates due to state restrictions on free-standing ERs. A legislative solution to this dilemma would be most helpful, but this cannot be counted on for months or years and will required a significant lobbying effort.

HOW CAN YOU HELP

- Use our Services / More Visits
- Make a Donation

We need to fill a million $ shortfall

RCMS
COMMUNITY HEALTHCARE

MORE VISITS

- **USE RCMS FOR CARE AND WELLNESS**
  - Primary care for all ages
  - Prenatal and post-partum care
  - Chronic Care Management Team
  - Dental
  - Behavioral Health
  - *Use new Pharmacy Partner and get free delivery*

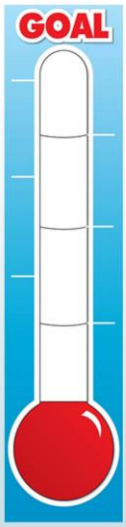
Just 10% more visits will generate additional $300,000

RCMS
COMMUNITY HEALTHCARE

DONATIONS

- Our goal is $500,000
- We have already raised $100,000
- 5000 people Donated $10 per Month = $600,000

EVERY donation makes a difference

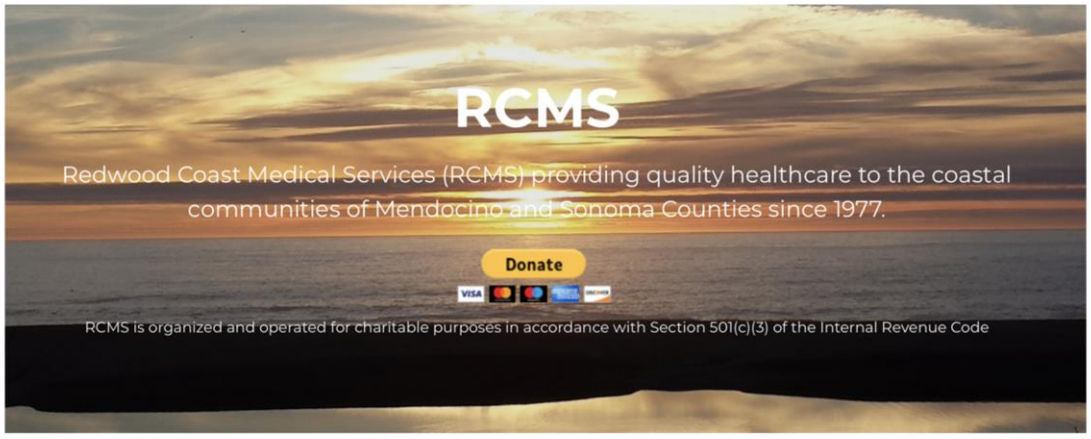


RCMS
COMMUNITY HEALTHCARE


SHORT AND LONG TERM SOLUTIONS
Short Term
• Operational cost reduction
• Donations
• Increase Visits
Long Term
• More Patient Visits
• More Donations
RCMS
COMMUNITY HEALTHCARE

RCMS is partnering with this pharmacy to bring back local pharmacy services, partially subsidized by the federal 340(b) program to increase access to prescription drugs in rural areas. In addition to providing a convenient service, this program will provide a small flow of revenue to RCMS. Patients must take the initiative of switching their prescriptions to this pharmacy in order to take advantage of this program and provide the benefit to RCMS.


RCMS
COMMUNITY HEALTHCARE
OUR SERVICES
Primary Care
Urgent Care
Dental Care
Behavioral Health
Chronic Disease Management
Hospice
Women's Health
Pediatric Care
Family Planning
Enrollment Assistance: CalFresh, MediCal, Covered CA
Annual Community Wellness Fair
CRC – rides to medical appts.
Healthy Habits
Flu Shot Clinics
Youth Sports Exams
Diabetes Wellness Program
Support Groups
Volunteer services
After hours RN Advice Line
Fitness Consult
Health Education
Nutrition Consult
Hearing/Vision Screenings for local schools
Urgent Care Saves Lives
Primary Care Changes Lives
Schedule your APPOINTMENT TODAY


RCMS
Redwood Coast Medical Services (RCMS) providing quality healthcare to the coastal communities of Mendocino and Sonoma Counties since 1977.
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