AGENDA
COMMUNITY HEALTH SERVICES BOARD
Cordova Center – Community Room A
June 9, 2016 at 7:00PM
REGULAR MEETING

AT CCMC, WE BELIEVE THAT HEALTHY PEOPLE CREATE A HEALTHY COMMUNITY.

Board Members

President:
David Allison
Term expires 03/19

Vice-President: Tim Joyce
Term expires 03/17

Secretary:
Tom Bailer
term expires 03/17

James Burton
term expires 03/19
Joshua Hallquist
term expires 03/18
Robert Beedle
term expires 03/18
James Wiese
Term expires 03/19

Interim CEO
Noel Rea

OPENING

1. Call to Order
2. Roll Call – David Allison, Tim Joyce, James Burton, Tom Bailer, Josh Hallquist, Robert Beedle and James Wiese.
3. Establishment of a Quorum

A. APPROVAL OF AGENDA

B. CONFLICT OF INTEREST

C. COMMUNICATIONS BY AND PETITIONS FROM VISITORS

1. Annual Audit
2. Salary Schedule JB Rewards
3. Audience Comments (limited to 3 minutes per speaker).
   Speaker must give name and agenda item to which they are addressing.

D. APPROVAL OF CONSENT CALENDAR (sent to board separate)

1. LTC 103 – Pet Visits
2. LTC 316 - Physician Visits for Long Term Care Residents
3. LTC 310 - Medication Pass for Long Term Care
4. LTC 309 – Missing Residents
5. LTC 105 – Activity Calendar
6. LTC 325 – Activity Therapy Documentation
7. LTC 102 – Long Term Care Activities
8. NSG 133A – PICC Line Dressing Change
9. NSG 133B – Withdrawal of Blood Specimens from PICC Lines
10. RS P207 – Paraffin Bath
11. RS P301 – Use of Hot Packs
12. RS P302 – Use of Cold Packs
13. RS P303 – Linens
14. RS P304 – Patient Transports
15. RS P305 – Use of Walkers
16. RS P401 – Standards of Practice
17. RS P402 – Objectives
18. RS P403 – Accountability and Responsibility
19. RS P404 – Collaborative Efforts
20. RS P405 – Department Goals
21. RS P406 – Department Mission
22. RS P407 – Discharge Criteria
23. RS P408 – Discharge Planning
24. RS P409 - Hours of Operation & Scope of Practice
25. RS P410 – Treatment Plan
26. RS P411 – Documentation Timelines

*Executive Session: Subjects that may be considered in executive session are: 1) Matters, immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity; 2) Subjects that tend to prejudice the reputation and character of any person, provided that the person may request a public discussion; 3) Matters which by law, municipal charter, or ordinance are required to be confidential; 4) Matters involving consideration of governmental records that by law are not subject to public disclosure; 5) Direction to an attorney or labor negotiator regarding the handling of specific legal matters or labor negotiations.

27. RS P412 – Treatment and Documentation
28. RS P413 – Guidelines for Billing
29. RS P414 – Initiating Therapy
30. RS P416 – Outpatient Referrals for Therapy
31. RS P418 – Statement of Purpose
32. RS P419 – Triage of Patients During Times of Prioritization of Needs
33. RS P420 – Staff Education
34. QMC 100 – Unusual Occurrence Report
35. ER 111 – Medications for use in Myocardial Infarction
36. ER 113 – Procedural Sedation in Children
37. ER 114 – Medevac Transportation
38. LAB 200 – Urine Drug Screen Collection
39. LAB P201 – Blood Collection – Venipuncture
40. LAB P202 – Blood Collection – Pediatric
41. LAB C203 – Blood Collection – Finger Stick Method
42. LAB P300 – Laboratory Hours of Operation
43. LAB C302 – Specimen Labeling
44. LAB P303 – Criteria for Rejection
45. LAB P306 – Collecting a Midstream (clean-voided) Urine
46. LAB P309 – Quality Control Testing and Follow-up
47. LAB P310 – CBC-Abbott Cell-Dyn 1800
48. LAB P311 – Delegation of Lab Responsibilities
49. LAB P312 – Release of Laboratory Results
50. LAB P313 – Retention of Records
51. LAB P307 – Critical Values
52. LAB P314 – Complaints
53. LAB P 301 – Laboratory Requests and Reporting of Results
54. LAB C108a – Uncrossed O Negative Physician Ordered Transfusion Release Form
55. DTY 103 – Regular Menu and Therapeutic Diets
56. DTY 302 – Food Intake Studies
57. DTY 302a – Food Intake Study Form
58. DTY 303 – Dietary Work Responsibilities
59. DTY 304 – Dietary Infection Control
60. DTY 307 – Cleaning Schedule
61. DTY 308 – Techniques for Blending/Pureeing
62. DTY 310 – Dietary Purchasing Orders
63. DTY 311 – Dietary In-Services and Meetings
64. DTY 312 – Dishwasher and Manual Dishwashing Procedures
65. DTY 313 – Hazardous Analysis of Critical Control Points
66. DTY 314 – Noncompliance with Doctor Ordered Diet
67. DTY 315 – Nourishments
68. DTY 316 – Techniques for Cleaning Dietary Equipment
69. DTY 317 – Meal Service Tray
70. DTY 318 – Proper Food Tasting
71. DTY 319 – Preparation and Service of Diet Orders
72. DTY 320 – Portion Control
73. DTY 322 – Food Ordering
74. DTY 324 – Use of Traditional Game Foods in Public Facilities
75. DTY 325 – Personal Appearance and Conduct
76. DTY 326 – Documentation of Food Time/Temperature Controls

*Executive Session: Subjects that may be considered in executive session are: 1) Matters, immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity; 2) Subjects that tend to prejudice the reputation and character of any person, provided that the person may request a public discussion; 3) Matters which by law, municipal charter, or ordinance are required to be confidential; 4) Matters involving consideration of governmental records that by law are not subject to public disclosure; 5) Direction to an attorney or labor negotiator regarding the handling of specific legal matters or labor negotiations.

77. DTY 326a – Dietary Menu
78. DTY 327 – Refrigerated Foods
79. DTY 328 – Silverware Containment
80. DTY 329 – Safe and Sanitary Handling of Dishes
81. DTY 330 – Long Term Care Storage
82. DTY 331 – Dented Cans
83. DTY 501 - Housekeeping
84. DTY 502 – Diet Manual
85. DTY 504 – Dumbwaiter Operation Procedure
86. DTY 507 - Initial Nutrition Screening and Assessment
87. DTY 509 – Diet Consult and Nutrition Evaluation
88. DTY 510 – Dietary Information System
89. DTY 513 – Pest Control
90. DTY 514 – Department Organization
91. DTY 515 – Newly Admitted Long Term Care (LTC) Resident
92. DTY 516 – Fire Safety Training in the Dietary Department
93. DTY 700 – Cafeteria Services
94. DTY 701 – Authorized Personnel in Kitchen
95. DTY 702 – Infection Control in Preparation of Diet Orders
96. DTY 323 – Sanitation and Safety Appropriate Food & Equipment Handling
97. DTY 321 – Storage and Receiving Food Items
98. DTY 316 – Techniques for Cleaning Dietary Equipment
99. DTY 309 – Job Description Development
100. DTY 305 – Orientation of Dietary Employees

E. APPROVAL OF MINUTES **Pgs.** 1-8

1. April 14, 2016 Regular Meeting Minutes
2. April 27, 2016 Special Meeting Minutes
3. May 12, 2016 Regular Meeting Minutes

F. REPORTS OF OFFICER and ADVISORS

1. President's Report – **Pgs.**
2. Administrator's Report - attached **Pgs.** 9-10
3. Finance Report – attached **Pgs.** 11-40
4. Medical Director's Report - None
5. Sound Alternatives Report - None
6. QHR Report – Quorum Monthly Updates **Pgs.** 41-43

G. CORRESPONDENCE

H. ACTION ITEMS - None

I. DISCUSSION ITEMS

1. List of Contracts Obligating CCMC

J. AUDIENCE PARTICIPATION (limited to 3 minutes per speaker)

Members of the public are given the opportunity to comment on matters which are within the subject matter jurisdiction of the Board and are appropriate for discussion in an open session.

K. BOARD MEMBERS COMMENTS

L. EXECUTIVE SESSION

1. CEO Transition
2. Personnel Issues – Attorney Client

M. ADJOURNMENT

*Executive Session: Subjects that may be considered in executive session are: 1) Matters, immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity; 2) Subjects that tend to prejudice the reputation and character of any person, provided that the person may request a public discussion; 3) Matters which by law, municipal charter, or ordinance are required to be confidential; 4) Matters involving consideration of governmental records that by law are not subject to public disclosure; 5) Direction to an attorney or labor negotiator regarding the handling of specific legal matters or labor negotiations.

Minutes
Community Health Services Board
Cordova Center – Library Education Room
April 14, 2016 at 7:00pm
Regular Meeting

I. CALL TO ORDER AND ROLL CALL –

David Allison called the HSB special meeting to order at 7:00pm. Board members present: **David Allison, Tim Joyce** (telephonically), **Tom Bailer** (telephonically), **Robert Beedle and Josh Hallquist.**
A quorum was established. 5 members present; 2 member absent.

CCMC staff present: Noel Rea, Interim CEO; Randy Apodaca, Rehab Services; Mary Rios, Interim DON; Olinda White, Interim CFO; Dr. Blackadar, Medical Director; Stephen Sundby, Executive Director of Sound Alternatives and Kevin Byrd, Radiology Tech.

II. APPROVAL OF AGENDA

M/ Beedle S/ Bailer "move to approve the agenda."
Vote on motion: 5 yeas, 0 nays, 2 absent. Allison-yes; Joyce-yes; Beedle-yes; Bailer-yes; Hallquist-yes; Burton-Absent; and Wiese-Absent. Motion was approved.

III. CONFLICT OF INTEREST ~ None

IV. COMMUNICATIONS BY AND PETITIONS FROM VISITORS ~ None

- **Guest Speakers**
- **Audience Comments**

V. APPROVAL OF CONSENT CALENDAR

M/ Beedle S/ Hallquist "move to approve the consent calendar."
Policies RAD018, RS102, RS103, RS105, RS106, RS201, RS202, RS203, RS204 and RS206.
Vote on motion: 5 yeas, 0 nays, 2 absent. Allison-yes; Joyce-yes; Beedle-yes; Bailer-yes; Hallquist-yes; Burton-Absent; and Wiese-Absent. Motion was approved.

VI. APPROVAL OF MINUTES

M/ Beedle S/ Hallquist "move to approve the minutes from the March 10, 2016 Regular Meeting"
Vote on motion: 5 yeas, 0 nays, 2 absent. Allison-yes; Joyce-yes; Beedle-yes; Bailer-yes; Hallquist-yes; Burton-Absent; and Wiese-Absent. Motion was approved.

VII. REPORTS OF OFFICERS and ADVISORS ~ None

President's Report ~ We're doing our CEO interviews an talking to folks about that last week. Fejes Insurance was in town last week and I talked with them about the self-insurance program.

Administrator's Report ~ CNA class is coming up soon, most of the floor time will be in the facility. Reminder that Joe Tye will be here on the 27th with you guys and outline some of the results from the survey. We need to set our rates, we're asking for a 7% increase across the board.
HSB Agreed to a 7% across the board increase

Medical Director's Report ~ Dr. Sanders is excited about the future here. Dr. Blackadar reviewed the Medical Director data that was provided to the Board.

Sound Alternatives Report ~ Stephen Sundby stated that they were doing a continuation grant for Behavioral Health. And reminded the Board that they are still required to have a Sound Alternatives Advisory Board.

Finance Report ~ Olinda briefly reviewed the financial information provided to the board.

The Board continued with a more detailed discussion regarding the monthly financial materials provided.

Quorum Report ~ Ron Vigus stated he had time to meet with Noel and a few others while he's been here this time.

VIII. CORRESPONDENCE ~ None

IX. ACTION ITEMS ~ None

X. DISCUSSION ITEMS ~ None

XI. AUDIENCE PARTICIPATION

Randy Robertson stated that Susan Bourgeois called him back and he won't bore the board with the facts but that there are minutes in 2013 regarding setting the mill rate. I will get back to you with more details.

Dr. Blackadar asked to speak with the board members in Executive Session regarding the CEO candidates.

XII. BOARD MEMBERS COMMENTS ~ None

XIII. Executive Session

At 7:42pm M/ Joyce S/ Hallquist "move to go into executive session for matters, immediate knowledge of which would clearly have an adverse effect upon the finances of CCMC."

1. **CEO Candidates**
2. **Discuss External Contracts**
3. **Meaningful Use Reimbursements**

Interim CEO Noel Rea left the room for the CEO Candidate discussion

Dr. Blackadar spoke to the Health Services Board for approximately 5 minutes and then was excused.

HSB Members came out of Executive session at 10:15pm

Interim CEO Noel Rea rejoined the HSB Meeting at 10:16pm

M/ Joyce S/ Hallquist "move to direct Chairman Allison to proceed as discussed in Executive Session.

Vote on motion: 4 yeas, 0 nays, 3 absent. Allison-yes; Joyce-yes; Beedle-yes; Hallquist-yes; Bailer-Absent; Burton-Absent; and Wiese-Absent. Motion was approved.

XI X. ADJOURNMENT –

M/ Beedle S/ Hallquist "I Move to adjourn the meeting."

Allison declared the meeting adjourned at 10:17pm.

Prepared by: Faith Wheeler-Jeppson

Minutes
Community Health Services Board
Cordova Center – Community Rooms A & B
April 27, 2016 at 6:00pm
Special Meeting

I. CALL TO ORDER AND ROLL CALL –

David Allison called the HSB special meeting to order at 6:00pm. Board members present: **David Allison, Tim Joyce** (telephonically)**, James Burton, Tom Bailer, Josh Hallquist and James Wiese.**
A quorum was established. 6 members present; 1 member absent.
CCMC staff present: Noel Rea, Interim CEO

II. APPROVAL OF AGENDA
M/ Bailer S/ Hallquist "move to approve the agenda."
Vote on motion: 6 yeas, 0 nays, 1 absent. Beedle-absent; Allison-yes; Joyce-yes; Burton-yes; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

III. CONFLICT OF INTEREST ~ None

IV. COMMUNICATIONS BY AND PETITIONS FROM VISITORS ~ None
- **Guest Speakers**
- **Audience Comments**

V. APPROVAL OF CONSENT CALENDAR ~ None

VI. APPROVAL OF MINUTES ~ None

VII. REPORTS OF OFFICERS and ADVISORS ~ None
President's Report
Administrator's Report
Medical Director's Report
Sound Alternatives Report
Finance Report
Quorum Report

VIII. CORRESPONDENCE ~ None

IX. ACTION ITEMS ~ None

X. DISCUSSION ITEMS ~ None

XI. AUDIENCE PARTICIPATION ~ None

XII. BOARD MEMBERS COMMENTS ~ None

XIII. Executive Session
1. Educational Presentation and Review of Survey Results from Consultant.
At 6:02pm M/Bailer S/Hallquist "move to go into executive session for matters, immediate knowledge of which would clearly have an adverse effect upon the finances of CCMC."

Board came out of Executive Session at 7:21pm

XI X. ADJOURNMENT –

M/ Joyce S/ Bailer "I Move to adjourn the meeting."
Without objection, motion passed

Allison declared the meeting adjourned at 7:22pm.

Prepared by: Faith Wheeler-Jeppson

Minutes
Community Health Services Board
Cordova Center – Community Rooms A
May 12, 2016 at 7:00pm
Regular Meeting

I. CALL TO ORDER AND ROLL CALL –

David Allison called the HSB special meeting to order at 7:00pm. Board members present: **David Allison, Tim Joyce, Tom Bailer, Robert Beedle and James Wiese.**
A quorum was established. 6 members present; 1 member absent.
CCMC staff present: Olinda White, Interim CFO, Mary Rios, Interim DON, Kim Wilson, HR Coordinator and Kevin Byrd, Radiology Tech.

II. APPROVAL OF AGENDA

M/ Bailer S/ Joyce "move to approve the agenda."
Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

III. CONFLICT OF INTEREST ~ None

IV. COMMUNICATIONS BY AND PETITIONS FROM VISITORS ~ None

- **Guest Speakers**
- **Audience Comments**

V. APPROVAL OF CONSENT CALENDAR

M/ Joyce S/ Bailer "move to approve the consent calendar."
Allison – I would like to remove NSG 142, NSG 155 and NSG 156 from the Consent Calendar and list them as #2 under Action Items.
Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

VI. APPROVAL OF MINUTES

M/ Bailer S/ Joyce "move to approve the minutes from the March 21, 2016 Worksession, March 22, 2016 Worksession and the April 11, 2016 Worksession."
Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

VII. REPORTS OF OFFICERS and ADVISORS ~ None

President's Report ~ Allison stated that the bylaws and City Code were included and ask you can all see going through them, there are conflicts. City Code trumps the Bylaws where there is a conflict.

Administrator's Report ~ Allison asked about the C.N.A. Class. Olinda had responded that 6 people had registered to take the class but apparently 12 registrants was the minimum requirement to hold the class. Allison stated that it may have been worth it to look into paying for the additional 6 credits in order to hold the class and have 6 more local C.N.A's.

Medical Director's Report ~ None

Sound Alternatives Report ~ None

Finance Report ~ Olinda reported that they ended up a little better than she had expected. Contractuals and Bad Debt went up a little. Expenses are down about $20,000 for the month, but up approximately $70,000 for the year. Marty has all of the information that he needs for the cost report.

The Board continued with a more detailed discussion regarding the monthly financial materials provided.

Quorum Report ~ Ron Vigus stated that they have four CFO candidates and they will be talking with Randy Robertson and Noel Rea next week about the candidates. Randy Robertson encouraged Ron Vigus to reach out and include Scot Mitchell in the decision regarding the CFO candidates.

VIII. CORRESPONDENCE ~ None

IX. ACTION ITEMS

1. Resolution to update CCMC Authorized Check Signers
   M/ Joyce S/ Bailer "move to approve the Resolution of the Cordova Community Health Services Board of the Cordova Community Medical Center Designating the Representatives authorized for signing checks, non-check payroll tax payment and cash transfers for Cordova Community Medical Center."
   Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

2. CCMC Policies NSG 142, NSG 155 and NSG 156.
   M/ Joyce S/ Bailer "move to approve Nursing Policies NSG 142, NSG 155 and NSG 156."

   Allison stated that the reason why these three policies were pulled from the consent calendar was to note a few housekeeping changes that needed to be made. Policy NSG 142 in item #4 currently stated "they" it should be stated LPN. NSG 155 item #14 reads DONOT, it should be amended to read Do Not. NSG 156 item #4 states followed by "her" signature and should be amended to read followed by Nurses signature.

   Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

X. DISCUSSION ITEMS

1. Policy and Procedure Sub-Committee

Allison reported that at this time the hospital has a stack of Policies and Procedures that have already been approved by the Dept. Head and QMC that are waiting for our review and approval. It was suggested that maybe we should have a Policy and Procedure Sub-Committee, but HSB would have to approve them anyway. I suggest that we either have a special meeting or put as many policies and you have ready on the next meeting and we'll get them done and approved.

XI. AUDIENCE PARTICIPATION ~ None

XII. BOARD MEMBERS COMMENTS ~ None

XIII. Executive Session

1. Personnel (CEO Contract Discussion and Signature)

At 7:39pm M/ Joyce S/ Bailer "move to go into executive session for matters, immediate knowledge of which would clearly have an adverse effect upon the finances of CCMC."

HSB Members came out of Executive session at 7:46pm

M/ Joyce S/ Bailer to direct HSB Chair David Allison to sign the permanent CEO contract with Scot Mitchell.

Vote on motion: 5 yeas, 0 nays, 2 absent. Burton-Absent; Allison-yes; Joyce-yes; Beedle-absent; Bailer-yes; Hallquist-yes and Wiese-yes. Motion was approved.

XI X. ADJOURNMENT –

M/ Joyce S/ Bailer "I Move to adjourn the meeting."

Allison declared the meeting adjourned at 7:47pm.

Prepared by: Faith Wheeler-Jeppson

Cordova Community
MEDICAL CENTER

P: (907) 424-8000 | F: (907) 424-8116
P.O. Box 160 | 602 Chase Ave., Cordova, AK 99574-0160

Date: April 11th, 2016
To: Health Services Board
From: Noel D. Rea, MBA, NHA, CCMC Interim CEO
RE: CEO Report

Administration -

CCMC received reimbursement from Medicare for meeting "Meaningful Use" requirement for our Electronic Medical Records system. These funds were used to catch up on past Accounts Payable including PERS liabilities that had been pending. The influx of these funds as well as other payments from Medicare have helped strengthen CCMC's financial position.

Efforts are still being made to find a replacement Chief Financial Officer for CCMC. Our most recent conversation with an agency wouldn't have anyone available for another two months. We are working with an experienced CAH CFO that may be willing to provide support on an interim basis but do not have anything specific as of today (6.6.16). It is both my and Olinda's opinion that **it is critical that CCMC have someone onsite with some health care finance experience to guide what is an almost completely outsourced department**.

CCMC has had a transition in the building recently which has allowed for additional opportunities to revisit our staffing. The recent reorganization approved by the HSB last week has allowed staff to evaluate other options that may enhance both our IT and HR processes. Ria Beedle has generously agreed to take on additional duties on an interim basis while we evaluate the best path forward.

You will be receiving a presentation on Thursday from the contractor who created/revised the CCMC salary schedule. **We have been able to revise our salary grid based on market.** Upon the HSB approval we will be able to make the appropriate adjustments for existing staff and to become more competitive in retaining our staff as well as recruiting much needed positions in the building.

Finance -

Gross Revenue is up 18% over budget for the month of April, cumulative is up by 2.8%. Charity and Contractual adjustments are up considerably over budget by 393,181.77 or 72.94%. A study is being done to verify the accuracy of our monthly accrual calculations. Expenses are under budget by 8.3% for the month, if the accruals were in the taxes and benefits we would be slightly over budget, cumulatively we are over budget by .3% Draft financials for April will be available at the time of the board meeting.

May income is estimated at 707,341.53 that is below budget by 8.6%. Expenses are below budget for the month as well. Days in Accounts Receivable jumped this month to 64.15 days

The audit is not done until the information is received from the state on PERS. The Cost Report has also been submitted as well as the Medicaid report. Both of these will need the finalized Audited Financials when they are completed.

We should be receiving money back from the cost report, however, about half or more of it will have to go back to Medicare for deduction in Meaningful use monies. Our rates should go up considerably for Medicaid but that is only the estimate so until the state finishes with our rate it is only an estimate.

Nursing -

Caregiver Openings- Critical need entire month of May as we were down 2 Nurse's. We now have 2 RN caregivers that started 6/6/16 and another RN caregiver starting 6/7/16. Things look stable for the immediate future.

Caregiver Orientation- Beginning this month all Nurse caregivers will be given a resource binder. The binder contains pertinent information needed in their daily practice (how to admit a patient in Centriq, process on how to get a patient transferred for a higher level of care etc). The **goal is to ensure continuity in practice with each new caregiver** that joins the CCMC team.

Medication Administration Process- Currently working on enhancing the process in how the caregiver administers medications. We now have two designated medication carts one for LTC and one for Acute/Swing and OBS patients. The carts are moved room to room with each medication pass. This eliminates interruptions when dispensing medication and each Nurse has their own cart which eliminates two Nurse's working from the same med cart at the same time. Next steps are mounting a laptop on the Acute/Swing and OBS med cart so the nurse can directly reference Centriq (EMR) while preparing and medicating their patients. These documented best practices will ensure the "5 Rights of Medication Administration" are being followed consistently.

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015 and 2014

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council and
Cordova Community Health Services Board
Cordova Community Medical Center
Cordova, Alaska

Report on the Financial Statements

We have audited the accompanying statements of net position of Cordova Community Medical Center, a component unit of the City of Cordova, as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to financial statements, which collectively comprise Cordova Community Medical Center's basic financial statements.

Management's Responsibility for the Financial Statements

Cordova Community Medical Center's management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 and the standards applicable to financial audits contained in *Government Auditing Standard*s, issued by the Comptroller General of the United States. 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 respects, the financial position of Cordova Community Medical Center as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the year then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

THE FOLLOWING IS PENDING GASB 68 ADJUSTMENTS, WHICH HAVE NOT YET BEEN MADE.

As discussed in Notes _ and _ to the financial statements, the Medical Center adopted the provision of Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* during the year ended June 30, 2015. The implementation resulted in a reduction of the Medical Center's previously presented net position of $_____. The Medical Center has determined the component of the net pension liability attributable to contributions by the State of Alaska under AS 39.35.280 a Special Funding Situation. Accordingly, it has not recorded a liability for the State of Alaska's proportionate share of the total net pension liability totaling $_____ as of December 31, 2015.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary pension schedules on pages __ and __ be presented to supplement the basic 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2016, on our consideration of Cordova Community Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cordova Community Medical Center's internal control over financial reporting and compliance.

_____, 2016

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

STATEMENTS OF NET POSITION (DEFICIT)

December 31, 2015 and 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,766	$ 314,246
Receivables:		
Patient accounts receivable, less allowance for doubtful accounts of $869,909 and $880,815 at December 31, 2015 and December 31, 2014, respectively	955,130	896,320
Other	62,255	236,763
Supplies inventory	135,374	134,897
Prepaid expenses	22,642	27,010
Total current assets	1,177,167	1,609,236
PROPERTY and EQUIPMENT, net	5,114,385	3,976,208
Total assets	6,291,552	5,585,444
DEFERRED OUTFLOWS OF RESOURCES -		
Contributions to pension plan and other	-	-
Total assets and deferred outflows of resources	6,291,552	5,585,444
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:		
CURRENT LIABILITIES:		
Accounts payable	878,357	685,913
Accrued payroll and related liabilities	495,636	488,745
Payable to third party payors	-	336,000
Notes payable to the City of Cordova	2,174,611	1,274,611
Current portion of capital lease obligations	24,590	-
Current portion of long term debt	7,849	7,105
Total current liabilities	3,581,043	2,792,374
LONG TERM LIABILITIES:		
Long term debt, net of current portion	2,668	10,496
Obligations under capital leases, net of current portion	74,110	-
Net pension liability	-	-
Total liabilities	3,657,821	2,802,870
DEFERRED INFLOWS OF RESOURCES -		
Differences in pension earnings	-	-
Total liabilities and deferred inflows of resources	3,657,821	2,802,870
NET POSITION (DEFICIT):		
Net investment in capital assets	4,430,557	3,383,996
Restricted for:		
Van for long term care unit	1,132	11,903
Unrestricted (deficit)	(1,797,958)	(613,325)
Total net position (deficit)	$ 2,633,731	$ 2,782,574

The accompanying notes to financial statements are an integral part of these statements.

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)

For the years ended December 31, 2015 and 2014

	2015	2014
HOSPITAL OPERATING REVENUES AND EXPENSES:		
OPERATING REVENUES:		
Net patient service revenue	$ 6,572,689	$ 6,859,797
PERS on-behalf contribution	654,337	916,804
Rural Health Care Program - Universal Service Fund assistance	381,371	278,066
Other	34,454	42,010
Total operating revenues	7,642,851	8,096,677
OPERATING EXPENSES:		
Salaries and related benefits	4,796,908	5,707,521
Professional services	2,001,289	1,648,709
Facility	726,845	695,114
Depreciation	329,029	263,088
Medical supplies	237,878	266,318
Insurance	217,308	193,228
Other supplies	171,421	199,044
Other expenses	162,256	149,112
Repairs and maintenance	55,275	48,114
Small equipment	40,623	29,565
Training and travel	26,588	48,404
Total operating expenses	8,765,420	9,248,217
Operating loss from hospital activities	(1,122,569)	(1,151,540)
SOUND ALTERNATIVES AND OTHER OPERATING REVENUES AND EXPENSES:		
Sound Alternatives other revenue	415,705	587,789
Sound Alternatives grant revenue	415,941	363,330
Grant and other revenues	115,867	111,404
Other grant program expenses	(171,383)	(228,642)
Sound Alternatives program expenses	(662,577)	(829,105)
Sound Alternatives and other operating revenues and expenses, net	113,553	4,776
Operating loss	(1,009,016)	(1,146,764)
NONOPERATING REVENUES AND EXPENSES:		
Investment income	10	167
Interest expense	(9,839)	(9,250)
Donations	1,132	11,903
Nonoperating revenues and expenses	(8,697)	2,820
Loss before transfers and capital contributions	(1,017,713)	(1,143,944)
CAPITAL CONTRIBUTIONS	693,080	251,950
TRANSFERS IN:		
City of Cordova:		
Utility costs waived by the City of Cordova	25,790	28,134
Salaries and professional services paid by the City of Cordova	150,000	378,117
Total transfers in	175,790	406,251
Change in net position	(148,843)	(485,743)
Net position - beginning of period as previously reported	2,782,574	3,268,317
Restatement	-	-
Net position (deficit) - end of period	$ 2,633,731	$ 2,782,574

The accompanying notes to financial statements are an integral part of these statements.

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patient services	$ 6,513,879	$ 7,798,799
Cash paid to other sources	208,962	(117,642)
Net cash from Sound Alternatives and grant programs	113,553	118
Cash paid to suppliers	(3,221,987)	(2,719,038)
Cash paid to employees	(4,135,680)	(4,753,621)
Net cash provided by (used for) operating activities	(521,273)	208,616
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contribution proceeds restricted for specific purpose	1,132	11,903
Proceeds from City of Cordova loan	900,000	-
Transfer in from City of Cordova	98,700	-
Net cash provided by noncapital financing activities	999,832	11,903
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long term debt	(7,084)	(6,403)
Interest payments on long term debt	(9,839)	(9,250)
Purchase of property and equipment	(774,126)	(2,646)
Net cash used for capital and related financing activities	(791,049)	(18,299)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	10	167
Net cash provided by investing activities	10	167
Net increase (decrease) in cash and cash equivalents	(312,480)	202,387
Cash and cash equivalents, beginning of year	314,246	111,859
Cash and cash equivalents, end of year	$ 1,766	$ 314,246

(Continued)

The accompanying notes to financial statements are an integral part of these statements.

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES

	2015	2014
Operating loss	$ (1,009,016)	$ (1,146,764)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	329,029	263,088
Pension expense	-	-
Bad debt expense, net of recovery	233,474	430,801
Utility costs waived by the City of Cordova	25,790	28,134
Salaries and professional services paid by the City of Cordova	150,000	378,117
Decrease (increase) in assets:		
Patient accounts receivable	(292,284)	508,201
Other receivables	174,508	(164,310)
Supplies inventory	(477)	(6,438)
Prepaid expenses	4,368	37,761
Deferred outflows of resources for pensions	-	-
(Decrease) increase in liabilities:		
Accounts payable	192,444	111,546
Payable to third party payors	(336,000)	(268,616)
Net pension liability	-	-
Deferred inflows of resources for pensions	-	-
Accrued payroll and related liabilities	6,891	37,096
Net cash provided by (used for) operating activities	$ (521,273)	$ 208,616
SUPPLEMENTAL DISCLOSURE:		
Schedule of non-cash, non-capital financing activity and capital and related financing activity that affects recognized assets and liabilities:		
Capital contributions	$ 693,080	$ 251,950

The accompanying notes to financial statements are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cordova Community Medical Center (the "Medical Center") is a 23-bed medical center owned by the City of Cordova, Alaska, and operated by the City Council sitting as the Community Health Services Board. For this reason, the Medical Center is considered to be a blended component unit of the City of Cordova and is included in its annual financial statements. The Medical Center provides acute inpatient and outpatient, as well as long-term care, and other community health care services.

Basis of Presentation

The financial statements of the Medical Center have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitute GAAP for governmental units. The more significant of these accounting policies are described below.

The Medical Center implemented Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68), during fiscal year 2015. The implementation resulted in the Medical Center restating and reducing net position as of December 31, 2014 by $____ from the amounts previously reported in order to recognize its proportionate share of net pension liability of $_____ and deferred outflows for its defined benefit pension contributions of $____. As required by GASB 68, the standard was applied in the period of adoption. It has not been applied to the comparative financial statements for fiscal year 2014. The Medical Center's participation in other defined benefit retirement plans offered to its employees through the State of Alaska have not been impacted by GASB 68.

Proprietary Fund Accounting

The proprietary fund financial statements are prepared using the economic resources measurement focus. The Medical Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Net position is categorized as follows:

- **Unrestricted Net Position** – Assets, net of related liabilities, which are not subject to externally imposed restrictions and are not considered invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by action of management or the Community Health Services Board or may otherwise be limited by contractual agreements with outside parties.
- **Restricted Net Position** – Net position whose use is constrained externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- **Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the Medical Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Allowance for Doubtful Accounts
The Medical Center estimates doubtful accounts based on historical bad debts, factors related to the specific payer's ability to pay, and current economic trends. Receivables are written off when a balance is determined to be uncollectible.

Inventories
Inventories are stated at replacement cost, which approximates cost on a first-in, first-out method.

Property and Equipment
Property and equipment are carried at original acquisition cost or estimated fair market value at the time of donation. Depreciation is computed using the straight-line method at rates calculated to depreciate the cost of the assets over the following useful lives:

Description	Useful Life
Equipment	5-20 years
Building improvements	5-40 years
Buildings	5-40 years

Deferred Outflows and Inflows of Resources
In addition to assets and liabilities, the statements of net position (deficit) report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alaska Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as PERS, and assuming the State's pension support under AS39.35.280 is a "Special Funding Situation" as defined by GASB 68. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences
The Medical Center's policy of paid days off (which includes vacation, sick leave, and holidays) allows full-time employees and regular part-time employees to accrue paid days off, to a maximum of 320 hours. Paid days off are accrued when incurred and reported as a liability.

Operating Revenues and Expenses and Nonoperating Items
The Medical Center distinguishes operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from delivering services in connection with the Medical Center's principal ongoing operations. The principal operating revenues of the Medical Center are charges to patients for hospital and long-term care services provided, including mental health service revenue and expenses (Sound Alternatives). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Patient Service Revenue
The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Contributions of Capital
Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction.

Transfers
Transfers between the primary government and component unit are required when revenue is generated in one fund and expenditures are paid from another fund.

Charity Care
The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates based on a sliding payment scale. Because the Medical Center does not expect payment, estimated charges for charity care are not included in revenue. Charity care charges are estimated to be $145,943 for the year ended December 31, 2015 and $110,520 for December 31, 2014.

Subsequent Events
The Medical Center has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

Reclassifications
Certain balances from the year ended December 31, 2014 have been reclassified to conform to the current period financial statement presentation.

NOTE 2 – NET PATIENT SERVICE REVENUE

Net patient service revenue, as reported in the statements of revenues, expenses, and changes in net position, is reported net of bad debt expense and contractual allowances. Bad debt expenses were $233,474 for the year ended December 31, 2015 and $430,801 for the year ended December 31, 2014. Contractual allowances were $1,071,806 for the year ended December 31, 2015 and $1,093,357 for the year ended December 31, 2014.

The Medical Center has contractual agreements with several third-party payors that provide for prospective payment and cost reimbursement at specified rates. For the years ended December 31, 2015 2014, revenue and the related accounts receivable for such care are recorded at established rates and unreimbursed charges are accounted for as a contractual allowance, which is an adjustment to patient service revenue. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare
  Inpatient acute care, outpatient hospital services, and swing beds rendered to Medicare program beneficiaries are paid based upon cost reimbursement methods. These cost reimbursements occur on an interim basis and these tentative rates are settled with final amounts determined after annual cost reports are submitted and audited by the Medicare Fiscal Intermediary. Long-term care services are paid based upon the RUGS payment system, a prospectively determined amount with rates that vary according to a classification system that is based upon clinical factors, with no final settlements.

- Medicaid
  Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Medical Center is reimbursed at a prospective rate from an adjusted four-year prior rate, plus a four-year inflation add-on rate. In management's opinion, the final contractual allowances for the year ended December 31, 2015 and 2014 will not be significantly different from the estimates reflected in the accompanying financial statements.

NOTE 3 – CAPITAL ASSETS

The Medical Center owns land, buildings, equipment and construction work in progress as follows:

	Balance at December 31, 2013	Additions	Transfers and Retirements	Balance at December 31, 2014	Additions	Transfers and Retirements	Balance at December 31, 2015
Land	$ 122,010	$ -	$ -	$ 122,010	$ -	$ -	$ 122,010
Buildings	6,951,302	-	-	6,951,302	55,461	-	7,006,763
Building improvements	3,639,912	-	(26,751)	3,613,161	-	-	3,613,161
Equipment	1,509,599	4,737	-	1,514,336	98,700	1,300,220	2,913,256
Construction in progress	770,658	249,859	26,751	1,047,268	1,313,045	(1,300,220)	1,060,093
Total property and equipment	12,993,481	254,596	-	13,248,077	1,467,206	-	14,715,283
Accumulated depreciation	(9,008,781)	(263,088)	-	(9,271,869)	(329,029)	-	(9,600,898)
Net property and equipment	$ 3,984,700	$ (8,492)	$ -	$ 3,976,208	$ 1,138,177	$ -	$ 5,114,385

Depreciation expense was $329,029 for the year ended December 31, 2015 and $263,088 for the year ended December 31, 2014.

NOTE 4 – NOTES PAYABLE

The Medical Center has notes payable due to the City of Cordova which amount to $2,174,611 and $1,274,611 at December 31, 2015 and 2014, respectively. The terms of these notes, including interest rates and amortization schedules, have not been fully determined or formalized and the Medical Center has not made repayments of principal or interest on them as of December 31, 2015 and 2014. The notes payable are deemed on-demand notes and are classified as current liabilities on the statements of net position (deficit).

NOTE 5 – LONG TERM DEBT OBLIGATIONS

The Medical Center's long term debt obligations includes an obligation to a financial institution, payable in monthly installments of $712, and interest at 10%, until maturity in 2017.

The following is a summary of changes to long-term debt:

	Balance, December 31, 2013	Additions	Reductions	Balance, December 31, 2014	Additions	Reductions	Balance, December 31, 2015	Amounts Due Within One Year
Loan payable:								
Vehicle Loan	24,004	-	(6,403)	17,601	-	(7,084)	10,517	7,849
Total loan payable	$ 24,004	$ -	$ (6,403)	$ 17,601	$ -	$ (7,084)	$ 10,517	$ 7,849

Scheduled Principal Repayments

Scheduled principal repayments on the loans and sinking fund requirements are as follows:

Year Ending December 31	Principal	Interest	Total
2016	$ 7,849	$ 697	$ 8,546
2017	2,668	52	2,720
	$ 10,517	$ 749	$ 11,266

NOTE 6 – CAPITAL LEASE OBLIGATIONS

The Medical Center has acquired a backup storage system under the provisions of a 9.75% capital lease obligation with a term of 36 equal monthly payments of $3,174 beginning in April of 2016, with a $1 purchase option. The amount owed under the lease will be paid off in 2019. Carrying value of the system acquired under the lease is $98,700. A summary of capital lease obligations as of December 31, 2015 follows:

	2015
Total capital lease obligation	$ 98,700
Less current portion	24,590
Long-term portion	$ 74,110

NOTE 6 – CAPITAL LEASE OBLIGATIONS (Continued)

The following is a schedule of future minimum lease payments under capital lease as of December 31, 2015:

Year	Principal	Interest	Total
2016	$ 24,590	$ 7,153	$ 31,743
2017	32,287	5,804	38,091
2018	35,580	2,512	38,092
2019	6,243	76	6,319
	$ 98,700	$ 15,545	$ 114,245

NOTE 7 – RURAL HEALTH CARE PROGRAM

The Medical Center participates in the Rural Health Care Program (RHC) of the Universal Service Fund (USF), which is administered by the Universal Service Administrative Company. RHC is a support program authorized by Congress and designed by the Federal Communications Commission (FCC) to provide reduced rates to rural health care providers for telecommunications services and internet access charges related to the use of telemedicine and tele-health. RHC is intended to ensure that rural health care providers pay no more for telecommunication in the provision of health care services than their urban counterparts.

Payments under RHC are made directly by USF to the Medical Center's telecommunications provider upon submission by the Medical Center of the required FCC forms. The Medical Center's contribution benefit under the program, which meets the definition of contributed services under generally accepted accounting principles, was $381,371 for the year ended December 31, 2015 and $278,066 for the year ended December 31, 2014, and is included in operating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit). In the event that the Medical Center does not file all required FCC forms and payment is not made by USF, the telecommunications provider may seek payment from the Medical Center for amounts unpaid.

NOTE 8 – RETIREMENT PLANS

Medical Center employees participate in the State of Alaska Public Employees' Retirement System (PERS), a defined benefit plan, or the State of Alaska Defined Contribution Pension Plan (DC Plan), a defined contribution plan, based on date of initial hire by a participating employer as described below. The plans are governed by the Alaska Retirement Management Board (the "Board" or the "System"), which consists of nine trustees, as follows: the commissioner of administration, the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS), two trustees who are members of PERS, and two trustees who are members of TRS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly available financial report that can be obtained at:
http://doa.alaska.gov/drb/pers/employee/resources/index.html.

FOOTNOTES FOR RETIREMENT PLANS NOT COMPLETED AND PENDING GASB 68 ADJUSTMENTS

NOTE 9 – CONCENTRATIONS OF CREDIT RISK AND OFF BALANCE SHEET RISK

Patient Receivables

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 are as follows:

	2015	2014
Patients/other	60%	55%
Medicare	11	16
Medicaid	29	29
	100%	100%

NOTE 10 – CONTINGENT LIABILITIES

Amounts received or receivable under grant programs from the State of Alaska are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Medical Center expects such amounts, if any, to be immaterial.

Payments made under the Medicaid program are subject to audit by the State of Alaska. Paid claims could be disallowed upon audit if there is inadequate documentation to substantiate the services provided to Medicaid beneficiaries. The amount, if any, of claims which may be disallowed by the State of Alaska cannot be determined at this time, although the Medical Center expects such amounts, if any, to be immaterial.

In the normal course of business the Medical Center is subject to litigation from time to time but defends its rights vigorously and obtains insurance coverage for potential claims arising as a result of litigation.

NOTE 11 – RISK MANAGEMENT

The Medical Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

ELGEE REHFELD MERTZ, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, City Council and
Cordova Community Health Services Board
Cordova Community Medical Center
Cordova, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cordova Community Medical Center, a component unit of the City of Cordova, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise Cordova Community Medical Center's basic financial statements, and have issued our report thereon dated _____, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cordova Community Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cordova Community Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Cordova Community Medical Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness [2015-001].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies [2015-002, and 2015-003].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cordova Community Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

_____, 2016

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2015

MATERIAL WEAKNESS

Finding 2015-001 **Internal Controls over Financial Reporting – Reconciliation of Significant Balance Sheet Accounts**

Condition: The Medical Center did not accurately reconcile several significant balance sheet accounts.

Criteria: Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations

To ensure that accurate financial reporting is possible from an entity's accounting records, a system of internal controls should ensure that significant balance sheet accounts are reconciled on a timely basis, that all transactions are captured and recorded and done so in the proper period, and that the accounting function is adequately staffed.

Effect: Numerous and individually material errors existed in the books and records that required adjustment to the Medical Center's accounting records.

Cause of condition: Turnover in accounting positions and a lack of available resources to dedicate to reconciliation of balance sheet accounts led to this condition.

Recommendation: The Medical Center should review its policies and procedures related to internal controls over financial reporting. In addition, the Medical Center should establish a monitoring process whereby the Administrator/Management Team and/or Community Health Services Board can assure itself that the accounting records are being properly maintained.

Views of responsible Officials: Management concurs with the finding.

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)
SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2015

SIGNIFICANT DEFICIENCIES

Finding 2015-002 **Internal Controls over Financial Reporting – Internal Controls Over Disbursements**

Condition: The Medical Center did not establish and maintain adequate policies and procedures related to internal controls over disbursements.

Criteria: Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations

To ensure that accurate financial reporting is possible from an entity's accounting records, a system of internal controls should ensure that disbursements are appropriately supported, reviewed, approved, and recorded.

Effect: Expenses were recorded in the wrong period, capital additions were not recorded as such, and many transactions were not supported. Further, there is not an approval process in place for credit card transactions.

Cause of condition: Insufficient oversight of accounting personnel, and inadequate policies and procedures related to internal controls over financial reporting.

Recommendation: The Medical Center should review its policies and procedures related to internal controls over financial reporting related to disbursements to ensure transactions are properly supported, reviewed, approved, and recorded.

Views of responsible Officials: Management concurs with the finding.

Finding 2015-003 **Internal Controls over Financial Reporting – Backup of Accounting Software**

Condition: The Medical Center did not perform a sufficient backup of its accounting data.

Criteria: Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations

	To ensure that accurate financial reporting is possible from an entity's accounting records, a system of internal controls should ensure that financial data is safeguarded.
Effect:	The prior accounting system used before the migration to the electronic health record (EHR) system failed and all data was lost. The Medical Center was not able to recover this data from their backup tapes. The failure happened after the migration to the EHR. Therefore, detailed information was available in the new accounting system; however, the ability to query historical information and reports from the prior system has been lost.
Cause of condition:	Backup tapes were not sufficiently maintained or tested.
Recommendation:	The Medical Center should review its backup testing and frequency to ensure they are able to restore to back up of their accounting system in the event of a system issue.
Views of responsible Officials:	Management concurs with the finding.

REQUIRED SUPPLEMENTARY INFORMATION

PENDING GASB 68

CORDOVA COMMUNITY MEDICAL CENTER
(a Component Unit of the City of Cordova, Alaska)

LETTER TO THE BOARD

For the Year Ended December 31, 2015

_____, 2016

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

_____, 2016

Honorable Mayor, City Council and
Cordova Community Health Services Board
Cordova Community Medical Center
Cordova, Alaska

Dear Members:

We have audited the financial statements of Cordova Community Medical Center (the "Medical Center"), a component unit of the City of Cordova, as of and for the year ended December 31, 2015, and have issued our report thereon dated _____, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 1, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Medical Center solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Medical Center is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

As described in Notes 1 and __ to the financial statements, during the year, the Medical Center changed its method of accounting for pensions by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the statement of revenues, expenses, and changes in net position (deficit).

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the net realizable value of accounts receivable and the associated allowance for doubtful accounts.

Management's estimates of the net realizable value of accounts receivable and the associated allowance for doubtful accounts is based on historical collections of accounts receivable. We evaluated the key factors and assumptions used to develop the above mentioned values and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- To adjust grant revenue and receivables.
- To adjust waiver income and receivable.
- To accrue liability for year-end payroll costs.
- To adjust PERS on behalf payments to correct amount.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Medical Center's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Medical Center, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Medical Center's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Medical Center's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Internal Control and Other Matters

Significant Deficiencies and Material Weakness in Internal Controls over Financial Reporting
As described in our *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards,* we identified certain deficiencies in internal control over financial reporting that we consider to be either significant deficiencies, or a material weakness, as described below.

Finding 2015-001 - Material Weakness in Internal Controls over Financial Reporting – Reconciliation of Significant Balance Sheet Accounts

The Medical Center did not accurately reconcile several significant balance sheet accounts.

Finding 2015-002 - Significant Deficiency in Internal Controls over Financial Reporting – Internal Controls Over Disbursements

The Medical Center did not establish and maintain adequate policies and procedures related to internal controls over disbursements.

Finding 2015-003 - Significant Deficiency in Internal Controls over Financial Reporting – Backup of Accounting Software

The Medical Center did not perform sufficient backup of its accounting data.

This report is intended solely for the use of the Members of the Community Health Services Board, the City Council, and management of Cordova Community Medical Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Cordova Community Medical Center
Audit Findings Response
YE 2015

Finding 2015-001 – Balance Sheet Accounts

There were accounts that did not balance and were incorrect that I brought to the accountants attention. Some journal entries had been prepared that I had discovered after the year was closed, therefore the auditors had to make them. Other differences were found, discussed and corrected. Moving forward all Balance Sheet items must be reconciled prior to year end.

Finding 2015-002 – Disbursements

Expenses were recorded in wrong period due in part to the new computer system. Once a period is closed entries can't go back in to the prior period. We also discovered that invoices were being sent to employee emails that were no longer employed. We have tried to change all of these to go to an Accounts Payable email and have a paper copy sent so if someone is gone we do get the information into the process. The computer system is very sensitive to dates and we have been working on processes that will correct this.

A new policy was established for capitalization of expenses. Any purchase of $5,000 or more must be capitalized and depreciated over its life, NOT expensed as a repair. Staff has been made aware of this new policy.

Documentation on all checks must be attached to each accordingly. This should be done prior to the check signing so that it can be verified by the signer, if they so choose. There seems to be a problem of invoices going to departments for approval and they never return to Accounts Payable. We are still working on this, we have been trying different methods. The final solution may be for the departments to go to the Accounts Payable office to sign the invoices.

Policies have been put in place for credit card purchases to be approved by someone other than the purchaser. The CEO receipts are given to the assistant to compile a spread sheet to match up to the charges. This is then given to Accounts Payable for payment. The purchasing credit card purchases will be listed on a spread sheet with all documentation attached and will be approved by either the CEO or the CFO, then given to Accounts Payable for payment.

Finding 2015-003 – Computer crash

The new Electronic Health Record computer system is being backed up by our computer support company. Their proactive team runs and tests daily backups, and has them replicating to an offsite data vault for monthly and yearly backups up to 12 monthly and 7 yearly backups.

Through April 2016

Description	Period Amount	Budget Amount	Period Variance	Year-To-Date Amount	Year-to-date Budget	Year-To-Date Variance
REVENUE						
Acute	105,350.83	30,838.75	74,512.08	241,193.99	123,355.00	117,838.99
Swing Bed	102,031.02	92,045.17	9,985.85	292,527.91	368,180.68	-75,652.77
Long Term Care	340,716.00	346,378.16	-5,662.16	1,401,934.75	1,385,512.64	16,422.11
Clinic	74,099.31	63,293.00	10,806.31	276,652.61	253,172.00	23,480.61
Outpatients-Other	289,668.37	188,519.92	101,148.45	775,553.41	754,079.68	21,473.73
Behavioral Health	36,341.60	48,254.34	-11,912.74	175,356.24	193,017.36	-17,661.12
Patient Services Total	948,207.13	769,329.34	178,877.79	3,163,218.91	3,077,317.36	85,901.55
DEDUCTIONS						
Charity	136,016.00	21,803.59	114,212.41	135,710.46	87,214.36	48,496.10
Contractual Adjustments	203,942.47	94,385.02	109,557.45	699,727.57	377,540.08	322,187.49
Bad Debt	14,709.20	18,575.58	-3,866.38	96,800.50	74,302.32	22,498.18
Deductions Total	354,667.67	134,764.19	219,903.48	932,238.53	539,056.76	393,181.77
COST RECOVERIES						
Grants	-99,473.80	40,807.91	-140,281.71	0.00	163,231.64	-163,231.64
In-Kind Contributions	96,130.63	101,453.67	-5,323.04	366,939.83	405,814.68	-38,874.85
Other Revenue	-29,247.05	63,287.58	-92,534.63	-15,115.97	253,150.32	-268,266.29
Cost Recoveries Total	-32,590.22	205,549.16	-238,139.38	351,823.86	822,196.64	-470,372.78
TOTAL REVENUES	560,949.24	840,114.31	-279,165.07	2,582,804.24	3,360,457.24	-777,653.00
EXPENSES						
Wages	302,025.74	294,438.56	7,587.18	1,130,638.42	1,177,754.24	-47,115.82
Taxes & Benefits	37,280.48	201,960.50	-164,680.02	552,877.88	807,848.00	-254,970.12
Professional Services	193,579.79	180,625.27	12,954.52	746,215.42	722,501.08	23,714.34
Minor Equipment	196.00	1,447.83	-1,251.83	24,316.34	5,791.32	18,525.02
Supplies	40,955.33	36,269.75	4,685.58	131,811.31	145,079.00	-13,267.69
Repairs & Maintenance	8,001.99	8,797.83	-795.84	11,361.26	35,191.32	-23,830.06
Rents & Leases	5,894.49	10,196.99	-4,302.50	41,051.66	40,787.96	263.70
Utilities	100,146.38	47,299.67	52,846.71	403,131.84	189,198.68	213,933.16
Travel & Training	3,852.99	4,340.93	-487.94	9,470.02	17,363.72	-7,893.70
Insurances	1,058.51	17,220.74	-16,162.23	45,339.75	68,882.96	-23,543.21
Recruit & Relocate	7,738.44	7,838.34	-99.90	41,697.49	31,353.36	10,344.13
Depreciation	42,712.32	22,360.92	20,351.40	169,654.87	89,443.68	80,211.19
Other Expenses	28,695.05	9,151.09	19,543.96	70,472.33	36,604.36	33,867.97
TOTAL EXPENSES	772,137.51	841,948.42	-69,810.91	3,378,038.59	3,367,799.68	10,238.91
OPERATING INCOME	-211,188.27	-1,834.11	-209,354.16	-795,234.35	-7,342.44	-787,891.91
NET INCOME	-211,188.27	-1,834.11	-209,354.16	-795,234.35	-7,342.44	-787,891.91

Taxes & Benefits are incorrect. The computer system didn't accrue Health & Life Insurance the vendor is trying to figure out what is wrong and correct it. Last month they ran 141,444.70 they should be less than that since there is a reversing entry for 2015.

April 2016

Description	Year-To-Date Amount	Prior YTD Amount
ASSETS		
Cash & Cash Equivalents	128,255.26	236,791.74
Net Patient Receivables	1,012,512.27	974,174.24
Other Receivables	60,997.92	236,581.11
Fixed Assets	4,944,729.90	4,087,188.40
Prepaid Expenses	22,641.76	27,010.29
Inventory	185,039.13	178,944.48
TOTAL ASSETS	6,354,176.24	5,740,690.26
LIABILITIES		
Payables	1,762,059.50	2,733,503.64
Payroll Liabilities	407,846.77	363,006.27
Other Liabilities	2,345,774.72	77,329.48
TOTAL LIABILITIES	4,515,680.99	3,173,839.39
EQUITY/FUND BALANCE		
TOTAL FUND BALANCE	1,838,495.25	2,566,850.87
TOTAL LIABILITIES AND EQUITY	6,354,176.24	5,740,690.26

Cordova Community Medical Center
Cash Flow Statement
FYE 2016

	Jan-16	Feb-16	Mar-16	Apr-16
Cash in Bank - Operating				
Beginnng Balance	(3,031.90)	164,586.60	61,966.48	61,846.14
Deposits	717,308.30	715,658.75	778,288.73	838,748.46
Disbursements	549,689.80	818,278.87	778,409.07	784,667.52
Ending Balance	164,586.60	61,966.48	61,846.14	115,927.08
Cash In Bank - Payroll				
Beginning Balance	1,820.22	7,380.69	1,474.53	105,324.96
Deposits	172,000.00	335,000.00	290,000.00	180,000.00
Disbursements	166,439.53	340,906.16	186,149.57	280,921.74
Ending Balance	7,380.69	1,474.53	105,324.96	4,403.22
Cash in Bank - Sound Alternatives				
Beginning Balance	2,092.54	4,012.96	3,711.76	5,438.71
Deposits	1,920.42	99,698.80	1,726.95	1,596.54
Disbursements		100,000.00		
Ending Balance	4,012.96	3,711.76	5,438.71	7,035.25
Cash in Bank - Money Market				
Beginning Balance	8.15	8.15	10.92	12.79
Deposits		2.77	1.87	
Disbursements				
Ending Balance	8.15	10.92	12.79	12.79
Total Cash	175,988.40	67,163.69	172,622.60	127,378.34
Accounts Payable	936,747.58	949,880.32	938,005.10	1,032,950.58
Accounts Receivable				
Regular	1,273,736.08	1,139,663.54	1,259,402.18	1,341,222.98
Long Term Care	550,945.98	483,428.34	455,548.64	451,523.92
Total Receivables	1,824,682.06	1,623,091.88	1,714,950.82	1,792,746.90

CMS Unveils New Information Regarding the Physician Payment Overhaul

May 2016

The Centers for Medicare and Medicaid Services (CMS) provided additional guidance on how physicians will be paid under the Medicare Access and CHIP Reauthorization Act. Under the proposed Quality Payment Program, three payment models (the Physician Quality Reporting System, the Physician Value-based Payment Modifier and Medicare's incentive program for achieving meaningful use of electronic health records) were consolidated and are slated to be in effect in 2019. Merit-based Incentive Payment System (MIPS) will effect reimbursement to all physicians and mid-level practitioners with limited exemptions.

CMS' Clarification on the Proposed Rule:

- Physicians (will be subject to MIPS) or enter into an advanced payment model (APM).
    - CMS proposed that APMs be a Medicare two-sided risk model within Medicare Shared Savings Models (i.e. accountable care organization) or a Medicare-certified medical home to allow physicians to a five percent payment bonus and avoid MIPS.
- CMS anticipates that most physicians will fall into MIPS over APMs as MIPS reflects traditional Medicare payments, and qualifying criteria for APMs is very narrow.
- The rule excludes the Bundled Payment for Care Improvement models as well as Track 1 of the Medicare Shared Savings Program.
- A new coding system allows doctors to indicate whether they are coordinating care for a patient or just seeing the patient for one issue.
- Physicians can choose from multiple performance measures designed to meet the physician's practice setting and specialty.
- MIPS payment penalties and bonuses range from +-4% increasing to =-9% by 2025. Unlike other CMS value payment programs, CMS has allocated approximately $500 million per year for exceptional performers.

MACRA: Quality Payment Program for Clinicians MIPS Bonus or Penalty, Exceptional Performer & APMs

	MIPS Program			APM
CY	Potential Bonus	Potential Penalty	Exceptional Performer	Automatic Bonus(1)
2019	+ 4%	- 4%	+ .5% - 10%	5.0%
2020	+ 5%	- 5%	+ .5% - 10%	5.0%
2021	+ 7%	- 7%	+ .5% - 10%	5.0%
2022	+ 9%	- 9%	+ .5% - 10%	5.0%
2023	+ 9%	- 9%	+ .5% - 10%	5.0%
2024	+ 9%	- 9%	+ .5% - 10%	5.0%
2025	+ 9%	- 9%	+ .5% - 10%	0.0%

(1) Highest Possible Bonus in 2019: 14%
(2) Highest Possible Bonus in 2025: 19%

(Continued)

More Physicians May Seek Hospital Employment

- If physicians choose the APM path, physicians assume risk for the entire CMS payment around that episode of care. This additional financial burden may incentivize physicians to seek employment at hospitals to help shoulder the costs.

Industry Reactions are Varied and Final Outcome is to be Determined

- "In particular, it appears that CMS made significant improvements by recasting the EHR meaningful use program and by reducing quality reporting burdens," American Medical Association President Dr. Steven Stack said in a statement.

- The American Hospital Association said it is "deeply disappointed by the CMS' narrow definition of APMs."

- Final outcome over the rule is to be determined in summer 2016. CMS will solicit comments on the rule over the next 60 days.

Quorum will provide further information on this topic during its Reimbursement and Regulatory Update Webinars on May 18-20 from 2-3 p.m. CT each day. To register, please visit www.qhrlearninginstitute.com. You can also speak with your Quorum regional vice president to determine if engaging Quorum physician practice consultants is appropriate for your situation.

REFERENCES

Modern Healthcare, Apr. 27, 2016

QVIEW

MAY 2016

Quorum's Monthly Digest of the Business of Healthcare

U.S. HOSPITALS PREPARE FOR THE ZIKA VIRUS

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The Las Vegas Sun: Florida, vulnerable to Zika, readies for fight, Feb. 4, 2016, http://lasvegassun.com/news/2016/feb/04/florida-vulnerable-to-zika-readies-for-fight/

As mosquito season looms, the seemingly far-away Zika virus is now threatening the U.S. And while some are concerned about healthcare providers' preparedness to handle the virus, steps are being taken to prepare for caring for patients inflicted with the virus. *USA Today* reports that "With the prospect of Zika spreading throughout the U.S. this summer, experts say the country must map exactly where the species live and urgently rethink its standard operating procedures for controlling mosquitos."

According to *H&HN*, the Food and Drug Administration (FDA) has approved the first U.S. test to diagnose the virus. In regards to funding, *The Washington Post* reported that "about $44 million in emergency preparedness grants are expected to hit state and local public health departments in July."

Hospitals throughout the country are ramping up efforts to prepare. *U.S. News and World Report,* "In a packed auditorium at Children's National Medical Center in the District of Columbia Monday, doctors, nurses and residents gathered for an educational session on the Zika virus, which has infected at least three people in the city and 49 others throughout the country who are visiting the U.S. or returning after traveling in Latin America." The same article added, "To get ahead of potential transmission in the U.S., hospitals are reminding their staff to ask patients whether they have traveled recently and they are working with public health officials to track where and how Zika is spreading."

Most troubling is the harmful impact the virus can have on the U.S. population. According to *USA Today,* "The Zika virus can cause devastating birth defects and has a strong link to a variety of neurological conditions, including a form of paralysis called Guillain-Barre syndrome." The virus is particularly harmful to unborn babies if a pregnant woman becomes infected. According to *U.S. News and World Report,* "Doctors are concerned about Zika, which is spread primarily through mosquitoes, because it has been linked in Brazil to a surge of microcephaly cases, a birth defect that causes babies to be born with unusually small heads and sometimes under developed brains."

According to *NBC News,* "One of the problems in the U.S. is that we have a patchwork of mosquito control programs that are generally run at the county level. Some very poor communities have virtually nothing available. Some wealthy counties have very sophisticated programs." And while small communities may be vulnerable, the southern region of the U.S. is particularly vulnerable. According to *The Washington Times,* "Florida's warm climate, year-round mosquitos and revolving door of international travelers make it vulnerable to Zika virus." According to *The Las Vegas Sun,* "Florida Governor Rick Scott wants the CDC to help train Florida hospital workers to identify Zika symptoms."

Trustees should confirm that their hospitals have a Zika virus preparedness plan in place. Particularly if your hospital is located in warmer states, you should understand and advocate for mosquito control programs in your area. Talk to your Quorum regional vice president about what other hospitals are doing in your region to prepare for the Zika virus.