



#### **MISSION**

*It is our mission to deliver quality healthcare to the residents of and visitors to Big Bear Valley through the most effective use of available resources.*

#### **VISION**

*To be the premier provider of emergency medical and healthcare services in our Big Bear Valley.*

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### **BOARD OF DIRECTORS**

### **FINANCE COMMITTEE MEETING AGENDA**

**TUESDAY, DECEMBER 04, 2018**

**1:00 PM –CLOSED SESSION @ HOSPITAL CONFERENCE ROOM**

**1:30 PM – OPEN SESSION @ HOSPITAL CONFERENCE ROOM**

**41870 GARSTIN DRIVE, BIG BEAR LAKE, CA. 92315**

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Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the Chief Executive Officer's Office and are available for public inspection or purchase at 10 cents per page with advance written notice. In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if you need special assistance to participate in a District meeting or other services offered by the District, please contact Administration (909) 878-8214. Notification at least 48 hours prior to the meeting or time when services are needed will assist the District staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service. **DOCUMENTS RELATED TO OPEN SESSION AGENDAS (SB 343)** Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at the public counter located in the Administration Office, located at 41870 Garstin Drive, Big Bear Lake, CA 92315. For questions regarding any agenda item, contact Administration at (909) 878-8214.

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### **OPEN SESSION**

1. **CALL TO ORDER** **Donna Nicely, Treasurer**
2. **ROLL CALL** **Shelly Egerer, Exec. Assistant**
3. **ADOPTION OF AGENDA\***
4. **PUBLIC FORUM FOR CLOSED SESSION**  
Opportunity for members of the public to address the Committee on Closed Session items.  
(Government Code Section 54954.3, there will be a three (3) minute limit per speaker. Any report or data required at this time must be requested in writing, signed and turned in to Administration.  
Please state your name and city of residence.)
5. **ADJOURN TO CLOSED SESSION\***

### **CLOSED SESSION**

1. **REAL PROPERTY NEGOTIATIONS:\*Government Code Section 54956.8 / TRADE SECRETS: Pursuant to Health and Safety Code Section 32106, and Civil Code Section 3426.1**  
(1) Potential Acquisition (To Be Determined)

### **OPEN SESSION**

1. **CALL TO ORDER** **Donna Nicely, Treasurer**

**2. RESULTS OF CLOSED SESSION\***

**Donna Nicely, Treasurer**

**3. PUBLIC FORUM FOR OPEN SESSION**

Opportunity for members of the public to address the Committee on Open Session items.

*(Government Code Section 54954.3, there will be a three (3) minute limit per speaker. Any report or data required at this time must be requested in writing, signed and turned in to Administration. Please state your name and city of residence.)*

**4. DIRECTORS COMMENTS**

**5. APPROVAL OF MINUTES\***

A. November 07, 2018

**6. OLD BUSINESS\***

- None

**7. NEW BUSINESS\***

A. Discussion and Potential Recommendation to the Board of Directors the 2018 Cost Report

B. Discussion and Potential Recommendation to the Board of Directors the Fiscal Year 2017/2018 Audited Financial Statement

C. Discussion and Potential Recommendation to the Board of Directors Gary Hicks, Financial Advisor Service Agreement

D. Discussion and Update on the CMS Requirements for Posting Hospital Prices on BVCHD Website

**8. PRESENTATION AND REVIEW OF FINANCIAL STATEMENTS\***

A. October 2018 Finances

B. CFO Report

**9. ADJOURNMENT\***

**\* Denotes Actions Items**

**BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL FINANCE COMMITTEE MEETING MINUTES  
41870 Garstin Drive, Big Bear Lake, Ca. 92315  
November 07, 2018**

**MEMBERS** Donna Nicely, Treasurer  
**PRESENT:** Peter Boss, MD, Secretary  
John Friel, CEO

Garth Hamblin, CFO  
Shelly Egerer, Exec. Asst.

**STAFF:** Kerri Jex

**COMMUNITY  
MEMBERS:** None

**ABSENT:** None

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**OPEN SESSION**

**1. CALL TO ORDER:**

Board Member Nicely called the meeting to order at 9:00 a.m.

**2. ROLL CALL:**

Donna Nicely and Peter Boss, M.D. was present. Also present were John Friel, CEO, Garth Hamblin, CFO and Shelly Egerer, Executive Assistant.

**3. ADOPTION OF AGENDA:**

**Board Member Nicely motioned to adopt the November 07, 2018 Finance Committee Meeting Agenda as presented. Second by Board Member Boss to adopt the November 07, 2018 Finance Committee Meeting Agenda as presented. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

**CLOSED SESSION**

**1. PUBLIC FORUM FOR CLOSED SESSION:**

Board Member Nicely opened the Hearing Section for Public Comment on Closed Session items at 9:01 a.m. Hearing no request to address the Finance Committee, Board Member Nicely closed the Hearing Section at 9:01 a.m.

**2. ADJOURN TO CLOSED SESSION:**

**Board Member Nicely motioned to adjourn to Closed Session at 9:01 a.m. Second by Board Member Boss to adjourn to Closed Session at 9:02 a.m. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

## **OPEN SESSION**

### **1. CALL TO ORDER:**

Board Member Nicely called the meeting to order at 9:36 a.m.

### **2. RESULTS OF CLOSED SESSION:**

Board Member Nicely stated there was no reportable action.

### **3. PUBLIC FORUM FOR OPEN SESSION:**

Board Member Nicely opened the Hearing Section for Public Comment on Open Session items at 9:36 a.m. Hearing no request to address the Finance Committee, Board Member Nicely closed the Hearing Section at 9:36 a.m.

### **4. DIRECTOR'S COMMENTS:**

- None

### **5. APPROVAL OF MINUTES:**

#### **A. October 02, 2018**

**Board Member Nicely motioned to approve the October 02, 2018 Finance Committee Meeting Minutes as presented. Second by Board Member Boss to approve the October 02, 2018 Finance Committee Meeting Minutes as presented. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

### **6. OLD BUSINESS:**

- None

### **7. NEW BUSINESS\***

#### **A. Discussion and Potential Recommendation to the Board of Directors the Following Contracts:**

- (1) Gary Hicks, Financial Advisor Agreement

**Board Member Nicely motioned to recommend Gary Hicks, Financial Advisor Agreement to the Board of Directors. Second by Board Member Boss to recommend Gary Hicks, Financial Advisor Agreement to the Board of Directors. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

### **8. Presentation and Review of Financial Statements:**

#### **A. September 2018 Finances:**

- Mr. Hamblin reported the following:
  - Cash remains strong
  - Surplus over budget
    - IGT money is continuing to come in
  - Acute was close to budget
  - Swing days over budget
  - SNF under budget
    - 16 patients currently and 3 pending approval
  - Clinic visits over budget



- Dental visits continue to grow
- Total expenses are over budget supplement staffing in PT & LAB
  - Traveler for PT; staffing should be back to normal December 3

**B. CFO Report:**

- Mr. Hamblin reported the following information:
  - Continue to monitor and work closely with TruBridge
    - New account manager will be on site next week
    - AR days are down; average 64.4
  - Productivity Benchmarking Assessment:
    - QHR was on site and met with all managers
    - Provided a questionnaire prior to the meetings
    - Draft report after the Thanksgiving holiday
    - Additional onsite visit will be scheduled
  - Debt Capacity Assessment:
    - Working with QHR to establish realistic debt
    - Will be attending OSHPD Training that will address retrofit of hospitals

**Board Member Nicely motioned to approve the September 2018 Finances and the CFO Report as presented. Second by Board Member Boss to approve September 2018 Finances and the CFO Report as presented. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

**9. ADJOURNMENT\***

**Board Member Nicely motioned to adjourn the meeting at 9:50 a.m. Second by Board Member Boss to adjourn the meeting. Board Member Nicely called for a vote. A vote in favor of the motion was unanimously approved.**

- Board Member Nicely- yes
- Board Member Boss- yes

Report of Independent Auditors  
And Financial Statements

BEAR VALLEY COMMUNITY  
HEALTHCARE DISTRICT

June 30, 2018 & 2017

JWT & Associates, LLP  
Advisory Assurance Tax

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Audited Financial Statements

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# **JWT & Associates, LLP**

## **Advisory Assurance Tax**

1111 East Herndon, Suite 211, Fresno, California 93720  
Voice: (559) 431-7708 Fax: (559) 431-7685

### ***Report of Independent Auditors***

The Board of Directors  
Bear Valley Community Healthcare District  
Big Bear Lake, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Bear Valley Community Healthcare District (the District) as of June 30, 2018 and 2017, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in accordance with the State Controller's Minimum Audit Requirements for Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***JWT & Associates, LLP***

Fresno, California  
December 12, 2018

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

The administration of the Bear Valley Community Healthcare District (the District) prepared the following Management Discussion and Analysis of the financial performance of the District for the fiscal year ended June 30, 2018 (FYE 2018) to accompany the financial statements prepared in accordance with the Governmental Accounting Standards Board Statement Numbers 34, 37 and 38. This discussion and the associated schedules are intended to provide an analysis, explanation, and historical basis of comparison for the reporting of financial results of the District for FYE 2018. The audited financial statements included herewith have been prepared and submitted with an unmodified opinion from the District's independent auditor.

### Overview of the Bear Valley Community Healthcare District and its Financial Statements

This annual financial report consists of the audited financial statements included herewith and the associated notes to those statements that describe the District's combined financial position and results of operations for the FYE 2018. The audited financial statements of the District include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.

- The statement of net position includes all of the District's assets and liabilities, using the accrual basis of accounting, as well as any indication as to which assets are intended for use to fund future capital asset expenditures or otherwise designated as to use by board of director policy.
- The Statement of Revenues, Expenses, and Changes in Net Position present the results of operating and non-operating activities during the fiscal year and the associated incomes.
- The Statement of Cash Flows reports the net cash provided by operating activities, as well as other sources and uses of cash from investing, non-capital financing activities, and capital and related financing activities.

### Financial Highlights

	2018	2017	2016	Change	
				2018	2017
Current assets	\$ 6,916,234	\$ 7,427,624	\$ 5,855,921	\$ (511,391)	\$ 1,571,703
Current liabilities	5,477,074	2,506,983	2,074,260	2,970,090	432,723
Investments	17,668,421	10,894,184	8,415,234	6,774,237	2,478,950
Capital assets, net of depreciation	8,515,004	7,634,783	7,019,232	880,221	615,551
Long term debt	2,895,000	2,930,000	2,965,000	(35,000)	(35,000)
Total net position	24,871,960	20,663,982	13,263,740	4,207,978	7,400,242
Excess of revenues over expenses	\$ 4,207,978	\$ 4,412,856	\$ 1,812,792	\$ (204,878)	\$ 2,600,064

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### CURRENT ASSETS

Current assets are cash or other assets that could reasonably be expected to be converted into cash in one year. Current assets decreased by \$511,391 during the year. Most of the decrease, \$604,581 was in Cash (with transfers from Cash to Investments). We also saw an increase of \$260,001 in net patient receivables.

#### Current Assets

	2018	2017	2016	Change	
				2018	2017
<b>Current assets</b>	<b>\$ 6,916,234</b>	<b>\$ 7,427,624</b>	<b>\$ 5,855,921</b>	<b>\$ (511,391)</b>	<b>\$ 1,571,703</b>
Cash	2,253,824	2,858,405	1,762,127	(604,581)	1,096,278
Net patient receivables	4,184,582	3,924,581	3,448,876	260,001	475,705
Other Assets	148,672	239,655	242,260	(90,983)	(2,605)
Assets whose use is limited	-	-	-	-	-
Inventory	129,318	212,805	178,366	(83,488)	34,439
Prepaid expenses	199,838	192,178	224,292	7,660	(32,114)
<b>Investments</b>	<b>\$ 17,668,421</b>	<b>\$ 11,038,559</b>	<b>\$ 8,415,234</b>	<b>\$ 6,629,862</b>	<b>\$ 2,623,325</b>

#### Cash and Investments

The District maintains sufficient cash balances to pay its short-term liabilities. Excess funds are invested with the Local Agency Investment Fund (LAIF) or in interest bearing fully guaranteed certificates of deposit distributed among various financial institutions to ensure FDIC protection of principal amounts invested. LAIF is a voluntary fund created by statute in 1977 as an investment alternative for California's local governments and special districts.

During the year, our investments grew by \$6,629,862 bringing the total to \$17,668,421.

For the year ending June 30, 2018, the District's cash and investments increased by \$6,169,656. Total days cash on hand increased by 231 to 333. See audited financial statements for additional information.

#### Cash and Investments

	2018	2017	2016	Change	
				2018	2017
Cash and cash equivalents	\$ 2,253,824	\$ 2,858,405	\$ 1,762,127	\$ (604,581)	\$ 1,096,278
Assets whose use is limited	\$ 144,375	\$ 144,375	\$ -	-	144,375
Investments	17,668,421	10,894,184	8,415,234	6,774,237	2,478,950
<b>Total cash and investments</b>	<b>\$ 20,066,620</b>	<b>\$ 13,896,964</b>	<b>\$ 10,177,361</b>	<b>\$ 6,169,656</b>	<b>\$ 3,719,603</b>
Days cash on hand	333	231	187	102	44

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### Net Patient Accounts Receivables

Net patient accounts receivables at June 30, 2018, as compared to June 30, 2017, were higher by \$260,001. Management and staff continue to work with our Accounts Receivable Management company (outsourced Patient Financial Services / Billing functions) to reduce Accounts Receivable and Accounts Receivable Days. During the year, we saw a reduction - from 80 to 59 days.

	2018	2017	2016	Change	
				2018	2017
Net Patient Receivables	4,184,582	5,091,546	3,448,876	(906,964)	1,642,670

### Inventory

	2018	2017	2016	Change	
				2018	2017
Inventory	\$ 129,318	\$ 212,805	\$ 178,366	\$ (83,487)	\$ 34,439

The inventory at June 30, 2018 is lower than prior year by \$83,487. The decrease is in Central Supply inventory.

### CAPITAL ASSETS

Capital assets are long term assets such as buildings, improvements and equipment with a purchase cost of \$5,000 or more and a useful life greater than one year. Items costing less than \$5,000 are expensed as minor equipment. Capital assets, net of accumulated depreciation, increased \$880,221 as of June 30, 2018, over the prior year balance.

Capital additions totaled \$1,772,519 during FYE 2018. We have continued to closely monitor capital expenditures. Notable expenditures in FY 2018 included – construction related to remodel of the area for our replacement CT scanner and Digital Mammography unit, adding DR (digital radiography) detectors in x-ray, new ultrasound unit, replacement of defibrillators, and installation of T-System (electronic health record for the emergency department).

### Capital Assets

	2018	2017	2016	Change	
				2018	2017
Property and equipment	\$ 22,123,712	\$ 20,351,193	\$ 19,116,052	\$ 1,772,519	\$ 1,235,141
Less: accumulated depreciation	(13,608,708)	(12,716,410)	(12,096,820)	(892,298)	(619,590)
	<u>\$ 8,515,004</u>	<u>\$ 7,634,783</u>	<u>\$ 7,019,232</u>	<u>\$ 880,221</u>	<u>\$ 615,551</u>



# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### CURRENT LIABILITIES

Current liabilities are short-term debts due in less than one year. At June 30, 2018, current liabilities increased by \$2,970,090.

#### Current Liabilities

	2018	2017	2016	Change	
				2018	2017
<b>Current Liabilities</b>	<b>\$ 5,477,074</b>	<b>\$ 2,506,983</b>	<b>\$ 2,074,260</b>	<b>\$ 2,970,090</b>	<b>\$ 432,723</b>
Current portion of long term debt	35,000	35,000	35,000	-	-
Accounts payable	913,724	1,137,648	566,494	(223,924)	571,154
Unearned Income	-	-	-	-	-
Accrued compensation	758,370	684,799	897,750	73,571	(212,951)
Third-party payor settlements	3,769,980	649,537	575,016	3,120,443	74,521

#### Accounts Payable

Accounts payable decreased by \$223,924 from the FYE June 30, 2018 amount. Days in Accounts Payable decreased to 33.1 from 44.8 at the end of the previous fiscal year.

#### Third party settlements

The estimated third party settlements are higher by \$3,120,443 at June 30, 2018, as compared to the prior year-end. The balance includes settlement estimates on prior year Cost Reports and \$2,000,000 in deferred IGT revenue.

Both the Medicare and Medi-Cal program administrative procedures preclude final determination of amounts due to/from the District until the cost reports are audited and settled. Administration is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.

### PATIENT REVENUE AND DEDUCTIONS FROM REVENUE

Under antitrust statutes, hospitals are required to charge all patients the same price for a given level of service. Accordingly, the District charges all patients uniformly based on its established charge description master (CDM) pricing structure for the services rendered. In addition, all California hospitals are required to annually file an electronic version of their CDM, also known as the "charge master", with the Office of Statewide Health Planning (OSHPD). The District complies with the OSHPD filing requirement; therefore, an electronic version of the CDM is available from the OSHPD website.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

Gross patient revenue for FYE 2018 increased over the previous fiscal year by \$3,298,512 or 6.7%. The largest increase is seen in Outpatient Revenue where we saw a 9.2% increase. Skilled Nursing Revenue grew with a 2.0% increase and Inpatient Revenue saw a decrease by 29.5% in visits.

### Gross Patient Charges

	2018	2017	2016	Change			
				2018		2017	
Gross Patient Charges							
Inpatient	\$ 1,860,155	\$ 2,636,880	\$ 2,440,411	\$ (776,725)	-29.5%	\$ 196,469	8.1%
Outpatient	47,845,388	43,815,116	43,363,326	4,030,272	9.2%	451,790	1.0%
Skilled Nursing Facility	3,032,416	2,987,451	2,335,227	44,965	1.5%	652,224	27.9%
Total gross revenue	<u>\$ 52,737,960</u>	<u>\$ 49,439,447</u>	<u>\$ 48,138,964</u>	<u>\$ 3,298,512</u>	<u>6.7%</u>	<u>\$ 1,300,483</u>	<u>2.7%</u>

### Acute Inpatient Census Statistics

#### Staffed beds 5

Patient days	330	457	428	(127)	-27.8%	29	6.8%
Days in the year	365	365	366	-	0.0%	(1)	-0.3%
Average Daily Census	0.9	1.3	1.2	(0.3)	-27.8%	0.1	7.1%
Average Length of Stay	2.0	2.8	2.6	(0.8)	-28.6%	0.2	7.7%

### Swing Inpatient Census Statistics

#### Staffed beds 5

Patient days	200	497	358	(297)	-59.8%	139	38.8%
Days in the year	365	365	366	-	0.0%	(1)	-0.3%
Average Daily Census	0.5	1.4	1.0	(0.8)	-59.8%	0.4	39.2%
Discharges	166	166	166	-	0.0%	-	0.0%
Average Length of Stay	1.2	3.0	2.2	(1.8)	-60.0%	0.8	36.4%

### Skilled Nursing Facility Census Statistics

#### Staffed beds 21

Patient days	6,802	6,667	5,289	135	2.0%	1,378	26.1%
Average Daily Census	18.6	18.3	14.5	0.4	2.0%	3.8	26.4%
Discharges	12	13	25	(1)	-7.7%	(12)	-48.0%
Emergency Department Visits	11,485	11,315	11,184	170	1.5%	131	1.2%
Clinic Visits	23,820	21,093	17,939	2,727	12.9%	3,154	17.6%

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### Deductions from Revenue

A contractual adjustment is the difference between gross charges and a contractually agreed-upon payment rate with third-party payors. Typically, third-party payors are 1) government programs such as Medicare and Medi-Cal; 2) Independent Practice Associations (IPA) such as Heritage Victor Valley Medical Group, which are often referred to as "gatekeeper physicians", and 3) other third-party payors or Preferred Provider Organizations (PPO) networks, which generally include insurance carriers such as Blue Cross, Blue Shield, Health Net, Aetna, etc.

Contractual adjustments are accrual-based estimates derived from historical reimbursement experience using remittance advices by payor and by type of account (inpatient, outpatient, or clinic), adjusted for known exposures, such as payment denials, and are used to reduce the gross charges to the expected realizable value. Contractual adjustments as a percentage of gross patient charges, excluding prior year third-party settlement adjustments, were 55.6% for FYE 2018 compared to 49.9% for FYE 2017. FY 2015 was our first year as a Critical Access Hospital (CAH). We continue to review CAH status and impacts each year.

Additionally, deductions from revenue include other uncompensated care categories such as Charity Care, Administrative Adjustments, Patient Discounts (principally discounts offered to uninsured or private pay patients who do not qualify for financial assistance) and Employee Discounts. Effective January 1, 2007, the California State Assembly passed AB 774, which requires all hospitals in California to follow a specific state-mandated means testing process to determine if a patient qualifies for financial assistance. The charity care can range from a full write-off to a partial write-off of the patient's outstanding balance. Furthermore, OSHPD requires every hospital to file an electronic copy of its financial assistance policy. As of June 30, 2018, the District is in compliance with the financial assistance policy reporting requirement.

Total deductions from revenue, including the provision for bad debts, as a percent of gross patient revenue, was 54.3% for FYE 2018 versus 51.9% for FYE 2017.

### Provision for Bad Debts

The provision for bad debts decreased for FYE 2018, as compared to the previous fiscal year. As a percent of gross revenue, bad debts were 3.7% for the current fiscal in comparison to 3.9% for the prior year.

### Allowance for Doubtful Accounts

	2018	2017	2016	Change	
				2018	2017
Bad debt expense	\$ 1,958,381	\$ 1,929,651	\$ 762,369	\$ 28,730	\$ 1,167,282
Bad debt expense as a percent of gross revenue	3.7%	3.9%	1.6%	-0.2%	2.3%

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

	2018	2017	Change 2018
<b>Deductions from Revenue</b>			
Contractual adjustments	\$ 27,506,494	\$ 24,678,858	\$ 2,827,636
Prior year contractual allowances	(3,254,582)	(1,270,633)	\$ (1,983,949)
Charity Care	100,789	109,125	\$ (8,336)
Administrative	323,093	79,497	\$ 243,596
Patient discount	132,221	98,401	\$ 33,820
Employee discount	68,758	43,792	\$ 24,966
Bad Debts	1,958,381	1,929,651	\$ 28,730
	\$ 26,835,154	\$ 25,668,691	
<b>Deductions from Revenue as a percent of gross revenue</b>			
Contractual adjustments	52.2%	49.9%	2.2%
Prior year contractual allowances	-6.2%	-2.6%	-3.6%
Charity Care	0.2%	0.2%	0.0%
Administrative	0.6%	0.2%	0.5%
Patient discount	0.3%	0.2%	0.1%
Employee discount	0.1%	0.1%	0.0%
Bad Debts	3.7%	3.9%	-0.2%
<b>Total</b>	<b>50.9%</b>	<b>51.9%</b>	<b>-1.0%</b>

### Net Patient Service Revenue

Net patient service revenue is the difference between gross patient charges and revenue deductions. For FYE June 30, 2018, net patient services revenues increased \$1,939,020 or 8.1% higher than the previous fiscal year. Net patient revenue increased due to increases in volume in Skilled Nursing, ER and Clinic revenues along with the reduction that we experienced in Deductions from Revenue.

### Net Patient Revenue

	2018	2017	2016	Change	
				2018	2017
Net patient service revenue	\$ 25,902,805	\$ 23,963,785	\$ 21,125,312	\$ 1,939,020	\$ 2,838,473
				8.1%	13.4%

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### OPERATING EXPENSES

Total operating expenses in FYE 2018 were \$24,428,874 as compared to \$22,625,387 for FYE 2017 – an increase of 8.0%. Salaries, Wages, and Benefits (which comprised just over 55% of Total Operating Expenses) increased by 5.7%. During the year we cashed out PTO (Paid Time Off) balances in excess of 300 hours. We also saw increases in retirement cost and health insurance costs. We saw an increase in Professional Fees, and an increase in Purchased Services with the addition of fees related to provision of Dental Services and having contract staff fill in interim management positions.

	2018		2017		2016		Change	
							2018	2017
Salaries and wages	\$ 9,777,302	40.0%	\$ 9,168,859	40.5%	\$ 9,613,427	46.2%	\$ 608,443	\$ (444,568)
Employee benefits	3,683,114	15.1%	3,568,108	15.8%	2,260,524	10.9%	115,006	1,307,584
Total salaries and benefits	13,460,417	55.1%	12,736,967	56.3%	11,873,951	57.1%	723,450	863,016
Professional fees	2,014,551	8.2%	1,832,258	8.1%	2,530,215	12.2%	182,293	(697,957)
Purchased services	4,286,052	17.5%	3,531,964	15.6%	2,308,298	11.1%	754,088	1,223,666
Supplies	1,649,154	6.8%	1,469,773	6.5%	1,587,249	7.6%	179,381	(117,476)
Repairs and maintenance	342,890	1.3%	314,833	1.3%	214,492	0.9%	28,057	100,341
Utilities	501,421	2.1%	533,430	2.4%	573,178	2.8%	(32,009)	(39,748)
Rentals and leases	270,708	1.1%	277,463	1.2%	241,127	1.2%	(6,755)	36,336
Depreciation and amortization	892,298	3.7%	619,591	2.7%	845,561	4.1%	272,707	(225,970)
Insurance	311,702	1.3%	300,352	1.3%	266,904	1.3%	11,350	33,448
Other operating expenses	699,682	2.9%	1,008,756	4.5%	372,903	1.8%	(309,074)	635,853
Total Operating Expenses	\$ 24,428,874	100%	\$ 22,625,387	100%	\$ 20,813,878	100%	\$ 1,803,487	\$ 1,811,509
							8.0%	8.7%

### Supply Costs

Supply costs as a percentage of gross revenue increased from 3.1% in FYE 2017 to 3.6% in FYE 2018. Management continues to work with our group purchasing organization (GPO), HealthTrust Purchasing Group (HPG) to identify opportunities for supply cost reductions.

	2018	2017	2016	Change	
				2018	2017
Supply costs	\$ 1,769,781	\$ 1,469,773	\$ 1,587,249	\$ 300,008	\$ (117,476)
Supply costs as a percent of gross revenue	3.4%	3.0%	3.3%	0.4%	-0.3%

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

### **FISCAL YEAR 2018 BUDGET AND ECONOMIC FACTORS**

The District's Board of Directors approved the Budget for FYE June 30, 2019 (FY 2019) at a general board meeting. The financial plan for FYE 2019 includes a 4.3% increase in Gross Revenue and a 7.9% increase in Net Revenue. Operating Expense is budgeted to increase by 6.5%. The net result is a budgeted Surplus of \$3,352,622.

Capital expenditure plans include completion of the remodel and installation of a replacement CAT scanner and new Digital Mammography unit. We also have budgeted expenditures to CPSI, our electronic health record vendor, to meet the requirements of Meaningful Use 3. Also, replacement of laboratory equipment, the telephone system, some cosmetic work in the emergency department, and the number of maintenance projects.

Current and future favorable operations are helped by the continuation of a parcel tax assessed on property located in the Big Bear Valley area and an allocation of county tax revenue. During FYE 2018, the District received \$2,343,776 in such tax revenue. The projected tax revenue for FYE 2019 is \$2,210,931.

### **BUSINESS STRATEGIES**

In May 2014, the District converted to Critical Access Hospital (CAH) status. Our Analysis after filing FYE 2017 Cost Report showed a favorable impact of \$1,199,103 for the year from CAH status as compared to payments we would have received as a PPS (Prospective Payment System) Hospital. FY 2016 favorable impact was \$1,247,514.

#### **Revenue cycle management and cost containment strategies**

Administration is continuing its efforts to improve the revenue cycle process by monitoring provider contract administration, accounts receivable through our Accounts Receivable Management agreement, and working with Management Company consultants.

Also, administration will continue to work to monitor and lower operating expenses as possible to improve the net operating margin.

#### **Status of Regulatory Requirements**

- The District is in compliance with applicable state and federal regulations.
- The facility was reclassified as SPC-2 under HAZUS to comply with Senate Bill (SB) 1953.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2018

Administration is working to meet the SB 1953 deadline under NPC-3 performance levels that requires healthcare institutions to be in compliance by the year 2030. Accordingly, the objective is to identify the full extent of equipment and non-structural items that must meet NPC-3 anchorage requirement. Once a plan is established develop a timetable to ensure compliance with NPC-3 performance level as quickly as possible.

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# Bear Valley Community Healthcare District

## Statements of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 19,066,727	\$ 13,002,589
Investments	855,518	750,000
Patient accounts receivable, net of allowances	4,184,582	3,924,581
Other receivables and physician advances	149,632	239,655
Assets whose use is limited	144,375	144,375
Supplies	129,318	212,805
Prepaid expenses and deposits	198,879	192,178
Total current assets	<u>24,729,031</u>	<u>18,466,183</u>
Capital assets, net of accumulated depreciation	8,515,004	7,634,783
Total assets	<u><u>\$ 33,244,035</u></u>	<u><u>\$ 26,100,966</u></u>
<b>Liabilities and Net Position</b>		
Current liabilities		
Current portion of long-term debt	\$ 35,000	\$ 35,000
Accounts payable and accrued expenses	913,725	1,137,647
Accrued payroll and related liabilities	758,370	684,799
Third-party payor settlements	3,769,980	649,537
Total current liabilities	<u>5,477,075</u>	<u>2,506,983</u>
Long-term debt, less current portion	<u>2,895,000</u>	<u>2,930,000</u>
Total liabilities	<u>8,372,075</u>	<u>5,436,983</u>
Net position		
Invested in capital assets, net of related debt	5,585,004	4,669,783
Unrestricted	19,286,956	15,994,200
Total net position	<u>24,871,960</u>	<u>20,663,983</u>
Total liabilities and net position	<u><u>\$ 33,244,035</u></u>	<u><u>\$ 26,100,966</u></u>

*See accompanying notes to the financial statements*



Bear Valley Community Healthcare District  
Statements of Revenues, Expenses and Changes in Net position  
For The Years Ended June 30, 2018 and 2017

	2018	2017
<b>Operating revenues</b>		
Net patient service revenue	\$ 25,902,806	\$ 23,963,785
Other operating revenue	2,332,109	2,034,802
Total operating revenues	<u>28,234,915</u>	<u>25,998,587</u>
<b>Operating expenses</b>		
Salaries & wages	10,737,894	9,168,859
Employee benefits	2,722,522	3,568,108
Professional Fees	2,155,360	1,832,258
Purchased services	4,170,602	3,531,964
Supplies	1,736,781	1,469,773
Repairs & maintenance	342,890	314,833
Utilities	545,065	533,430
Rentals and leases	270,708	277,463
Depreciation & amortization	892,298	619,591
Insurance	311,702	300,352
Other operating expenses	543,053	1,008,756
Total operating expenses	<u>24,428,875</u>	<u>22,625,387</u>
Operating income (loss)	3,806,040	3,373,200
<b>Nonoperating revenues (expenses)</b>		
District tax revenues	2,343,776	2,301,190
Capital grants and donations	75,046	64,441
Investment income	287,303	88,397
Interest expense	(93,113)	(96,343)
Total nonoperating revenues (expenses)	<u>2,613,012</u>	<u>2,357,685</u>
Excess of revenues (expenses)	<u>6,419,052</u>	<u>5,730,885</u>
Inter-governmental transfers	(2,211,075)	(1,318,029)
Increase in net position	<u>4,207,977</u>	<u>4,412,856</u>
Net position, beginning of the year	20,663,983	16,251,127
Net position, end of year	<u><u>\$ 24,871,960</u></u>	<u><u>\$ 20,663,983</u></u>

*See accompanying notes to the financial statements*

# Bear Valley Community Healthcare District

## Statements of Cash Flows

For The Years Ended June 30, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Cash received from patients and third-party payers	\$ 28,763,248	\$ 23,562,601
Other receipts	2,422,132	2,037,407
Cash payments to suppliers and contractors	(10,223,297)	(8,700,001)
Cash payments to employees and benefit programs	(13,386,845)	(12,949,918)
Net cash provided by operating activities	<u>7,575,238</u>	<u>3,950,089</u>
<b>Cash flows from non-capital and related financing activities</b>		
District tax revenue	<u>2,343,776</u>	<u>2,301,190</u>
Net cash provided by non-capital and related financing activities	2,343,776	2,301,190
<b>Cash flows from capital and related financing activities</b>		
Purchase of property, plant & equipment	(1,772,519)	(1,235,142)
Capital grants and contributions	75,046	64,441
Payments of long-term debt	(35,000)	(35,000)
Interest paid on capital debt	(93,113)	(96,343)
Net cash used in capital and related financing activities	<u>(1,825,586)</u>	<u>(1,302,044)</u>
<b>Cash flows from investing activities</b>		
Net sale of investments	(105,518)	-
Inter-governmental transfers	(2,211,075)	(1,318,029)
Investment income	<u>287,303</u>	<u>88,397</u>
Net cash provided by investing activities	(2,029,290)	(1,229,632)
Increase (decrease) in cash and cash equivalents	<u>6,064,138</u>	<u>3,719,603</u>
Cash and cash equivalents at beginning of year	<u>13,002,589</u>	<u>9,282,986</u>
Cash and cash equivalents at end of year	<u><u>\$ 19,066,727</u></u>	<u><u>\$ 13,002,589</u></u>

*See accompanying notes to the financial statements*

# Bear Valley Community Healthcare District

## Statements of Cash Flows (continued)

For The Years Ended June 30, 2018 and 2017

	2018	2017
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ 3,806,040	\$ 3,373,200
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	892,298	619,591
Changes in operating assets and liabilities		
Patient accounts receivable	(260,001)	(475,705)
Other receivables	90,023	2,605
Supplies	83,487	(34,439)
Prepaid expenses	(6,701)	32,114
Accounts payable and accrued expenses	(223,922)	571,153
Accrued payroll and related expenses	73,571	(212,951)
Third-party payor settlements	3,120,443	74,521
Net cash provided by (used in) operating activities	<u>\$ 7,575,238</u>	<u>\$ 3,950,089</u>

See accompanying notes to the financial statements

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

**Reporting Entity:** Bear Valley Community Health Care District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District operates a hospital, Bear Valley Community Hospital (the Hospital), for the community of Big Bear Lake and the surrounding area. The Hospital is a 30-bed facility that provides general acute and skilled nursing care. As a political subdivision of the State of California, the District is generally not subject to federal or state income taxes.

**Basis of Preparation:** The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Financial Statement Presentation:** The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method. The application of these accounting standards had no impact on the total net position.

**Management's Discussion and Analysis:** Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Investments:** The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in non-operating revenues when earned.

**Patient Accounts Receivable:** Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectability and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

**Supplies:** Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The District does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

**Assets Limited as to Use:** Assets limited as to use include amounts designated by the Board of Directors for replacement or purchases of capital assets and other specific purposes. Assets limited as to use consist primarily of government agency funds, money market accounts and certificates of deposits on hand with banking and investment institutions.

**Capital Assets:** Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2018, and 2017, the District has determined that no capital assets are impaired.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

**Compensated Absences:** The employees of the District earn paid time off ("PTO") benefits at varying rates. The rate is determined based on their years of service. This PTO benefit can accumulate up to specified maximum levels. Employees may use their accumulated PTO for vacation, holidays and sick leave. Accumulated PTO benefits are paid to an employee upon either termination or retirement. Accrued PTO liabilities as of June 30, 2018, and 2017 are \$516,171 and \$489,455, respectively.

**Risk Management:** The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

**Net Position:** Net position (formally net assets) is presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net assets that do not meet the definition or criteria of the previous two categories.

**Net Patient Service Revenues:** Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

**Charity Care:** The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

***District Tax Revenues:*** The District receives financial support from property taxes. These funds are used to support operations. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

***Grants and Contributions:*** From time to time, the District receives grants from various governmental agencies and private organizations. The District also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

***Operating Revenues and Expenses:*** The District's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-operating revenues and expenses are those transactions not considered directly linked to providing health care services.

***Subsequent events:*** Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

***Reclassifications:*** Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

### NOTE 2 – CASH AND CASH EQUIVALENTS

As of June 30, 2018 and 2017, the District had deposits invested in various financial institutions in the form of cash and cash equivalents amounting to \$19,821,970 and \$13,143,813. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.



# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### **NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

### **NOTE 3 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS**

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations (HMOs) and preferred provider organizations (PPOs). Patient service revenues from these programs approximate 95% of gross patient service revenues.

The Medicare Program reimburses the District on a prospective payment system for inpatient hospital services. The prospective rates are predetermined amounts based on the Medicare inpatient discharge diagnosis including capital. Skilled nursing services are reimbursed on a program similar in nature to the inpatient services.

The District contracts to provide services to Medi-Cal, HMO and PPO inpatients on negotiated rates. Certain outpatient reimbursement is subject to a schedule of maximum allowable charges for Medi-Cal and to a percentage discount for HMOs and PPOs. The skilled nursing facility (SNF) is reimbursed by the Medi-Cal program on a prospective per diem basis subject to audit by the state. The results of the state audits are incorporated prospectively and are subject to appeal by the provider.

Both the Medicare and Medi-Cal program's administrative procedures preclude final determination of amounts due to the District for services to program patients until after patients' medical records are reviewed and cost reports are audited or otherwise reviewed by and settled with the respective administrative agencies. The Medicare and Medi-Cal cost reports are subject to audit and possible adjustment. Management is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.



# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 3 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS (continued)

Medicare and Medi-Cal revenue accounts for approximately 57% and 59% of the District's net patient revenues for the years ended June 30, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

### NOTE 4 - INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2018 and 2017:

2018				
	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Government investment funds	\$ 16,812,903	\$ 16,812,903	\$ -	\$ -
Money market accounts	613,518	613,518	-	-
Certificates of deposit	242,000	-	242,000	-
Total investments	<u>\$ 17,668,421</u>	<u>\$ 17,426,421</u>	<u>\$ 242,000</u>	<u>\$ -</u>
2017				
	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Government investment funds	\$ 10,144,184	\$ 10,144,184	\$ -	\$ -
Money market accounts	144,375	144,375	-	-
Certificates of deposit	750,000	508,000	242,000	-
Total investments	<u>\$ 11,038,559</u>	<u>\$ 10,288,559</u>	<u>\$ 242,000</u>	<u>\$ -</u>

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were \$287,303 and \$88,397 for the years ended June 30, 2018 and 2017, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use. Debt securities, when present, are recorded at market price or the fair market value as of the date of each balance sheet.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 4 – INVESTMENTS (continued)

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's exposure to interest rate risk is minimal as 100% of their investments have a maturity of less than one year. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

**Credit Risk:** Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District's investments in such obligations are in government investment funds. The District believes that there is minimal credit risk with these obligations at this time.

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments are generally held by banks or government agencies. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investments are held as follows: governmental agencies 95% and banks 5%. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

### NOTE 5 - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2018 were comprised of cash held in a Debt Service Reserve Fund as required by the terms of a sale and leaseback agreement entered into by the District in January 2018. Under the agreement the District is required to make annual payments into the Debt Service Reserve Fund equal to 1/10<sup>th</sup> of the current annual lease payment. The District established this fund accordingly and at June 30, 2018 the balance totaled \$144,375. See Note 9.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 6 - CONCENTRATION OF CREDIT RISK

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there is any credit risk associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2018 and 2017 were as follows:

	2018	2017
Medicare	\$ 880,476	\$ 1,046,991
Medi-Cal and Medi-Cal pending	3,533,838	3,802,028
Other third party payors	3,921,858	3,667,786
Self pay and other	<u>2,261,762</u>	<u>2,232,719</u>
Gross patient accounts receivable	10,597,934	10,749,524
Less allowances for contractual adjustments and bad debts	<u>(6,413,352)</u>	<u>(6,824,943)</u>
Net patient accounts receivable	<u>\$ 4,184,582</u>	<u>\$ 3,924,581</u>

### NOTE 7 - OTHER RECEIVABLES

Other receivables as of June 30, 2018 and 2017 were comprised of the following:

	2018	2017
Grants	\$ 35,023	\$ 58,006
Workers Compensation refund	-	26,512
Physician advance	59,978	98,312
District tax revenue	52,044	56,788
Other	<u>2,587</u>	<u>37</u>
	<u>\$ 149,632</u>	<u>\$ 239,655</u>

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 8 - CAPITAL ASSETS

Capital assets as of June 30, 2018 and 2017 were comprised of the following:

	Balance at June 30, 2017	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2017
Land and land improvements	\$ 547,472	\$ 23,143	\$ -	\$ 570,615
Buildings and improvements	9,657,087	101,584	-	9,758,671
Equipment	9,614,476	2,147,434	-	11,761,910
Construction-in-progress	532,159	-	(499,642)	32,517
Totals at historical cost	20,351,194	\$ 2,272,161	\$ (499,642)	22,123,713
Less accumulated depreciation	(12,716,411)	\$ (892,298)	\$ -	(13,608,709)
Capital assets, net	<u>\$ 7,634,783</u>			<u>\$ 8,515,004</u>
	Balance at June 30, 2016	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2017
Land and land improvements	\$ 532,272	\$ 15,200	\$ -	\$ 547,472
Buildings and improvements	9,583,080	74,007	-	9,657,087
Equipment	8,877,216	737,260	-	9,614,476
Construction-in-progress	123,484	408,675	-	532,159
Totals at historical cost	19,116,052	\$ 1,235,142	\$ -	20,351,194
Less accumulated depreciation	(12,096,820)	\$ (619,591)	\$ -	(12,716,411)
Capital assets, net	<u>\$ 7,019,232</u>			<u>\$ 7,634,783</u>

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 9 - DEBT BORROWINGS

Long-term debt at June 30, 2018 and 2017 consists of the following:

	2018	2017
Note payable to the Public Property Financing Corporation of California, original amount of \$3,000,000, bearing interest at 3.125%, principal payable annually and interest payable biannually per schedule, maturing in December 2055, secured by property, building and improvements.	\$ 2,930,000	\$ 2,965,000
Total debt borrowings	2,930,000	2,965,000
Less current maturities	(35,000)	(35,000)
Debt borrowings, net of current maturities	\$ 2,895,000	\$ 2,930,000

Effective January 1, 2016, the District entered into a sale and leaseback agreement with the United States Department of Agriculture, acting through the Rural Housing Service and the Public Property Financing Corporation of California, for the Brenda Boss Family Resource Center. The Brenda Boss Family Resource Center is a building recently constructed by the District on the District's main hospital campus and was put into service during the fiscal year ended June 30, 2014. In accordance with GAAP, the sale and leaseback agreement will be treated as a financing transaction. The principal amount borrowed totaled \$3,000,000, with an annual interest rate of 3.125%. Principal is payable annually on December 1<sup>st</sup> starting in 2016 and continuing through 2055 per a schedule with payments ranging in amounts from \$35,000 to \$140,000. Interest is payable biannually on June 1<sup>st</sup> and December 1<sup>st</sup> in an amount equal to the current outstanding principal balance multiplied by the annual interest rate of 3.125% and divided by two, for a six-month interest amount. There is no provision for a pre-payment penalty. The District must establish and maintain a Debt Service Reserve Fund throughout the term of the sale and leaseback agreement. The District is required to make annual payments into the Debt Service Reserve Fund equal to 1/10<sup>th</sup> of the current annual lease payment. The District established this fund and at June 30, 2018 the balance totaled \$144,375. Upon completion of the sale and leaseback agreement, ownership and title of the Brenda Boss Building will revert to the District with no encumbrances.

Future principal maturities for debt borrowings for the next five years are: \$35,000 in 2019; \$40,000 in 2020; \$40,000 in 2021; \$40,000 in 2022; \$45,000 in 2023; and \$2,730,000 thereafter.

# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 10 - RETIREMENT PLANS

The District has a defined contribution retirement plan covering substantially all of the District's employees. In a defined contribution retirement plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes to the plan at a rate of two to four percent of eligible compensation, based on the length of the employee's service as defined by the plan. The District's contributions become fully vested after three years of continuous service. The District's pension expense for the plan was \$167,078 and \$183,803 during the years ended June 30, 2018 and 2017, respectively.

### NOTE 11 – INCOME TAXES

The District is a political subdivision of the state of California organized under the Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The Hospital has been determined to be exempt from income taxes under Local Health Care District Law. Accordingly, no provision for income taxes is included in the accompanying financial statements. The District is no longer subject to examination by federal or state authorities for years prior to June 30, 2015, nor has it been notified of any impending examination and no examinations are currently in process.

### NOTE 12 - COMMITMENTS AND CONTINGENCIES

**Construction-in-Progress:** As of June 30, 2018, the District has \$32,516 recorded as construction-in-progress which represents cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. No interest was capitalized under FAS 62 during the years ended June 30, 2018 and 2017. Estimated costs to complete current obligated construction-in-progress projects as of June 30, 2018 are approximately \$373,000. Costs are to be financed with District reserves and continued District operations.

**Operating Leases:** The District has operating leases for office space and various medical and office equipment. Rental expense under operating leases was \$270,708 and \$277,463 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments for the succeeding years under operating leases with a remaining term in excess of one year as of June 30, 2018, are as follows: \$58,287 in 2019; \$29,640 in 2020; and \$28,309 in 2021.

**Litigation:** The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2018, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.



# BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

**Workers Compensation Program:** The District is a participant in the Association of California Hospital District's ALPHA Fund which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The District pays premiums to the ALPHA Fund which is adjusted annually. If participation in the ALPHA Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the ALPHA Fund.

**Health Insurance Portability and Accountability Act:** The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations including future financial commitments that will be required.

**Health Care Reform:** The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements and reimbursement for patient services, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions and, in the case of tax-exempt organizations, the requirement of tax exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances. Violations of these laws and regulations could result in expulsion from government health care programs with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed.

Laws and regulations concerning government programs, including Medicare, Medicaid and various other programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements.

Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from related programs. The District expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the District's compliance with these regulations, and it is not possible to determine the effect (if any) such claims or penalties would have upon the District.



## Contract Cover Sheet

Contract Name: GL Hicks

Purpose of Contract: Financial Advisor

Contract # / Effective Date / Term \_\_\_\_\_ / \_\_\_\_\_

Originating Dept. Name / Number: \_\_\_\_\_

Department Manager Signature: \_\_\_\_\_ Date: \_\_\_\_\_

BAA: ☐ Yes ☐ No

W-9: ☐ Yes ☐ No

<u>Administrative Officer</u>	Signature: <u>NA</u>	Date: <u>NA</u>
<u>HIPAA/Privacy Officer</u> (as appropriate)	Signature: <u>NA</u>	Date: <u>NA</u>
<u>Legal Counsel</u>	Signature: <u>via email</u>	Date: <u>11-27-18</u>
<u>Compliance Officer</u>	Signature: <u>Mary Norman</u>	Date: <u>11-14-18 FMV?</u>
<u>Chief Financial Officer</u>	Signature: <u>[Signature]</u>	Date: <u>27 Nov 2018</u>
<u>Chief Executive Officer</u>	Signature: <u>[Signature]</u>	Date: <u>11-13-18</u>
<u>Board of Directors</u> When Applicable	Signature: _____	Date: _____

1. Final Signatures on Contract, BAA & W-9: Date: \_\_\_\_\_
2. Copy of Contract/BAA/W-9 forwarded to Department Manager: Date: \_\_\_\_\_
3. Copy of Contract/BAA/W-9 forwarded to Contractor (if applicable): Date: \_\_\_\_\_
4. Copy of Contract/BAA/W-9 scanned/mailed to Controller and Legal: Date: \_\_\_\_\_  
(if applicable)

## **Contract Cover Sheet**

### **CONFIDENTIAL NOTICE:**

Note: This document and attachments are covered by CA Evidence Code 1157 and CA Health and Safety Code 1370.

**NOTICE TO RECIPIENT:** If you are not the intended recipient of this, you are prohibited from sharing, copying or otherwise using or disclosing its contents. If you have received this document in error, please notify the sender immediately by reply email and permanently delete this document and any attachments without reading, forwarding or saving them. Thank you  
Updated 5/2017



October 31, 2018

Mr. John Friel, Chief Executive Officer  
Bear Valley Community Healthcare District  
41870 Garstin Drive  
Big Bear Lake, California 92315

Re: Bear Valley Community Healthcare District  
Letter of Agreement for Financial Advisory Services

Dear Mr. Friel:

G.L. Hicks Financial, LLC ("Hicks") would be pleased to act as financial advisor to Bear Valley Community Healthcare District ("Bear Valley") to assist in the issuance of debt pursuant to the USDA Direct Loan Program and/or other forms of debt, the proceeds of which will be used to finance the construction and equipping of a renovation and expansion to the Bear Valley health facility located in Big Bear Lake, California (the "Engagement"). Bear Valley, acting by and through its duly authorized representative, and Hicks, acting by and through its President, Gary Hicks, agree that Hicks shall furnish certain services to Bear Valley and Bear Valley agrees to accept said services and to make payment of fees and expenses regarding this Engagement, upon the terms and conditions herein set forth.

This document contains the entire agreement between both parties. All prior negotiations between Hicks and Bear Valley are merged in this agreement, and there are no understandings or agreements other than those incorporated or referred to herein. This agreement may not be modified except by an instrument in writing, dated and signed by the duly authorized representatives of both Hicks and Bear Valley.

- I. Hicks shall offer its professional services and facilities as financial advisor to Bear Valley in connection with this Engagement and, in that capacity, Hicks agrees to perform the following services and such other duties which in the exercise of its professional judgment may be necessary or advisable.
  - a. Provide consulting services relating to the analysis of options available to accomplish Bear Valley's objectives to complete this Engagement with the issuance of debt and a construction loan, as needed (the "Debt").
  - b. Coordinate meetings with Bear Valley and other parties engaged by Bear Valley and arrange for the preparation and presentation of all necessary and required financial and disclosure information, as needed.
  - c. With Bear Valley's input, prepare a timetable to indicate the steps and dates by which events should be completed. Discuss with Bear Valley representatives what steps are required to accomplish issuance of the Debt.
  - d. Review and consult with Bear Valley regarding various structures and any financial implications relating to the issuance of the Debt, in reviewing financing documents and in the selection of other financing participants.
  - e. Review with Bear Valley, its legal counsel and management team regarding the structure of the Debt and the design and implementation of its financing plan. Meet with Bear Valley's governing board and management team.
  - f. Prepare a closing memorandum detailing steps leading up to and including closing of the Debt.

Hicks does not provide investment advisory, placement agent, broker or dealer related services. Hicks is a municipal advisor registered with the MSRB (ID # K0275) and the SEC (ID # 867-01010-00) and information regarding Hicks and its representatives can be found at [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html) using our CIK # 0001617606. Hicks will be compensated by an hourly fee. Because our fee is based on hourly work to be provided, we hereby notify you that a potential conflict exists. While this form of compensation is customary in the municipal securities market, it presents a potential conflict since we could have an incentive to recommend to Bear Valley a transaction that is unnecessary; however, Hicks agrees to not recommend or perform work on transactions that are unnecessary. Hicks does not have any other known conflicts of interest in relation to this Engagement. Total fees charged pursuant to this agreement will be dependent on the time it takes to complete the financing and the level of services required. Should you become dissatisfied with our services and therefore wish to file a complaint please see the MSRB brochure regarding the filing of complaints with the MSRB on its webpage at (<http://www.msrb.org/~media/Files/Resources/MSRB-MA-Clients-Brochure.ashx?la=en>).

- II. In consideration of the foregoing services, it is agreed that fees and expenses of Hicks relating to this Engagement shall be paid by Bear Valley as follows:
- a. Bear Valley will make monthly payment to Hicks, within 30 days after receipt of an invoice from Hicks, at a rate of \$325.00 per hour for work performed on its behalf. The total amount to be paid pursuant to this agreement is difficult to estimate due to the nature and scope of the financing and the extent of services to be provided; however, I believe the total hours for this Engagement will range from 200 hours to 450 hours. If the hours required to perform the services under this agreement exceed 200 hours, then Hicks will promptly notify Bear Valley of the same and obtain written approval before incurring additional fees beyond the 200 hours estimated. In addition, Bear Valley agrees to reimburse out-of-pocket expenses of Hicks incurred in relation to this engagement.
  - b. Bear Valley shall engage the services of legal counsel, and shall commission other necessary services. Bear Valley shall be responsible for the payment of all expenses and costs incurred in connection therewith.
  - c. Fees and expenses described in paragraphs II.a. and II.b. above may be paid or reimbursed with Debt proceeds to the extent allowable by law.

The term of this agreement shall be thirty-six months from the date this agreement is executed by Bear Valley, unless extended in writing by mutual consent of the parties to this agreement. Bear Valley and Hicks shall have the ability to terminate this agreement, without cause, with 30 days written notice to the other party. If either party initiates any legal proceedings in connection with any breach or default by the other party under the terms of this agreement, then the party prevailing in said proceeding shall be entitled to recover reasonable attorney's fees, together with costs of suit, from the non-prevailing party.

This agreement shall bind the successors and assignees of the parties hereto. The rights, duties and obligations hereunder, however, shall not be assigned by either party without the prior written consent of the other party having been obtained. When accepted by Bear Valley, this agreement will constitute the entire agreement between Hicks and Bear Valley for the purpose and consideration herein specified. Bear Valley's acceptance will be indicated by proper signature of its authorized officer or representative on both copies of this agreement and the returning of one executed copy to the undersigned.

If you have any questions or concerns about any disclosures provided herein, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with your legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

I appreciate this opportunity to serve Bear Valley Community Healthcare District as herein described, and look forward to the successful completion of this Engagement.

Sincerely,

Gary Hicks  
President

The undersigned has read this agreement as set forth above and understands it fully and hereby accepts said agreement and further agrees to the terms, amounts, conditions and schedules of payment of said agreement.

ACKNOWLEDGED AND ACCEPTED:

**Bear Valley Community Healthcare District**

SIGNATURE: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_



## Shelly Egerer

---

**From:** Christina Meissner <CMeissner@MTBAttorneys.com>  
**Sent:** Tuesday, November 27, 2018 2:51 PM  
**To:** Shelly Egerer  
**Subject:** RE: Letter of Agreement for Financial Advisory Services - Gary Hicks  
**Attachments:** Gary Hicks Financial Advisory Services LTRAGREE 11.27.18-revised.doc

I revised the agreement to have Hicks notify us if he will be exceeding 200 hours. The revised agreement is attached.

**From:** Shelly Egerer [mailto:Shelly.Egerer@bvchd.com]  
**Sent:** Tuesday, November 27, 2018 2:29 PM  
**To:** Christina Meissner <CMeissner@MTBAttorneys.com>  
**Subject:** FW: Letter of Agreement for Financial Advisory Services - Gary Hicks

Christina,

Please see the agreement and let me know if this meets your request.

Thank you,

Shelly

**From:** Gary Hicks [mailto:gary@glhicks.com]  
**Sent:** Tuesday, November 27, 2018 2:13 PM  
**To:** Shelly Egerer <Shelly.Egerer@bvchd.com>  
**Cc:** Garth Hamblin <Garth.Hamblin@bvchd.com>  
**Subject:** RE: Letter of Agreement for Financial Advisory Services - Gary Hicks

Shelly,

I believe that the attached agreement provides the changes that your counsel has requested. The agreement now includes an addition to line seven of the last paragraph on page 1 that adds ", however, Hicks agrees to not recommend or perform work on transactions that are unnecessary" and includes the addition to section II.a. on page 2 of "however, I believe the total hours for this Engagement will range from 200 hours to 450 hours. If the hours required to perform the services under this agreement exceed 450 hours, then Hicks will promptly notify Bear Valley of the same and obtain written approval before incurring additional fees beyond the maximum of 450 hours estimated."

I hope that this meets with the intent of your attorney and is acceptable to all parties. However, if further revisions are needed please let me know.

Thank you,

Gary

*Gary L. Hicks, President*

G.L. Hicks Financial, LLC  
337 S. Palisades Drive  
Orem, Utah 84097

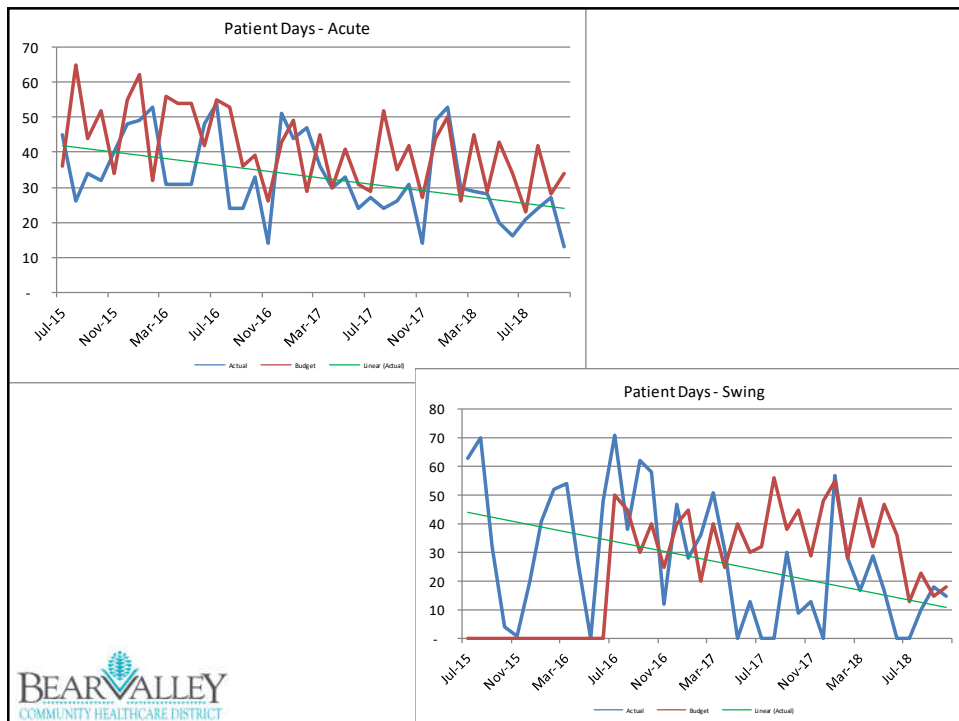
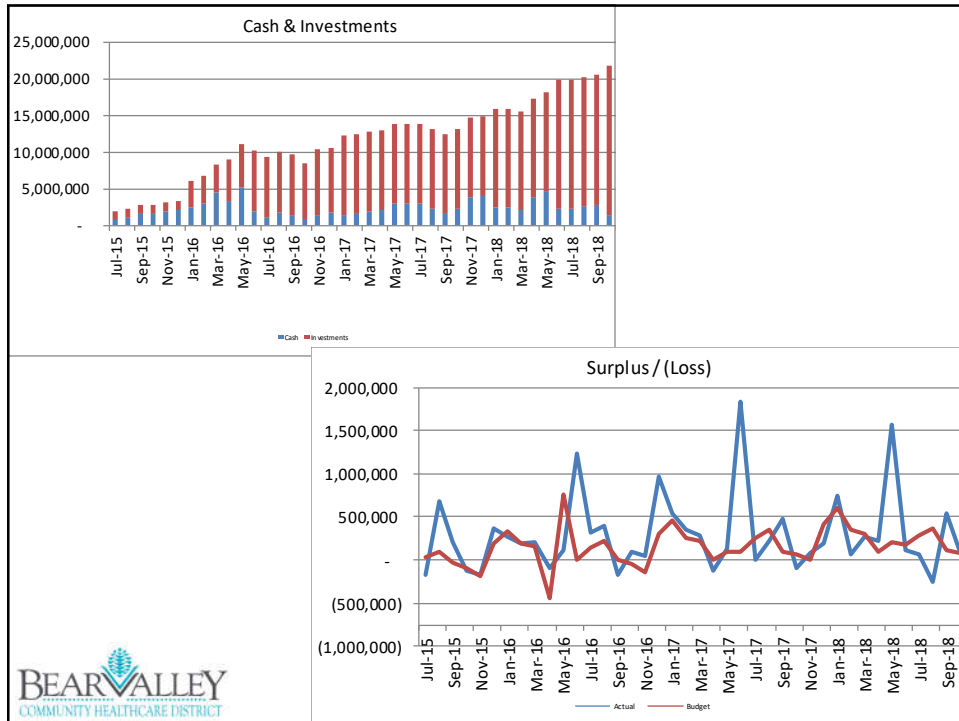


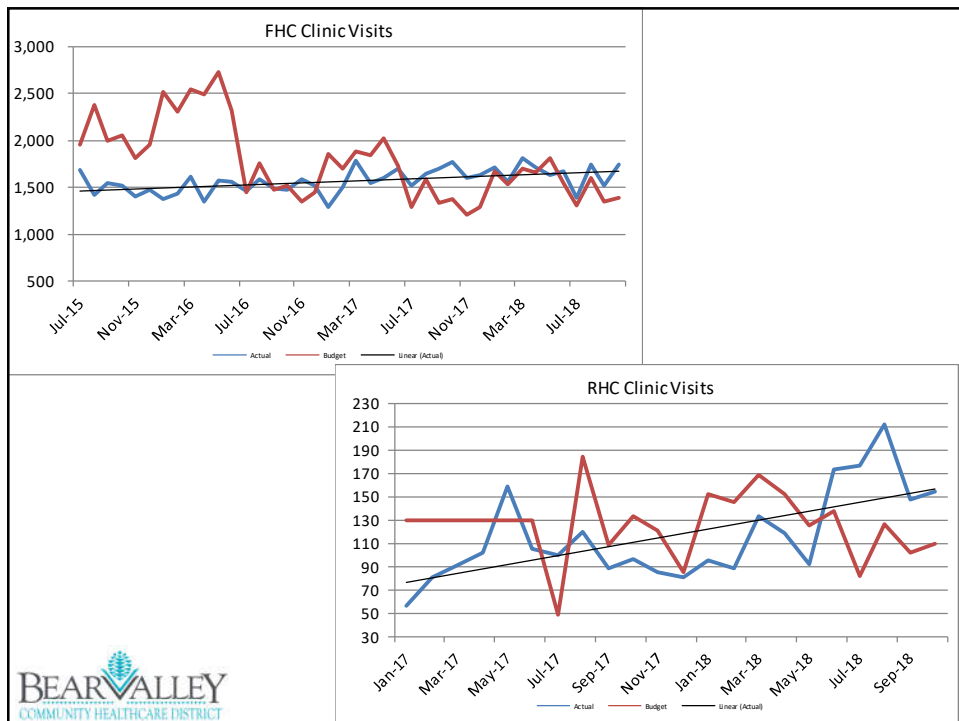
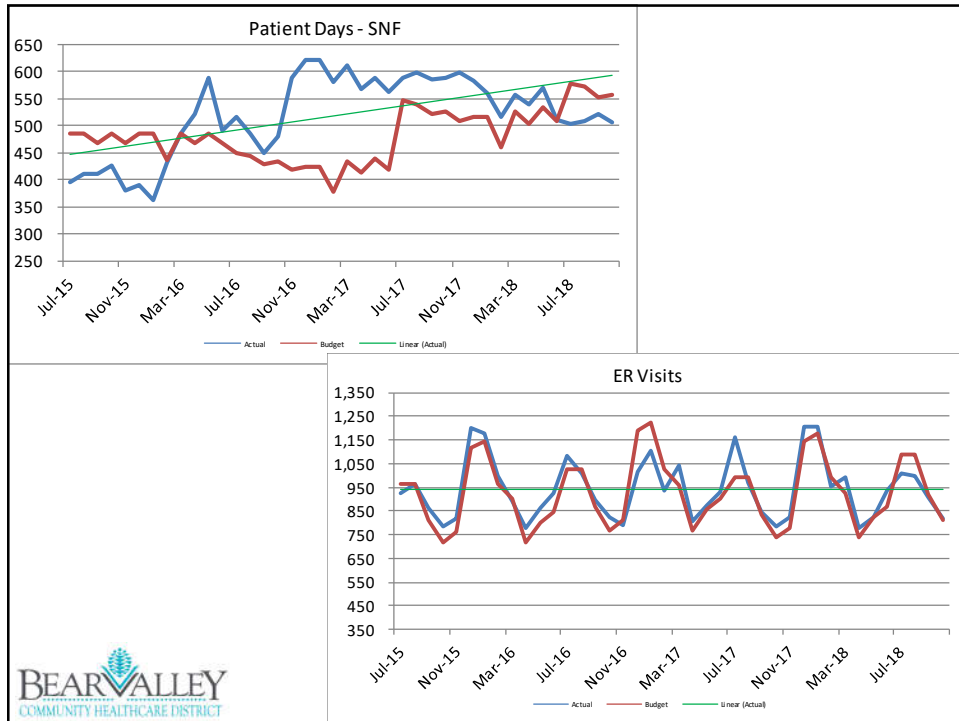
Finance Report  
October 2018 Results

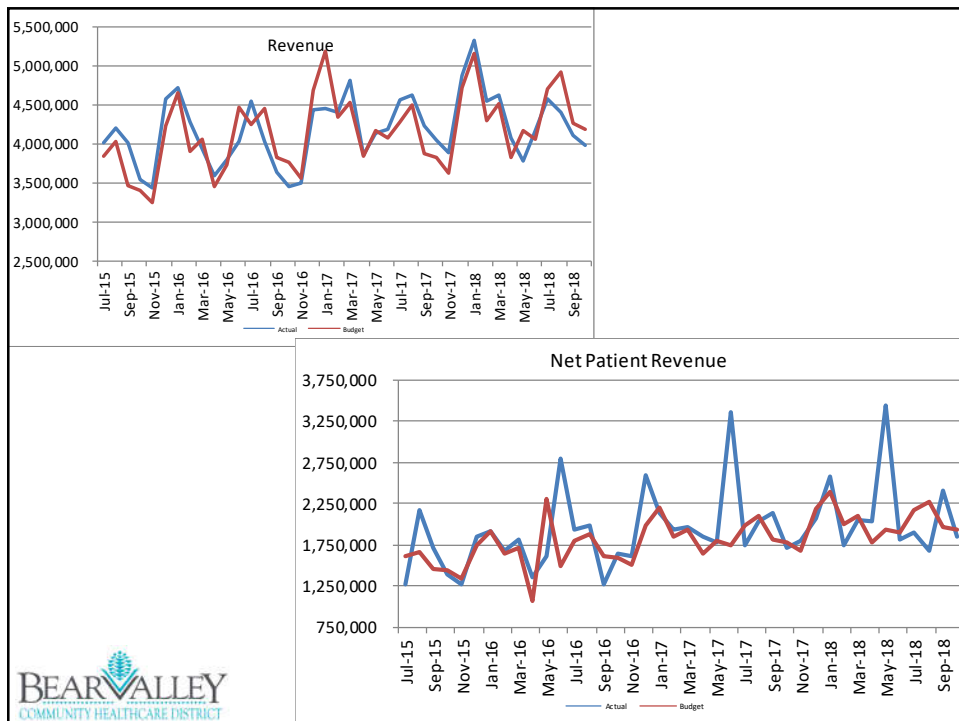
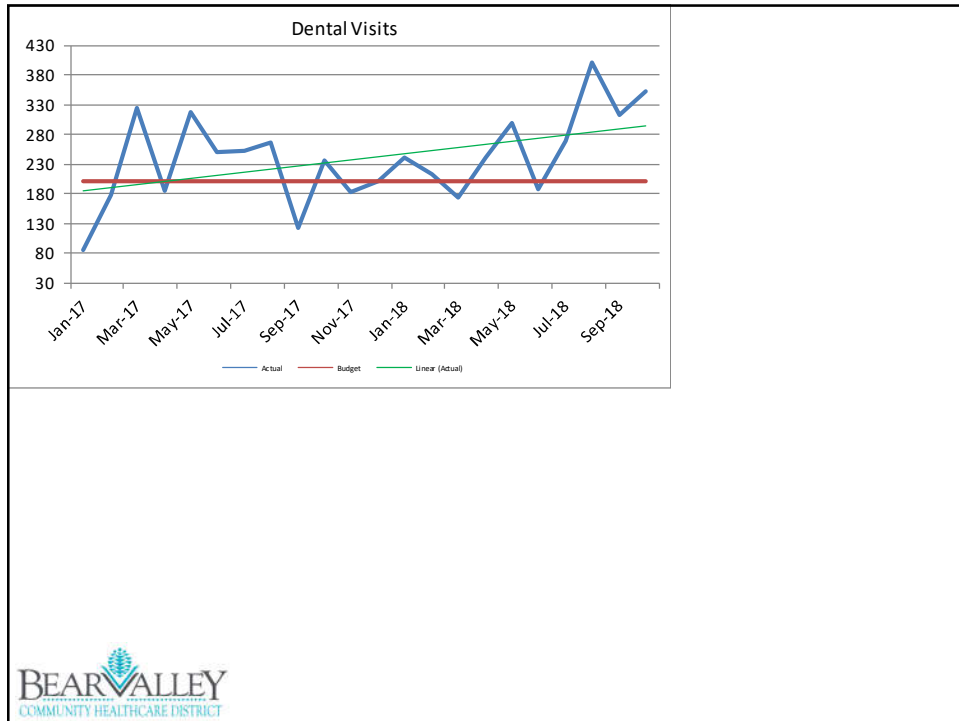
Summary for October 2018

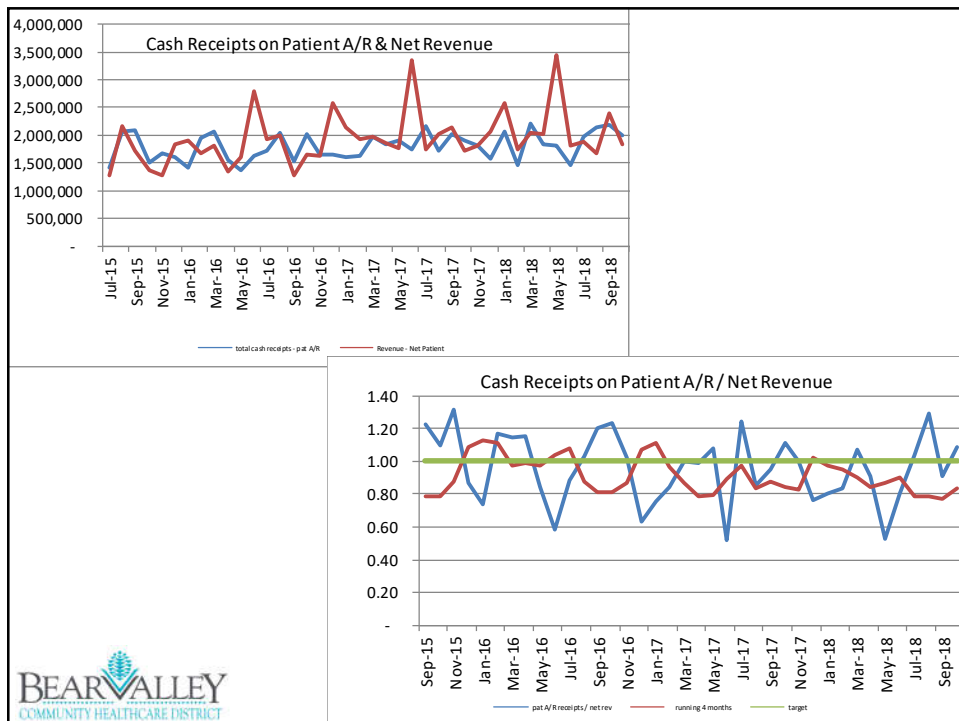
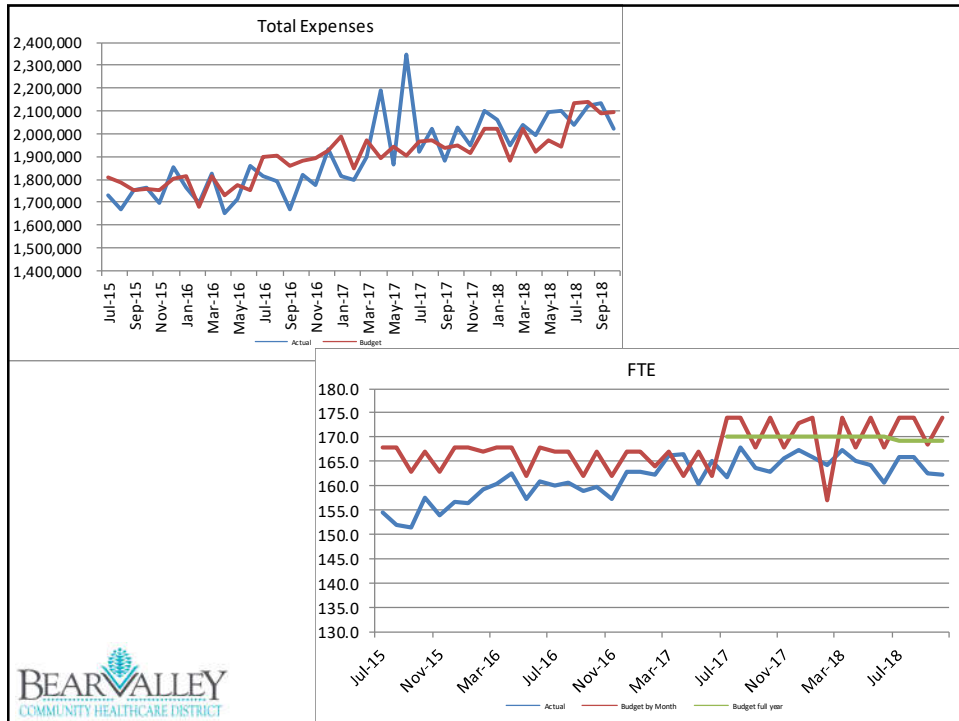
- Cash on Hand - \$ 1,877,795
- Investments - \$20,260,225
- Days Cash on hand, including investments with LAIF – 340
- Surplus of \$101,384 for the month is \$27,149 higher than budgeted Surplus
- Total Patient Revenue was under Budget by 4.8% for the month
- Net Patient Revenue was 4.2% under budget.
- Total Expenses were 3.5% lower than budget



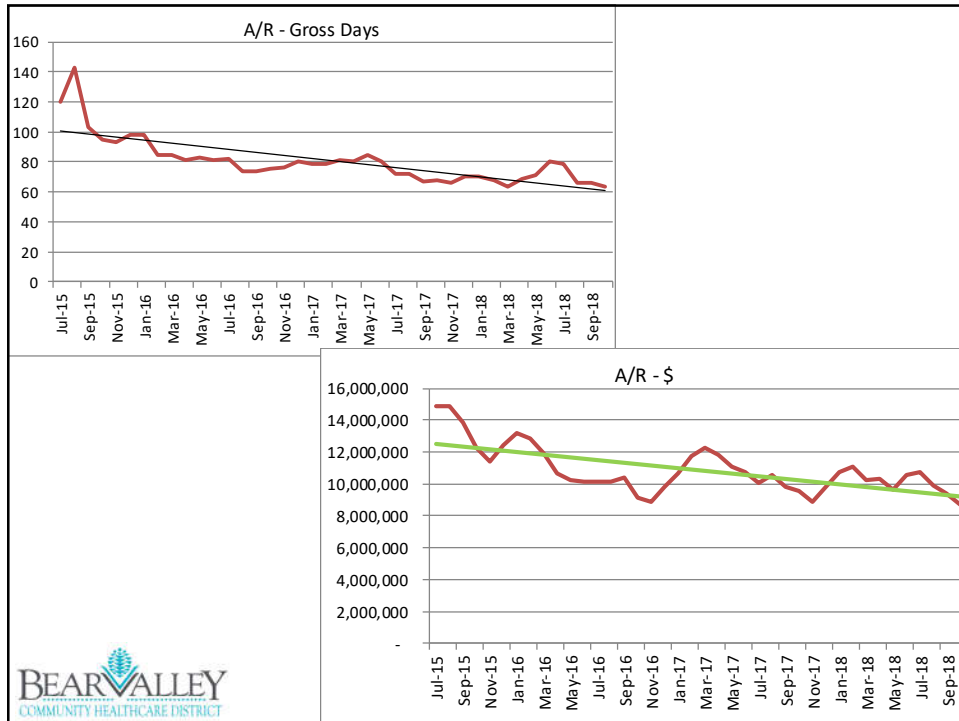














## **October 2018 Financial Results**

### **For the month . . .**

Total Patient Revenue of \$3,978,707 for October was 4.8% % under budget. For the month, acute patient days of 13 were 62% under budget and swing days of 15 were 17% under budget. SNF Days of 506 were 9% lower than budget. ER Visits of 820 were 1% more than budget.

Revenue Deductions of \$2,135,158 were 5.2% lower than budget.

Total Expenses of \$2,019,782 were 3.5% lower than budget. Salaries, Wages, and Benefits it came in 12.5% below budget with a favorable adjustment to workers comp expense reconciling 2018 amounts to the General Ledger. Professional Fees were again over budget with higher volumes in Clinics. Purchased Services were over budget due to increased Dental volume and therefore increased fees payment.

Our Surplus for the month of October 2018 was \$101,384 - \$27,149 more than budgeted.

Our Operating Cash and Investments total \$22,138,020 as of the end of month. Total days cash on hand as of the end of October 2018 are 340.

### **Key Statistics**

Acute patient days of 13 were 62% under budget, Swing days of 15 were 17% under budget. SNF days of 506 were 9% lower than budget. ER Visits of 820 were 1% more than budget.

FTE continue to be under budget.

### **Year-to-Date**

Total Patient Revenue of \$17,068,709 is 5.5% below budget. Net patient revenue of \$7,793,570 is 6.4% below budget. Total expenses of \$8,309,267 are 1.7% below budget. Our surplus of \$456,387 is \$380,165 below budget.

Acute days are 33% below budget. Swing days are 38% below budget. SNF days are 10% below budget. ER visits are 4.5% below budget. All clinic visit categories are above budget

**Bear Valley Community Healthcare District**  
Financial Statements October 31, 2018

**Financial Highlights—Hospital**  
**STATEMENT OF OPERATIONS**

	A	B	C	D	E	F	G	H	I	J
	Current Month					Year-to-Date				
	FY 17/18	FY 18/19		VARIANCE		FY 17/18	FY 18/19		VARIANCE	
	Actual	Actual	Budget	Amount	%	Actual	Actual	Budget	Amount	%
1 Total patient revenue	4,046,739	3,978,707	4,178,328	(199,621)	-4.8%	17,457,147	17,068,709	18,066,369	(997,660)	-5.5%
2 Total revenue deductions	2,338,683	2,135,158	2,253,276	(118,119)	-5.2%	9,852,859	9,275,139	9,742,777	(467,639)	-4.8%
3 % Deductions	58%	54%	54%			56%	54%	54%		
4 Net Patient Revenue	1,708,056	1,843,550	1,925,052	(81,502)	-4.2%	7,604,289	7,793,570	8,323,592	(530,021)	-6.4%
5 % Net to Gross	42%	46%	46%			44%	46%	46%		
6 Other Revenue	45,312	90,789	46,585	44,204	94.9%	107,762	140,994	186,029	(45,035)	-24.2%
7 Total Operating Revenue	1,753,369	1,934,339	1,971,637	(37,298)	-1.9%	7,712,050	7,934,565	8,509,621	(575,056)	-6.8%
8 Total Expenses	2,028,341	2,019,782	2,092,121	(72,339)	-3.5%	7,854,045	8,309,267	8,451,946	(142,679)	-1.7%
9 % Expenses	50%	51%	50%			45%	49%	47%		
10 Surplus (Loss) from Operations	(274,973)	(85,443)	(120,483)	35,041	29.1%	(141,995)	(374,702)	57,675	(432,377)	749.7%
11 % Operating margin	-7%	-2%	-3%			-1%	-2%	0%		
12 Total Non-operating	179,118	186,827	194,719	(7,892)	-4.1%	756,662	831,089	778,877	52,212	6.7%
13 Surplus/(Loss)	(95,854)	101,384	74,236	27,149	-36.6%	614,668	456,387	836,552	(380,165)	45.4%
14 % Total margin	-2%	3%	2%			4%	3%	5%		

**BALANCE SHEET**

	A	B	C	D	E
	October	October	September		
	FY 17/18	FY 18/19	FY 18/19	VARIANCE	
				Amount	%
15 Gross Accounts Receivables	9,514,168	8,676,705	9,393,508	(716,803)	-7.6%
16 Net Accounts Receivables	3,562,374	2,914,596	3,246,260	(331,664)	-10.2%
17 % Net AR to Gross AR	37%	34%	35%		
18 Days Gross AR	68.0	63.9	66.0	(2.1)	-3.2%
19 Cash Collections	1,897,526	2,000,267	2,183,830	(183,563)	-8.4%
21 Investments	10,921,640	20,260,225	17,760,225	2,500,000	14.1%
22 Cash on hand	2,187,881	1,877,795	2,710,313	(832,518)	-30.7%
23 Total Cash & Invest	13,109,521	22,138,020	20,470,538	1,667,482	8.1%
24 Days Cash & Invest	211	340	311	29	9.4%
Total Cash and Investments	13,109,521	22,138,020			
Increase Current Year vs. Prior Year		9,028,499			

**Bear Valley Community Healthcare District**  
Financial Statements October 31, 2018

**Statement of Operations**

	A	B	C	D	E	F	G	H	I	J
	Current Month					Year-to-Date				
	FY 15/16	FY 16/17		VARIANCE		FY 15/16	FY 16/17		VARIANCE	
	Actual	Actual	Budget	Amount	%	Actual	Actual	Budget	Amount	%
Gross Patient Revenue										
1 Inpatient	142,719	89,286	181,500	(92,215)	-50.8%	487,863	417,539	708,879	(291,340)	-41.1%
2 Outpatient	1,047,978	957,181	987,328	(30,147)	-3.1%	4,186,834	3,707,723	4,014,166	(306,443)	-7.6%
3 Clinic Revenue	391,164	399,238	335,855	63,383	18.9%	1,448,529	1,523,974	1,362,262	161,712	11.9%
4 Emergency Room	2,203,306	2,309,030	2,412,906	(103,877)	-4.3%	10,282,416	10,503,644	10,945,906	(442,262)	-4.0%
5 Skilled Nursing Facility	261,572	223,973	260,738	(36,765)	-14.1%	1,051,505	915,830	1,035,156	(119,326)	-11.5%
6 Total patient revenue	4,046,739	3,978,707	4,178,328	(199,621)	-4.8%	17,457,147	17,068,709	18,066,369	(997,660)	-5.5%
Revenue Deductions										
7 Contractual Allow	1,909,156	1,725,475	2,104,946	(379,471)	-18.0%	8,644,809	8,438,336	9,101,420	(663,084)	-7.3%
8 Contractual Allow PY	(1,739)	6,564	-	6,564	#DIV/0!	(27)	(693,374)	-	(693,374)	#DIV/0!
9 Charity Care	-	15,115	8,774	6,341	72.3%	20,517	58,473	37,939	20,534	54.1%
10 Administrative	10,431	2,378	7,939	(5,561)	-70.0%	293,795	12,851	34,327	(21,476)	-62.6%
11 Policy Discount	10,680	40,364	6,267	34,097	544.1%	41,354	82,350	27,099	55,251	203.9%
12 Employee Discount	4,084	3,317	3,343	(26)	-0.8%	21,832	27,654	14,454	13,200	91.3%
13 Bad Debts	236,304	231,008	122,007	109,001	89.3%	291,679	802,570	527,538	275,032	52.1%
14 Denials	190,797	110,936	-	110,936	#DIV/0!	538,901	546,278	-	546,278	#DIV/0!
15 Total revenue deductions	2,338,683	2,135,158	2,253,276	(118,119)	-5.2%	9,852,859	9,275,139	9,742,777	(467,639)	-4.8%
16 Net Patient Revenue	1,708,056	1,843,550	1,925,052	(81,502)	-4.2%	7,604,289	7,793,570	8,323,592	(530,021)	-6.4%
gross revenue including Prior Year Contractual Allowances as a percent to gross revenue WO PY and Other CA	40.2%	40.2%		40.2%		40.2%	447.4%	447.4%	0.0%	
	39.2%	39.2%		39.2%		39.2%	437.2%	437.2%	0.0%	
17 Other Revenue	45,312	90,789	46,585	44,204	94.9%	107,762	140,994	186,029	(45,035)	-24.2%
18 Total Operating Revenue	1,753,369	1,934,339	1,971,637	(37,298)	-1.9%	7,712,050	7,934,565	8,509,621	(575,056)	-6.8%
Expenses										
19 Salaries	798,066	891,749	875,096	16,653	1.9%	3,242,463	3,499,880	3,472,633	27,247	0.8%
20 Employee Benefits	292,526	185,368	351,144	(165,776)	-47.2%	1,198,669	1,071,003	1,407,163	(336,160)	-23.9%
21 Registry	-	-	-	-	#DIV/0!	12,718	-	-	-	#DIV/0!
22 Salaries and Benefits	1,090,592	1,077,117	1,226,240	(149,123)	-12.2%	4,453,851	4,570,883	4,879,796	(308,913)	-6.3%
23 Professional fees	191,107	179,265	161,233	18,032	11.2%	664,055	708,988	642,416	66,572	10.4%
24 Supplies	139,091	135,960	127,701	8,259	6.5%	507,202	529,655	528,570	1,085	0.2%
25 Utilities	40,689	40,116	41,827	(1,711)	-4.1%	168,248	173,251	172,600	651	0.4%
26 Repairs and Maintenance	30,007	41,525	28,074	13,451	47.9%	107,533	114,416	112,182	2,234	2.0%
27 Purchased Services	373,876	381,061	317,021	64,041	20.2%	1,303,051	1,537,411	1,356,259	181,151	13.4%
28 Insurance	25,835	28,460	26,975	1,485	5.5%	103,121	113,233	107,900	5,333	4.9%
29 Depreciation	61,486	76,489	81,667	(5,178)	-6.3%	218,031	305,955	326,668	(20,713)	-6.3%
30 Rental and Leases	23,454	11,158	21,112	(9,954)	-47.1%	145,238	45,307	84,448	(39,141)	-46.3%
32 Dues and Subscriptions	5,181	5,746	5,910	(164)	-2.8%	21,851	25,607	23,640	1,967	8.3%
33 Other Expense.	47,022	42,884	54,361	(11,477)	-21.1%	161,865	184,561	217,467	(32,906)	-15.1%
34 Total Expenses	2,028,341	2,019,782	2,092,121	(72,339)	-3.5%	7,854,045	8,309,267	8,451,946	(142,679)	-1.7%
35 Surplus (Loss) from Operations	(274,973)	(85,443)	(120,483)	35,041	29.1%	(141,995)	(374,702)	57,675	(432,377)	749.7%
36 Non-Operating Income										
37 Tax Revenue	186,047	184,244	184,244	(0)	0.0%	744,188	736,976	736,977	(1)	0.0%
38 Other non-operating	130	9,020	3,133	5,887	187.9%	10,247	24,320	12,532	11,788	94.1%
Interest Income	693	1,124	15,125	(14,001)	-92.6%	33,600	100,239	60,500	39,739	65.7%
Interest Expense	(7,752)	(7,561)	(7,783)	222	-2.9%	(31,373)	(30,446)	(31,132)	686	-2.2%
IGT Expense	-	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!
39 Total Non-operating	179,118	186,827	194,719	(7,892)	-4.1%	756,662	831,089	778,877	52,212	6.7%
40 Surplus/(Loss)	(95,854)	101,384	74,236	27,149	-36.6%	614,668	454,888	134,552	(480,115)	-94.4%

2018-19 Actual BS

BALANCE SHEET

Includes Final Entries 6-30-18

	PY				
	July	Aug	Sept	Oct	June
ASSETS:					
Current Assets					
Cash and Cash Equivalents (Includes CD's)	2,296,309	2,551,340	2,710,313	1,422,386	2,253,824
Gross Patient Accounts Receivable	10,740,258	9,856,844	9,392,893	8,676,040	10,597,934
Less: Reserves for Allowances & Bad Debt	6,470,520	6,125,057	6,146,633	5,761,444	6,413,352
Net Patient Accounts Receivable	4,269,738	3,731,787	3,246,260	2,914,596	4,184,582
Tax Revenue Receivable	2,210,931	2,210,931	2,210,931	2,210,931	52,044
Other Receivables	50,484	78,234	93,056	651,781	96,628
Inventories	130,292	134,606	136,936	139,583	129,318
Prepaid Expenses	299,848	293,739	345,377	346,209	199,838
Due From Third Party Payers	0	0			
Due From Affiliates/Related Organizations	0	0			
Other Current Assets	0	0			
Total Current Assets	9,257,602	9,000,637	8,742,873	7,685,486	6,916,233
Assets Whose Use is Limited					
Investments	17,668,421	17,668,421	17,760,225	20,260,225	17,668,421
Other Limited Use Assets	144,375	144,375	144,375	144,375	144,375
Total Limited Use Assets	17,812,796	17,812,796	17,904,600	20,404,600	17,812,796
Property, Plant, and Equipment					
Land and Land Improvements	570,615	570,615	570,615	570,615	570,615
Building and Building Improvements	9,758,672	9,772,522	9,772,522	9,772,522	9,758,672
Equipment	11,779,820	11,844,577	11,912,516	12,010,795	11,761,910
Construction In Progress	48,953	101,798	127,293	166,571	32,516
Capitalized Interest					
Gross Property, Plant, and Equipment	22,158,060	22,289,512	22,382,945	22,520,503	22,123,712
Less: Accumulated Depreciation	13,685,197	13,761,686	13,838,174	13,914,663	13,608,708
Net Property, Plant, and Equipment	8,472,863	8,527,826	8,544,771	8,605,840	8,515,004
TOTAL UNRESTRICTED ASSETS	35,543,261	35,341,260	35,192,244	36,695,926	33,244,034
Restricted Assets	0	0	0	0	0
TOTAL ASSETS	35,543,261	35,341,260	35,192,244	36,695,926	31,316,969

2018-19 Actual BS

BALANCE SHEET

Includes Final Entries 6-30-18

LIABILITIES:

	PY				
	July	Aug	Sept	Oct	June
Current Liabilities					
Accounts Payable	954,160	880,513	1,028,412	1,133,880	906,103
Notes and Loans Payable					
Accrued Payroll	705,323	806,989	844,952	990,998	758,370
Patient Refunds Payable					
Due to Third Party Payers (Settlements)	3,983,651	4,173,225	3,473,225	4,800,692	3,769,980
Advances From Third Party Payers					
Current Portion of Def Rev - Txs,	2,061,687	1,877,443	1,693,199	1,508,955	35,000
Current Portion - LT Debt	35,000	35,000	35,000	35,000	35,000
Current Portion of AB915					
Other Current Liabilities (Accrued Interest & Accrued Other)	7,630	22,873	30,494	38,055	7,621
Total Current Liabilities	7,747,451	7,796,043	7,105,281	8,507,580	5,512,074
Long Term Debt					
USDA Loan	2,895,000	2,895,000	2,895,000	2,895,000	2,895,000
Leases Payable	0	0	0	0	0
Less: Current Portion Of Long Term Debt	35,000	35,000	35,000	35,000	35,000
Total Long Term Debt (Net of Current)	2,860,000	2,860,000	2,860,000	2,860,000	2,860,000
Other Long Term Liabilities					
Deferred Revenue	0	0	0	0	0
Other	0	0	0	0	0
Total Other Long Term Liabilities	0	0	0	0	0
TOTAL LIABILITIES	10,607,451	10,656,043	9,965,281	11,367,580	8,372,074
Fund Balance					
Unrestricted Fund Balance	24,871,960	24,871,960	24,871,960	24,871,960	20,663,982
Temporarily Restricted Fund Balance	0	0			
Equity Transfer from FRHG	0	0			
Net Revenue/(Expenses)	63,851	-186,743	355,003	456,387	4,207,978
TOTAL FUND BALANCE	24,935,811	24,685,217	25,226,963	25,328,347	24,871,960
TOTAL LIABILITIES & FUND BALANCE	35,543,261	35,341,260	35,192,244	36,695,926	33,244,034

**Bear Valley Community Healthcare District  
Financial Statements**

**Current Year Trending Statement of Operations**

**A Statement of Operations—CURRENT YEAR 2019**

		1	2	3	4	5	6	7	8	9	10	11	12	
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	YTD
<b>Gross Patient Revenue</b>														
1	Inpatient	74,791	120,993	132,469	89,286									417,539
2	Outpatient	972,222	931,894	846,425	957,181									3,707,723
3	Clinic	342,650	422,712	359,375	399,238									1,523,974
4	Emergency Room	2,957,516	2,703,194	2,533,903	2,309,030									10,503,644
5	Skilled Nursing Facility	223,604	228,589	239,665	223,973									915,830
6	<b>Total patient revenue</b>	<b>4,570,784</b>	<b>4,407,382</b>	<b>4,111,836</b>	<b>3,978,707</b>	-	-	-	-	-	-	-	-	<b>17,068,709</b>
<b>Revenue Deductions</b>		C/A	0.51	0.53	0.50	0.43	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0.49
7	Contractual Allow	2,320,958	2,352,744	2,039,158	1,725,475									8,438,336
8	Contractual Allow PY	62	-	(700,000)	6,564									(693,374)
9	Charity Care	15,343	-	28,015	15,115									58,473
10	Administrative	806	2,818	6,849	2,378									12,851
11	Policy Discount	13,989	15,616	12,381	40,364									82,350
12	Employee Discount	12,793	5,188	6,356	3,317									27,654
13	Bad Debts	215,076	186,926	169,560	231,008									802,570
14	Denials	103,506	177,395	154,441	110,936									546,278
15	<b>Total revenue deductions</b>	<b>2,682,534</b>	<b>2,740,687</b>	<b>1,716,760</b>	<b>2,135,158</b>	-	-	-	-	-	-	-	-	<b>9,275,139</b>
16	<b>Net Patient Revenue</b>	<b>1,888,250</b>	<b>1,666,694</b>	<b>2,395,076</b>	<b>1,843,550</b>	-	-	-	-	-	-	-	-	<b>7,793,570</b>
	net / tot pat rev	41.3%	37.8%	58.2%	46.3%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	45.7%
17	<b>Other Revenue</b>	<b>19,441</b>	<b>19,594</b>	<b>11,170</b>	<b>90,789</b>									<b>140,994</b>
18	<b>Total Operating Revenue</b>	<b>1,907,691</b>	<b>1,686,288</b>	<b>2,406,246</b>	<b>1,934,339</b>	-	-	-	-	-	-	-	-	<b>7,934,565</b>
<b>Expenses</b>														
19	Salaries	885,068	891,463	831,600	891,749									3,499,880
20	Employee Benefits	303,328	293,241	289,066	185,368									1,071,003
21	Registry	-	-	-	-									-
22	Salaries and Benefits	1,188,396	1,184,704	1,120,666	1,077,117	-	-	-	-	-	-	-	-	4,570,883
23	Professional fees	173,695	181,120	174,907	179,265									708,988
24	Supplies	121,217	135,487	136,991	135,960									529,655
25	Utilities	46,712	43,958	42,464	40,116									173,251
26	Repairs and Maintenance	17,407	23,079	32,405	41,525									114,416
27	Purchased Services	325,455	373,332	457,562	381,061									1,537,411
28	Insurance	28,258	28,258	28,258	28,460									113,233
29	Depreciation	76,489	76,489	76,489	76,489									305,955
30	Rental and Leases	11,421	11,509	11,219	11,158									45,307
32	Dues and Subscriptions	6,882	7,101	5,879	5,746									25,607
33	Other Expense.	40,078	55,169	46,430	42,884									184,561
34	<b>Total Expenses</b>	<b>2,036,009</b>	<b>2,120,207</b>	<b>2,133,270</b>	<b>2,019,782</b>	-	-	-	-	-	-	-	-	<b>8,309,267</b>
35	<b>Surplus (Loss) from Operations</b>	<b>(128,318)</b>	<b>(433,918)</b>	<b>272,977</b>	<b>(85,443)</b>	-	-	-	-	-	-	-	-	<b>(374,702)</b>
36	<b>Non-Operating Income</b>													
37	Tax Revenue	184,244	184,244	184,244	184,244									736,976
38	Other non-operating	15,020	245	35	9,020									24,320
	Interest Income	543	6,457	92,115	1,124									100,239
	Interest Expense	(7,638)	(7,621)	(7,626)	(7,561)									(30,446)
	IGT Expense	-	-	-	-									-
39	<b>Total Non-operating</b>	<b>192,169</b>	<b>183,325</b>	<b>268,768</b>	<b>186,827</b>	-	-	-	-	-	-	-	-	<b>831,089</b>
40	<b>Surplus/(Loss)</b>	<b>63,851</b>	<b>(250,594)</b>	<b>541,745</b>	<b>101,384</b>	-	-	-	-	-	-	-	-	<b>456,387</b>

**Units of Service**  
For the period ending: October 31, 2018

31						123									
Current Month						Bear Valley Community Hospital				Year-To-Date					
Oct-18		Oct-17	Actual -Budget		Act.-Act.		Oct-18		Oct-17	Actual -Budget		Act.-Act.			
Actual	Budget	Actual	Variance	Var %	Var %		Actual	Budget	Actual	Variance	Var %	Var %			
13	34	31	(21)	-61.8%	-58.1%	Med Surg Patient Days	85	127	108	(42)	-33.1%	-21.3%			
15	18	15	(3)	-16.7%	0.0%	Swing Patient Days	43	69	43	(26)	-37.7%	0.0%			
506	558	589	(52)	-9.3%	-14.1%	SNF Patient Days	2,037	2,260	2,361	(223)	-9.9%	-13.7%			
534	610	635	(76)	-12.5%	-15.9%	Total Patient Days	2,165	2,456	2,512	(291)	-11.8%	-13.8%			
6	14	14	(8)	-57.1%	-57.1%	Acute Admissions	41	56	51	(15)	-26.8%	-19.6%			
7	14	11	(7)	-50.0%	-36.4%	Acute Discharges	39	56	50	(17)	-30.4%	-22.0%			
1.9	2.4	2.8	(0.6)	-23.5%	-34.1%	Acute Average Length of Stay	2.2	2.3	2.2	(0.1)	-3.9%	0.9%			
0.4	1.1	1.0	(0.7)	-61.8%	-58.1%	Acute Average Daily Census	0.7	1	0.9	(0.3)	-33.1%	-21.3%			
16.8	18.6	19.5	(1.8)	-9.5%	-13.7%	SNF/Swing Avg Daily Census	16.9	19	19.5	(2.0)	-10.7%	-13.5%			
17.2	19.7	20.5	(2.5)	-12.5%	-15.9%	Total Avg. Daily Census	17.6	20	20.4	(2.4)	-11.8%	-13.8%			
38%	44%	46%	-5%	-12.5%	-15.9%	% Occupancy	39%	44%	45%	-5%	-11.8%	-13.8%			
5	13	9	(8)	-61.5%	-44.4%	Emergency Room Admitted	34	52	42	(18)	-34.6%	-19.0%			
815	799	774	16	2.0%	5.3%	Emergency Room Discharged	3,703	3,861	3,717	(158)	-4.1%	-0.4%			
820	812	783	8	1.0%	4.7%	Emergency Room Total	3,737	3,913	3,759	(176)	-4.5%	-0.6%			
26	26	25	0	1.0%	4.7%	ER visits per calendar day	30	32	31	(1)	-4.5%	-0.6%			
83%	93%	64%	100%	107.7%	29.6%	% Admits from ER	83%	93%	82%	83%	89.7%	0.7%			
-	-	-	-	0.0%	#DIV/0!	Surgical Procedures I/P	-	-	-	-	0.0%	#DIV/0!			
17	10	8	7	70.0%	112.5%	Surgical Procedures O/P	54	38	53	16	42.1%	1.9%			
17	10	8	7	70.0%	112.5%	TOTAL Procedures	54	38	53	16	42.1%	1.9%			
709	1,047	162	(338)	-32.3%	337.7%	Surgical Minutes Total	3,672	4,154	412	(482)	-11.6%	791.3%			



**Units of Service**  
For the period ending: October 31, 2018

Current Month						Bear Valley Community Hospital		Year-To-Date				
Oct-18		Oct-17	Actual -Budget		Act.-Act.		Oct-18		Oct-17	Actual -Budget		Act.-Act.
Actual	Budget	Actual	Variance	Var %	Var %		Actual	Budget	Actual	Variance	Var %	Var %
6,337	6,013	6,172	324	5.4%	2.7%	Lab Procedures	26,520	24,792	25,884	1,728	7.0%	2.5%
713	644	768	69	10.7%	-7.2%	X-Ray Procedures	3,144	2,886	2,560	258	8.9%	22.8%
248	235	256	13	5.5%	-3.1%	C.T. Scan Procedures	1,072	983	1,044	89	9.1%	2.7%
223	226	213	(3)	-1.3%	4.7%	Ultrasound Procedures	916	916	933	-	0.0%	-1.8%
67	62	79	5	8.1%	-15.2%	Mammography Procedures	233	248	308	(15)	-6.0%	-24.4%
211	309	274	(98)	-31.7%	-23.0%	EKG Procedures	1,058	1,235	1,220	(177)	-14.3%	-13.3%
82	105	121	(23)	-21.9%	-32.2%	Respiratory Procedures	405	437	414	(32)	-7.3%	-2.2%
1,341	1,607	1,616	(266)	-16.6%	-17.0%	Physical Therapy Procedures	5,917	5,445	5,556	472	8.7%	6.5%
1,899	1,492	1,859	407	27.3%	2.2%	Primary Care Clinic Visits	7,077	6,061	7,016	1,016	16.8%	0.9%
352	200	236	152	76.0%	49.2%	Specialty Clinic Visits	1,332	800	876	532	66.5%	52.1%
2,251	1,692	2,095	559	33.0%	7.4%	Clinic	8,409	6,861	7,892	1,548	22.6%	6.6%
87	65	81	21	33.0%	7.4%	Clinic visits per work day	46	38	43	9	22.6%	6.6%
19.8%	20.00%	22.20%	-0.20%	-1.00%	-10.81%	% Medicare Revenue	20.30%	20.00%	20.28%	0.30%	1.50%	0.12%
40.40%	39.00%	42.30%	1.40%	3.59%	-4.49%	% Medi-Cal Revenue	37.63%	39.00%	40.55%	-1.38%	-3.53%	-7.21%
35.00%	36.00%	31.60%	-1.00%	-2.78%	10.76%	% Insurance Revenue	37.25%	36.00%	35.03%	1.25%	3.47%	6.35%
4.80%	5.00%	3.90%	-0.20%	-4.00%	23.08%	% Self-Pay Revenue	4.83%	5.00%	4.15%	-0.18%	-3.50%	16.27%
142.5	156.88	142.8	(14.4)	-9.1%	-0.2%	Productive FTE's	141.69	155.61	144.6	(13.9)	-8.9%	-2.0%
162.2	173.97	163.0	(11.7)	-6.8%	-0.5%	Total FTE's	164.21	172.59	164.1	(8.4)	-4.9%	0.0%



## **CFO REPORT for**

### **December 2018 Finance and Board meetings**

#### **FYE June 30, 2018, DRAFT Audited Financial Statements**

Attached is our draft Audited financial statements for Fiscal Year Ended June 30, 2018. Our auditor Jerrell Tucker is scheduled to attend the December 12, 2018, board meeting to present the results of the audit and for the board to approve the Audited Financial Statements.

#### **Fiscal Year Ended June 30, 2018, Cost Report**

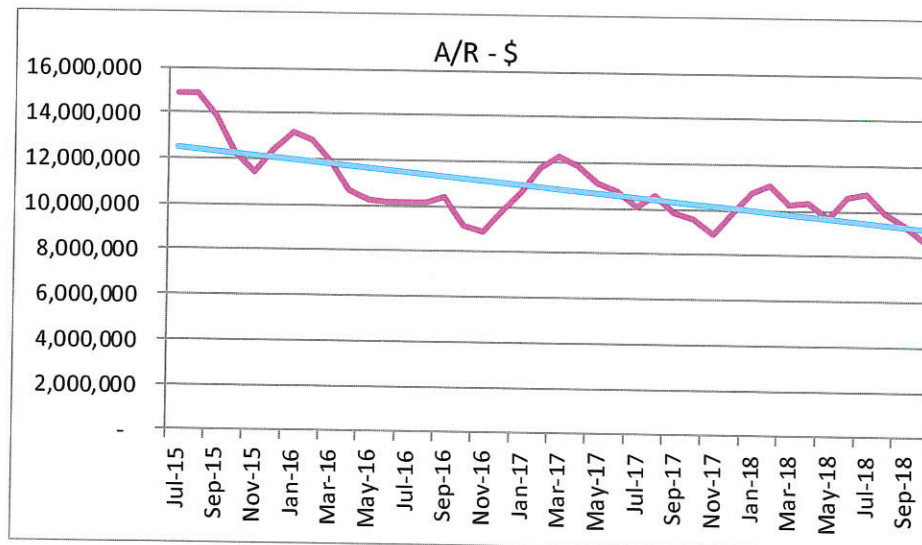
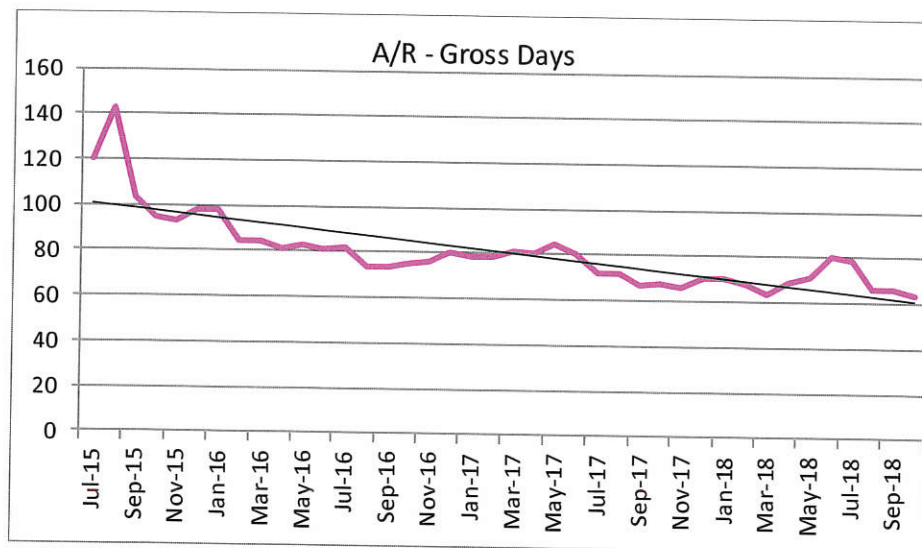
WIPLIFi has completed work on Fiscal Year Ended June 30, 2018 Cost Report. David Perry of QHR is nearing completion of his review. Draft report shows just over \$200,000 due back to us from Medicare. Final report should be ready for review and approval at the December board meeting. Board can then authorize John Friel, CEO, to sign and submit the cost report.

#### **TruBridge – Accounts Receivable Management**

Accounts Receivable days are averaging 64.7 over the last six weeks.

We had a good meeting in the middle of November with a new person from TruBridge who will be working with us on our account. She has good experience at a small hospital as a Revenue Cycle Manager using CPSI. She is helping us review denials.

Graphs from the October 2018 Financial report (below) show monthly trends of reductions in Accounts Receivable days and Gross dollars.



### **Productivity Benchmarking Assessment**

Next week we will review preliminary Productivity Benchmarking Assessment report from QHR with the consultants who conducted the engagement. The final findings will be presented to department managers and the board in December.

### **Financial Advisory Services and Debt Capacity Assessment**

The final agreement with Gary Hicks for Financial Advisory Services will go to the board for approval at the December 12<sup>th</sup> meeting. We have been exchanging final information to complete the Debt Capacity Assessment that QHR is helping us to conduct.