THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

MFA Financial Performance Update

Faculty Senate Meeting

October 20, 2023

MFA Update

- FY23 was pivotal year in terms of developing and launching plans to begin to close the gap
- The MFA is building a more capable and stable leadership team, starting with a new CCASO, CHRO, other Executive Director roles (e.g. Surgery) and recently added a new CFO
- On an operating basis, FY23 within forecasted range when considering special circumstances (e.g. PIC dividends, bad debt expense, other one-time expenses) which exacerbate these results
- wRVU volumes increase by 7% in January to June compared to July to December on both a total basis as well as per business day, evidence that revenue enablement strategies are working
- MFA FY24 outlook is improved, and with higher degree of difficulty to execute on a higher number of initiatives leadership team has instituted weekly huddles with high degree of organization to drive work

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MFA Financial Summary- FY22 Actuals vs FY23 Actuals

Statement of Operations	FY2022 Actuals	FY 2023 Actuals	Change FY22 vs FY23
Revenue			
New Patient Service Revenue	$ 250.1	$ 216.0	$ (34.1)
Non-NPSR Revenue	123.3	154.1	30.8
Total - Revenue	**373.4**	**370.1**	**(3.3)**
Expenses			
Total Compensation	221.4	223.3	(1.9)
Fringes	31.4	27.2	4.2
Non-Comp Exp	184.7	184.2	0.5
Medical Malpractice	14.6	14.3	0.3
Contingency	-	-	-
Total - Expenses	**452.1**	**448.9**	3.1
Operating Margin (normalized)	**$ (78.7)**	**$ (78.8)**	**$ (0.1)**
Initiatives	-	-	
Non-recurring Items	-	-	
Operating Margin (incl. non-recurring items)	**$ (78.7)**	**$ (78.8)**	**$ (0.1)**

$ In millions unless otherwise stated

Key Updates

- FY23 loss was $78.8M
- Operating loss per quarter steadily declined during FY23
- FY23 forecasted range not achieved due to late information beyond the MFA's control
- Revenue from certain agreements came in weaker than expected
- Mitigation efforts due to shortfall in revenue occurred late in FY23 continuing into FY24
- Renegotiated several agreements that will provide benefits in FY24 and beyond
- Sale of 2300 M Street was delayed

FY23 Adjusted Operating Margin & Expenses Paid to GW

FY 2023 Adjusted Net Income	
Operating Income	**(78.8)**
Bad Debt Expense	1.8
Medical Malpractice Exp reduction- PIC Dividend	7.0
Hold on Revenue Rec & Expense Reimbursement	6.0
Adjusted Operating Margin	**(64.0)**

- Late Q4 non-cash entry for bad debt expense- expect to recover most of this in FY24
- PIC Dividend was classified as a balance sheet transaction from PIC, however, has real insurance expense and cash benefit
- Reduction of revenue recognition and expense reimbursement due to an agreement dispute that occurred very late in FY23

FY 2023 Expenses to GW	
Interest on credit lines and loans	6.3
Rent on 2150 Penn Ave	9.3
Shared service support	6.0
Total Amount to GW University	**21.6**

- MFA paid all principal and interest due on credit lines and loans with GW
- 2150 Penn Ave lease is a at market with 2% annual escalation
- All shared service expenses provided by GW were charged with a 15% surcharge
- Expenses to the university have no consolidated impact

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MFA Balance Sheet FY22 vs FY23

	FY2022 Actuals	FY2023 Actuals	Change FY22 vs FY23
ASSETS			
Cash and cash equivalents	21.2	1.5	(19.7)
Patient care accounts receivable	24.8	23.1	(1.8)
Due From UHS, net	4.1	9.1	5.0
Other current assets	10.1	6.6	(3.6)
Total Current Assets	**60.2**	**40.2**	**(20.0)**
Fixed assets, Net	76.3	72.1	(4.3)
Other long term receivables	13.4	7.4	(6.1)
Other long term assets	105.4	106.6	1.2
Total Assets	**255.3**	**226.2**	**(29.1)**
LIABILITIES			
Accounts payable and accrued expenses	31.4	25.6	(5.8)
Payroll liabilities	15.4	12.5	(2.9)
Patient service liability	3.7	2.3	(1.4)
Other current liabilities	51.2	58.5	7.3
Total Current Liabilities	**101.7**	**98.9**	**(2.8)**
Long-term liabilities	312.7	364.1	51.4
Total Liabilities	**414.4**	**463.0**	**48.6**
NET ASSETS			
Total Net Assets	**(159.1)**	**(236.8)**	**(77.7)**
Total Liabilities and Net Assets	**255.3**	**226.2**	**(29.1)**

Assets:

- Cash & cash equivalents - Higher cash balance in FY22 as procurement shifted to GW
- Patient care AR - Driven by lower volume and unwind of Adventist & PFW.
- Due from UHS - Increase in receivable due to scope of new agreement
- Other receivables – Decrease due to improvement in collections of EMED AR and a new UMC agreement.
- Other long term receivables- Decrease from malpractice claims & reinsurance recovery

Liabilities:

- Accounts payable - Decrease driven by Integration of Purchasing/Payables functions with GWU driving improvement in timely payments - overall reduction in AP liability partially offset by increased shared services
- Payroll liabilities – Variance mainly driven by deferred FICA 50% payment
- Other current labilities – main change driven by increased draw on Eagle line of credit
- Long-term liabilities - Year over year increase driven by increase in GWU Line of Credit balance net with decreasing in other third party loan balances

MFA Debt Balances & Refinancing Debt

Debt Balances FY2022 vs FY2023

Loan	Rate	FY2022	FY2023	Variance
Eagle Bank Line of Credit	LIBOR+1.45%	42.1	46.8	4.7
EB Term Loan Real Estate	LIBOR+2.375%	32.7	31.8	(0.8)
EB Term Loan Health Record System	LIBOR+2.375%	24.3	19.6	(4.7)
Term Loan- EPIC	2.79% to 3.5%	4.3	2.1	(2.3)
Total Debt- External		103.5	100.4	(3.1)
GW Line of Credit	4.237%	0.0	73.0	73.0
GW Term Loan	4.075%	119.8	117.6	(2.2)
Loan	LIBOR+6.0%	1.2	0.9	(0.2)
DHP	LIBOR+6.0%	11.7	9.3	(2.3)
Total Debt- Related Parties		132.6	200.9	68.2
	Total	236.1	301.2	65.1

Interest Expense FY2024

Loan	Rate	FY2024 Current	FY2024 New	Variance
Eagle Bank Line of Credit	New Rate	3.3	3.2	(0.1)
EB Term Loan Real Estate	New Rate	2.5	2.1	(0.4)
EB Term Loan Health Record System	New Rate	1.6	1.3	(0.2)
Term Loan- EPIC	2.79% to 3.5%	0.1	0.1	0.0
Total Debt- External		7.5	6.7	(0.8)
GW Line of Credit	4.237%	3.1	3.5	0.4
GW Term Loan	4.075%	4.7	4.7	0.0
Loan	LIBOR+6.0%	0.1	0.0	(0.1)
DHP	LIBOR+6.0%	1.1	0.0	(1.1)
Total Debt- Related Parties		9.0	8.2	(0.8)
	Total	16.5	14.9	(1.6)

- Debt increase in FY23 was $65M, this was in-line with expectations
- Debt rationalization steps provide savings, deleveraging and additional liquidity opportunities
- Negotiated EagleBank terms more in-line with GW's credit facility terms

MFA Cash Flow FY22 vs FY23

	FY2022 Actuals	FY2023 Actuals	Change FY22 vs FY23
Cash received from Operations			
Decrease in net assets	(78.7)	(78.8)	(0.1)
Depreciation & Amortization	6.6	6.8	0.2
Change in fair value of interest rate swaps	(4.7)	(1.4)	3.3
Realized and unrealized gain on investments	4.7	(1.0)	(5.7)
Patient care accounts receivables	2.3	1.7	(0.6)
Other receivables	12.4	4.5	(7.9)
Prepaid expense and other assets	0.1	(3.8)	(3.9)
Operating leases, net	(0.3)	0.6	0.9
Accounts payables and accrued expenses	7.2	(4.6)	(11.8)
Accrued salaries and benefits	(12.3)	(2.8)	9.5
Deferred revenue & compensation	(10.8)	1.1	11.9
Patient service liability	(1.1)	(1.4)	(0.3)
Reserve for insurance	(1.1)	0.6	1.7
Other changes in cash flow from operations	0.4	(0.9)	(1.3)
Net Operating cash flow	**(75.3)**	**(79.4)**	**(4.1)**
Cash flow from Investing and Financing			
Purchases of property, plant, and equipment	(12.9)	(3.5)	9.4
Funding of investments related to deferred comp	2.0	(1.1)	(3.1)
Purchases of investments restricted, insurance claims	(21.3)	(13.1)	8.2
Sales of investments restricted for insurance claims	19.7	12.9	(6.8)
Payments under finance lease obligations	(1.1)	(0.6)	0.5
Proceeds from borrowings, LOC	209.9	192.6	(17.3)
Payments, LOC	(216.4)	(187.9)	28.5
Proceeds from borrowings, debt	84.5	73.2	(11.3)
Payments, debt	(8.9)	(12.8)	(3.8)
Net Investing/Financing cash flow	**55.3**	**59.7**	**4.4**
Net (Decrease) Increase in Cash	**(20.0)**	**(19.7)**	**0.3**

Cash Flow From Operations:

- Patient care accounts receivable - Cash flow improvement driven by multiple clinics unwind in FY22 such as Adventist & PFW
- Accounts payable & accrued expense - Release of liability of DCHS advance $9.9M and faster processing of AP payments due to integration of purchasing/payables functions with GW
- Accrued salaries & benefits - Variance Driven by change in deferral FICA payments
- Deferred revenue - Variance related to recoupment of CMS advance
- Reserve for insurance - decrease cash flow caused by PIC and Self Insurance Trust investments

Cash Flow From Investing/Financing:

- PP&E- includes change from EPIC Capex
- Release of liability of DCHS advance
- Purchase & sales of investments for insurance claims net negative cash flow impact due to PIC and Self Insurance Trust investments.
- Increase in line of credit proceeds from Eagle Bank Line and GWU LOC borrowings
- Variance on the debt payments relate to the subordinated loans, mortgage and the EPIC loan

What’s Different in FY24

- Continue to deploy risk and mitigation strategies to improve efficiencies and address continuing challenges
- Focused on reducing unnecessary spend that isn’t essential to support the clinical and academic missions. Aligned cost structure relative to size of faculty practice.
- Access 2.0 -> scaling technologies, referral conversion/capture, increased utilization
- Launch of Ambulatory Oversight Group (AOG) -> patient/provider focused
- Elevated talent and performance management with clear financial goals and measures
- Cultural transformation through communication and change management

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