

## The “Perfect Storm”: An Explanation of Unexpected Financial Challenges Experienced in Early 2008

Many friends have expressed an interest in learning more about the unexpected financial challenges which left the BA with a shortfall of more than \$1.7 million and limited cash on hand in May 2008. Below is a brief summary of these challenges.

### 1. Medicare Decision Resulted in \$1.7 Million in Lost Revenue

A primary reason for the cash shortfall was due to a change in Medicare policy. In 2007, when Medicare completed its audit for the year 2005, it decided to no longer reimburse the BA for Christian Science nurses training costs. Medicare applied its decision retroactively to the year 2002, which resulted in lost revenues of \$900,000 in 2007. Due to this decision, going forward Medicare will not reimburse us for a total of \$800,000 in training costs incurred in the years 2006 and 2007 and for training costs incurred in future years.

We have appealed Medicare’s decision and a hearing on our appeal was held on October 28, 2008 in Baltimore. The Medicare judges and attorneys were unfamiliar with Christian Science nursing and training, and the BA was allowed to show an eight-minute video about our Christian Science Nursing Arts training program as evidence at the hearing. It may take several years for the judges to issue a ruling on our appeal.

### 2. Unexpected Payments Totaling \$322,000

We also were required to make two unexpected payments. We were required to pay \$122,000 in property taxes to the Town of Brookline. Since the BA had never been assessed property taxes, this expense had not been included in the budget. Then, in February 2008 we were required to make a payment of principal of \$200,000 on our \$15 million loan. We had insufficient reserves to cover these payments because of the repayment to Medicare and were required to use general operating funds to make these payments.

### 3. Other Factors Impacting Cash Flow Totaling \$530,000

- a. Market Impact: Although our investments are modest, we rely heavily on the income generated from these funds to meet current needs. Due to market conditions, expected cash declined by \$180,000.
- b. Legacies: The BA relies heavily on contributions received from estates. During this time, the BA received \$100,000 less than expected.
- c. Christian Science Nursing: The occupancy of our Christian Science nursing rooms varies daily. Sometimes we have a waiting list and other times we have availability because patients return home healed and with no need for Christian Science nursing. The number of rooms occupied during the first four months of 2008 was much lower than normally experienced and resulted in a shortfall in revenue of \$250,000.