



June 4, 2020

## State-of-the-Clinic Letter from Administration

Hey All,

We would like to give you an update on the status of the clinic to the COVID-19 pandemic. As you recall we constructed a model estimating/projecting a 50% reduction of production for April and May with a 25% reduction in June. As you also recall, to help combat this, Administration asked for all departments to aim for a 25% reduction applied in a judicious way to overall clinic payroll costs. It was humbling to see everyone join in this effort. Employees in **all** departments pitched in without complaint. They understood and they gave. We also requested the doctors decrease their biweekly draws to 50% from the typical average of 70% in order to not overspend for what is projected as a lower distribution in July. We do not expect to see anything quite like this pandemic again in any of our lifetimes.

We have been very lucky/blessed that the COVID-19 pandemic has affected Davis County in a more limited way compared to other parts of the state and country. To-date only one clinic employee has tested positive and the consensus is that it was a false positive test. No providers have tested positive.

Our economic model was conservative and we have always been ahead of projections. Production in April was 64% of an average pre-COVID month. We literally watched clinic production every day. We estimate overall May production at 88% of normal. We believe production currently is 90+% of normal. Please see the attached production numbers provided by Lindsey. Kevin Spainhower estimates that with the COVID hit the clinic has lost \$7,000,000 in revenue – money in the bank to pay bills with.

We are fortunate to qualify for some CARES act government subsidy to help offset this loss and have received and are approved to yet receive a significant amount of federal assistance. We received a grant of \$1,029,000 from one part of the CARES act. We are awaiting word back for a little more from that same part of the act. We are approved for a 1% per annum “loan” from the PPP part of the CARES act meant for augmenting payroll that, when used strictly according to law, including a cap on salaries it can be used for, could be forgiven and become a grant. The law has changed several times and terms were changed as recently as last night. The plan approved by the board is to be very conservative and only use the amount of the funds that would prove to be forgivable. We have been told by Key Bank, who brokered the loan, to expect a government audit of our application for and use of PPP funds. In addition, we have received a \$3,600,000 advance on Medicare billings. These are not additional funds but an advance just meant to help with a cash flow crisis. We have determined not to touch this money and just credit the funds by year end as the Medicare production is accrued. It will obviously help because there will be no accounts receivable lag for Medicare billings while this credit is used up.

In summary from the 20-20 acuity of hind sight we have done very well with what was an unprecedented crisis. We still request patience as we navigate the murky waters of complying with mind-numbing federal government red tape.

Thank you for your patience with us, each other and our employees. Tanner Clinic is not perfect, it is just way better than anywhere else!! If we keep our focus of exceptional care for our patients it will continue to be so. Thank you for all you do.

Steve and Theron