

**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING**

**THURSDAY, JANUARY 2, 2020  
4:30 p.m. Closed Session  
6:00 p.m. Open Session**

**MENDOCINO COAST DISTRICT HOSPITAL  
Patient Registration  
700 River Drive  
Fort Bragg, California 95437**

**Mendocino Coast District Hospital Mission Statement  
MISSION**

To make a positive difference in the health of our rural community.

**VISION**

MCDH will play a vital role in the overall health and well-being of the community, and will be the key element in the healthcare system serving the needs of our community. We will provide leadership to enhance the efficiency, coordination, quality and range of services provided within our rural healthcare system.

MCDH will be the healthcare provider and employer of choice within our community. We will continually address and keep up with technology and superior clinical skills

We will have a positive impact on health by encouraging personal and community responsibility for health and wellness. Our efforts will play a decisive role in people choosing to stay in our community or to locate here.

**VALUES**

MCDH is committed to providing excellent quality, patient centered, cost effective health care in a caring, safe and professional environment, and serving the community's healthcare needs with current technology and superior clinical skills. We believe in the right to local access to a wide range of excellent quality healthcare services in our rural community. We promote patient safety and satisfaction, and consistently work toward a high level of care with results in our patients recommending us to others and in their returning to us for needed health care.

Every member of our healthcare team will play an active, participative role that effectively utilizes the skills and talents of each. People are our most valuable resource. We encourage professional development that will achieve a level of competence and morale that will attract and maintain the highest quality staff. We strive to build partnership with our employees emphasizing mutual respect and mutual success.

**I. ROLL CALL**

**II. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

**III. CLOSED SESSION**

1. **Information/Action:** Hardin v. Mendocino Coast District Hospital, U.S. District Court for the Northern District of California, et al., Case No. 3:17-CV-05554, conference with legal counsel. Government Code §54956.9.
2. **Information/Action:** Consideration of Termination of Legal Services Contract with Best, Best & Krieger, Attorneys at Law, dated 9/25/18. Government Code §§54954.5(e), 54957; Evidence Code §952, et seq.
3. **Information/Action:** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
4. **Information/Action:** Pursuant to §32155 of the Health and Safety Code December Quality Management and Improvement Council Reports

**IV. 6:00 P.M. OPEN SESSION CALL TO ORDER– KAREN ARNOLD, CHAIR**

**V. ROLL CALL**

**VI. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

**VII. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

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**VIII. REVIEW OF THE AGENDA**

*Action*

**IX. BOARD COMMENTS**

*Information*

**X. APPROVAL OF CONSENT CALENDAR**

*Action*

The following items are considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

1. Approval of Board of Directors meeting minutes of December 11, 2019 Tab 1
2. Approval of Special Board of Directors meeting minutes of November 22, 2019 Tab 2
3. Approval of Alysoun Huntley Ford Fund Draw (there were no requests)
4. Policies: Abuse Reporting, On-Call Services, Event and Complaint, Hours of Operation, Flu Vaccination for Healthcare Workers: second read Tab 3

**XI. NEW BUSINESS**

1. Partnership Health Plan of California Annual Quality Incentive Award: Mr. Jason Wells, President Willits Memorial Hospital and Ukiah Valley Hospital *Action/Discussion*
2. November Financials November 2019: Mr. John Redding Tab 4 *Action*
3. Financial Improvement Plan: Mr. Wayne Allen, Interim CEO Tab 5 *Action*



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|--|-------|--------------------------|
| 4. Status of Obstetrical Services: Ms. Jessica Grinberg/Dr. Zoe Berna                                |       | <i>Discussion</i>        |
| 5. Bylaws Revisions: First Read: Ms. Amy McColley  | Tab 6 | <i>Action/Discussion</i> |
| 6. Election of Board Officers, Committee assignments and JPA appointment:<br>Ms. Karen Arnold, Chair |       | <i>Action</i>            |

**XIII. REPORTS**

- |   |       |                    |
|---|-------|--------------------|
| ➤ CEO Report: Mr. Wayne Allen, Interim CEO  |       | <i>Information</i> |
| ➤ Medical Staff Report: Dr. Zoe Berna, Vice Chief of Staff                          | Tab 7 | <i>Action</i>      |
| A. <u>Appointments to Medical Staff –Provisional Status</u>                         |       |                    |
| 1. Gary Cecchi, MD –Department of Medicine-Oncology-Hematology                      |       |                    |
| 2. Stewart Kerr, MD –Department of Surgery-Orthopedics                              |       |                    |
| 3. Madison McKenney, MD –Department of Medicine-Radiology                           |       |                    |
| B. Temporary Privileges (As we await Board Meeting)                                 |       |                    |
| 1. Stewart Kerr, MD –Department of Surgery-Orthopedics (Dec. 30, 2019-Jan. 2, 2020) |       |                    |
| 2. Madison McKenney –Department of Medicine-Radiology (Dec. 30, 2019-Jan. 2, 2020)  |       |                    |
| ➤ Planning Committee Report: Ms. Jessica Grinberg                                   |       | <i>Action</i>      |
| ➤ Chief Nursing Officer Report: Ms. Lynn Finley                                     |       | <i>Information</i> |

**XIV. FUTURE AGENDA ITEMS: MS. KAREN ARNOLD, CHAIR** *Information*

**XV. ASSOCIATION AND COMMUNITY SERVICE REPORTS** *Information*

**XVI. Public Comments**

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***BROWN ACT REQUIREMENTS: Pursuant to the Brown Act, the council cannot discuss issues or take action on any requests during this comment period.***

**XVII. ADJOURNMENT**

***\* THIS DOCUMENT WILL BE PROVIDED AT THE MEETING.***

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437, no later than 72 hours prior to the meeting that such matter be included on that month’s agenda.

\*Per District Resolution, each member of the Public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**BOARD OF DIRECTORS MEETING  
REDWOODS ROOM  
WEDNESDAY, DECEMBER 11, 2019  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 4:30 pm in the Redwoods Room, Karen Arnold, Chair presiding

PRESENT: Ms. Arnold, Mr. Lund, Mr. Redding, Ms. McColley, Ms. Grinberg  
Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. in the Redwoods Room, Ms. Karen Arnold Chair presiding

**II. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley  
Board Members

BOARD MEMBERS ABSENT: None

ALSO PRESENT:

Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO  
Ms. Gayl Moon, Executive Assistant

Mr. John Allison made a Public Comments Statement prior to the Board convening into Closed Session. A copy of his statement is attached as part of these minutes.

**III. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

1. ***Information/Action:*** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
2. ***Information/Action:*** Pursuant to §32155 of the Health and Safety Code November Quality Management and Improvement Council Reports
3. ***Information/Action:*** Consideration of Termination of Legal Services Contract with Best Best & Krieger, Attorneys at Law, dated 9/25/18. Government Code §§54954.5(e), 54957; Evidence Code §952, et seq.

**IV. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- The Board received a Medical Staff report from Dr. Miller.
- The Board received a November Quality Management and Improvement Council Report.
- The Board decided to keep BB&K on as legal counsel on limited terms.

**V. PUBLIC COMMENTS**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:
  - Mr. Allison discussed the purpose and responsibilities of Board leadership and the possible misuse of that position.

- Ms. Paula Cohen, a commissioner for the Partnership Health Plan of California as well as the Medical Managed Care Provider for fourteen (14) northern counties. At their final meeting for the year there were some awards handed out for Quality Performance & Quality Improvement Programs, and Mendocino Coast District Hospital scored 100% on this year's Quality Improvement Measure. Ms. Cohen presented the MCDH Plaque to Heather Brown-Douglas and Nancy Schmid who accepted on behalf of MCDH.
- Mr. Larry Wagner asked Ms. McColley why she voted against affiliation with Adventist Health.

**VI. REVIEW OF THE AGENDA**

- To add approval of a contract for fire alarms to the agenda under New Business.

**MOTION:** To add consideration for a contract with James Gollner for replacing the fire alarm panel, smoke detectors, etc. with the cost being \$8,744.53.

- Lund moved
- Redding second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried
- Conflict of Interest Resolution 2019-15 under Old Business will be tabled.

**VII. BOARD COMMENTS**

- Mr. Redding stated that he wanted to address some of the criticisms stated here:
  - It is easy to say that we have no negotiating power/no leverage, and the implication is we should just accept whatever they offered us, but that's not true. I and Ms. McColley were skeptical of affiliation until we could work out a financial deal that we could support. For example, when I evaluated the Term Sheet, I went home one week-end and created a spread sheet, cash in cash out. I discovered there wasn't enough cash for us to meet the obligations in the Term Sheet as it existed. A Board member can't normally vote a deal that they know they can't meet. I exhibited some leadership skills and I got on the phone with Wayne Allen, Doran Hammett, Bob Beehler & Jason Wells and I explained that there wasn't enough cash to meet the Term Sheet, so we negotiated for a higher rate. It went from 1.5 million a year over the term of the lease agreement, to a 1.75 million the first three (3) years and almost 3 million thereafter. We did have some leverage, if you're smart enough to do it. As a result, the Term Sheet now and the Lease Agreement means that in ten (10) years we can retire all of our debt and have \$25 million in the bank which corresponds to the amount of money we need to pay for the upgrades. There is value in holding out and being skeptical, because if the other side just sees a bunch of people just accepting what they have offered, then they are not going to move. I want to commend Amy for voting her conscience on it because she was not satisfied that we could fulfill our obligation. I am and that's just a difference of opinion, but to say just because she holds a different opinion means she wants to shut down the Hospital, I think that is not fair.
  - At the time that we approved the budget, Mr. Allison, it was balanced. There was actually a net operating revenue profit. You can question whether that is a good budget or not, and we are experiencing some difficulties, but at the time it was fair to say it was balanced.

- o The Conflict of Interest was on the agenda and it is not now. I am going to ask some questions and would like to get some answers during the course of the meeting. When the issue of conflict of interest with respect to affiliation first arose, it was deemed that BB&K, our legal counsel, was insufficient and that the final arbiter should be the FPPC. The FPPC's guidance, in fact, was followed for several months. Now I just want to be clear. It appears that now legal advice is indeed sufficient to rule on a matter of conflict of interest and not the FPPC, because the FPPC was not consulted this time. So I just want to know what is our policy, what is our process, what is our standards, and if legal advice is sufficient, and not the FPPC, then I would like to see a policy where Board members should be given a copy of that letter so we can judge the contents for ourselves and deliberate on that. If we are going to create such a policy, I think our Board should agree on the expert being consulted, not the person who has the conflict of interest. I hope we can discuss these and come to some resolution, if not tonight, then very soon.
- Ms. McColley stated "I couldn't confidently vote on the Term Sheet for affiliation because I did not think that we could meet the needs of the terms. We did not even include the operation costs to run our healthcare district, not the Hospital, but our district moving forward. I also said I loved the idea of affiliation, and I thought we could get it done within five (5) business days. We also said, oh that's a side note, that's a side note. When the motion came through for affiliation they did not acknowledge the side note that did not meet the terms of the lease that we had concerns on. Like oh ya ya, we talked about it. Those were important things that should have been in the Term Sheet; that they said they would do a side note. No motion was made to add those comments in, so I probably did not think we could meet the terms. I want affiliation, I want a hospital here. I want healthcare where I call home. I live here and I appreciate everybody who works here. I worked here for fifteen (15) years. We can agree to disagree. Obviously you read that Ellen Hardin Case deposition, they challenged me why I left. You're interpreting. This is my home, I know why I left. I left here on values and morals; I couldn't work here anymore, and, thank you.

**VIII. ACTION: APPROVAL OF CONSENT CALENDAR: MS. KAREN ARNOLD, CHAIR**

1. Minutes: Regular Session, November 7, 2019
2. Policy: Form Development and Maintenance: Second Read
3. Policy: Policy Development and Maintenance: Second Read
4. Policies: Abuse Reporting, On-Call Services, Event and Complaint, Hours of Operation Flu Vaccination for Healthcare Workers: First Read
5. Alysoun Huntley Ford Fund Draw (there were no requests)

**MOTION: To approve the Consent Calendar**

- Lund moved
- Grinberg second

Ms. McColley asked to pull and assess items # 2 (Form Development and Maintenance) and #3 (Policy Development and Maintenance). Ms. McColley stated that the Policy Form Development, when it says maintenance, you referenced maintenance annually while you review the policy, but then your Policy Development and Maintenance is bi-annually every two (2) years, and you want them to compliment. You just want them to match.

Mr. Lund amended his motion and Ms. Grinberg amended her second to include the two policy recommended changes to be implemented

- Lund moved
- Grinberg second

- Roll call
  - Ayes: McColley, Arnold, Grinberg, Lund, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**IX. ACTION/INFORMATION: EMERGENCY PREPAREDNESS GRANT: MS. JESSICA GRINBERG**

- Ms. Grinberg presented for Dr. Jennifer Kreger who was unable to attend the meeting.
- Board approval is needed for a grant Dr. Kreger is applying to the Community Foundation of Mendocino County Resiliency and Preparedness.
- Dr. Kreger put together a comprehensive plan for emergency preparedness. This is being done for the Health Care District and will continue even if the affiliation takes place.

**MOTION:** To approve Dr. Kreger’s grant request to the Community Foundation to fund to pursue her emergency preparedness plan

- Grinberg moved
- Redding second

Mr. Lund stated that this is a grant to develop a plan. He thanked Dr. Kreger and everyone involved in making this happen.

- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**X. INFORMATION: MEASURE C AFFILIATION: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen stated he has heard from Adventist Health stating that they are unable, staffing wise, to implement a Management Services Agreement by January 6<sup>th</sup>. They proposed a new strategy, which is to fast forward the least agreement. The least agreement will become effective April 1, 2020 contingent upon voter approval.
- The notification that will go out per the WARN Act can occur either late January or the 1<sup>st</sup> day of February to meet the 60 day requirement. A WARN Act notification would be sent to all MCDH employees stating that they are being laid off contingent upon the fact that there is a favorable vote on March 3<sup>rd</sup>. The Board has final signing authority sometime in late March.
- Adventist will also notify the employees on April 1 that they will be transferred to the payroll of Stone Point Health.
- This ballot item is again going to be Measure C which is selected by the county. Mr. Allen did try to get it changed but was unable to.

**XI. ACTION/INFORMATION: MCDH OSHPD UPDATE AND CONTRACT FOR A NEW FIRE ALARM PANEL: NANCY SCHMID**

- The Hospital currently has three (3) OSHPD projects in the works:
  - The HVAC System is unable to connect to the existing fire panel. The only option to move this project forward is to replace the fire panel. OSHPD has agreed to do “in field review”. This will be done within the HVAC Project, and it will be a change order. The State Fire Marshall will be at MCDH tomorrow.

**MOTION:** To approve a contract with James Gollner Services in the amount of \$80,744.53, this will provide for obtaining the permits and having the inspections necessary to replace the existing fire alarm panel

- Lund moved
- McColley second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried
  
- Ms. Schmid reported:  
**ATS-**
  - a. Added strengthening of the structure will occur through the month of December.
  - b. Seismic bracing and ceiling resurfacing will occur through the month of January.
  - c. Conduit and Wire installation will occur through the months of February and March.
  - a. Startup of Equipment will occur in the months of April and May. This project should be complete by the end of June.

**O.R. HVAC-**

Getting Room One open is dependent on the new fire panel. Hope to open Room One in early January 2020.

- a. Demolition of (East) HVAC for O.R. #2 will occur through the month of December.
- b. Blocking and Installation of (North) HVAC and ducting will occur through the month of January.
- c. Startup and testing of (North) HVAC equipment for O.R. #2 will occur in February.
- d. Opening of both O.R.s should be possible in March.

**Water Heater-**

- a. Continuation of Plumbing and electrical will commence in December.
- b. Completion and startup should be possible in January.

**XII. ACTION/INFORMATION: RESOLUTION 2019-20 OSHPD SEISMIC COMPLIANCE: MS. NANCY SCHMID**

**MOTION:** To approve Resolution 2019-20 notify OSHPD that we are aware of the statutory guidelines related to necessary seismic upgrades of the facility by 2030

- Lund moved
- McColley second
- Ms. Grinberg suggested adding a letter stating this presents a devastating hardship to our facility and we are opposed to it. Mr. Lund suggested the letter say although we approved the resolution; we want to notify you that to comply given the costs will be a hardship. We want to notify you that given our ability to comply with the costs, etc. Ms. Schmid will write a cover letter to be sent with the Resolution. She will send a copy of the letter to the Board.
- Roll call
  - Ayes: Lund, McColley, Arnold, Grinberg, Redding
  - Noes: None
  - Abstain: None

- Absent: None
- Motion carried

**XIII. INFORMATION: QUEST LABS: MR. EMMET O’CONNELL, DIRECTOR OF ANCILLARY SERVICES**

- Mr. O’Connell stated we have a system that is not supported in terms of the connection between the reference lab and our Hospital information lab. Without that connection, the Hospital will not be able to provide timely service to our providers with respect to reference labs.
- Operationally the Hospital is looking at the short term commitment of staff (for about one month) who can update the system from the lab report side working with the Hospital’s Information Systems team to update the electronics. Also looking at the way the laboratory services are built.

**XIV. INFORMATION: MEASURE C PARCEL TAX UPDATE: MR. WAYNE ALLEN, INTERIM CEO**

- A few land owners in the Hospital District filed an application with LAFCO to be removed from the Mendocino Coast Health Care District. LAFCO has some tax and legal issues that they need information on from the County Board of Supervisors. The next LAFCO meeting will not take place until March 2, 2020.

**XV. INFORMATION: CONFLICT OF INTEREST RESOLUTION 2019-15: MS. KAREN ARNOLD, CHAIR**

- This item was tabled.

**XVI. INFORMATION: CEO REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- The Hospital received a check from the Hospital Foundation for \$183,050.70 for anesthesia equipment.
- Mr. Allen met with the Department Managers and discussed performance and labor costs. Two thirds of costs are going into labor and benefits. MCDH staff has grown by 50 people from 2016 to the present.
- Mr. Allen stated that there will be a draft plan by December 31<sup>st</sup>, and it will be presented to the Board on January 9<sup>th</sup>.

**XVII. ACTION: MEDICAL STAFF REPORT: DR. WILLIAM MILLER**

- Dr. Miller stated that Dr. Rochat has turned in his letter of resignation effective December 31, 2019, and the Medical Staff has accepted his resignation.
- Dr. Miller thanked Dr. Rochat for his years of service and dedication to the community and the patients he has served.
- There will not be a lapse in patient care.

**A. Appointments to Medical Staff or Advance Practice-Provisional Status**

1. Sloane Blair, MD –Department of Surgery-Orthopedics
2. Leslie Brooks, PC-C –Department of Medicine-Family Practice NCFHC
3. Patrick Legaghan, MD –Department of Medicine-Emergency Department
4. Nina Yaftali, MD –Department of Mendocino-Hospitalist Service

**B. Re-Appointments to Medical Staff Active Status**

1. Sandra Fleming, MD –Department of Mendocino-Family Practice NCFHC

**C. Temporary Privileges**

1. Leslie Brooks, PA-C –Department of Mendocino-Family Practice NCFHC (Dec 3 – Dec 11, 2019)

**MOTION:** To approve the recommendations as presented for Appointments to Medical Staff or Advanced Practice-Provisional Status, Re-appointments to Medical Staff Active Status, Temporary Privileges as listed on the agenda



- Lund moved
- Grinberg second
- Roll call
- Ayes: Lund, Redding, Arnold, Grinberg, McColley
- Noes: None
- Absent: None
- Abstain: None
- Motion carried

The Board thanked Dr. Rochat for his many years of service to the Hospital and the community.

**XVIII. INFORMATION: PLANNING COMMITTEE REPORT: MS. JESSICA GRINBERG**

- The Planning Committee did not meet due to lack of a quorum.

**XIX. INFORMATION: CHIEF NURSING OFFICER REPORT: MS. LYNN FINLEY**

- There was no report.

**XX. ACTION/INFORMATION: FINANCE REPORT: MR. JOHN REDDING**

- Mr. Redding stated that the financials are not good. There will be a corrective action plan to deal with these losses.
- Mr. Hammett presented the financials.
- The next item on the agenda is to borrow \$1 million from the LAIF Fund. With these funds and what is currently in the bank, the Hospital would be able to pay off all invoices in excess of 60 days. The goal is to get local vendors down to 30 days. There are approximately \$1.5 million in invoices over 60 days.
- Mr. Lee stated that as of December 1<sup>st</sup> Hospital now has full time Orthopedic coverage for the Emergency Room and for the clinic, with four (4) rotating physicians. All the physicians have agreed to cover each other's patients.

**MOTION:** To approve the October 2019 Financial Statements

- Lund moved
- Redding second
- Roll call
- Ayes: Lund, McColley, Redding, Arnold
- Noes: Grinberg
- Absent: None
- Abstain: None
- Motion carried

**XXI. ACTION/INFORMATION: RESOLUTION 2019-19 LAIF FUND WITHDRAWAL**

**MOTION:** To approve Resolution 2019-19 authorizing the withdrawal of funds from the LAIF Fund in the amount stipulated in the resolution as \$1 million

- Lund moved
- Redding

With these funds and what is currently in the bank, the Hospital would be able to pay off all invoices in excess of 60 days. Local vendors will be paid first. The goal is to get local vendors down to 30 days. There are approximately \$1.5 million in invoices over 60 days.

Ms. Grinberg stated she is not comfortable taking \$1 million from the LAIF Account. She has not seen change in the last few months even though it was promised. She wants to see the solution presented to

the Board prior to taking money from the LAIF Account. She stated that she is not in favor of this.

The IGT reimbursement has been received in the amount of \$675,000. The Hospital is expecting approximately \$1.5 million in February for the Cost Report. The Hospital will present a plan of how to reduce the labor costs by the January 9<sup>th</sup> Board Meeting.

Mr. Lund stated that the budget was balanced, but not in a sustainable way.

- Roll call
  - Ayes: Redding, McColley, Lund, Arnold
  - Noes: None
  - Absent: None
  - Abstain: Grinberg
- Motion carried

**XXII. INFORMATION: FUTURE AGENDA ITEMS: MS. KAREN ARNOLD, CHAIR**

- The December Board meeting will take place on January 9<sup>th</sup>.
- Conflict of Interest, process & standards in writing.

A community meeting will be held after January 1<sup>st</sup> regarding the OB Department. Dr. Miller stated that this meeting will be a 2 way conversation. A moderator will be present at the meeting.

Ms. Grinberg stated that the Hospital needs to make decisions now that we are not relying or assuming we are going to affiliate. Decisions need to be made based on MCDH being independent.

**XXIII. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- There were no Association and Community Service Reports.

**XXIV. PUBLIC COMMENTS:**

- Topics discussed were:
  - A plan for this Hospital going forward. Address the OB situation.
  - The Board has fiscal responsibility and should not shirk their duties.
  - There was concern about the preservation of local jobs.
  - Dr. Rochat was thanked for his years of service.
  - Dr. Rochat wished the Hospital well and hopes that affiliation passes.

**XXV. ADJOURN:**

The meeting adjourned at 8:10 p.m.

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Steve Lund, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

**December 11, 2019 MCDH Board Meeting**  
**John Allison's Comments Re: Best, Best & Krieger**

- 1. I want to comment on Closed Session agenda item 3, and urge the Board to terminate the legal services contract with Best, Best & Krieger at today's meeting.**
- 2. I believe this is the third or fourth time termination of the BBK law firm has been on the Board's closed session agenda. It is clear there has been ongoing dissatisfaction with the legal representation provided by BBK.**
- 3. Regarding my own experience, I was a litigation attorney and trial lawyer in private practice for more than two decades, and then joined the legal department of a Fortune 100 company where I was the head of litigation. In that role I hired, and sometimes fired, lawyers and law firms all across the country. I also wrote the company's criteria for selecting and evaluating lawyers and law firms.**
- 4. Good lawyers take a creative approach to their legal analysis that is focused on finding ways to help their clients solve problems. From my experience, I could see that the District was not receiving good legal representation from BBK.**
- 5. For that reason, from time to time during the past few months I urged Wayne Allen to replace BBK as the District's lawyers. I gave Wayne a copy of my book about how to find a really good lawyer.**
- 6. I also became aware of how Michael Maurer, a BBK lawyer, was mishandling the conflict of interest issues under the Political Reform Act with the Fair Political Practices Commission.**
  - His request for an advice letter was made before it was known who the affiliation partner might be. This invited the FPPC to speculate about theoretical conflicts that may or may not arise.**
  - Mr. Maurer made a serious misstatement of fact to the FPPC lawyer who was writing the advice letter.**
  - Probably as a result of that misstatement, the FPPC was unwilling to revisit its advice letter after it was known that Adventist was the affiliation partner.**
  - Recently, I understand that Michael Maurer of BBK issued a written opinion that Karen Arnold does not have a conflict, but Jessica Grinberg does, under a new FPPC regulation. I read that regulation and Mr. Maurer's conclusion makes no sense.**

- 7. Karen Arnold, as Board Chair, asked me to find law firms that could potentially replace BBK. As part of that process I found and interviewed Steve Churchwell, a very good lawyer who actually knows how the FPPC works because he was the FPPC's General Counsel. Karen Arnold then authorized Wayne Allen to hire Mr. Churchwell.**
  
- 8. In preparing these remarks I reflected back on Michael Maurer's handling of the conflict of interest issues with the FPPC and wondered why he seemed so amateurish. That led me to visit the BBK website. It turns out that Mr. Maurer's main area of practice involves advising public agencies on issues dealing with land use and infrastructure projects. He's a land use lawyer, not an FPPC lawyer.**
  
- 9. Having competent legal counsel with strong problem-solving and advocacy skills is critical for the challenges facing the District, including the process of affiliation. The District cannot afford to continue to be represented by BBK.**

**December 11, 2019 MCDH Board Meeting**  
**John Allison's Comments Re: Upcoming Elections**

1. In about a month the Board will be electing new officers, and committee chairs will be appointed. Now is the time to start thinking about the leadership qualities that are needed for each position.
  
2. A Board of Directors needs to function as a team. While respectful disagreement and debate is an important aspect of Board service, once a vote is taken all the members of the Board need to fully support the Board's decision. During the past year John Redding and Amy McColley have repeatedly demonstrated their inability to do that.
  
3. Also, John Redding has been in a leadership position this year as District Treasurer and Chair of the Finance Committee. His performance in those leadership roles indicates that he lacks the skills that are needed to be an effective leader.
  - He has personally attacked and shamed fellow Board members, both in public meetings and in the media.
  - At a recent Finance Committee meeting he lashed out at Lynn Finley when she pointed out the flaws in his idea of housing a mental health crisis stabilization unit inside the hospital.
  - He used his leadership position to give our community a false sense of financial security about the hospital. He has repeatedly claimed we have a balanced budget when, in fact, the budget is far from balanced. The District is withdrawing a million dollars from its reserve funds to pay current bills. That is not what happens when a budget is balanced.
  
4. Amy McColley seems unable to keep closed session matters in closed session. A striking example took place at the Special Board meeting on November 22 when the Board voted 4 to 1 to put affiliation on the March 2020 ballot.
  - As background, legal advice from the District's lawyers is discussed in closed session in order to preserve the confidentiality of those discussions under the attorney-client privilege.
  - At the November 22 meeting the District's lawyer who was working on affiliation was present to explain the ballot language and the resolutions the Board was being asked to approve.

- Amy McColley insisted on repeatedly questioning the lawyer, in the public meeting, about the legal advice the lawyer had given regarding the affiliation term sheet.
  - Ms. McColley's conduct probably waived the District's attorney-client privilege and destroyed confidentiality, at least with respect to legal advice about affiliation.
5. Amy McColley also seems unable to know when she should recuse herself. For example, there is nothing in the minutes of Board meetings to indicate that Ms. McColley recused herself from closed session discussions with the District's lawyers about litigation and settlement strategy in the Hardin case, even though she is a key witness in support of Ellen Hardin's claims against the District in that case.
  6. Finally, Amy McColley lives and works in San Francisco, and her two children attend public school in San Francisco. She is an absentee Board member, participating in most meetings by video conference. If she or one of her children were to need medical care, they can get that care in San Francisco. We, her constituents, need to be able to get quality medical care here. With her primary residence, her domicile, her "home base" in San Francisco, Amy McColley should not even be on the Board.

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**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL SESSION  
FORT BRAGG, CA  
FRIDAY, NOVEMBER 22, 2019**

**1. CALL TO ORDER:**

- 2. ROLL CALL: Redding, McColley, Lund, Arnold, Grinberg  
ABSENT: None**

**ALSO PRESENT:**

**Mr. Wayne Allen, Interim CEO**

**3. COMMENTS FROM THE COMMUNITY**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:
  - Several community members urged the Board to approve putting affiliation with Adventist Health on the March 2020 ballot.
  - Several community members encouraged the Board and the Adventist not to close the OB Department.
  - One community member was concerned with the Term Sheet and that it might violate some laws. He feels that Board should have the details of the Term Sheet worked out prior to passing it.
- ❖ Ms. Arnold stated that it was announced in the last meeting that she could vote for affiliation and she wanted to clear up any confusion that may exist. Over the past few months MCDH has been working with their legal firm of BB&K on the political reform act issues regarding Conflicts of Interest. The counsel has been inconsistent and did not inspire confidence. To safeguard the integrity of the process, Mr. Allen determined the Hospital should seek other counsel. Mr. Steve Churchwell was contacted. Mr. Churchwell is the Sr. Partner in the Churchwell White Law Firm, and he was the former General Counsel of the California Fair Political Practices Act. He has interviewed both Jessica Grinberg and Karen Arnold, and has done exhaustive research into both of their cases. He interviewed Karen Arnold, and cited the new regulations that talk about where a conflict could be; he said that Karen Arnold did not have a conflict, and in fact Lucresha Renteria, the ED of the Mendocino Coast Clinics, read the regulations, and wrote a letter to Mr. Allen stating that she did not see anything the Board would do tonight at this meeting that would affect the clinic. Mr. Churchwell investigated both Jessica Grinberg and Karen Arnold's cases very thoroughly and determined that neither one of them had a conflict. Ms. Arnold thanked the three (3) Board members on the Ad Hoc Committee who worked on affiliation during this confusing time, and she stated that she is very glad to be participating in affiliation activities now and in the future.
- ❖ Ms. Arnold stated that the Management Agreement will not be discussed at this meeting as there are legal opinions that need to be resolved.
- ❖ Ms. McColley stated "I take this very seriously tonight, because I worked at Mendocino Coast District Hospital for fifteen (15) years, and I loved being employed for a District Hospital. I learned so much and have developed my career, that I point this foundation, and when I look forward to maybe affiliating or having a long term lease with Adventist, we bring all those skills because it's the staff and the



community here, but the challenge is the devil is in the details. Tonight I want to understand what this Term Sheet means, and exactly what is going to happen for our Healthcare District. The community and the District made this Hospital; the unified School Districts that are in it, the Ambulance Services, the volunteer departments, the small businesses, the youth sports. It's our District that made this Hospital. We should look at the Long Term Lease, but let's make sure we understand the terms so we have a solvent District so we can do other things in this community for our District, like a free standing birthing center, like a critical mental health unit. If we don't have a solvent District, then all we have is a long term third thirty (30) bed lease for our Hospital. Tonight is my first time ever speaking to a lawyer for affiliation. My questions do not mean I'm adverse to the idea; my questions are I understand, because the devils are in the details, and I want to know what I'm supporting and putting on the ballot. In five years I don't want to be the one who dissolved the District because I didn't ask the right questions because I don't know the Term Sheet. Thank you for being here, thank you for supporting Mendocino Coast Healthcare District and I'm excited to learn about the long term lease and all the details that go along with it.

- ❖ Ms. Arnold introduced Alison Bassett. Ms. Bassett is the attorney who helped to develop the Term Sheet and the Resolutions. She will be talking about the legal aspects of the Resolutions. She will only answer questions about the language of the Resolutions.
- ❖ Mr. Allen stated that Jason Wells, the President of Howard Memorial Hospital and Ukiah Valley Medical Center wishes he could have attended tonight's meeting. Unfortunately he had a previously scheduled appointment, but he is on call if we need to phone him.

4. **ACTION:** Approval of November 8, 2019 Minutes

**MOTION:** To approve the November 8, 2019 Minutes

- McColley moved
- Lund second  
Ms. Arnold requested a change to the minutes: they should read that legal counsel determined that she does not have a conflict of interest not the Fair Political Practices Act
- Roll call
  - Ayes: Redding, Lund, Arnold
  - Noes: McColley
  - Absent: None
  - Abstain: Grinberg
- Motion carried

**MOTION:** To approve the agenda as amended; which is the removal of the Management Services Agreement Item #7

- Grinberg moved
- McColley second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

5. **INFORMATION/ACTION:** Approval of Resolution 2019-17 –Resolution of the Mendocino Coast Health Care District Board of Directors to Approve Terms of a New Lease with an Affiliate of Adventist Health System/West: Mr. Wayne Allen, Interim CEO

**MOTION:** To approve Resolution 2019-17 which approves the Terms of a New Lease with the Affiliation of Adventist Health System/West

- Lund moved
- Arnold second

Ms. McColley stated that she did not receive this and had not spoken to legal counsel so dated Nov. 15, so once again tonight I do have questions, and it is misguided to think that the Ad Hoc Affiliation committee has been working with legal counsel.....we have not. This is the first time we are speaking to them. In prior Board meetings it was agreed to go through the chair to speak to legal, and I never got the support to speak to legal. This is the first time tonight, and I think it is misrepresentation to think that the Ad Hoc Affiliation was involved at all with legal counsel.

Ms. Bassett reviewed the Resolution. Mr. Allen reviewed the Term Sheet. The Term Sheet was approved on November 8th at a Special Board Meeting. Mr. Allen stated that some changes have been made to the Term Sheet:

- ❖ Lease Terms, Section #2:
  - ✓ The amount of money involved in the rent calculation is now up significantly; the rent will rise from \$1.5 million annually in the first three years of the thirty year lease to \$1.75 million. Starting in the fourth year and continuing thereafter it will increase to \$2,950,000. Ms. McColley and Mr. Lund commended John Redding for encouraging Adventist Health to increase the rental amount. The new appraisal will hopefully be done within the next few days. This transaction cannot go through if the appraisal it is not deemed at fair market value.
  - ✓ MCDH commits to make available up to \$2,000,000 per year in repairs, upgrades and equipment in Hospital as prioritized by Adventist Health unspent balances can be carried forward.
- ❖ Scope of Services, Section #3:
  - ✓ Adventist Health will continue to provide existing services at the current level for at least 2 years. The following has been added: Parties may mutually agree at any time to change the service commitments.
- ❖ Termination Rights, Section #4:
  - ✓ Adventist Health will have the right to terminate at three years with 270 days' notice.
- ❖ Liquidated Damages: Section #6:
  - ✓ This is a new section which states "Adventist Health will be entitled to liquidated damages in the event the District does not achieve seismic compliance by 2030 or fails to set aside the funds required for Future Development and Adventist Health terminates the lease. Liquidated damages will be set at \$10,000,000.
- ❖ Seismic Compliance, Section #7
  - ✓ MCDH agrees to "fund into a Board Designated nontransferable (escrow) account funds in excess of operations to be used for:
    - 1 Seismic retrofit
    - 2 New hospital investment
    - 3 Other outpatient construction investmentsAs mutually agreed upon by Adventist Health and the District.
- ❖ Employee Transition, Section #9
  - ✓ The District shall provide a WARN Act notice to affected employees upon receiving voter approval of the proposed transaction. Adventist Health shall make offers of employment to coincide with the conclusion of the WARN Act notice and commencement date of lease.

- ✓ A collective bargaining agreement is going to be negotiated, Cal Mortgage will need to be notified, the license will need to be changed/switched, and the Medicare Cost Report will need to be done. Even though the election is March 3rd, there will be 3 or 4 months to complete all the necessary notices. The commencement date of a new lease would be July 1 of 2020.

Will do a side letter stating that the District will get the reimbursed by Adventist Health for Election Related Fees.

Details will be stipulated in the lease agreement. The lease agreement will be around 100 pages. The lease agreement will include the District having access to space within the facility.

Ms. McColley asked questions about the Term Sheet. She stated that she is concerned that the District can stay solvent under the agreement while paying existing expenses. Mr. Redding stated that this is a standard contract.

Mr. Redding presented a post-affiliation analysis of the District's finances once Adventist Health assumes operational control of the District's asset. This covered what costs the District would have, what revenues the District would have. Accrued Personal Time Off (PTO) is \$1.10M according to our CFO. This amount will be paid using Board Designated funds once we have closed our Accounts Payable and Accounts Receivable. We project that after the PTO is paid off there will be \$3.5M left in Board Designated Funds (down from \$4.4M currently.) This will be our starting balance, post affiliation. A copy of the analysis is available in the Administration Office.

Mr. Allen stated that in October the Hospital was a million dollars short in revenue compared to the same month a year ago. The Hospital's finances are currently in a "Zone of Bankruptcy".

- Roll call
  - Ayes: Redding, Lund, Arnold, Grinberg
  - Noes: McColley
  - Absent: None
  - Abstain: None
- Motion carried

6. **INFORMATION/ACTION:** Approval of Resolution 2019-18 –Resolution of the Mendocino Coast Health Care District Board of Directors Requesting Consolidation of Election and Ordering of Election: Mr. Wayne Allen, Interim CEO

**MOTION:** To approve Resolution 2019-18 which approves the Board of Directors Requesting Consolidation of Election and Ordering of Election

- Lund moved
- Arnold second

Ms. Bassett stated that this resolution is about the election. This resolution will be given to the Board of Supervisors and the County Clerk requesting that this measure be consolidated with the next election on March 3, 2020.

The ballot measure shall read and appear on the ballot as follows:

With no additional taxes to the taxpayers and to assure continuing emergency medical services acute hospital inpatient services and outpatient services, with substantial investments by non-profit Stone Point Health to meet the needs of Mendocino Coast residents, shall the Mendocino Coast Health Care District enter in a lease agreement of Mendocino Coast District Hospital for up to thirty (30) years at fair market value to Stone Point Health, per terms approved by Resolution 2019-17 adopted November 22, 2019?

YES \_\_\_\_\_ NO \_\_\_\_\_

Ms. Grinberg thanked the Board members who have worked so hard on affiliation. She stated that we are just the providers of a template of what the future would look like with this lease, but the real power rests with the community.

- Roll call
  - Ayes: Redding, Lund, Arnold, Grinberg
  - Noes: McColley
  - Absent: None
  - Abstain: None
- Motion carried

7. **INFORMATION/ACTION:** Discussion and Approval of the Terms of the MCDH Interim Management Service Agreement: Mr. Wayne Allen, Interim CEO

- This item was tabled.

8. **COMMENTS FROM THE COMMUNITY**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:
  - A community member had questions regarding the Term Sheet.
  - Mr. Allison thanked the members of the Board, Mr. Allen, Dr. Miller & Mr. Hammett for a lot of hard work regarding the affiliation.
  - Keep OB and delivery available.

9. **COMMENTS FROM BOARD OF DIRECTORS**

- Mr. Lund thanked his colleagues, and stated that this is an important step that was taken tonight. He thanked Mr. Redding for doing the financial deep dive.

10. **ADJOURN:**

The meeting adjourned at 8:10 p.m.

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Ms. Karen Arnold, Chair  
Board of Directors

ATTEST:

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Mr. Steve Lund  
Board Secretary


These minutes constitute a portion of the official record of the Board and are the written record of the proceedings. Documents distributed to the Board of Directors at the meeting are available for public review except legally privileged or confidential documents.

**T**

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**3**

	TITLE: Abuse Reporting
	POLICY#: 802

Department(s): Administration	PolicyTech Version #:
Policy Owner: CEO	Date Created: No Date Set
Approvers: Board of Directors and CEO	Last PolicyTech Review Date: No Date Set
	Last PolicyTech Revision Date: 12/04/19


**PURPOSE:** To comply with laws and appropriately report abuse and neglect, including mental suffering, physical abuse, sexual abuse, child abuse, elder abuse, dependent adult abuse, and domestic violence.

**POLICY:** Mandated reporters, having knowledge of a suspicious injury or reasonable suspicion of abuse, are to notify the proper authorities. The hospital is required to provide education on identifying and reporting abuse and suspected abuse to all new employees upon orientation and annually.

**SCOPE:** Mandated reporters employed at Mendocino Coast District Hospital (MCDH) include, but are not limited to, health care providers, clergy members, and social workers.

**DEFINITIONS:**

- I. Adult (ages 18-64)/Elder (65 and over)/Dependent Adult abuse:
  - A. Dependent Adult is considered a person between the ages of 18 and 64 who has physical or mental limitations that restrict his or her ability to carry out normal activities or to protect his or her rights, including (but not limited to) persons who have physical or developmental disabilities or whose physical or mental ability have diminished.
  - B. Abuse may be physical, neglect, financial, abandonment, isolation, abduction, treatment with resulting physical harm or pain or mental suffering or the deprivation by a care custodian of goods or services that are necessary to avoid physical harm or mental suffering.
- II. Child Abuse:
  - A. Physical injury or death that is inflicted by other than accidental means on a child by another person, sexual abuse, neglect, unlawful corporal punishment or injury, willful harming or injuring of a child or endangering of the person or health of a child.
- III. Mental Suffering:
  - A. Mental suffering means fear, agitation, confusion, severe depression or other forms of serious emotional distress that is brought about by forms of intimidating behavior, threats, harassment, or by deceptive acts performed or false or misleading statements made with malicious intent to agitate, confuse, frighten, or cause severe depression or serious emotional distress of the elder or dependent adult.
- IV. Neglect:
  - A. Negligent failure of a person having the care or custody of a person to exercise that degree of care that a reasonable person in a like position would exercise. Includes, but not limited to, failure to assist in personal hygiene or in the provision of food, clothing or shelter, medical care or supervision. Failure to protect from health and safety hazards. Failure to prevent malnutrition or dehydration.
  - B. If a person cannot provide the above for him/herself due to poor cognitive functions, mental limitation, substance abuse or chronic poor health, this also constitutes neglect.
- V. Physical Abuse:
  - A. Assault, battery, assault with a deadly weapon or force likely to produce great bodily injury, unreasonable physical constraint, sexual assault, use of a physical or chemical restraint or psychotropic medication for punishment or any purpose not authorized by the physician.

	TITLE: Abuse Reporting
	POLICY#: 802


Department(s): Administration	PolicyTech Version #:
Policy Owner: CEO	Date Created: No Date Set
Approvers: Board of Directors and CEO	Last PolicyTech Review Date: No Date Set
	Last PolicyTech Revision Date: 12/04/19

**VI. Sexual Abuse:**

- A. Sexual battery, rape, spousal rape, rape in concert, statutory rape, incest and child molestation. Lude or lascivious acts, oral copulation or sexual penetration inflicted on, shown to or intentionally practiced in the presence of a child or dependent adult.

**PROTOCOL FOR REPORTING:**

- I. Telephone: Reporting must be done via telephone or through a confidential internet reporting tool immediately or as soon as practically possible after receiving the information concerning the incident.
- II. Written: If the initial report is made by telephone, a written report or an internet report must be sent to the appropriate agency within 2 days.
- III. Content: Report contents should include the following, but reporting should not be delayed if some of this information is not known or is uncertain. Disclosure should be limited to the minimum amount of information necessary to fulfill the reporting requirement.
  - A. Your name
  - B. Name and age of victim
  - C. Address and present location of victim
  - D. Names and address of adults responsible for care (for child, elder or dependent adult abuse)
  - E. School, grade and class (for child abuse)
  - F. Nature and extent of abuse
  - G. Condition of victim
- IV. Report to the following agencies:
  - A. Physical abuse: Local law enforcement
  - B. Sexual abuse: Local law enforcement
  - C. Child abuse: Child Protective Services and/or Local law enforcement (dependent on the type and severity of abuse)
  - D. Domestic violence: Local law enforcement
  - E. Elder or Dependent Adult abuse: Adult Protective Services
  - F. Abuse in a Long Term Care Facility: County Ombudsman
- V. Informing the Patient of Reporting:
  - A. Except in cases of child abuse or neglect, the health care provider must inform the patient that a report has been or will be made, unless:
    - 1. The provider believes informing the patient would place him or her at risk of serious harm
    - 2. The provider would be informing a personal representative and they believe that person is responsible for the abuse or that informing the personal representative would not be in the patient's best interest
  - B. A report must be made even if the patient objects
- I. Additional Information Regarding Reporting Abuse or Suspected Abuse:
  - A. Failure of the healthcare provider to report is a misdemeanor punishable by a fine
  - B. The identities of those filing reports are confidential

	TITLE: Abuse Reporting
	POLICY#: 802

Department(s): Administration	PolicyTech Version #:
Policy Owner: CEO	Date Created: No Date Set
Approvers: Board of Directors and CEO	Last PolicyTech Review Date: No Date Set
	Last PolicyTech Revision Date: 12/04/19

**AGENCY CONTACT INFORMATION:**

Fort Bragg Police Department (if abuse is known to occur within city limits):  
 250 Cypress St.  
 Fort Bragg, CA 95437  
 Phone: (707) 964-0200 (dispatch)  
 Fax: (707) 961-2806

Mendocino County Sheriff's Office, Fort Bragg Office:  
 700 S. Franklin St., Ste. #110  
 Fort Bragg, CA 95437  
 Phone: (707) 964-6308

Mendocino County Adult Protective Services:  
 PO Box 839  
 Ukiah, CA 95482  
 Phone: 1-877-327-1799 or (707)463-7900  
 Fax: (707) 467-5886

Mendocino County Child Protective Services  
 Phone: (707)-962-1100 – Fort Bragg  
 Phone: (866)-263-0368 – Toll free

Long Term Care Ombudsman of Lake and Mendocino Counties:  
 PO Box 9000  
 Lower Lake, CA 95457  
 Phone: (707) 262-4525  
 Fax: (707) 995-1081

**FORMS:**

Report of Suspected Dependent Adult/Elder Abuse Form:  
<https://www.cdss.ca.gov/Portals/9/FMUForms/Q-T/SOC341.pdf?ver=2018-11-15-132736-097>

Report of Suspected Dependent Adult/Elder Financial Abuse:  
<https://www.cdss.ca.gov/cdssweb/entres/forms/English/soc342.pdf>

Suspected Child Abuse Report:  
[https://oag.ca.gov/sites/all/files/agweb/pdfs/childabuse/ss\\_8572.pdf](https://oag.ca.gov/sites/all/files/agweb/pdfs/childabuse/ss_8572.pdf)

**References:**

- California Hospital Association. (2019). *California Hospital Association Consent Manual. California Hospital Association Consent Manual (46th ed., pp. 17.1–17.32)*. Sacramento, CA.





**TITLE:** On-Call Services

**POLICY#:** 1256

**Department(s):** Administration

**PolicyTech Version #:** 2

**Policy Owner:** CEO

**Date Created:** No Date Set

**Approvers:** Board of Directors and CEO

**Last PolicyTech Review Date:** No Review Date

**Last PolicyTech Revision Date:** 11/26/2019


**PURPOSE:** To ensure personnel are available on-call, at all times, to provide care at Mendocino Coast District Hospital (MCDH) and a list of the on-call staff is communicated to all applicable departments.

**POLICY:**

- I. MCDH will maintain services necessary to diagnose and treat patients 24-hours a day. These services will include:
  - A. Providers, as defined by the Medical Staff On Call Policy
  - B. Ancillary services including: administration, chaplain, laboratory, plant maintenance, pharmacy, ultrasound, respiratory therapy and surgical services
- II. A list of physicians and ancillary staff who are on-call for each 24-hour period will be maintained and communicated throughout the facility.

**PROTOCOL:**

- I. On-call list creation:
  - A. The hospital departments or services listed above must designate an employee to be on-call outside of hours-of-operation.
  - B. Department managers will provide a calendar of on-call staff to the Emergency Department (ED) registration staff or upload the most current calendar on the intranet, as applicable.
  - C. The daily on-call list of available care providers will be created by the ED registration staff.
  - D. The list will be distributed before 0800 each day to the following departments: ED, Critical Care Unit, Medical-surgical unit, nursing supervisor, and obstetrics.
- II. Changes to on-call list:
  - A. If changes to the on-call providers occur, it will be communicated, in writing whenever possible, to the ED Registration staff who will notify all applicable departments and instruct staff to update their on-call list.
- III. On-call staff:
  - A. The nursing supervisor will contact the on-call staff whenever possible.
  - B. On-call personnel are required to be accessible by phone or pager.
  - C. On-call personnel must be able to return to the hospital within thirty minutes of being called.
  - D. Upon arrival, the on-call personnel will report to the nursing supervisor.
  - E. Prior to departure, the on-call personnel will notify the nursing supervisor to verify that there is no further need for their services.

	TITLE: Event and Complaint Reporting
	POLICY#: 841

Department(s): Administration	PolicyTech Version #: 2
Policy Owner: CEO	Date Created: 11/2001
Approvers: Board of Directors and CEO	Last PolicyTech Review Date: No Review Date
	Last PolicyTech Revision Date: 10/22/2019


**PURPOSE:** To define the mechanisms for event reporting, including actual events, near-misses, recognition of circumstances that may lead to potential safety events as well as complaints and corporate compliance issues.

**POLICY:**

- I. All reports and follow-up regarding an event will be handled in a consistent, professional manner.
- II. All health care practitioners and hospital employees must report safety and non-safety events.
- III. Patients will be provided information about their right to report concerns to MCDH. They can voice their concerns in person, through the Confidential Hotline (#707-961-4788) or MCDH website.
- IV. Patients and families have the right to have unexpected outcomes explained to them in an appropriate, timely fashion.
- V. Employees, as well as patients and visitors, have the right to report a complaint and/or grievance.
- VI. Mendocino Coast District Hospital (MCDH) will promote a culture of safety that encourages diligence in regards to safety and reporting without fear of reprimand or punishment.
- VII. External reporting will be completed in accordance with current regulations.

**DEFINITIONS:**

- I. **Safety Event:** A safety event is any event, incident, or environmental condition that could have resulted or did result in harm to patients, employees, visitors or others. Safety events include but are not limited to:
  - A. "No-harm" and "good catch" Events: either an event that occurred but did not cause harm or recognition of a possible event before it occurred.
  - B. Non-Patient Events: hospital system or process problems that have an adverse or potential adverse effect on the provision of quality patient care. This also is for documentation of events involving products or devices, grounds, security, physician behavior, or other non-patient related events.
  - C. Patient Events: all occurrences involving a patient that vary from desired hospital operations, such as falls, medication errors, rapid response, HIPPA concerns, patient Leaving Against Medical Advice (AMA), etc.
  - D. Employee Events: all employee related events including work related injury, workplace violence and harassment reports.
  - E. Adverse Events: a patient safety event that resulted in harm to a patient. This includes surgical events, product or device events, patient protection events, care management events, environmental events, and criminal events. For current list of reportable adverse events: California Department of Public Health, Reportable Adverse Events
  - F. Sentinel Events: an unexpected occurrence involving death or serious physical or psychological injury or the risk thereof. For current list of sentinel events: The Joint Commission, Sentinel Events
- I. **Non-Safety Events:**
  - G. **Complaint:** an issue that can be resolved promptly or within 24 hours and involve staff who are present

	TITLE: Event and Complaint Reporting
	POLICY#: 841

Department(s): Administration	PolicyTech Version #: 2
Policy Owner: CEO	Date Created: 11/2001
Approvers: Board of Directors and CEO	Last PolicyTech Review Date: No Review Date
	Last PolicyTech Revision Date: 10/22/2019

- H. Grievance: formal or informal written or verbal complaint that is made to the hospital by a patient, or the patient's representative, regarding the patient's care or a complaint from any formal source that requests a resolution
- I. Corporate Compliance Events: occurrences involving regulations and ethical practices.

**PROTOCOL FOR ALL EVENTS:**

I. The following protocol should be followed for all event types. For additional instructions for individual event types, please see next section.

II. Employee Responsibility:

- A. If event has caused harm or has *immediate* potential to cause harm:
  - 1. All staff involved will take care of the immediate needs of the patient, visitor and/or staff.
  - 2. Verbally report the event to the manager of the department where the event occurred or the house nursing supervisor during off hours.
  - 3. The supervisor will immediately communicate the event to the administrator on call and Director of Quality & Risk Management.
  - 4. Written event reporting will be done using the electronic reporting platform on the day the event occurred as per guidelines below
- B. If circumstances are *non-emergent* and have potential to affect the quality of patient care:
  - 1. Assist with any action that can be made to ensure safety.
  - 2. Written event reporting will be done using the electronic reporting platform on the day the discovery was made.
- C. If the event involves a device or product failure:
  - 1. Immediately take the device out of service
  - 2. Place the device and all associated supplies in a bag
  - 3. Contact the nursing supervisor who will retrieve the device
- D. If an employee believes he or she has been subjected to inappropriate punitive measures as a result of self-disclosure or reporting of any type, the individual should report it to their department leadership or to Human Resources.

III. Event Report Guidelines:

- A. The event report must be completed by the employee, not the patient or visitor.
- B. All pertinent fields in the electronic event reporting platform must be completed.
- C. Description of occurrence should be brief and include facts only.
- D. Reports should not be shared with a patient or visitor.
- E. Do not make reference to the event report submission in the medical record.
- F. Do not copy or duplicate reports for the chart or personal reference.
- G. Do not openly display the event report in a way that may violate confidentiality.
- H. Do not make reference to the event report submission in the employee's personnel record.

IV. Leadership Responsibility:

- A. The Quality & Risk Management (Q&RM) department will receive the submitted electronic report and will forward it to the appropriate manager to investigate.
- B. Investigation of the event should include:



MENDOCINO COAST  
DISTRICT HOSPITAL

TITLE: Event and Complaint Reporting

POLICY#: 841

Department(s): Administration

PolicyTech Version #: 2

Policy Owner: CEO

Date Created: 11/2001

Approvers: Board of Directors and CEO

Last PolicyTech Review Date: No Review Date

Last PolicyTech Revision Date: 10/22/2019

1. Interviewing the involved parties and those with potential knowledge of the situation
2. Reviewing relevant medical records
3. Researching applicable laws, regulations, policies, and procedures
4. Identifying measures, including those already taken, to resolve the problem
- C. After conducting the appropriate investigation, the manager will document any actions, conclusions and/or recommendations within 3 working days of receipt.
- D. Leadership will encourage employee participation in follow-up action plans for educational purposes and prevention of further occurrences.
- E. Leadership will have timely communication with staff about safety issues.
- F. Q&RM will oversee all appropriate follow-up activities, including event analysis in accordance to the performance improvement plan, patient disclosure and referral to the appropriate medical staff or departmental committee for review and follow-up.
- G. Q&RM will serve as a liaison between MCDH and the agencies the event is reported to.
- H. Q&RM will refer all medical staff and medical care associated event reports for medical staff peer review.
- I. Q&RM will forward event reports to CHPSO for voluntary participation in analysis of patient events. This also offers added protection from discoverability should litigation occur.
- J. Event reports requiring the most serious consideration or legal counsel will be forwarded to our insurance carrier, Program Beta, as a reportable incident, and the medical record will be placed in protected status. This report is intended to be protected by attorney-client privilege and should not be disclosed to anyone (including the Medical Staff) outside the administration and risk management channels.

**ADDITIONAL PROTOCOL BY EVENT TYPE:**

- I. Complaints and Grievances:
  - A. If a patient's complaint is addressed quickly and informally, the facility should document the complaint and the actions taken to resolve it and maintain the records for quality improvement activities.
  - B. Managers or Q&RM are expected to attempt resolution of patient complaint at the time of complaint, whenever possible and, if not already involved, managers are to notify Q&RM of any serious concerns.
  - C. When staff members are unable to resolve a complaint during the initial contact, the investigative process should commence.
  - D. If a complaint is not received in person, it is therefore a grievance, and the patient or family member will receive notification within 7 days that the grievance has been received, that it will be investigated, and that he or she will receive follow-up communication once the issue has been resolved.
  - E. When the party who filed the grievance is satisfied with the response, it is considered resolved.
  - F. Patients (or their family member or representatives) who feel that their complaints have not been resolved or who have a more in-depth concern may file a formal grievance.
  - G. If an investigation cannot be completed or a grievance cannot be resolved, the patient or the patient's representative should be informed that the process is ongoing and that he or she will



**TITLE: Event and Complaint Reporting**

**POLICY#: 841**

**Department(s): Administration**

**PolicyTech Version #: 2**

**Policy Owner: CEO**

**Date Created: 11/2001**


**Approvers: Board of Directors and CEO**

**Last PolicyTech Review Date: No Review Date**

**Last PolicyTech Revision Date: 10/22/2019**

receive a written response within 30 days.

- H. Documentation should include the complaint or grievance, any related communication or investigation and the resolution.
  - I. When the grievance is resolved, CMS regulations require that a written response is sent to the patient that includes a description of the actions taken to investigate the grievance, the results of those actions, the date of completion of the grievance process, and the name of a contact person. Written responses should be sent even if appropriate staff members meet with the patient and family members and resolve the grievance during the discussion.
  - J. If the individual is not satisfied with the resolution of the complaint, they may appeal the response directly to the CEO or designee.
- II. Corporate Compliance Events:
- A. In addition to utilizing the on-line reporting platform, employees may:
    - 1. Contact the Compliance Officer in confidence to ask questions or to voice concerns.
    - 2. Anonymously report utilizing the confidential hotline: 707-961-4788
- III. Device or Product Failure:
- A. The nursing supervisor will deliver the device to the designated area in the BioMed department
    - 1. The device will be tagged with an "Out of Service" tag and logged in the tracking system
  - B. The manager from the department of product origin (pharmacy, materials management, biomed) will coordinate with Q&RM and assure reporting of all defective devices and products to the manufacturer.
  - C. A report to the FDA must be filed when:
    - 1. A device or product has caused or contributed to a death, serious injury or serious illness.
    - 2. Device or product failure would cause or contribute to a death, serious injury or illness, if it were to reoccur.
    - 3. Q&RM will file the above report as soon as is practical but no later than 10 working days after becoming aware of the information. The report may be electronically filed here: [FDA Medical Device Report Form](#)
  - D. Annual summaries of individual reports must be made to the FDA by January 1<sup>st</sup> of each year. If no reports were submitted the hospital need not submit an annual report.
  - E. Any device or product that contributed to an adverse or sentinel event will be kept for two-years.
  - F. Medical device reporting event files must be retained for two-years following an adverse event.
- IV. Adverse and Sentinel Events:
- A. Disclosure to Patient or Patient's Representative:
    - 1. Consultation with Q&RM or administrator on-call will occur before informing the patient, or the party responsible for the patient.
    - 2. The physician and/or Risk Management will disclose the adverse event in a timely manner but no later than when report to CDPH is made. "Timely" may be anything from "immediately" to as soon as appropriate information can be obtained for the patient concerning the event.
    - 3. Such disclosure shall be reflected in the patient's record.

 <b>MENDOCINO COAST DISTRICT HOSPITAL</b>	<b>TITLE: Event and Complaint Reporting</b>
	<b>POLICY#: 841</b>
<b>Department(s): Administration</b>	<b>PolicyTech Version #: 2</b>
<b>Policy Owner: CEO</b> <b>Approvers: Board of Directors and CEO</b>	<b>Date Created: 11/2001</b> <b>Last PolicyTech Review Date: No Review Date</b> <b>Last PolicyTech Revision Date: 10/22/2019</b>

**B. Investigation and Planning:**

1. Q&RM will coordinate the root cause analysis and resulting action plan in accordance with the MCDH performance improvement plan.
2. Documents prepared pursuant to the investigation should be retained by Q&RM but should not be placed in the patient's medical records.

**C. Reporting to California Department of Public Health (CDPH):**

1. Q&RM will submit the initial report to CDPH.
2. Disclosure of individually identifiable patient information is permitted for reporting purposes.
3. The report to CDHP should be retained by Q&RM but should not be placed in the patient's medical record.

**D. Sentinel Events Reporting:**

1. Voluntary reporting of a sentinel event to The Joint Commission will only occur following consultation with legal counsel, administration, Chief of Staff and Q&RM.
  - a. If a report is to occur, Q&RM will submit a systematic analysis, free of patient identifiers, and action plan to The Joint Commission within 45 days.
2. The MCDH Board of Directors will receive reports from the Q&RM on the analysis of the event and progress of the action plan.

DRAFT



**TITLE:** Hours of Operation

**POLICY#:** 324

<b>Department(s):</b> Administration	<b>PolicyTech Version #:</b> 2
<b>Policy Owner:</b> CEO	<b>Date Created:</b> 12/04/19
<b>Approvers:</b> Board of Directors and CEO	<b>Last PolicyTech Review Date:</b>
	<b>Last PolicyTech Revision Date:</b>

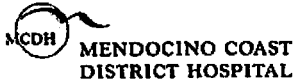
**PURPOSE:** To define hours of operation for services provided at Mendocino Coast District Hospital (MCDH) and define methods of communication when changes occur.

**POLICY:**

- I. Departments at MCDH will have consistent hours of operation defined and communicated
- II. When temporary changes occur to hours or services available:
  - A. The department is responsible for communication to other affected departments. This will occur by:
    - 1. Email notification to all staff of affected departments
    - 2. Notice posted in the designated area in all affected departments
  - B. When service is resumed, communication will also occur through email notification and removal of any notices in the affected departments.
- III. Permanent changes in office hours will be communicated to MCDH staff through revision of this policy and to the public via the hospital website
- IV. Changes to available staff during times of low census must be communicated to the nursing supervisor

**DEPARTMENT HOURS:**

- I. Bio-med
  - A. Monday-Thursday, 0700-1800
  - B. Friday 0800-1630
  - C. Closed on holidays
  - D. After hours services provided by on-call staff
- II. Business office
  - A. Monday-Thursday, 0800-1630
  - B. Friday, 0800-1600
  - C. Closed on holidays
- III. Cardiology
  - A. Monday-Friday, 0730-1630
  - B. Closed on holidays
- IV. Case management
  - A. Monday-Friday, 0800-1700
  - B. Saturday, Sunday and Holidays, 0800-1400. Early closure may occur during times of low census.
- V. Central sterile supply
  - A. Monday- Friday, 0800 - 1700.
  - B. Closed holidays.
  - C. After hours services provided by on-call staff
- VI. Diagnostic imaging
  - A. For outpatient testing:
    - 1. Monday-Friday, 0800-1700



**TITLE: Hours of Operation**

**POLICY#: 324**

**Department(s): Administration**

**PolicyTech Version #: 2**

**Policy Owner: CEO**

**Date Created: 12/04/19**

**Approvers: Board of Directors and CEO**

**Last PolicyTech Review Date:**

**Last PolicyTech Revision Date:**

- 2. Closed holidays
- B. For inpatient
  - 1. X-ray and CT: tech on-site at all times
  - 2. Ultrasound: After hours services provided by on-call staff
  - 3. MRI: Monday-Friday, 0800-1700. Closed holidays.
- VII. Employee health
  - A. Monday, Tuesday, Thursday, 0800-1700
  - B. Wednesday, Friday, 0800-1300
  - C. Closed holidays
- VIII. Home health
  - A. Monday-Friday, 0800-1700
  - B. Closed holidays
  - C. After hours services provided by on-call staff
- IX. Housekeeping
  - A. Daily, 0530-0130.
  - B. After hours services provided by on-call staff
- X. Human resources
  - A. Monday-Friday, 0800-1630
  - B. Closed holidays
- XI. Information systems
  - A. Help Desk: Monday-Friday, 0800-1630
  - B. Closed holidays
  - C. After hours services provided by on-call staff
- XII. Infusion/hematology/oncology
  - A. Monday through Friday from 0800 – 1700
  - B. Closed holidays
- XIII. Laboratory
  - A. For outpatient testing:
    - 1. Monday-Friday, 0700-1700
    - 2. Saturday, Sunday and Holidays, 0800-1200
  - B. For inpatient testing:
    - 1. Monday-Friday, 0600-2100
    - 2. Saturday, Sunday and Holidays, 0630-2130
  - C. Clinical Laboratory Scientist hours:
    - 1. Monday- Friday, 0600-0330
    - 2. Saturday, Sunday and Holidays, 0630- 0330
    - 3. A Clinical Laboratory Scientist is on-call from 0330-0600
  - D. After hours services provided by on-call staff
- XIV. Materials management
  - A. Monday-Friday, 0730-1600
  - B. Closed holidays
- XV. Medical records






**MENDOCINO COAST  
DISTRICT HOSPITAL**

**TITLE: Hours of Operation**

**POLICY#: 324**

<b>Department(s): Administration</b>	<b>PolicyTech Version #: 2</b>
<b>Policy Owner: CEO</b>	<b>Date Created: 12/04/19</b>
<b>Approvers: Board of Directors and CEO</b>	<b>Last PolicyTech Review Date:</b>
	<b>Last PolicyTech Revision Date:</b>

- A. Monday-Friday, 0800 – 1600
- B. Closed holidays
- XVI. North Coast Family Health Center
  - A. Suite A: Monday-Friday, 0800-1700 (Immediate Care)
  - B. Suite B: Monday-Friday, 0900-1700
  - C. Suite C: Monday-Friday, 0800-1700
  - D. Closed holidays
- XVII. Nutrition services: Daily, 0600-1930
- XVIII. Pharmacy
  - A. Monday-Friday, 0730-1800
  - B. Saturday, Sunday and Holidays, 0730-1600
- XIX. Plant maintenance
  - A. Daily, 0600-1800
  - B. After hours services provided by on-call staff
- XX. Quality and risk management
  - A. Monday-Friday, 0900-1700
  - B. Closed holidays
- XXI. Registration (South Lobby)
  - A. Monday-Friday, 0600-1700
  - B. Closed holidays
- XXII. Rehabilitation services
  - A. Outpatient:
    - 1. Monday-Friday, 0830-1700
    - 2. Closed holidays
  - B. Inpatient:
    - 1. Monday-Saturday, 0830-1700
    - 2. Available Sundays and holidays as needed
- XXIII. Respiratory therapy
  - A. Daily, 0830 – 1700
  - B. After hours services provided by on-call staff
  - C. The respiratory therapist will notify the nursing supervisor when leaving the hospital at any time during normal hours of operation and at the end of their shift.

	TITLE: Flu Vaccination for Healthcare Workers
	POLICY#: 793

Department(s): Employee Health	PolicyTech Version #: 2
Policy Owner: CHRO	Date Created: 08/01/2015
Approvers: Board of Directors, CHRO	Last PolicyTech Review Date: No Review Date
	Last PolicyTech Revision Date: 11/20/2019

**PURPOSE:** To help protect staff, non-employees, patients and their families of Mendocino Coast District Hospital (MCDH) from acquiring seasonal influenza, to help prevent the spread of the influenza virus and to meet the requirements of public health agencies.

**POLICY:** All healthcare workers will receive an influenza vaccine or wear a mask for the duration of the flu season. Influenza season is defined as November 1<sup>st</sup> through April 30<sup>th</sup> of each year, but can be subject to change based on the Centers for Disease Control recommendations. All health care workers, regardless of whether they have had the vaccine or not, will be expected to remain home from work with any signs and symptoms of influenza like illness.

**DEFINITIONS:**

- I. Health care workers include, but are not limited to: clinical and non-clinical employees, licensed independent practitioners, temporary workers, students, volunteers and contracted staff.
- II. Influenza incubation: The typical incubation period for influenza is one to four days, with an average of two days. Adults can be infectious from the day before symptoms begin through approximately five days after illness onset. Children can be infectious for ten days or more after the onset of symptoms, and young children can shed the virus before the onset of their illness. Severely immunocompromised person can shed the virus for weeks or months.
- III. Influenza transmission: Influenza virus is spread from person to person, primarily through respiratory droplet transmission.
- IV. Influenza signs and symptoms: Uncomplicated influenza illness is characterized by the abrupt onset of the following symptoms: fever, or feverish/chills, muscle or body aches, headache, fatigue, nonproductive cough, sore throat, and rhinitis. Children may also have otitis media, nausea, and vomiting.

**PROTOCOL:**

- I. Staff, including new hires, must receive the influenza vaccination, provide written proof of having received the vaccine from another source or sign a declination form by November 1<sup>st</sup> of each year.
- II. The vaccine will be provided free of charge to all healthcare workers, including new hires.
- III. Those that are declining the vaccine must wear a hospital-supplied surgical mask for the duration of the flu season any time they are within six feet of a patient.
- IV. In the case of vaccine shortage, Employee Health will determine an appropriate distribution plan for the available vaccine. Vaccination priority will be offered to personnel based on risk to patient population cared for and risk of exposure to influenza.

**REFERENCES:**

- Pace, Gary, MD, MPH, Mendocino County Public Health Officer (2018). Mandatory Influenza Vaccination of Healthcare Workers at Acute Care Hospitals. *Letter to Mendocino County Healthcare Facilities.*
- Immunization Schedules. Centers for Disease Control and Prevention (2014, November 19). Retrieved November 20, 2019, from <https://www2a.cdc.gov/vaccines/statevaccsApp/Administration.asp?statetmp=CA#505>.

**T**

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**4**



**MCDH**

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended November 30, 2019**

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**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended November 30, 2019**

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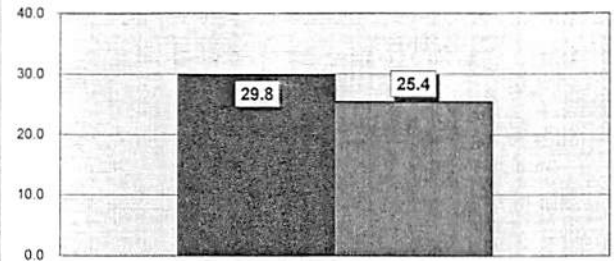
EXECUTIVE FINANCIAL SUMMARY

For the month ended November 30, 2019

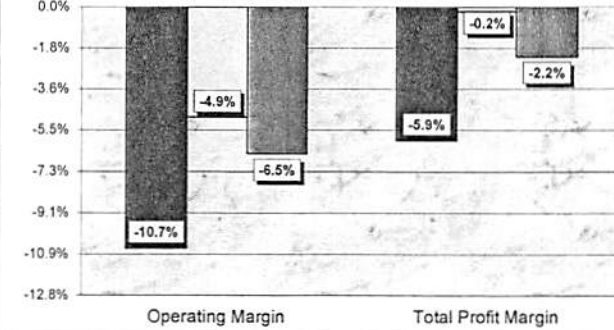
**BALANCE SHEET**

	11/30/2019	6/30/2019
<b>ASSETS</b>		
Current Assets	\$11,520,237	\$11,343,940
Assets Whose Use is Limited	5,532,941	5,608,305
Property, Plant and Equipment (Net)	14,415,484	14,601,347
<b>Total Unrestricted Assets</b>	<b>31,468,662</b>	<b>31,553,592</b>
<b>Total Assets</b>	<b>\$31,468,662</b>	<b>\$31,553,592</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$11,972,594	\$10,299,417
Long-Term Debt	12,569,926	12,979,083
<b>Total Liabilities</b>	<b>24,542,520</b>	<b>23,278,500</b>
Net Assets	6,926,142	8,275,099
<b>Total Liabilities and Net Assets</b>	<b>\$31,468,662</b>	<b>\$31,553,592</b>

**NET DAYS IN ACCOUNTS RECEIVABLE**



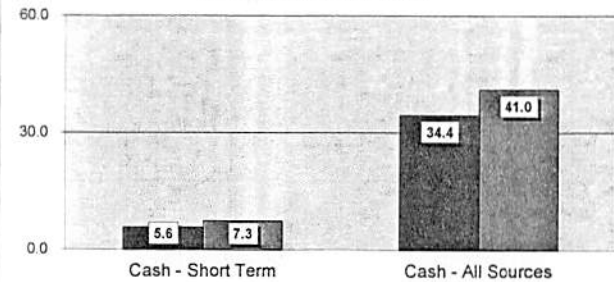
**HOSPITAL MARGINS**



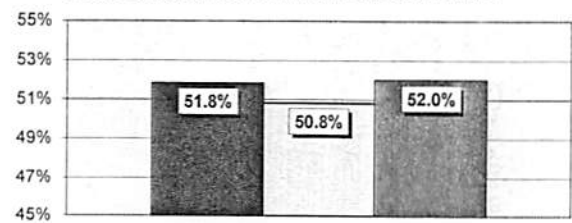
**STATEMENT OF REVENUE AND EXPENSES - YTD**

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$47,431,648	\$48,980,059
Deductions From Revenue	(25,620,364)	(26,712,328)
Net Patient Revenues	21,811,284	22,267,731
Other Operating Revenue	991,030	1,103,744
<b>Total Operating Revenues</b>	<b>22,802,314</b>	<b>23,371,475</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	14,392,457	14,075,245
Purchased Services & Physician Fees	4,519,789	3,859,824
Supply Expenses	3,723,584	3,970,646
Interest Expense	0	0
Depreciation Expense	555,342	623,994
Other Operating Expenses	2,044,223	1,987,070
<b>Total Expenses</b>	<b>25,235,391</b>	<b>24,516,779</b>
<b>NET OPERATING SURPLUS</b>	<b>(2,433,077)</b>	<b>(1,145,304)</b>
Non-Operating Revenue/(Expenses)	1,084,133	1,096,896
<b>TOTAL NET SURPLUS</b>	<b>(\$1,348,944)</b>	<b>(\$48,408)</b>

**DAYS CASH ON HAND**



**SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE**



**BOND COVENANTS**

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	0.02
CURRENT RATIO	1.00	0.96
DAYS CASH ON HAND	30.0	34.4

	11/30/2019	6/30/2019
■ MENDOCINO COAST HEALTHCARE DISTF	11/30/2019	6/30/2019
□ Budget	11/30/2019	
■ Prior Fiscal Year End	6/30/2019	

Balance Sheet - Assets

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended November 30, 2019

PAGE 3

	Current Month <u>11/30/2019</u>	Prior Year End <u>6/30/2019</u>
CURRENT ASSETS		
CASH	\$ 974,523	\$ 1,145,996
PARCEL TAX REVENUE ACCT	905,068	872,982
PATIENT RECEIVABLES	15,757,908	17,107,938
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>(11,420,084)</u>	<u>(13,032,158)</u>
NET PATIENT ACCOUNTS RECEIVABLES	4,337,824	4,075,780
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,518,481	2,928,248
OTHER RECEIVABLES	2,360,848	1,011,535
INVENTORIES	782,479	839,076
PREPAID EXPENSES	641,014	470,323
TOTAL CURRENT ASSETS	<u>\$ 11,520,237</u>	<u>\$ 11,343,940</u>
ASSETS WHOSE USE IS LIMITED		
BOARD DESIGNATED FUNDS	\$ 4,077,031	4,376,979
PLAN FUND	13,774	13,774
SPECIFIC PURPOSE FUND	0	0
BONDS	991,198	746,302
BOND COSTS	450,938	471,250
TOTAL LIMITED USE ASSETS	<u>\$ 5,532,941</u>	<u>\$ 5,608,305</u>
PROPERTY, PLANT, & EQUIPMENT		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	805,398	805,398
BUILDINGS & IMPROVEMENTS	24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	546,439	546,439
EQUIPMENT	20,681,478	20,430,219
CONSTRUCTION-IN-PROGRESS	<u>1,767,617</u>	<u>1,649,397</u>
GROSS PROPERTY, PLANT, & EQUIPMENT	\$ 48,522,886	\$ 48,153,407
LESS: ACCUMULATED DEPRECIATION	<u>(34,107,402)</u>	<u>(33,552,060)</u>
NET PROPERTY, PLANT, & EQUIPMENT	<u>\$ 14,415,484</u>	<u>\$ 14,601,347</u>
TOTAL ASSETS	<u>\$ 31,468,662</u>	<u>\$ 31,553,592</u>

**Balance Sheet - Liabilities and Net Assets**

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA  
For the month ended November 30, 2019**

	<u>Current Month 11/30/2019</u>	<u>Prior Year End 6/30/2019</u>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 6,260,844	\$ 4,369,232
ACCRUED PAYROLL	\$ 780,578	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,063,963	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 51,667	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 807,543	\$ 1,057,880
OTHER CURRENT LIABILITIES	\$ 769,344	\$ 911,488
INTEREST PAYABLE	\$ 957,346	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 116,667	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 286,673	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 11,972,594</u></b>	<b><u>\$ 10,299,417</u></b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	\$ 9,730,743	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 404,465	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,569,926</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 24,542,520</u></b>	<b><u>\$ 23,278,500</u></b>
<b>FUND BALANCE</b>		
UNRESTRICTED FUND BALANACE	\$ 8,275,091	\$ 7,591,999
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ (1,348,949)	\$ 683,100
<b>TOTAL NET ASSETS</b>	<b><u>\$ 6,926,142</u></b>	<b><u>\$ 8,275,099</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 31,468,662</u></b>	<b><u>\$ 31,553,592</u></b>



**Statement of Revenue and Expense**  
**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended November 30, 2019**

	CURRENT MONTH				Prior Year 11/30/18
	Actual 11/30/19	Budget 11/30/19	Positive (Negative) Variance	Percentage Variance	
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,495,026	\$ 1,783,013	\$ (287,987)	-16%	\$ 2,069,493
SWING BED	\$ 591,134	\$ 373,725	\$ 217,409	58%	\$ 367,023
OUTPATIENT	\$ 5,866,234	\$ 6,891,425	\$ (1,025,191)	-15%	\$ 6,048,538
NORTH COAST FAMILY HEALTH CENTER	\$ 375,950	\$ 436,572	\$ (60,622)	-14%	\$ 401,435
HOME HEALTH	\$ 96,294	\$ 119,200	\$ (22,906)	-19%	\$ 128,944
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 8,424,638</b>	<b>\$ 9,603,935</b>	<b>\$ (1,179,297)</b>	<b>-12%</b>	<b>\$ 9,015,433</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (4,465,213)	\$ (5,258,682)	\$ 793,469	15%	\$ (4,930,977)
POLICY DISCOUNTS	\$ (6,346)	\$ (8,328)	\$ 1,982	24%	\$ (7,568)
STATE PROGRAMS	\$ 220,500	\$ 157,138	\$ 63,362	40%	\$ 324,790
BAD DEBT	\$ (100,000)	\$ (102,516)	\$ 2,516	2%	\$ (83,000)
CHARITY	\$ (32,255)	\$ (28,186)	\$ (4,069)	-14%	\$ (20,860)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (4,383,314)</b>	<b>\$ (5,240,574)</b>	<b>\$ 857,260</b>	<b>16%</b>	<b>\$ (4,717,615)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 4,041,324</b>	<b>\$ 4,363,361</b>	<b>\$ (322,037)</b>	<b>-7%</b>	<b>\$ 4,297,818</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 253,239</b>	<b>\$ 231,618</b>	<b>\$ 21,621</b>	<b>9%</b>	<b>\$ 180,391</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,294,563</b>	<b>\$ 4,594,979</b>	<b>\$ (300,416)</b>	<b>-7%</b>	<b>\$ 4,478,209</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,472,969	\$ 1,495,499	\$ 22,530	2%	\$ 1,570,346
EMPLOYEE BENEFITS	\$ 704,251	\$ 724,123	\$ 19,872	3%	\$ 715,009
PROFESSIONAL FEES - PHYSICIAN	\$ 573,785	\$ 521,673	\$ (52,112)	-10%	\$ 557,119
OTHER PROFESSIONAL FEES - REGISTRY	\$ 660,928	\$ 538,419	\$ (122,509)	-23%	\$ 462,034
OTHER PROFESSIONAL FEES - OTHER	\$ 113,632	\$ 122,463	\$ 8,831	7%	\$ 116,661
SUPPLIES - DRUGS	\$ 405,834	\$ 463,167	\$ 57,333	12%	\$ 454,386
SUPPLIES - MEDICAL	\$ 136,118	\$ 237,335	\$ 101,217	43%	\$ 234,165
SUPPLIES - OTHER	\$ 61,708	\$ 85,572	\$ 23,864	28%	\$ 83,452
PURCHASED SERVICES	\$ 159,312	\$ 114,014	\$ (45,298)	-40%	\$ 124,308
REPAIRS & MAINTENANCE	\$ 54,411	\$ 67,789	\$ 13,378	20%	\$ 65,445
UTILITIES	\$ 62,264	\$ 72,220	\$ 9,956	14%	\$ 73,234
INSURANCE	\$ 44,384	\$ 51,653	\$ 7,269	14%	\$ 37,257
DEPRECIATION & AMORTIZATION	\$ 111,214	\$ 123,633	\$ 12,419	10%	\$ 131,797
RENTAL/LEASE	\$ 57,064	\$ 53,357	\$ (3,707)	-7%	\$ 50,463
OTHER EXPENSE	\$ 157,305	\$ 121,847	\$ (35,458)	-29%	\$ 122,936
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,775,179</b>	<b>\$ 4,792,764</b>	<b>\$ 17,585</b>	<b>0%</b>	<b>\$ 4,798,612</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (480,616)</b>	<b>\$ (197,785)</b>	<b>\$ (282,831)</b>	<b>-143%</b>	<b>\$ (320,403)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 64,574	\$ 5,426	8%	\$ 65,000
INVESTMENT INCOME	\$ 17,053	\$ 6,392	\$ 10,661	167%	\$ 4,000
DONATIONS	\$ 83,794	\$ 26,571	\$ 57,223	215%	\$ 6,583
INTEREST EXPENSE (ALL)	\$ (39,681)	\$ (41,845)	\$ 2,164	-5%	\$ (42,862)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 209	\$ (209)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,094	\$ 18	2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 27,262	\$ 454	2%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 130,820	\$ 2,180	2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 292,994</b>	<b>\$ 215,077</b>	<b>\$ 77,917</b>	<b>36%</b>	<b>\$ 194,549</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ (187,622)</b>	<b>\$ 17,292</b>	<b>\$ (204,914)</b>	<b>-1185%</b>	<b>\$ (125,854)</b>
<b>Operating Margin</b>	<b>-11.2%</b>	<b>-4.3%</b>			<b>-7.2%</b>
<b>Total Profit Margin</b>	<b>-4.4%</b>	<b>0.4%</b>			<b>-2.8%</b>
<b>EBIDA</b>	<b>-8.6%</b>	<b>-1.6%</b>			<b>-4.2%</b>
<b>Cash Flow Margin</b>	<b>-2.4%</b>	<b>2.5%</b>			<b>-0.5%</b>

**Statement of Revenue and Expense**  
**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended November 30, 2019**

	YEAR-TO-DATE				
	Actual 11/30/19	Budget 11/30/19	Positive (Negative) Variance	Percentage Variance	Prior Year 11/30/18
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 7,708,809	\$ 9,093,355	\$ (1,384,546)	-15%	\$ 9,019,723
SWING BED	\$ 2,903,340	\$ 1,905,981	\$ 997,359	52%	\$ 1,406,119
OUTPATIENT	\$ 34,197,009	\$ 35,146,288	\$ (949,279)	-3%	\$ 33,882,812
NORTH COAST FAMILY HEALTH CENTER	\$ 1,984,773	\$ 2,226,516	\$ (241,743)	-11%	\$ 2,314,466
HOME HEALTH	\$ 637,717	\$ 607,919	\$ 29,798	5%	\$ 605,648
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 47,431,648</b>	<b>\$ 48,980,059</b>	<b>\$ (1,548,411)</b>	<b>-3%</b>	<b>\$ 47,228,768</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (26,019,750)	\$ (26,804,688)	\$ 784,938	3%	\$ (25,604,520)
POLICY DISCOUNTS	\$ (38,540)	\$ (42,468)	\$ 3,928	9%	\$ (39,921)
STATE PROGRAMS	\$ 1,102,500	\$ 801,410	\$ 301,090	38%	\$ 543,829
BAD DEBT	\$ (525,285)	\$ (522,833)	\$ (2,452)	0%	\$ (612,460)
CHARITY	\$ (139,289)	\$ (143,749)	\$ 4,460	3%	\$ (65,206)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (25,620,364)</b>	<b>\$ (26,712,328)</b>	<b>\$ 1,091,964</b>	<b>4%</b>	<b>\$ (25,778,278)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 21,811,284</b>	<b>\$ 22,267,731</b>	<b>\$ (456,447)</b>	<b>-2%</b>	<b>\$ 21,450,490</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 991,030</b>	<b>\$ 1,103,744</b>	<b>\$ (112,714)</b>	<b>-10%</b>	<b>\$ 658,844</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 22,802,314</b>	<b>\$ 23,371,475</b>	<b>\$ (569,161)</b>	<b>-2%</b>	<b>\$ 22,109,334</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 7,646,283	\$ 7,636,180	\$ (10,103)	0%	\$ 7,437,492
EMPLOYEE BENEFITS	\$ 3,862,056	\$ 3,693,132	\$ 168,924	1%	\$ 3,586,017
PROFESSIONAL FEES - PHYSICIAN	\$ 2,913,804	\$ 2,661,025	\$ (252,779)	-9%	\$ 2,638,596
OTHER PROFESSIONAL FEES - REGISTRY	\$ 3,084,118	\$ 2,745,933	\$ (338,185)	-12%	\$ 2,580,057
OTHER PROFESSIONAL FEES - OTHER	\$ 987,547	\$ 623,064	\$ (364,483)	-58%	\$ 476,673
SUPPLIES - DRUGS	\$ 2,372,642	\$ 2,323,773	\$ (48,869)	-2%	\$ 2,112,991
SUPPLIES - MEDICAL	\$ 969,099	\$ 1,210,396	\$ 241,297	20%	\$ 1,157,539
SUPPLIES - OTHER	\$ 381,843	\$ 436,477	\$ 54,634	13%	\$ 373,525
PURCHASED SERVICES	\$ 618,438	\$ 575,735	\$ (42,703)	-7%	\$ 558,239
REPAIRS & MAINTENANCE	\$ 341,294	\$ 345,734	\$ 4,440	1%	\$ 365,381
UTILITIES	\$ 372,117	\$ 368,321	\$ (3,796)	-1%	\$ 378,211
INSURANCE	\$ 279,416	\$ 263,438	\$ (15,978)	-6%	\$ 265,090
DEPRECIATION & AMORTIZATION	\$ 555,342	\$ 623,994	\$ 68,652	11%	\$ 640,454
RENTAL/LEASE	\$ 282,914	\$ 272,124	\$ (10,790)	-8%	\$ 260,887
OTHER EXPENSE	\$ 758,482	\$ 737,453	\$ (21,029)	-3%	\$ 567,126
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 25,236,395</b>	<b>\$ 24,516,779</b>	<b>\$ (719,616)</b>	<b>-3%</b>	<b>\$ 23,398,278</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (2,433,077)</b>	<b>\$ (1,145,304)</b>	<b>\$ (1,287,773)</b>	<b>112%</b>	<b>\$ (1,288,944)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 350,000	\$ 329,327	\$ 20,673	6%	\$ 325,000
INVESTMENT INCOME	\$ 37,053	\$ 32,596	\$ 4,457	14%	\$ 31,318
DONATIONS	\$ 96,014	\$ 135,513	\$ (39,499)	-29%	\$ 6,583
INTEREST EXPENSE (ALL)	\$ (201,886)	\$ (213,409)	\$ 11,523	-5%	\$ (216,235)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 1,073	\$ (1,073)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 5,560	\$ 5,580	\$ 20	0%	\$ 5,560
TAX SUBSIDIES FOR GO BONDS	\$ 138,580	\$ 139,035	\$ (455)	0%	\$ 138,580
PARCEL TAX REVENUES	\$ 658,808	\$ 667,181	\$ (8,373)	-1%	\$ 665,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 1,084,129</b>	<b>\$ 1,096,896</b>	<b>\$ (12,727)</b>	<b>-1%</b>	<b>\$ 957,924</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ (1,348,944)</b>	<b>\$ (48,408)</b>	<b>\$ (1,300,536)</b>	<b>2687%</b>	<b>\$ (331,020)</b>
Operating Margin	-10.7%	-4.9%			-5.8%
Total Profit Margin	-5.9%	-0.2%			-1.5%
EBIDA	-8.2%	-2.2%			-2.9%
Cash Flow Margin	-4.1%	1.9%			0.8%

## Statement of Revenue and Expense - 13 Month Trend

### MENDOCINO COAST HEALTHCARE DISTRICT

FORT BRAGG, CA

	1	2	3	4	5	6	7	8
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	11/30/2019	10/31/2019	9/30/2019	8/31/2019	7/31/2019	6/30/2019	5/31/2019	4/30/2019
<b>GROSS PATIENT SERVICE REVENUES</b>								
INPATIENT	1,495,026	1,153,050	1,604,446	1,417,030	2,041,840	1,793,781	1,296,892	1,449,258
SWING BED	591,134	534,825	563,816	578,121	635,444	620,020	608,924	740,806
OUTPATIENT	5,866,234	6,533,241	6,928,288	6,941,079	7,925,584	6,606,140	7,648,177	7,489,072
NORTH COAST FAMILY HEALTH CEN*	375,950	393,997	398,500	358,273	458,053	362,717	355,621	413,678
HOME HEALTH	96,294	130,250	117,874	129,099	164,200	128,396	119,334	129,461
<b>ITAL PATIENT SERVICE REVENUES</b>	<b>8,424,638</b>	<b>8,745,363</b>	<b>9,612,924</b>	<b>9,423,602</b>	<b>11,225,121</b>	<b>9,511,054</b>	<b>10,028,948</b>	<b>10,222,275</b>
<b>DEDUCTIONS FROM REVENUE</b>								
CONTRACTUAL ALLOWANCES	(4,465,213)	(4,864,781)	(5,269,096)	(5,360,482)	(6,060,178)	(4,889,557)	(5,810,269)	(5,634,202)
POLICY DISCOUNTS	(6,346)	(8,837)	(3,393)	(11,141)	(8,823)	(211,250)	(41,405)	(9,735)
STATE PROGRAMS	220,500	220,500	220,500	220,500	220,500	459,275	552,945	556,246
BAD DEBT	(100,000)	(99,408)	(150,000)	(25,877)	(150,000)	(663,314)	(254,225)	(147,787)
CHARITY	(32,255)	(15,108)	(19,266)	(30,342)	(42,318)	(167,430)	(33,772)	(36,612)
<b>AL DEDUCTIONS FROM REVENUES</b>	<b>(4,383,314)</b>	<b>(4,767,634)</b>	<b>(5,221,255)</b>	<b>(5,207,342)</b>	<b>(6,040,819)</b>	<b>(5,472,276)</b>	<b>(5,586,728)</b>	<b>(5,272,090)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>4,041,324</b>	<b>3,977,729</b>	<b>4,391,669</b>	<b>4,216,260</b>	<b>5,184,302</b>	<b>4,038,778</b>	<b>4,442,222</b>	<b>4,950,185</b>
<b>OPERATING TAX REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER OPERATING REVENUES</b>	<b>253,239</b>	<b>145,834</b>	<b>211,134</b>	<b>148,991</b>	<b>231,832</b>	<b>222,760</b>	<b>235,212</b>	<b>181,589</b>
<b>TOTAL OPERATING REVENUES</b>	<b>4,294,563</b>	<b>4,123,563</b>	<b>4,602,803</b>	<b>4,365,251</b>	<b>5,416,134</b>	<b>4,261,538</b>	<b>4,677,434</b>	<b>5,131,774</b>
<b>OPERATING EXPENSES</b>								
SALARIES & WAGES - STAFF	1,472,969	1,531,442	1,508,063	1,549,641	1,584,168	1,665,449	1,472,457	1,556,058
EMPLOYEE BENEFITS	704,251	720,704	716,731	732,314	788,056	863,009	742,661	728,459
PROFESSIONAL FEES - PHYSICIAN	573,785	579,785	586,416	592,615	581,203	486,140	485,547	727,967
OTHER PROFESSIONAL FEES - REGI*	660,928	593,362	524,969	656,648	648,211	463,441	605,856	580,617
OTHER PROFESSIONAL FEES - OTHE	113,632	130,892	355,562	193,370	194,091	321,237	336,996	329,581
SUPPLIES - DRUGS	405,834	534,462	485,018	450,697	496,631	348,636	500,098	424,393
SUPPLIES - MEDICAL	136,118	169,312	187,480	181,727	294,462	257,159	169,002	251,183
SUPPLIES - OTHER	61,708	70,672	72,760	85,819	90,884	50,854	85,876	99,137
PURCHASED SERVICES	159,312	122,389	81,707	150,888	104,142	110,385	113,222	121,611
REPAIRS & MAINTENANCE	54,411	101,429	71,220	60,715	53,519	77,556	56,884	51,088
UTILITIES	62,264	87,158	73,180	72,714	76,801	60,767	80,245	68,408
INSURANCE	44,384	62,105	35,745	69,394	67,788	42,547	36,013	37,864
INTEREST	0	0	0	0	0	0	0	0
DEPRECIATION & AMORTIZATION	111,214	111,949	110,664	111,015	110,500	112,559	135,663	113,204
RENTAL/LEASE	57,064	63,474	62,348	57,509	205,716	54,321	56,991	53,005
OTHER EXPENSE	157,305	135,374	181,670	130,936	0	122,358	141,698	201,696
<b>TOTAL OPERATING EXPENSES</b>	<b>4,775,179</b>	<b>5,014,509</b>	<b>5,053,533</b>	<b>5,096,002</b>	<b>5,296,172</b>	<b>5,036,418</b>	<b>5,019,209</b>	<b>5,344,271</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>(480,616)</b>	<b>(890,946)</b>	<b>(450,730)</b>	<b>(730,751)</b>	<b>119,962</b>	<b>(774,880)</b>	<b>(341,775)</b>	<b>(212,497)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
OPERATING TAX REVENUES	70,000	70,000	70,000	70,000	70,000	65,000	65,000	65,000
INVESTMENT INCOME	17,053	5,000	5,000	5,000	5,000	17,304	18,572	4,000
DONATIONS	83,794	0	0	12,220	0	0	37,547	0
INTEREST EXPENSE (ALL)	(39,681)	(40,213)	(40,645)	(40,199)	(41,148)	(41,191)	(41,464)	(41,841)
EXTRAORDINARY GAINS/(LOSS)	0	0	0	0	0	(22,193)	(34,262)	0
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716	27,716	27,716	27,716
PARCEL TAX REVENUE	133,000	133,000	133,000	131,704	128,104	133,000	133,000	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>292,994</b>	<b>186,615</b>	<b>186,183</b>	<b>207,653</b>	<b>190,784</b>	<b>180,748</b>	<b>207,221</b>	<b>188,987</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(187,622)</b>	<b>(694,331)</b>	<b>(264,547)</b>	<b>(523,198)</b>	<b>310,746</b>	<b>(594,132)</b>	<b>(134,554)</b>	<b>(23,510)</b>
<b>Operating Margin</b>	<b>-11%</b>	<b>-22%</b>	<b>-10%</b>	<b>-17%</b>	<b>2%</b>	<b>-18%</b>	<b>-7%</b>	<b>-4%</b>
<b>Total Profit Margin</b>	<b>-4%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>	<b>-3%</b>	<b>0%</b>
<b>EBIDA</b>	<b>-9%</b>	<b>-19%</b>	<b>-7%</b>	<b>-14%</b>	<b>4%</b>	<b>-16%</b>	<b>-4%</b>	<b>-2%</b>
<b>Cash Flow Margin</b>	<b>-5%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>	<b>-3%</b>	<b>-1%</b>

**Statement of Revenue and Ex**

MENDOCINO COAST HEALTHCARE DIS FORT BRAGG, CA	PAGE 7				PAGE 8
	9	10	11	12	13
	Actual 3/31/2019	Actual 2/28/2019	Actual 1/31/2019	Actual 12/31/2018	Actual 11/30/2018
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	2,323,912	1,827,740	1,946,223	1,568,434	2,069,493
SWING BED	732,395	510,398	271,778	138,319	367,023
OUTPATIENT	6,991,396	6,799,218	7,884,721	7,007,476	6,048,538
NORTH COAST FAMILY HEALTH CENT	440,820	397,755	463,344	408,422	401,435
HOME HEALTH	124,983	118,117	123,260	110,380	128,944
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>10,613,506</b>	<b>9,653,228</b>	<b>10,689,326</b>	<b>9,233,031</b>	<b>9,015,433</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	(5,526,455)	(5,409,176)	(6,074,385)	(5,164,683)	(4,930,977)
POLICY DISCOUNTS	(13,405)	(8,089)	(6,458)	(7,056)	(7,568)
STATE PROGRAMS	157,500	148,000	96,000	96,000	324,790
BAD DEBT	0	(86,000)	(109,000)	(87,000)	(83,000)
CHARITY	(39,882)	(43,521)	(46,276)	(55,062)	(20,860)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>(5,422,242)</b>	<b>(5,398,786)</b>	<b>(6,140,119)</b>	<b>(5,217,801)</b>	<b>(4,717,615)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>5,191,264</b>	<b>4,254,442</b>	<b>4,549,207</b>	<b>4,015,230</b>	<b>4,297,818</b>
<b>OPERATING TAX REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER OPERATING REVENUES</b>	<b>179,877</b>	<b>251,431</b>	<b>206,803</b>	<b>203,221</b>	<b>180,391</b>
<b>TOTAL OPERATING REVENUES</b>	<b>5,371,141</b>	<b>4,505,873</b>	<b>4,756,010</b>	<b>4,218,451</b>	<b>4,478,209</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	2,004,021	1,419,828	1,577,412	1,397,120	1,570,346
EMPLOYEE BENEFITS	762,127	755,588	795,016	753,734	715,009
PROFESSIONAL FEES - PHYSICIAN	456,645	521,380	458,183	448,795	557,119
OTHER PROFESSIONAL FEES - REGI	579,522	447,930	567,028	507,800	462,034
OTHER PROFESSIONAL FEES - OTHE	232,597	324,380	206,653	71,067	116,661
SUPPLIES - DRUGS	431,693	446,867	496,553	430,828	454,386
SUPPLIES - MEDICAL	225,148	259,509	273,077	244,499	234,165
SUPPLIES - OTHER	91,307	110,688	63,509	94,774	83,452
PURCHASED SERVICES	117,892	96,041	94,425	104,262	124,308
REPAIRS & MAINTENANCE	71,321	57,350	68,037	71,189	65,445
UTILITIES	66,061	72,901	72,356	69,039	73,234
INSURANCE	42,782	37,864	36,453	36,597	37,257
INTEREST	0	0	0	0	0
DEPRECIATION & AMORTIZATION	100,746	125,253	125,735	128,316	131,797
RENTAL/LEASE	59,316	52,775	55,751	55,359	50,463
OTHER EXPENSE	127,813	140,770	142,968	106,320	122,936
<b>TOTAL OPERATING EXPENSES</b>	<b>5,368,991</b>	<b>4,869,122</b>	<b>5,031,156</b>	<b>4,519,699</b>	<b>4,798,612</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>2,150</b>	<b>(363,249)</b>	<b>(275,146)</b>	<b>(301,248)</b>	<b>(320,403)</b>
<b>NON-OPERATING REVENUES (EXPENSE)</b>					
OPERATING TAX REVENUES	65,000	65,000	65,000	65,000	65,000
INVESTMENT INCOME	4,000	4,000	17,020	4,000	4,000
DONATIONS	0	13,558	0	0	6,583
INTEREST EXPENSE (ALL)	(41,028)	(40,826)	(42,674)	(42,820)	(42,862)
EXTRAORDINARY GAINS/(LOSS)	0	0	0	0	0
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716
PARCEL TAX REVENUE	133,000	133,000	133,000	133,000	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>189,800</b>	<b>203,560</b>	<b>201,174</b>	<b>188,008</b>	<b>194,549</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>191,950</b>	<b>(159,689)</b>	<b>(73,972)</b>	<b>(113,240)</b>	<b>(125,854)</b>
<b>Operating Margin</b>	<b>0%</b>	<b>-8%</b>	<b>-6%</b>	<b>-7%</b>	<b>-7%</b>
<b>Total Profit Margin</b>	<b>4%</b>	<b>-4%</b>	<b>-2%</b>	<b>-3%</b>	<b>-3%</b>
<b>EBIDA</b>	<b>2%</b>	<b>-5%</b>	<b>-3%</b>	<b>-4%</b>	<b>-4%</b>
<b>Cash Flow Margin</b>	<b>3%</b>	<b>-3%</b>	<b>-1%</b>	<b>-2%</b>	<b>-2%</b>

**Statement of Cash Flows****MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA  
for the 5 months ended 11/30/19****PAGE 9**

	<u>11/30/2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income (Loss)	(\$1,348,944)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	555,342
(Increase)/Decrease in Net Patient Accounts Receivable	(262,044)
(Increase)/Decrease in Other Receivables	(1,349,313)
(Increase)/Decrease in Inventories	56,597
(Increase)/Decrease in Pre-Paid Expenses	(170,691)
(Increase)/Decrease in Third Party Receivables	1,409,767
Increase/(Decrease) in Accounts Payable	1,891,612
Increase/(Decrease) in Notes and Loans Payable	346,956
Increase/(Decrease) in Accrued Payroll and Benefits	(172,910)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	(250,337)
Increase/(Decrease) in Other Current Liabilities	(142,144)
<b>Net Cash Provided by Operating Activities:</b>	<u>563,891</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property, Plant and Equipment	(369,479)
(Increase)/Decrease in Limited Use Cash and Investments	299,948
(Increase)/Decrease in Other Limited Use Assets	(224,584)
<b>Net Cash Used by Investing Activities</b>	<u>(294,115)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase/(Decrease) in Bond/Mortgage Debt	79,887
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	(329,276)
<b>Net Cash Used for Financing Activities</b>	<u>(409,163)</u>
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	
<b>Net Increase/(Decrease) in Cash</b>	(139,388)
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u><u>\$1,879,590</u></u>

Patient Statistics

MENDOCINO COAST HEALTHCARE DISTRICT

FORT BRAGG, CA

For the month ended November 30, 2019

Current Month				STATISTICS	Year-To-Date			
Actual 11/30/19	Budget 11/30/19	Positive/ (Negative) Variance	Prior Year 11/30/18		Actual 11/30/19	Budget 11/30/19	Positive/ (Negative) Variance	Prior Year 11/30/18
<b>Admissions</b>								
9	12	(25%)	8	Critical Care Services	56	60	(7%)	64
42	49	(14%)	47	General	209	248	(16%)	233
51	61	(16%)	55	Subtotal Medical & Surgical Admissions	265	308	(14%)	297
2	8	(75%)	13	OB	23	40	(43%)	50
53	69	(23%)	68	Total Admissions	288	348	(17%)	347
14	11	27%	8	Swing Bed	68	55	24%	60
2	8	(75%)	11	Total Deliveries	23	40	(43%)	44
<b>Inpatient Days</b>								
24	42	(43%)	39	Critical Care Services	147	210	(30%)	187
175	172	2%	173	General	762	869	(12%)	839
199	214	(7%)	212	Subtotal Medical & Surgical Inpatient Days	909	1079	(16%)	1026
5	18	(72%)	31	OB	61	90	(32%)	115
204	232	(12%)	243	Total Inpatient Days	970	1169	(17%)	1141
160	99	62%	112	Swing Bed	768	495	55%	516
4	16	(75%)	25	Total Newborn Days	49	80	(39%)	98
<b>Average Length of Stay</b>								
2.7	3.5	(24%)	4.9	Critical Care Services	2.63	3.50	(25%)	2.92
4.2	3.5	19%	3.7	General	3.65	3.50	4%	3.60
3.9	3.5	11%	3.9	Subtotal Medical & Surgical	3.43	3.50	(2%)	3.45
2.5	2.3	11%	2.4	OB	2.65	2.25	18%	2.30
3.8	3.4	14%	3.6	Total Inpatient (CAH)	3.37	3.36	0%	3.29
11.4	9.0	27%	14.0	Swing Bed	11.29	9.00	25%	8.60
<b>Avg Daily Census - Hospital</b>								
0.8	1.4	(43%)	1.3	Critical Care Services (4 Beds)	1.0	1.4	(30%)	1.2
5.8	5.7	2%	5.6	General (8 Beds)	5.0	5.7	(12%)	5.5
6.6	7.1	(7%)	6.8	Subtotal Medical & Surgical (12 Beds)	5.9	7.1	(16%)	6.7
0.2	0.6	(72%)	1.0	OB (3 Beds)	0.4	0.6	(32%)	0.8
6.8	7.7	(12%)	7.8	Subtotal Acute (15 Beds)	6.3	7.6	(17%)	7.5
5.3	3.3	62%	3.6	Swing Care (10 Beds)	5.0	3.2	55%	3.4
12.1	11.0	10%	11.5	Total Hospital (25 Beds Available)	11.4	10.9	4%	10.8
<b>Emergency Department</b>								
704	777	(9%)	745	Outpatients Treated in ED - Emergent	3911	3957	(1%)	4,091
43	48	(10%)	42	Patients Admitted from ED	219	243	(10%)	230
747	825	(9%)	787	Total Patients treated in ED	4,130	4200	(2%)	4,321
<b>Ambulance Service</b>								
122	164	(26%)	152	911 - Transports	711	835	(15%)	785
1	1	0%	2	Transfer - Transports	8	5	60%	4
123	165	(25%)	154	Total Ambulance Transports	719	840	(14%)	789
<b>Surgery - Cases</b>								
15	18	(17%)	15	Inpatient Cases	61	90	(32%)	84
0	6	(100%)	3	Total Implant Cases	14	29	(52%)	20
131	192	(32%)	159	Outpatient Cases	781	980	(20%)	953
146	216	(32%)	177	Total Surgery Cases	856	1099	(22%)	1057
<b>North Coast Family Health Center</b>								
2,216	2,656	(17%)	2,379	Visits	12,029	13,533	(11%)	12,966
<b>Home Health</b>								
468	523	(11%)	513	Visits	2,722	2,665	2%	2,699
<b>Outpatient Encounters</b>								
4,140	5,146	(20%)	4,916	Encounters	22,819	26,220	(13%)	24,833

## Key Financial Ratios

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**PAGE 11**

	Year to Date 11/30/2019	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	-10.7%	-4.3%	-6.5%
Total Profit Margin	-5.9%	0.4%	-2.2%
EBIDA	-8.2%	-1.7%	-4.0%
Contractual Allowance % To Gross Charges	58.2%	58.2%	58.3%
Inpatient Gross Revenue Percentage (Hospital)	23.7%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	76.3%	76.2%	76.3%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	5.6		7.3
Days Cash, All Sources	34.4		41.0
Net Days in Accounts Receivable	29.8		25.4
Hospital Gross Days in AR	53.4		55.5
Cash Flow Margin	-4.09%		-0.2%
Days in Accounts Payable	73		47
Current Ratio	0.96		0.90
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	25.6		22.6
Capital Costs as a % of Total Exp.	1.5%		2.6%
Capital Spend as a % of Annual Depreciation	66.5%		102.0%
Long Term Debt to Net Position	64.5%		66.5%
Debt Service Coverage Ratio	0.02		0.40
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$161,068	\$177,583	\$171,055
Salary & Benefits Expense per Paid FTE	(\$83,508)	(\$112,151)	(\$88,990)
Salary & Benefits as a % of Total Expenses	44.8%	46.2%	47.0%
Salary and Benefits as a % of Net Pat Rev.	51.8%	50.8%	52.0%
Employee Benefits as a % of Salaries	47.9%	48.4%	48.5%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	240.8		241.1
FTE - NON-PRODUCTIVE	37.8		35.7
FTE - REGISTRY/CONTRACT	40.4		32.4
FTE - TOTAL PAID	319.1	300.0	309.2
Cost To Charge Ratio	53.2%	50.0%	50.0%
Medicare Revenue as a % of Total Revenue	61%	60%	61%
Medi-cal Revenue as a % of Total Revenue	18%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	12%	13%	13%
Other Ins Revenue as a % of Total Revenue	6%	5%	4%
Self-Pay Revenue as a % of Total Revenue	3%	2%	1%

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This document  
will be  
provided at  
the meeting

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C Approval of expenditures in excess of \$25,000.00.

**Section 5. Virtual Meeting.** Unless otherwise restricted by the Certificate of Formation, subject to the provisions required or permitted by law or these bylaws for notice of meetings, a Director may participate in and/or hold a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting by such means shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

#### SECTION 6: ADJOURNMENT

A quorum of the Board of Directors may adjourn any Directors' meeting to meet again at a stated day and hour, provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors.

#### SECTION 7: PUBLIC MEETINGS

All meetings of the Board of Directors, whether regular, special, or adjourned, shall be open to the public, provided, however, that the foregoing shall not be construed to prevent the Board of Directors from holding closed sessions to consider the evaluation, appointment, employment, or dismissal of an employee or public officer, as that term is defined by law, or to hear complaints or charges brought against such officer, or employee, or to consider appointment, removal, or change of status of a member of the Medical Staff, or to consult with legal counsel concerning litigation to which the District is a party. Further closed sessions may be held as authorized by statute and case law.

To ensure that the public is fully informed on matters coming before the Board, no action will be taken on any item which does not appear on the published and posted agenda. The only exceptions are as set forth in Section 54954.2 of the Government Code of the State of California. Those exceptions are:

- A. For an "emergency situation" as defined in Section 54956.5 of the Government Code;
- B. If the item has been posted for a prior meeting of the Board, which occurred less than five (5) calendar days prior to the date action is taken and if at the prior meeting the item was continued to the meeting at which the action is being taken;
- C. If a majority of the members present vote affirmatively that a finding that the need to take action arose subsequent to the posting of the agenda.

Under no other situations will matters which are not part of the published and posted agenda be taken up at any general or special meeting.

#### SECTION 8: MINUTES

The Secretary of the Board of Directors shall cause to be kept at the principal office of the District, a book of minutes of all open meetings on the Board of Directors, showing the time and place, whether regular or special, and if special, how authorized, the notice given, the names of the Directors present, and a statement of the vote of the Directors present.

#### SECTION 9: PARLIAMENTARY PROCEDURE

## 1. GENERAL RULES GOVERNING STANDING COMMITTEES

Standing Committees will be affirmed annually by resolution, duly adopted by the Board of Directors.

The President shall recommend appointment of the members of these committees and the Chair thereof, subject to the approval of the Board by majority of Directors present.

Committee appointments shall be for a period of two (2) years and will be made at the December Board meeting, following the election of Board Officers.

### a. Quorum

A majority of the Members of a standing committee of the Board appointed as of the day of a scheduled meeting shall constitute a quorum and shall be necessary to conduct the business of the Committee.

A majority of the Members of a standing committee present at the time and place of a scheduled meeting, although less than a quorum, may adjourn the same from time to time without notice, whether or not a quorum exists.

If any Member of the Board who is not a member of the standing committee attends a meeting of a standing committee, that member shall not be counted towards the quorum.

### b. Actions of a Standing Committee

Any action approved by a majority of all of the Members of a standing committee at any meeting of the standing committee at which a quorum is present shall be the act of the standing committee.

Any action required or permitted to be taken by a standing committee may be taken without a meeting if all of the members of the standing committee consent in writing to the adoption of a resolution authorizing such action.

### c. Rules of Order

Each committee shall comply with the rules and regulations applicable to meetings and rules of order adopted by the Board.



d. Ex officio Members of Standing Committees

The CEO of the Hospital shall serve on all standing committees, *ex officio* and without vote.

e. Other Members of Standing Committees

The Board, by majority vote, may appoint individuals from the Hospital's management, the Medical Staff, Foundation Representative and other community stake-holders to the standing committees where they shall serve without vote.

3. PLANNING COMMITTEE

a. Committee Composition

The Planning Committee, will meet at least bi-monthly, the time will be at the discretion of the Planning Committee Chair, on Tuesday of the week immediately preceding the last Thursday of the month. This committee will consist of up to nine (9) members: two (2) members of the Board of Directors, one which will serve as Chairperson and one will serve as Vice Chairperson; the Chief Executive Officer; the President of the Board of Governors of the Mendocino Coast District Hospital Foundation; one (1) member of the Medical Staff; and up to four (4) community members that have relevant experience.

b. Purpose

The purpose of the Planning Committee is to assist the Board with responsibilities for the Hospital's mission, vision, strategic initiatives, major programs, and services in establishing and deploying the Hospitals strategic planning process and overseeing the development and implementation of programmatic initiatives at the Hospital and ensuring their consistency with the mission of the Hospital.

c. Duties and Powers

The duties and powers of the Planning Committee shall be to assist the Board with the following:

- i. Making recommendations to the Board related to the Hospital's mission, vision, strategic initiatives, major programs, and services;
- ii. Helping management identify critical strategic issues facing the Hospital and assisting in analysis of alternative strategic options;
- iii. Understanding the needs of both the Hospital and the community with respect to health care needs, cost effectiveness, and quality of services provided by the Hospital; and

**iv. Periodically reviewing the mission, vision, and strategic plans and making recommendations to the Board to address changes with respect to the needs of the community and/or the Hospital**

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## MENDOCINO COAST DISTRICT HOSPITAL

DATE: December 30, 2019  
TO: BOARD OF DIRECTORS  
FROM: WILLIAM MILLER, MD  
CHIEF OF STAFF

### SUBJECT: MEDICAL EXECUTIVE COMMITTEE RECOMMENDATIONS

The Medical Executive Committee considered and approved the following medical staff privileges and appointments and recommends these to the Board of Directors for approval:

#### Appointments to Medical Staff -Provisional Status

- **Gary Cecchi, MD**- Department of Medicine-Oncology-Hematology
- **Stewart Kerr, MD**- Department of Surgery-Orthopedics
- **Madison McKenney, MD**- Department of Medicine-Radiology

#### Temporary Privileges (As we await Board Meeting)

- **Stewart Kerr, MD**- Department of Surgery-Orthopedics\_ *(December 30, 2019-January 2, 2020)*
- **Madison McKenney, MD**- Department of Medicine-Radiology *(December 24, 2019-January 2, 2020)*

Department of Medical Staff Services  
William Lee, CPCS, CPMSM~ Director  
700 River Drive • Fort Bragg, California 95437  
Phone: (707) 961-4740 • Fax: (707) 961-4786



**BOARD OF DIRECTORS**

**MONDAY, JANUARY 6, 2020**

**AGENDA**

**6:00 p.m. Closed Session**

**6:15 p.m. Open Session**

**REDWOODS ROOM**

**700 RIVER DR. FORT BRAGG, CA 95437**

**2058 45<sup>th</sup> AVENUE**

**SAN FRANCISCO, CA**

**NOTICE OF SPECIAL BOARD OF DIRECTORS MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

NOTICE IS HEREBY GIVEN in accordance with Section 54956 of the Government Code that a Special Session of the Board of Directors of the Mendocino Coast Health Care District is called to be held on January 6, 2020 at 6:15 p.m. at Mendocino Coast District Hospital, 700 River Drive, Fort Bragg, California

**CONDUCT OF BUSINESS:**

1. Call to Order
2. Roll Call
3. Comments from the Community

**CLOSED SESSION:**

1. ***Information/Action:*** Proposed Engagement Letter regarding Adventist Health Affiliation from, Hooper, Lundy & Bookman, PC, Professional Law Corporation. Government Code §54957

**RECONVENTION OF OPEN SESSION: CALL TO ORDER-MS. JESSICA GRINBERG, PRESIDENT**

- Roll call

**REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

**OPEN SESSION ITEMS:**

1. ***Information:*** Committee Assignments and JPA Appointment: Ms. Jessica Grinberg, President
2. Comments from Community
3. Comments from Board of Directors
4. Adjourn

Dated: January 3, 2020

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO) §

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on January 3, 2020

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

\_\_\_\_\_  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of

Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working days prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

**BOARD OF DIRECTORS**  
**THURSDAY, JANUARY 23, 2020**  
**AGENDA**  
**6:00 PM OPEN SESSION**  
**PATIENT REGISTRATION LOBBY**  
**700 RIVER DRIVE, FORT BRAGG, CA 95437**

**NOTICE OF SPECIAL MEETING**  
**OF THE BOARD OF DIRECTORS**  
**MENDOCINO COAST HEALTH CARE DISTRICT**

NOTICE IS HEREBY GIVEN in accordance with Section 54956 of the Government Code that a Special Session of the Board of Directors of the Mendocino Coast Health Care District is called to be held on January 23, 2020 at 6:00 p.m. at Mendocino Coast District Hospital, 700 River Drive, Fort Bragg, CA 95437

**CONDUCT OF BUSINESS:**

1. Call to Order
2. Roll Call

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

1. **Comments from Community**  
This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You must state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.
2. **Information:** Study Session regarding the Future of OB Services on the Mendocino Coast: Ms. Jessica Grinberg, President
3. Adjourn

Dated: January 17, 2020

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Gayl Moon  
Secretary to the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO) §

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on January 17, 2020

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Gayl Moon  
Secretary to the Board of Directors

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Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working days prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you

**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING**

**THURSDAY, JANUARY 30, 2020  
5:00 p.m. Closed Session  
6:00 p.m. Open Session**

**MENDOCINO COAST DISTRICT HOSPITAL  
Patient Registration  
700 River Drive  
Fort Bragg, California 95437**

**Mendocino Coast District Hospital Mission Statement**

**MISSION**

**To make a positive difference in the health of our rural community.**

**VISION**

**MCDH will play a vital role in the overall health and well-being of the community, and will be the key element in the healthcare system serving the needs of our community. We will provide leadership to enhance the efficiency, coordination, quality and range of services provided within our rural healthcare system.**

**MCDH will be the healthcare provider and employer of choice within our community. We will continually address and keep up with technology and superior clinical skills**

**We will have a positive impact on health by encouraging personal and community responsibility for health and wellness. Our efforts will play a decisive role in people choosing to stay in our community or to locate here.**

**VALUES**

**MCDH is committed to providing excellent quality, patient centered, cost effective health care in a caring, safe and professional environment, and serving the community's healthcare needs with current technology and superior clinical skills. We believe in the right to local access to a wide range of excellent quality healthcare services in our rural community. We promote patient safety and satisfaction, and consistently work toward a high level of care with results in our patients recommending us to others and in their returning to us for needed health care.**

**Every member of our healthcare team will play an active, participative role that effectively utilizes the skills and talents of each. People are our most valuable resource. We encourage professional development that will achieve a level of competence and morale that will attract and maintain the highest quality staff. We strive to build partnership with our employees emphasizing mutual respect and mutual success.**

**I. ROLL CALL**

**II. PUBLIC COMMENTS**

**This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.**

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

**III. CLOSED SESSION**

1. **Information/Action:** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
2. **Information/Action:** Pursuant to §32155 of the Health and Safety Code December Quality Management and Improvement Council Reports

**IV. 6:00 P.M. OPEN SESSION CALL TO ORDER– JESSICA GRINBERG, PRESIDENT**

**V. ROLL CALL**

**VI. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

**VII. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

**VIII. REVIEW OF THE AGENDA**

*Action*

**IX. BOARD COMMENTS**

*Information*

**X. APPROVAL OF CONSENT CALENDAR**

*Action*

The following items are considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

1. Approval of Board of Directors meeting minutes of January 2, 2020 Tab 1
2. Approval of Special Board of Directors meeting minutes of January 6, 2020 Tab 2
3. Approval of Alysoun Huntley Ford Fund Draw (there were no requests)

**XI. NEW BUSINESS**

1. Bylaws Revision/Planning Committee Date and Time Change: Mr. Steve Lund Tab 3 *Action*
2. Annual Affiliation Oversight Committee Report: Mr. Wayne Allen, Interim CEO Tab 4 *Action/ Information*
3. Census Update: Ms. Paula Cohen *Information*
4. The Future of OB Services on the Mendocino Coast: Ms. Jessica Grinberg, President *Action/ Information*
5. Professional Services Agreement for Akbar Khan, D.O.: Mr. Wayne Allen, Interim CEO Tab 5 *Action*

**XII. REPORTS**

- CEO Report: Mr. Wayne Allen, Interim CEO *Information*
- Medical Staff Report: Dr. William Miller Chief of Staff Tab 6 *Action*
  - a. Appointments to Medical Staff/Allied Health Professional-Provisional Status
    1. John Delgado, MD- Department of Medicine-Immediate Care-North Coast
    2. Mayer Horensten, DO- Department of Medicine-Internal Medicine

- 3. Nichols Kusnezov, MD- Department of Surgery-Orthopedics
- 4. Carla Stange, NP, CNM- Department of Medicine-Women's Health- North Coast
- b. Temporary Privileges (as we await Board Meeting)
  - 1. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology (Jan. 16-Jan. 30, 2020)

- Planning Committee Report: Mr. Steve Lund *Action*
- Chief Nursing Officer Report: Ms. Lynn Finley *Information*
- Finance Committee Report: Mr. John Redding Tab 7 *Action*

**XIII. FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT** *Information*

- Action Item List

**XIV. ASSOCIATION AND COMMUNITY SERVICE REPORTS** *Information*

**XV. Public Comments**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

***BROWN ACT REQUIREMENTS:*** Pursuant to the Brown Act, the council cannot discuss issues or take action on any requests during this comment period.

**XVI. ADJOURNMENT**

***\* THIS DOCUMENT WILL BE PROVIDED AT THE MEETING.***

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437, no later than 72 hours prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the Public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**BOARD OF DIRECTORS MEETING  
REDWOODS ROOM  
THURSDAY, JANUARY 2, 2010  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 4:30 pm in the Redwoods Room, Karen Arnold, Chair presiding

PRESENT: Mr. Lund, Ms. Arnold, Ms. Grinberg, Mr. Redding, Ms. McColley  
Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. in the Redwoods Room, Ms. Karen Arnold President presiding

**II. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley  
Board Members

BOARD MEMBERS ABSENT: None

**ALSO PRESENT:**

Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO  
Ms. Gayl Moon, Executive Assistant

**III. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

1. ***Information/Action:*** Hardin v. Mendocino Coast District Hospital, U.S. District Court for the Northern District of California, et al., Case No. 3:17-CV-05554, conference with legal counsel. Government Code §54956.9.
2. ***Information/Action:*** Consideration of Termination of Legal Services Contract with Best, Best & Krieger, Attorneys at Law, dated 9/25/18. Government Code §§54954.5(e), 54957; Evidence Code §952, et seq.
3. ***Information/Action:*** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
4. ***Information/Action:*** Pursuant to §32155 of the Health and Safety Code December Quality Management and Improvement Council Reports

**IV. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- The Board received an update on the Hardin Case from legal counsel. Ms. McColley recused herself.
- Discussed terminating the law firm of BB&K. No action was taken.
- The Board received a Medical Staff Credentials and Privileges Report.
- The Board received a December Quality Management and Improvement Council Report.

**V. PUBLIC COMMENTS**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:



- Mr. Allison read a prepared statement where he urged the Board to focus on the overriding goal of saving the hospital.
- Several community members urged the Board not to close the OB Department.
- Several community members stated that the community needs this hospital.
- A community member would like to see human trafficking added to the Abuse Policy.

**VI. REVIEW OF THE AGENDA**

- There were no changes to the agenda.

**VII. BOARD COMMENTS**

- Mr. Redding stated that he would like the Board Members who get nominated for Board President be able to make a statement prior to the Board voting. Ms. Grinberg stated that she had not heard of this prior to the meeting and had not prepared a statement.
- The Board discussed the voting process which would include either ballot vote or verbal vote. Ms. McColley wanted to clarify that if they vote by ballot, their individual votes need to be reported to the public with their names being stated. She asked that legal counsel be contacted to clarify.

**VIII. ACTION: APPROVAL OF CONSENT CALENDAR: MS. KAREN ARNOLD, CHAIR**

1. Minutes: Regular Session, December 11, 2019
2. Approval of Special Board of Directors meeting minutes of November 22, 2019
3. Alysoun Huntley Ford Fund Draw (there were no requests)
4. Policies: Abuse Reporting, On-Call Services, Event and Complaint, Hours of Operation, Flu Vaccination for Healthcare Workers: second read

Ms. McColley requested pulling the Abuse Reporting Policy as it does not specifically address Human Trafficking. The policy does state that everyone is a mandated reporter for any suspected abuse which would include Human Trafficking. Ms. Schmid will do additional research into this issue and report back to the Board.

**MOTION:** To approve the Consent Calendar pulling the Abuse Reporting policy for further analysis

- Lund moved
- Grinberg second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**IX. ACTION/DISCUSSION: PARTNERSHIP HEALTH PLAN OF CALIFORNIA ANNUAL QUALITY INCENTIVE AWARD: MR. JASON WELLS, PRESIDENT WILLITS MEMORIAL HOSPITAL AND UKIAH VALLEY HOSPITAL**

- Mr. Wells presented a check for to the Hospital for \$605,182.46. This is an incentive award payment from Medi-Cal for successfully meeting performance criteria. A year ago MCDH earned about \$100,000 of the \$600,000 opportunity.
- This year MCDH was one of only four (4) in fourteen (14) counties that got 100%.

**X. ACTION: NOVEMBER FINANCIALS 2019: MR. JOHN REDDING**

- The Hospital is \$1.3 million over budget.

- Mr. Redding presented a document entitled, the “Trends for the Last Six Months”.
- Mr. Redding presented the November Financials.

**MOTION:** To approve the November 2019 Financial Statements

- Lund moved
- Redding second
- Roll call
  - Ayes: McColley, Arnold, Grinberg, Lund, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**XI. ACTION: FINANCIAL IMPROVEMENT PLAN: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen reported:
  - ✓ For the five months ended November 30, 2019, the Hospital had a Net Income (Loss) of \$(1,348,944). The annualized (Loss) would be \$(3,237,468). The financial goal going forward will be to achieve a bottom line that will produce a break-even annual Net Income (Loss).
  - ✓ About 13 Registry FTEs will be eliminated as well as 4 exempt management positions. There will be no effect on union employees. Mr. Allen feels OB Services should be closed to eliminate a \$2.1M annual loss. With these changes, the annual operating expenses for the Hospital will be reduced about \$4.2M.
  - ✓ Mr. Lee stated the Hospital is focusing on lost revenue where all charges are not being captured. Working to stabilize orthopedics program.
  - ✓ NCFHC has recruited a Nurse Practitioner. Continue to recruit physicians.

**MOTION:** To approve the Financial Improvement Plan, pulling Obstetrical Services will be closed until there is further discussion and see the outcome of the meeting tomorrow night regarding the OB Department

- McColley moved
- Redding second (only for discussion)

Ms. McColley stated that it is difficult to accept this plan as it is very generic. She would like to know what personnel this will affect. Mr. Allen stated it is not appropriate to discuss the personnel as of yet. Excluding Labor & Delivery, this produces about \$2.1M of cost reductions. December will probably get very close to break-even.

**MOTION:** To accept the Financial Improvement Plan as described by this document from Wayne Allen

- Grinberg moved
- Redding second
  - Ayes: Redding, Lund, Arnold, Grinberg
  - Noes: McColley
  - Absent: None
  - Abstain: None
- Motion carried

**XII. ACTION/INFORMATION: STATUS OF OBSTETRICAL SERVICES: MS. JESSICA GRINBERG/DR. ZOE BERNA**

- Dr. Berna read a letter signed by six (6) members of the Medical Executive Committee.
  - ✓ The letter states that the Medical Executive Committee has made a careful review of the

question of keeping Labor and Delivery Services versus closing the service. If closed, MCDH would follow a protocol of stabilization and transfer of patients who present to the Hospital in labor. If they cannot be transferred, then they should be delivered in the ER by the existing ED physician and staff.

- ✓ Due to the financial losses associated with this service and the steadily declining number of births at MCDH, the Medical Executive Committee supports the Board in a decision to close Labor & Delivery Services if the Board makes such a decision.
- ✓ Prenatal care would continue on the Coast.
- ✓ The letter was signed by:
  - William Miller, MD, FCAP, Chief of Staff
  - Zoe Berna, MD, Vice-Chief of Staff
  - John Kermen, DO, Past Chief of Staff
  - Robin Serrahn, MD, Chair of Medicine
  - Barbara Kilian, MD, Member At Large
  - Christopher Ryan, MD, Member At Large

Dr. Brent Wright voted against this opinion and did not sign the letter.

- Ms. McColley wants to see a plan, wants to see the data/facts.
- Discussion ensued.
- A meeting regarding the OB Department will take place tomorrow night. Dr. Serrahn will make a presentation, and Dr. Berna will be the facilitator.

**XIII. ACTION/DISCUSSION: BYLAWS REVISIONS: FIRST READ: MS. AMY MCCOLLEY**

- Ms. McColley would like a section added to the Bylaws entitled "Virtual Meeting". The language came from the California Hospital Association.
- Ms. McColley requested a wording change for Standing Committees. This would include a timeframe for Committee appointments for a period of two (2) years.
- Ms. McColley requested an addition to the Bylaws that states the CEO shall serve on all standing committees, *ex officio* and without vote.
- Ms. McColley would like "Other Members of Standing Committees". The Board may appoint individuals from the Hospital's management, the Medical Staff, Foundation and other community stake holders where they shall serve without vote. Need to pay attention to the number of people voting so it is an odd number, not an even number.
- Change the Planning Committee meets on Tuesday to Monday.
- Need to redefine the Foundations involvement since they have changed their charter.

**XIV. INFORMATION: ELECTION OF BOARD OFFICERS, COMMITTEE ASSIGNMENTS AND JPA APPOINTMENT: MS. KAREN ARNOLD, CHAIR**

- Mr. Allen stated that some Hospital Districts conduct the voting verbally, while some do it by ballot with the Board member's name on the ballot.
  - **Nominations for Board President**
    - ✓ Ms. Arnold nominated Ms. Grinberg
    - ✓ Ms. McColley nominated Mr. Redding
    - ✓ Following are the ballot results:
      - Mr. Redding voted for Mr. Redding
      - Ms. McColley voted for Mr. Redding
      - Mr. Lund voted for Jessica Grinberg
      - Ms. Grinberg voted for Ms. Grinberg

- Ms. Arnold voted for Ms. Grinberg
- ✓ Ms. Grinberg is the 2020 Board President

➤ **Nominations for Board Vice President**

- ✓ Ms. Arnold nominated Mr. Lund
- ✓ There were no other nominations. Ms. Grinberg called for the verbal vote:
  - Mr. Arnold voted no
  - Ms. McColley voted yes
  - Mr. Lund voted yes
  - Ms. Arnold voted yes
  - Ms. Grinberg voted yes
- ✓ Mr. Lund is the 2020 Board Vice President

➤ **Nominations for Board Treasurer**

- ✓ Mr. Lund nominated Mr. Redding
- ✓ Ms. Grinberg nominated Ms. Arnold
- ✓ Following are the ballot results:
  - Ms. Arnold voted for Ms. Arnold
  - Ms. Grinberg voted for Ms. Arnold
  - Mr. Redding voted for Mr. Redding
  - Mr. Lund voted for Mr. Redding
  - Ms. McColley voted for Mr. Redding
- ✓ Mr. Redding is the 2020 Board Treasurer

➤ **Nominations for Board Secretary**

- ✓ Mr. Lund nominated Ms. Arnold
- ✓ Ms. McColley nominated Ms. McColley
- ✓ Following are the ballot results:
  - Ms. McColley voted for Ms. McColley
  - Ms. Arnold voted for Ms. Arnold
  - Mr. Redding voted for Ms. McColley
  - Ms. Grinberg voted for Ms. Arnold
  - Mr. Lund voted for Ms. Arnold
- ✓ Ms. Arnold is the 2020 Board Secretary

- Ms. Grinberg will select committee chairs & vice chairs at the next Board Meeting.

**XV. INFORMATION: CEO REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- There was no report.

**XVII. ACTION: MEDICAL STAFF REPORT: DR. ZOE BERNA**

**A. Appointments to Medical Staff –Provisional Status**

1. Gary Cecchi, MD –Department of Medicine-Oncology-Hematology
2. Stewart Kerr, MD –Department of Surgery-Orthopedics
3. Madison McKenney, MD –Department of Medicine-Radiology

**MOTION:** To approve the recommendations as presented for Appointments to Medical Staff as listed on

the agenda

- Lund moved
- McColley second
- Roll call
- Ayes: Lund, McColley, Arnold, Grinberg, Redding
- Noes: None
- Absent: None
- Abstain: None
- Motion carried
- B. Temporary Privileges (As we await Board Meeting)
  1. Stewart Kerr, MD –Department of Surgery-Orthopedics (Dec. 30, 2019-Jan. 2, 2020)
  2. Madison McKenney –Department of Medicine-Radiology (Dec. 30, 2019-Jan. 2, 2020)

**MOTION:** To approve the recommendations as presented for Temporary Privileges as listed on the agenda

- Lund moved
- Arnold second
- Roll call
- Ayes: Lund, Redding, Arnold, Grinberg, McColley
- Noes: None
- Absent: None
- Abstain: None
- Motion carried

**XVIII. ACTION: PLANNING COMMITTEE REPORT: MS. JESSICA GRINBERG**

- Ms. Grinberg reported:
  - ✓ The Planning Committee was approached by both county and city to participate in the Extreme Weather Shelter.
  - ✓ The goal is for the Healthcare District to oversee the service.
  - ✓ Funds would be held by the City of FB and be distributed to the District. A contract would be needed regarding the funding to ensure the District does not lose any money.
  - ✓ This would be a collaborative effort with the Hospitality House.
  - ✓ Ms. Grinberg asked the Board to approve entering into conversation and negotiation as the Healthcare District to participate in this service.

**MOTION:** To enter into discussion to consider participating in the Extreme Weather Shelter

- Ms. Arnold moved
- Mr. Lund second (for the purpose of a discussion)

Ms. McColley stated that this was an information only item on the Planning Committee agenda. The Planning Committee inadvertently voted on this issue, even though it was not an action item. Ms. Grinberg stated that it is still in the purview of the Board to make the decision.

Mr. Redding asked for further clarification for the purpose of the vote. Ms. Grinberg stated that it has not yet been decided what the District's specific responsibility would be. Ms. Grinberg wants to know if the Board is interested in participating.

Mr. Lund will wait until the group gets together and decides how this task will be organized in terms of who has responsibility. As of right now he is not ready to take any responsibility as a Board of Director for the Hospital, other than agreeing that it is a good idea to participate in partnership with other agencies to figure out the best path forward for the community.

Ms. Arnold amended her motion and Mr. Lund amended his second to reflect the following motion:

**MOTION:** To enter into conversation to participate with the Extreme Weather Shelter

- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried
- The Planning Committee discussed Mental Health Services on the coast. Mark Myrtle who is a Measure B Board member spoke to the Planning Committee. There is hope there will be a unit on the coast. This is a provision that Adventist will possibly bring to the area. There is a very short window of time when Measure B funds will be available; April 1 is the deadline. Four (4) community members volunteered to put a plan together that can be presented to the Measure B group; putting this plan together will be expedited. This plan would be for potentially three (3) residential units on the coast.

**XIX. INFORMATION: CHIEF NURSING OFFICER REPORT: MS. LYNN FINLEY**

- Family Advisory Council informational meetings will take on January 14<sup>th</sup> and 23<sup>rd</sup>.

**XX. INFORMATION: FUTURE AGENDA ITEMS: MS. KAREN ARNOLD, CHAIR**

- Conflict of Interest
- Action Item list. Karen Arnold, Board Secretary will maintain this list.

**XXI. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- A Special Board meeting will take place on Monday, January 6<sup>th</sup> at 6:00 pm.

**XXIV. PUBLIC COMMENTS:**

- Topics discussed were:
  - A community member stated that per their data, over the last 25 years 10% of the babies born in the county were delivered at MCDH.
  - Discussed the need to keep the OB Department open.
  - A community member would like to see facts presented regarding the OB Department.

**XXV. ADJOURN:**

The meeting adjourned at 8:25 p.m.

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

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**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL SESSION  
FORT BRAGG, CA  
MONDAY, JANUARY 6, 2020**

**1. CALL TO ORDER:**

CLOSED Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. at 700 River Drive, Fort Bragg, CA 95437: President Jessica Grinberg presiding

**2. ROLL CALL: McColley (telephonically), Arnold, Grinberg, Lund, Redding  
ABSENT: None**

**3. COMMENTS FROM THE COMMUNITY**

- Community members discussed not closing the OB Department.

**4. CLOSED SESSION:**

1. **INFORMATION/ACTION:** Proposed Engagement Letter regarding Adventist Health Affiliation from, Hooper, Lundy & Bookman, PC, Professional Law Corporation. Government Code §54957

**5. RECONVENTION OF OPEN SESSION:**

**6. ROLL CALL: Redding, McColley (telephonically), Lund, Arnold, Grinberg  
ABSENT: None**

**REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

1. **INFORMATION/ACTION:** Proposed Engagement Letter regarding Adventist Health Affiliation from Hooper, Lundy & Bookman, PC, Professional Law Corporation. Government Code §54957

- The Board approved a contract for Hooper, Lundy & Bookman for the negotiations of the lease with Adventist.

2. **INFORMATION:** Committee Assignments and JPA Appointment: Ms. Jessica Grinberg, President

- The JPA seems to possibly be disbanding, so Ms. Grinberg did not appoint anyone as a representative.
- John Redding will chair the Finance Committee with Amy McColley acting as Vice Chair.
- Steve Lund will chair the Planning Committee with Karen Arnold acting as Vice Chair.

**7. COMMENTS FROM THE COMMUNITY**

- Comments included not closing the OB Department.

**8. COMMENTS FROM THE BOARD OF DIRECTORS**

- There were no comments.

**9. ADJOURN:**

The meeting adjourned at 6:20 p.m.

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Ms. Jessica Grinberg, President  
Board of Directors

ATTEST:

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Mr. Steve Lund, Vice-President  
Board of Directors



**These minutes constitute a portion of the official record of the Board and are the written record of the proceedings. Documents distributed to the Board of Directors at the meeting are available for public review except legally privileged or confidential documents.**

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The Planning Committee will meet at least bi-monthly; the time will be at the discretion of the Planning Committee Chair, on Tuesday of the week immediately preceding the Thursday of the regular monthly of the Board of Directors. This committee will consist of up to nine (9) members: two (2) members of the Board of Directors, one which will serve as Chairperson and one will serve as Vice Chairperson; the Chief Executive Officer; the President of the Board of Governors of the Mendocino Coast District Hospital Foundation; one (1) member of the Medical Staff; and up to four (4) community members that have relevant experience.

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**Mendocino Coast District Hospital  
Parcel Tax (Measure C) Annual Report  
Fiscal Year Ended June 30, 2019**

Parcel tax revenue for the fiscal year ended June 30, 2019 was \$1,719,113 and expenditures from these funds were as follows:

- 1) \$27,072 – Parcel tax refunds
- 2) \$700,000 – Information Technology - MediTech EHR upgrade
- 3) \$38,600 – Surgery Department - Flooring
- 4) \$24,650 – Surgery Department - Nitrous manifold
- 5) \$17,488 – Emergency Department - Flooring
- 6) \$258,245 – North Coast Family Health Center – Offset operational losses
- 7) \$258,245 – Emergency Department – Offset operational losses
- 8) \$258,245 – Labor & Delivery – Offset operational losses
- 9) \$136,568 – Radiology – LOGIQ E10 Ultrasound

Year to date parcel tax revenue for the fiscal year ending June 30, 2020 was \$886,840 at December 31, 2019 and expenditures from these funds were as follows:

- 1) \$7,200 – Parcel tax refunds
- 2) \$56,319 – North Coast Family Health Center – Offset operational losses
- 3) \$56,319 – Emergency Department – Offset operational losses
- 4) \$56,316 – Labor & Delivery – Offset operational losses

Balance of parcel tax funds at December 31, 2019, \$710,683. A second payment will be received in April and the final true up in August.

Respectfully submitted,

**Doran Hammett  
Interim, Chief Financial Officer  
January 30, 2019**

Mendocino Coast District Hospital  
 Measure C Funding Request  
 1/24/2020

<b>Fiscal Year 2019 Measure C Funding</b>	<b>\$ 1,719,113</b>
<b>Approved Measure C expenditures:</b>	
Parcel Tax Refunds	(27,072)
Meditech Electronic Health Record IT software	(700,000)
Surgical area flooring	(38,600)
Nitros manifold for surgery department	(24,650)
Emergency department flooring	(17,488)
<b>Total Approved Expenditures</b>	<b>(807,810)</b>
<b>Fiscal Year 2019 Measure C Funds</b>	<b>911,303</b>
<b>Expenditures- Pending Approval :</b>	
North Coast Family Health Center	(258,245)
Emergency Department	(258,245)
Labor & Delivery	(258,245)
LOGIQ E10 Ultrasound	(136,568)
<b>Measure C Funds Balance fiscal year 6/30/19</b>	<b>-</b>

<b>Fiscal Year 2020 Measure C Funding</b>	<b>886,840</b>
<b>Approved Measure C expenditures:</b>	
Parcel Tax Refunds	(7,200)
<b>Expenditures- Pending Approval :</b>	
North Coast Family Health Center	(56,319)
Emergency Department	(56,319)
Labor & Delivery	(56,319)
<b>Cash Balance 12/31/19</b>	<b>\$ 710,683</b>

# **T A B 5**

**MENDOCINO COAST DISTRICT HOSPITAL  
PROFESSIONAL SERVICES AGREEMENT  
[AKBAR KHAN, D.O.]**

This Agreement ("Agreement") is entered into as of 2/01/2020 (the "Effective Date"), by and between **MENDOCINO COAST HEALTH CARE DISTRICT**, a political subdivision of the State of California ("District"), which owns and operates Mendocino Coast District Hospital, 700 River Drive, Fort Bragg, County of Mendocino, State of California (the "Hospital") maintains and operates the North Coast Family Health Center, a provider-based rural health clinic (the "Clinic"), located at 721 River Drive, Suites A, B & C, Fort Bragg, California, and **REVIVE Pain & Spine Center, INC.**, a California corporation ("the Medical Group"). District and Medical Group are sometimes referred to in this Agreement as a "Party" or collectively, as the "Parties."

**I. RECITALS**

- A. District owns and operates the Hospital and maintains and operates the Clinic as an outpatient entity of the Hospital to provide multi-specialty care services to the population residing in the District, and District desires to assure physician services for the Clinic and Hospital.
- B. Medical Group is owned by Akbar Khan, D.O. ("Physician") who is a physician licensed to practice medicine in the State of California and practicing in the specialty of interventional pain specialist ("Specialty"). Medical Group also employs and/or contracts with an advanced practitioner who will provide services in the Clinic within the scope of their licensed practice ("Advanced Practitioner") under the medical supervision of Physician. Physician(s) and Advanced Practitioner are herein referred to as "Providers."
- C. Physician has been working at the Clinic and Hospital since November 2018 pursuant to a locum tenens arrangement. The District has been pleased with the professional medical services provided by the Physician and has decided to eliminate the locum tenens arrangement regarding Physician and to enter into a professional services agreement directly with Physician's Medical Group for the services set forth herein.
- D. District wishes to contract with Medical Group to provide professional and administrative services related to the delivery of the services described herein at the Clinic and Hospital." The professional services are collectively referred to herein as the "Services", which Medical Group wishes to provide to the District on the terms and conditions set forth in this Agreement.

**II. AGREEMENT**

In consideration of the foregoing and the mutual covenants herein contained,



District and Medical Group agree to the following:

1. **Medical Group's Obligations.**

a. **Services.** Medical Group shall provide the Services within the scope of the applicable Provider's license as further described in **Attachment A.**

a. **Standards of Performance.** Neither the District nor the Hospital or any of its representatives (including the Medical Director of the Clinic) shall have any control over the manner or methods by which Providers perform Services; provided that Providers shall comply with the Hospital's and Clinic's written policies and procedures, as applicable, including, but not limited to, policies and procedures pertaining to documentation, use of electronic systems, billing, and scheduling; the Hospital's corporate compliance policy and program; the Hospital's Bylaws and Medical Staff Bylaws and rules and regulations; policies and guidelines of the Hospital's accrediting body (such as The Joint Commission); the rules and regulations of regulatory agencies having jurisdiction over the Hospital and the Clinic; and community standards of practice. Providers shall at all times treat Hospital and Clinic medical and administrative staff in a courteous and respectful manner.

b. **Provider Qualifications.**

(1) **Physician Qualifications.** Medical Group represents and covenants that, upon entering into and during the term of this Agreement, Physician: (i) shall hold an unrestricted license to practice medicine in the State of California; (ii) be Board-certified in his Specialty; (iii) be a member in good standing of the Hospital's Medical Staff who holds such privileges as are necessary or appropriate to perform the Services; (iv) be certified under the Medicare and Medi-Cal programs and not be suspended, excluded, or otherwise ineligible to participate in any federal or state health care program; (v) maintain current and valid DEA registration; and (vi) maintain professional liability coverage as set forth in Section 3 (Insurance). Further, Medical Group represents and warrants that Physician has never (i) suffered suspension, revocation or restriction of his medical license in any state; (ii) been reprimanded, sanctioned, or disciplined by any licensing board or specialty board; (iii) been excluded or suspended from participation in, or sanctioned by, any state or federal health care program, including Medicare and Medicaid/Medi-Cal; (iv) been denied membership on or reappointment to the medical staff of any

hospital; (v) suffered suspension, restriction, or revocation of his medical staff membership or clinical privileges at any hospital for a medical disciplinary cause or reason. If Physician fails to maintain any of the qualifications set forth in this Subsection, regardless of cause, District may immediately terminate this agreement.

- (2) **Advanced Practitioner Qualifications:** Medical Group represents and covenants that, upon entering into and during the term of this Agreement, Advanced Practitioner: (i) shall hold an unrestricted license to provide advanced practitioner services in the State of California; (ii) be certified under the Medicare and Medi-Cal programs and not be suspended, excluded, or otherwise ineligible to participate in any federal or state health care program; (iii) shall provide services in the Clinic under the medical supervision of a physician; (iv) maintain current and valid DEA registration; (v) be a member in good standing of the Hospital's Medical Staff who holds such privileges as necessary or appropriate to perform the Services described in Attachment A; and (vi) maintain professional liability coverage as set forth in Section 6 (Insurance). Further, Medical Group represents and warrants that Advanced Practitioner has never (i) suffered suspension, revocation or restriction of his medical license in any state; (ii) been reprimanded, sanctioned, or disciplined by any licensing board or specialty board; or (iii) been excluded or suspended from participation in, or sanctioned by, any state or federal health care program, including Medicare and Medicaid/Medi-Cal. If Advanced Practitioner fails to maintain any of the qualifications set forth in this Subsection, regardless of cause, District may immediately terminate this agreement.

c. **Notification of Certain Events and Noncompliance**

- (1) Medical Group shall notify District in writing within twenty four (24) hours after Medical Group becomes aware of any of the following events or circumstances: (i) Medical Group or a Provider becomes the subject of, or materially involved in, any investigation, proceeding, or disciplinary action by any state or federal health care program; any state's medical board or professional board; any agency responsible for professional licensing, standards, or behavior; or any hospital's medical staff; (ii) Medical Group or a Provider becomes the subject of any legal action or legal proceeding arising out of the provision of medical services; (iii) any other event which materially alters the status of Medical Group's compliance with Section 1

(Medical Group's Obligations); or (iv) any change in insurance coverage or any cancellation of any policy as required in Section 6 (Insurance).

(2) Medical Group shall immediately report to the Hospital any conflict or potential conflict of interest of Medical Group or a Provider and give full disclosure of the facts pertaining to any transaction or related activity that may be reasonably construed to be a conflict of interest with District, Hospital or Clinic or that would have an adverse effect on Medical Group's satisfactory performance of this Agreement.

- g. **Records and Reports.** Medical Group shall provide or cause to be provided to District or the Clinic all records and reports requested by District or the Clinic. Medical Group shall also ensure the prompt submittal to the Clinic's medical records administrator and/or the patient's private physician written reports of all examinations, treatments, and procedures performed pursuant to this Agreement. Medical Group shall ensure Providers use the medical records and report forms, including, but not limited to, an electronic medical records system, provided by the Clinic. Medical Group agrees that all records and reports required by this Subsection shall be the exclusive property of the Clinic.
- h. **Use of Premises.** Medical Group shall not use or knowingly permit any other person who is under his direction to use any part of the Clinic's premises for any purpose other than the performance of Services for the Clinic and its patients pursuant to this Agreement or pursuant to other agreements between Medical Group and the District.
- i. **Health Information Privacy and Security.** Medical Group, Providers and Clinic shall each comply with all applicable laws and regulations concerning the privacy and security of health information, including, but not limited to, the Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and Subtitle D of the Federal HITECH Act, as amended from time to time, and the regulations promulgated there under, as well as the Hospital's policies and procedures regarding health information confidentiality and security.
- j. **No Discrimination.** Medical Group shall ensure Providers do not discriminate against any patient because of race, ethnicity, national origin, citizenship, preexisting medical condition, age, sex, marital status, religion, sexual orientation, physical or mental handicap, insurance status, economic status, or ability to pay.

- k. **Participation in Outside Activities.** During the term of this Agreement, Physician may engage in independent medical practice, with the exception of any additional professional services that would be deemed detrimental to the District, as long as such services do not interfere with Physician's performance of Professional Medical Services under this Agreement, as described in Attachment A, or result in a lack of adequate staffing of the Clinic and/or Hospital, as applicable, in the Physician's Specialty.

2. **Independent Contractor**

- a. The Parties acknowledge that Medical Group and Providers are and shall remain at all times under this Agreement as independent contractors and nothing herein shall be construed to create the relationship of employer/employee between Providers and District. The Parties agree that District shall not have and shall not exercise any control or direction over the manner or method by which Providers furnish Services; provided, however, that Providers shall be subject to and shall at all times comply with the protocols and bylaws, guidelines, policies, and rules applicable to other members of the Medical Staff of the Hospital, as applicable, and that Providers shall perform the Services in accordance with currently approved methods and standards of practice for such services in the community.
- b. Medical Group shall be responsible for all federal and state income taxes and all other payments or deductions required to be made by persons performing services in the capacity of an independent contractor. In addition, Medical Group and Providers shall not have any claims under this Agreement or otherwise against District for employee benefits of any kind, including but not limited to Social Security benefits, workers' compensation benefits, disability benefits, unemployment benefits, vacation pay, or sick leave.

3. **District's Duties and Responsibilities**

District shall provide such facilities and services at the Clinic as may be reasonably necessary, in the determination of the District, to enable the Medical Group to provide the Services in accordance with this Agreement, including the following:

- a. **Equipment, Facilities, Supplies, Utilities and Services.** Except as may be otherwise agreed to in writing, District shall, at its sole cost, provide all equipment, facilities, supplies, utilities, including telephone service, information technology, and other services, including laundry, linen and janitorial services, as District shall determine from time to time to be necessary for the performance of the Services and the proper operation of the Clinic. The parties expressly agree that all items

supplied by District pursuant to this Subsection 3.a. shall remain the exclusive property of District.

- b. **Personnel.** District shall employ such non-physician personnel as District deems necessary for the proper operation of the Clinic and the performance of the Services. All such personnel shall be subject to the direction and control of Physician, as appropriate within their authorized scope of practice, in the performance of Professional Services to patients. Medical Group shall not augment the compensation paid by District to any of District's employees.

4. **Compensation and Benefits**

- a. **Compensation for Services.** In return for the provision of Services hereunder, District shall compensate Medical Group as set forth on **Attachment B.** Medical Group agrees to accept such amounts as payment in full for all Services rendered under or in connection with this Agreement.

- b. **Billing and Assignment of Professional Fees to District**

- (1) In compliance with all applicable federal and state laws, including the rules and regulations of the Medicare Program and Medi-Cal Program, the District shall bill and collect all fees for all of the services rendered by Providers pursuant to this Agreement, and Providers and/or Medical Group shall assign to District all amounts directly or indirectly payable as a result of the Professional Services provided by Providers under the terms of this Agreement, including, by way of example and not by way of limitation, amounts paid by patients, by any insurance company, pursuant to any workers' compensation program, by employers or employer plans and amounts paid by any other third party payor. Medical Group agrees that neither it nor Providers will take any actions whatsoever to bill (or cause to be billed) any patient or other individual or entity for any Professional Services. Medical Group shall and shall require Providers to cooperate with District to ensure the prompt and accurate billing of all patients for all Professional Services rendered under this Agreement.

- (2) District shall bill for Professional Services provided pursuant to this Agreement in compliance with applicable laws, customary professional practices, and the standards of Medicare and Medi-Cal programs. All billings shall identify the site of services as a unit or department of the Hospital. District shall provide quarterly reports on charges by Work RVU, payor, Physician

and Advanced Practitioner.

- (3) Neither Medical Group nor the Providers shall bill and collect for any Clinic or Hospital charges (including technical fees for ancillary services) or for the services rendered by any staff employed by District, all of which shall be the exclusive responsibility of District.
- (4) With specific regard to Medicare billing, Physician and, if applicable, NP, shall complete and execute the applicable sections of form CMS 855R (Medicare Enrollment Application – Reassignment of Medicare Benefits) and forward the completed and signed CMS 855R as directed by the District. The Medical Group, Providers and District are jointly and severally responsible for any Medicare overpayments related to the claims submitted for Professional Services rendered by Medical Group and billed by District. Medical Group and Physician may have access to claims submitted by District for the Professional Services rendered.

c. Payment Programs. Medical Group shall ensure that Providers shall participate in all third-party payment, managed care programs, or other private and government payment programs in which the District or Clinic participate for Professional Services, render Professional Services to patients covered by such programs, and accept the payment amounts provided for under this Agreement as payment in full for Professional Services.

d. Referrals. Generally, nothing in this Agreement is intended, or shall be construed, to require either Party to violate the California or federal laws, and, specifically, this Agreement shall not be interpreted to:

- (1) Require any Party to make referrals to the other or otherwise generate business for each other;
- (2) Restrict Physician from establishing staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of Physician's choosing; or
- (3) Provide for payments in excess of the fair market value or comparable compensation paid to physicians for professional services in comparable locations and circumstances.

## 5. Term and Termination

a. Term. Subject to earlier termination as provided in Subsection 5.b. (Termination), this Agreement shall be effective as of the Effective

Date and shall remain in full force for a period of twenty-four (24) months.

b. **Termination.** This Agreement may be terminated sooner on the first to occur of the following:

- (1) In the event District and Medical Group shall mutually agree, in writing, this Agreement may be terminated on the terms and date stipulated therein.
- (2) Either Party may terminate this Agreement at any time without cause upon sixty (60) days' written notice to the other party; in which event this Agreement shall terminate at the end of the 60-day notice period.
- (3) In the event a Party is in breach of this Agreement (other than the provisions relating to Standards of Performance, Provider Qualifications and Non-Compliance Notifications), the non-breaching Party may terminate this Agreement effective thirty (30) days after the non-breaching Party gives written notice to the breaching Party, provided that the breaching Party does not cure nor commence diligent efforts to cure the breach to the reasonable satisfaction of the non-breaching Party prior to the effective date of termination.
- (4) The District may terminate this Agreement immediately on written notice to Medical Group if Medical Group and/or Providers fail to comply with the requirements relating to Standards of Performance, Provider Qualifications and Non-Compliance Notifications, and the District determines in its sole discretion that such failure is beneath its standards of professionalism and has resulted or will result in disruption of patient care or Clinic operations.
- (5) In the event of the closure of the Clinic, cessation of the patient care operations, or sale of Clinic or of substantially all of Clinic's assets, this Agreement shall be immediately terminated.
- (6) In the event that Providers fail to meet any of the qualifications set forth in Section 1(Provider Qualifications), the District may terminate this Agreement immediately upon written notice to the Medical Group.

c. **Effect of Termination.** Upon termination or expiration of this Agreement:

- (1) All rights and obligations of the Parties shall cease except (a) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration; and (b) those rights and obligations which expressly survive termination or expiration of this Agreement;
  - (2) Providers shall immediately vacate the Clinic premises, removing any and all of their personal property and District may remove and store, at Medical Group's expense, any personal property that Providers have not so removed;
  - (3) Providers shall immediately return to District or Hospital all of District's or Hospital's property, including equipment, keys, supplies, furniture, furnishings and patient records, in their possession or under their control; and
  - (4) Neither Medical Group nor Providers shall do anything or cause any other person to do anything that interferes with District's efforts to engage any other person or entity for the provision of Professional Services, or interferes in any way with any relationship between the District and any other person or entity who may be engaged to provide Professional Services to District.
  - (5) In the event this Agreement is terminated prior to the one-year anniversary of the Effective Date, the Parties shall not enter into a contract with each other for similar services hereunder until such date that is at least one year from the Effective Date of this Agreement.
- d. **No Hearing Rights.** Expiration or termination of this Agreement for any reason shall not provide Physician with the right to a hearing or any other similar rights or procedures more particularly set forth in the Medical Staff Bylaws, unless the termination affects Physician's medical staff membership or clinical privileges in a manner that entitles him to a hearing under the terms of the Bylaws.

6. **Insurance and Indemnification.**

- a. **Insurance Requirements.** Medical Group shall keep continuously in force during the entire term of this Agreement a medical professional liability policy with minimum limits of liability of one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate covering Providers for the Services provided under this Agreement. Medical Group shall obtain this insurance from a carrier and in a form satisfactory to District. Medical Group will provide



District advance written notice of any coverage changes or cancellation of the policy.

- b. Upon expiration or earlier termination of this Agreement Medical Group may either: (i) continue its current professional liability insurance policy in force and effect for at least the next succeeding five (5) years; or (ii) obtain an alternative comparable professional liability policy with no lapse in coverage and a nose covering at least five (5) years, which would cover any claims made against any of its Providers for Services provided pursuant to this Agreement. In the event Medical Group obtains alternate professional insurance coverage pursuant to this subparagraph (ii), it shall provide the District with written proof of such coverage and a copy of the policy. In the event Medical Group does not opt for either alternative set forth in subparagraphs (i) or (ii) of this Paragraph 6(b), it shall obtain an extended reporting endorsement to his/her current professional liability policy (also known as a "tail policy") that provides coverage for a period of at least five (5) years after the expiration or termination of this Agreement, for any claims made against its Providers for services provided pursuant to this Agreement, with liability limits of \$1 million per occurrence and \$3 million in the annual aggregate and shall provide District with written evidence of such insurance. If such tail coverage is obtained within twelve (12) months following the termination or expiration of this Agreement, the District shall directly pay or reimburse Medical Group for the premiums paid by Medical Group for such extended or tail coverage, but not otherwise.
- c. The District shall pay insurance premiums or reimburse Medical Group for insurance premium payments paid by it to maintain such insurance that specifically covers the activities of its Providers providing Services under this Agreement ("Covered Activities") and not insurance for other services or activities. Upon Clinic or Hospital's request, Medical Group shall provide to District third-party documentation confirming that the premiums for which Medical Group requests reimbursement apply only to Covered Activities. Further, prior to commencing practice at Clinic or Hospital, Medical Group will provide MCDH with a proper and correct Certificate of Insurance (COI) verifying it has the proper insurance coverage in the amount specified in this Agreement for its Providers.
- d. The obligations set forth in this Section 6 shall survive the termination of this Agreement.

7. Records and Information

- a. **Access to Books and Records.** The Parties agree that the Comptroller General of the United States, the federal Department of Health and Human Services ("HHS"), and their duly authorized representatives shall have access to Medical Group's contracts, books, documents and records regarding Medical Group's services under this Agreement for which Medicare reimburses the Hospital. Such access shall be to the extent necessary to certify the nature and extent of those services and such access shall be permitted until four (4) years after services are furnished under this Agreement. Access shall be provided in accordance with Section 1861(v)(1)(I) of the Social Security Act (42 USC § 1395x (v)(1)(I)), as amended, and 42 CFR § 420.301 through 42 CFR § 420.304. In the event that the requirements of those provisions are reduced or eliminated, the obligations of the Parties under this Subsection 4.a. shall likewise be reduced or eliminated.

If Medical Group carries out any of the duties of the contract through a subcontract, with a value or cost of Ten Thousand Dollars (\$10,000) or more over a 12-month period, with a related organization, and such subcontract is subject to Section 1861(v)(1)(I)(ii) of the Social Security Act (42 USC § 1395x (v)(1)(I)(ii)), then such subcontract shall contain a clause to the effect that until the expiration of four (4) years after furnishing of such services pursuant to such subcontract, the related organization shall make available, upon request by the Secretary of HHS, or upon request by the Comptroller General or any of their duly authorized representatives, the subcontract and the books, documents, and records of such organization that are necessary to verify the nature and extend of such costs. Access shall be provided in accordance with Section 1861(v)(1)(I)(ii) of the Social Security Act (42 USC § 1395x (v)(1)(I)(ii)), as amended, and 42 CFR § 420.301 through 42 CFR § 420.304.

Medical Group shall cooperate fully with the District and Clinic by maintaining and making available all necessary records, or by executing any agreements, in order to assure that the District and Clinic will be able to meet all requirements for participation and payment associated with public or private third-party payment programs including, but not limited to, the Medicare and Medi-Cal program.

If Medical Group is requested to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation, Medical Group shall notify District and the Hospital immediately of the nature and scope of the request.

- b. **Proprietary Information.** Medical Group acknowledges that it may obtain or have access to certain information of District Hospital and

Clinic that is confidential, including, but not limited to, patient information, medical records, confidential financial, operational, business and planning information, the Hospital or Clinic procedures and manuals, know-how, and trade secrets (the "Proprietary Information") whether such information is disclosed orally, visually, or in writing, and whether or not bearing any legend or marking indicating that such information or data is confidential or proprietary. Medical Group shall keep such Proprietary Information confidential. Neither Medical Group nor Providers shall directly or indirectly disclose such Proprietary Information to a third party, except as required to perform Physician's obligations hereunder, or as required by law, or with the prior written consent of District. The foregoing sentence shall not apply to information: (i) reasonably required by other health care providers involved in a particular patient's case; or (ii) which is or becomes public knowledge through no fault of Medical Group. Medical Group further agrees not to use any Proprietary Information in a manner adverse to the interests of District, Hospital or Clinic and recognizes District's, Hospital's and Clinic's right to obtain judicial relief, including injunctive relief and damages, for any violation of this provision.

Medical Group will return to District all Proprietary Information and all copies thereof in Medical Group's possession or control promptly upon the written request of District, or the termination or expiration of this Agreement. Medical Group shall not copy, duplicate or reproduce any Proprietary Information without the prior written consent of the District.

- c. Medical Records and Claims. Any and all patient records and charts produced as a result of any Party's performance under this Agreement shall be and remain the property of District, both during and after the term of this Agreement. Consistent with applicable state and federal law and patient privacy, Medical Group shall be permitted to inspect and/or duplicate, at Medical Group's expense, patient charts or records to the extent necessary to meet professional responsibilities to such patients and/or to assist in the defense of any malpractice or similar claim to which such chart or record may be pertinent, provided that such inspection or duplication is permitted and conducted in accordance with the applicable legal requirements and pursuant to commonly accepted standards of patient confidentiality. All Parties shall be responsible for maintaining patient confidentiality with respect to any information obtained by any Party or any Party's agents pursuant to this Agreement or in connection with the performance of the Parties' duties hereunder.
- d. Survival. The obligations created by this Section 7 shall survive the

termination of this Agreement.

8. **Miscellaneous**

- a. **Jurisdiction and Venue.** This Agreement has been executed and delivered and shall be interpreted, construed and enforced pursuant to and in accordance with the laws of the State of California. All duties and obligations of the parties created hereunder are to be performed in Mendocino County, State of California, and Mendocino County, State of California, shall be the sole and exclusive venue for any litigation, special proceeding or other proceeding, not including appellate proceedings, as between the parties that may be brought or arise out of, in connection with or by reason of this Agreement.
- b. **Attorneys' Fees.** The prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including attorneys' fees and costs incurred in connection with appellate proceedings, in connection with any litigation arising out of the Agreement.
- c. **Notices.** All notices to be given under the terms of this Agreement shall be in writing, signed by the person serving the same and shall be sent by personal delivery or registered or certified mail, return receipt requested, and postage prepaid to the address of the parties below specified:

**District**

Chief Executive Officer  
Mendocino Coast District Hospital  
700 River Drive  
Fort Bragg, CA 95437

**Medical Group**

REVIVE Pain & Spine Center, INC.  
Attn: Akbar Khan, D.O.  
1321 College St., Suite D  
Woodland, CA. 95695

Notices given personally shall be effective upon delivery and notices sent by mail as provided for above shall be effective upon the date shown on the delivery receipt.

- d. **Paragraph Headings.** The titles of the paragraphs contained herein are for convenience only and do not define, limit, or construe the contents of such paragraphs and are in no way to be construed as

part of this Agreement.

- e. **No Assignment.** Neither Party shall assign or delegate any of its respective obligations or rights hereunder without the prior written consent of the other Party. Nothing contained in this Agreement shall be construed to permit the assignment or delegation by District or Medical Group of any obligations or rights hereunder, without the prior written consent of the other Party.
- f. **Entire Agreement.** This Agreement supersedes any and all other agreements, either oral or in writing, between the Parties hereto concerning the provision of Services by Providers at the Clinic, and contains all the promises and arrangements between the Parties with respect to such Agreement. Each Party acknowledges that no representations, promises, or agreements orally or otherwise, have been made that are not embodied herein.
- g. **Responsibility.** Each party shall be solely responsible for its own acts or omissions in connection with the performance of its obligations under this Agreement.
- h. **Access to Patient Records.** Upon termination of this Agreement, Medical Group shall not keep or copy any lists, charts, files, or other documents in any form, including electronic, that include patient-identifiable information. Pursuant to a lawful request from a patient, Medical Group shall be entitled to a copy of the patient's records as specified in the request. In the event of civil litigation on behalf of a patient against Medical Group or a Provider, or an audit by a third-party payor, Medical Group shall, subject to any restrictions imposed by applicable laws or regulations, be entitled to access the patient records that relate to the charges at issue or the matters under investigation.
- i. **Referrals.** Nothing in this Agreement is intended or shall be construed to require either Party to violate the California or federal laws, and this Agreement shall not be interpreted to:
  - (1) Require any Party to make referrals to the other or otherwise generate business for each other;
  - (2) Restrict a Provider from establishing medical staff privileges at, referring any patient to, or from otherwise generating any business for any other entity of Provider's choosing; or
  - (3) Provide for payments in excess of the fair market value or comparable compensation paid to physicians for Services in comparable locations and circumstances.

- j. **Independent Representation.** Each Party has had the opportunity to be represented by and to have this Agreement reviewed by its own separate legal, accounting, and tax counsel. The Parties to this Agreement have been represented by separate independent legal, accounting, and tax counsel. Each Party has looked to such independent counsel representing that Party for advice regarding this Agreement. No Party makes or represents to the other any representation of law or fact except as specifically provided in this Agreement.
- k. **Ambiguities.** This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law (including Section 1654 of the California Civil Code or any other similar federal or state statute) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties.
- l. **Amendment.** No amendment or change to the terms of this Agreement is valid unless made in writing and signed by a duly authorized representative of each of Medical Group and District.
- m. **Counterparts.** This Agreement may be executed in counterparts, and counterpart signatures pages, including photocopied, faxed, or scanned copies, may be assembled to form a single, fully-executed document.
- n. **Unanticipated Events.** In the event that the Clinic's operations are substantially interrupted by an act of war, fire, insurrection, riot, earthquake, strikes or other labor issues, or other acts or causes that are not the fault of Clinic, or are beyond the reasonable control of Clinic, District and Hospital shall be relieved of their obligations pursuant to this Agreement for the duration of any such interruptions.
- o. **Cross-Reference to Other Agreements.** As of the Effective Date, the personal service arrangements listed in Attachment B are in force between the District and the Medical Group or Physician or any immediate family member of the Physician.
- p. **Severability:** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision.

[Signature page follows]

**IN WITNESS WHEREOF, District and Physician have executed this Agreement on the date set forth below, to be effective as of the Effective Date.**

**MENDOCINO COAST HEALTH CARE DISTRICT**

\_\_\_\_\_  
By: \_\_\_\_\_

Wayne Allen

Its: Chief Executive Officer

Date: \_\_\_\_\_

**MEDICAL GROUP**

\_\_\_\_\_  
By: Akbar Khan, D.O.

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## ATTACHMENT A

### DESCRIPTION OF PROFESSIONAL MEDICAL SERVICES

Medical Group agrees that Physician will provide "Services" on an exclusive and full-time basis for the District in both the Hospital and Clinic. As part of providing the Services, the Physician agrees as follows:

**I. Clinic Services.** With respect to Services provided in the Clinic, Physician is expected to provide such services during the Clinic's regular business hours, excluding holidays recognized by the District, maintain a practice at the Clinic and shall be available to see patients, as scheduled by the Clinician, average of 8 days/month, minimum 96 days/24 weeks per year.

**II. Supervision.** As part of the Professional Services, Physician shall supervise those mid-level practitioners assigned to the Physician by the District and working within the Clinic within the scope of the Physician's licensed practice up to the maximum number of supervised mid-level practitioners allowed in the State of California.

**III. Scheduled Absences.** Medical Group/Physician shall coordinate Physician's practice schedule and leaves of absence ("Scheduled Absences") in accordance with Clinic and/or Hospital policy and procedures which shall include working with the Clinic's and/or Hospital's Medical Director, the Clinic Practice Administrator (or his or her designee), and the other physicians providing services at the Clinic and/or Hospital. Physician shall coordinate such Scheduled Absences with the Clinic, and to the extent applicable, with the appropriate Hospital personnel, to ensure the Clinic and Hospital, as applicable, are adequately covered within the Specialty.

Medical Group/Physician shall notify Clinic's Practice Administrator, or designee, and/or the Hospital as applicable, as soon as possible of any unscheduled absences. If the unscheduled absence is for vacation or other non-emergency elective days off, then physician shall be responsible for arranging and paying for the services of any substitute provider necessitated by physician's unscheduled absences greater than 5 consecutive working days; provided that any such substitute shall meet the requirements of subsection 1.d. of the Agreement (Physician Qualifications) and shall be approved by the District. Physician shall not be responsible for arranging or paying for the services of a substitute provider if the unscheduled absence is caused by personal or family illness or injury, or other tragedy.

**IV. AP Clinic Services.** AP will work under the supervision of Physician and see the following types of patients: Stable Medication Refills (Physician will see these patients personally every 3rd visit) and Non-Complicated Established Patient Follow-ups.



## **ATTACHMENT B**

### **COMPENSATION FOR PROFESSIONAL SERVICES**

#### **FEE SCHEDULE**

In consideration for providing the Services, District shall pay Medical Group as follows:

1. A one-time sign-on bonus in the amount of Ten Thousand Dollars and Zero Cents (\$10,000.00). The bonus shall be paid to Medical Group within 30 days from the Effective Date;
2. One-Hundred-Ten Dollars and Zero Cents (\$110.00) per personally performed face to face Clinic encounter of Physician. Such encounters include pre-operative and post-operative services rendered in the Clinic;
3. The sum of two hundred and fifty dollars (\$250.00) per month for each midlevel practitioner supervised by Physician in the Clinic; and
4. With respect to professional surgical services rendered within the Hospital, Physician shall personally bill and collect for such services. No compensation shall be owed to Physician or due from District in relation to those services. For the sake of clarity, Physician shall not bill for any pre-operative or post-operative services rendered in the Clinic, Physician shall not bill any global services for these services rendered. All such services shall be billed by the Clinic.

In consideration for the provision of the advanced practitioner services set forth in Attachment A, District shall pay Medical Group Ninety-Three Dollars and 50 Cents (\$93.50) (85% of the rate paid for Physician's services) per personally performed face to face Clinic encounter as described to be performed by Advanced Practitioner on Attachment A.

District shall pay Medical Group within fifteen (15) days at the end of each month for services rendered in the immediately preceding month.

District and Medical Group agree that the total compensation paid to him for all services he provides to the Hospital and Clinic is consistent with the fair market value of those services provided.

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## MENDOCINO COAST DISTRICT HOSPITAL

DATE: January 22, 2020

TO: BOARD OF DIRECTORS

FROM: WILLIAM MILLER, MD  
CHIEF OF STAFF

**SUBJECT: MEDICAL EXECUTIVE COMMITTEE RECOMMENDATIONS**

The Medical Executive Committee considered and approved the following medical staff privileges and appointments and recommends these to the Board of Directors for approval:

### **Appointments to Medical Staff/Allied Health Professional -Provisional Status**

- **John Delgado, MD**- Department of Medicine-Immediate Care-North Coast
- **Mayer Horensten, DO**- Department of Medicine-Internal Medicine
- **Nichols Kusnezov, MD**- Department of Surgery-Orthopedics
- **Carla Stange, NP, CNM**- Department of Medicine-Women's Health- North Coast

### **Temporary Privileges (As we await Board Meeting)**

- **Donald Lombardi, MD**- Department of Medicine-Oncology-Hematology\_(January 16-January 30, 2020)

Department of Medical Staff Services  
William Lee, CPCS, CPMSM~ Director  
700 River Drive ▪ Fort Bragg, California 95437  
Phone: (707) 961-4740 ▪ Fax: (707) 961-4786

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Mendocino Coast District Hospital  
December 31, 2019

Financial Statement Narrative

- Operating cash was \$2.5 million at 12/31/19 or 15.6 days. A check run for \$1.5 million (10 days' cash) was processed on January 3, 2020.
- With the receipt of \$886,840 in parcel tax revenue in December the parcel tax cash account balance is \$1,790,987. Consistent with the purposes of Measure C, there is a request in this month's board packet to transfer \$1,080,260 to the operating account to *maintain local emergency room services and to make critical upgrades to medical equipment.*
- Current liabilities are up from the 6/30/19 year end driven primarily by accounts payable which is at 74.3 days as of 12/31/19. The check run on 1/3/20 of \$1.5 million reduced the days in accounts payable to 55.5, below the benchmark of 60 days.
- Based on the following factors I have adjusted the contractual reserve allowances on the income statement by \$1,092,000 to more accurately reflect actual dollars due from Medicare in the current year.
  - On 6/26/19 the Medicare interim rate review for the fiscal year ending 6/30/19 resulted in a balance due the facility of \$1,238,000, received July 2019.
  - The Medicare Cost report filed 11/30/19 for the year ended 6/30/19 resulted in an additional amount due the facility of \$1,494,394. This amount is currently receivable from Medicare.
  - The 6/30/19 audit currently reflects a 51.6% contractual reserve percentage and the 12/31/19 interim financial statements had a 53.1% reserve prior to this adjustment.



**MCDH**

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended December 31, 2019**

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MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended December 31, 2019

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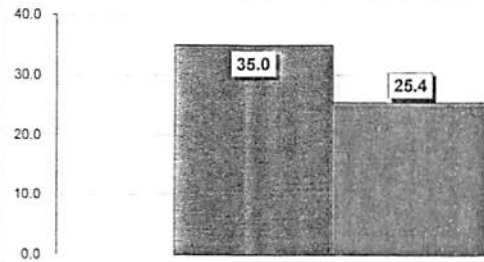


EXECUTIVE FINANCIAL SUMMARY

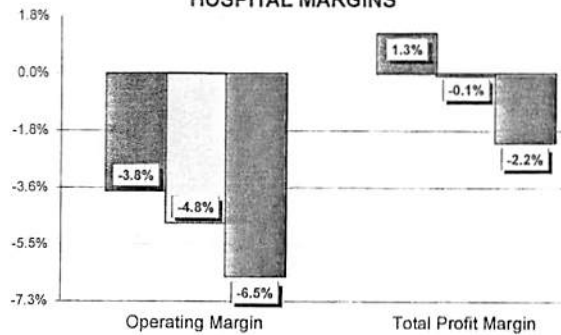
For the month ended December 31, 2019

BALANCE SHEET		
	12/31/2019	6/30/2019
<b>ASSETS</b>		
Current Assets	\$13,796,436	\$11,343,940
Assets Whose Use is Limited	4,938,483	5,608,305
Property, Plant and Equipment (Net)	14,528,260	14,601,347
<b>Total Unrestricted Assets</b>	<b>33,263,179</b>	<b>31,553,592</b>
<b>Total Assets</b>	<b>\$33,263,179</b>	<b>\$31,553,592</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$11,984,251	\$10,299,417
Long-Term Debt	12,631,154	12,979,083
<b>Total Liabilities</b>	<b>24,615,405</b>	<b>23,278,500</b>
Net Assets	8,647,774	8,275,099
<b>Total Liabilities and Net Assets</b>	<b>\$33,263,179</b>	<b>\$31,553,592</b>

NET DAYS IN ACCOUNTS RECEIVABLE

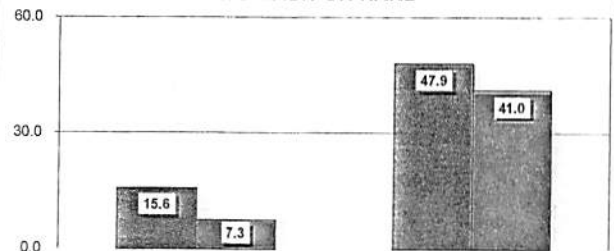


HOSPITAL MARGINS

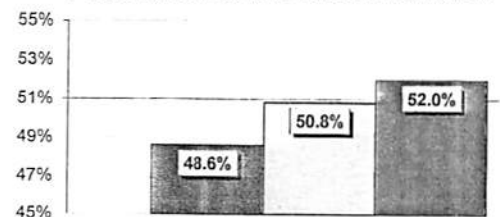


STATEMENT OF REVENUE AND EXPENSES - YTD		
	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$57,025,859	\$58,904,122
Deductions From Revenue	(29,197,392)	(32,122,723)
Net Patient Revenues	27,828,467	26,781,399
Other Operating Revenue	1,170,023	1,342,247
<b>Total Operating Revenues</b>	<b>28,998,490</b>	<b>28,123,646</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	17,184,438	16,925,222
Purchased Services & Physician Fees	5,371,403	4,642,644
Supply Expenses	4,470,117	4,782,512
Interest Expense	0	0
Depreciation Expense	668,015	749,570
Other Operating Expenses	2,395,194	2,364,846
<b>Total Expenses</b>	<b>30,089,163</b>	<b>29,464,794</b>
<b>NET OPERATING SURPLUS</b>	<b>(1,090,673)</b>	<b>(1,341,148)</b>
Non-Operating Revenue/(Expenses)	1,463,356	1,319,141
<b>TOTAL NET SURPLUS</b>	<b>\$372,683</b>	<b>(\$22,007)</b>

DAYS CASH ON HAND



SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



BOND COVENANTS		
	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	0.83
CURRENT RATIO	1.00	1.15
DAYS CASH ON HAND	30.0	47.9

MENDOCINO COAST HEALTHCARE DISTF	
■ Budget	12/31/2019
■ Prior Fiscal Year End	6/30/2019



Balance Sheet - Assets

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended December 31, 2019

	Current Month <u>12/31/2019</u>	Prior Year End <u>6/30/2019</u>
CURRENT ASSETS		
CASH	\$ 2,512,744	\$ 1,145,996
PARCEL TAX REVENUE ACCT	1,790,987	872,982
PATIENT RECEIVABLES	16,224,702	17,107,938
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>(10,369,607)</u>	<u>(13,032,158)</u>
NET PATIENT ACCOUNTS RECEIVABLES	5,855,095	4,075,780
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,669,611	2,928,248
OTHER RECEIVABLES	605,616	1,011,535
INVENTORIES	781,254	839,076
PREPAID EXPENSES	581,129	470,323
TOTAL CURRENT ASSETS	<u>\$ 13,796,436</u>	<u>\$ 11,343,940</u>
ASSETS WHOSE USE IS LIMITED		
BOARD DESIGNATED FUNDS	\$ 3,419,031	4,376,979
PLAN FUND	13,774	13,774
SPECIFIC PURPOSE FUND	0	0
BONDS	1,058,802	746,302
BOND COSTS	446,876	471,250
TOTAL LIMITED USE ASSETS	<u>\$ 4,938,483</u>	<u>\$ 5,608,305</u>
PROPERTY, PLANT, & EQUIPMENT		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	805,398	805,398
BUILDINGS & IMPROVEMENTS	24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	546,439	546,439
EQUIPMENT	20,859,364	20,430,219
CONSTRUCTION-IN-PROGRESS	1,815,181	1,649,397
GROSS PROPERTY, PLANT, & EQUIPMENT	<u>\$ 48,748,336</u>	<u>\$ 48,153,407</u>
LESS: ACCUMULATED DEPRECIATION	<u>(34,220,076)</u>	<u>(33,552,060)</u>
NET PROPERTY, PLANT, & EQUIPMENT	<u>\$ 14,528,260</u>	<u>\$ 14,601,347</u>
TOTAL ASSETS	<u>\$ 33,263,179</u>	<u>\$ 31,553,592</u>

Balance Sheet - Liabilities and Net Assets

MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended December 31, 2019

	Current Month <u>12/31/2019</u>	Prior Year End <u>6/30/2019</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 6,183,626	\$ 4,369,232
ACCRUED PAYROLL	\$ 958,739	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,000,521	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 70,342	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 807,543	\$ 1,057,880
OTHER CURRENT LIABILITIES	\$ 744,025	\$ 911,488
INTEREST PAYABLE	\$ 966,422	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 100,000	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 275,064	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 11,984,251</u></b>	<b><u>\$ 10,299,417</u></b>
LONG TERM LIABILITIES		
BONDS PAYABLE	\$ 9,714,743	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 481,693	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,631,154</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 24,615,405</u></b>	<b><u>\$ 23,278,500</u></b>
FUND BALANCE		
UNRESTRICTED FUND BALANACE	\$ 8,275,091	\$ 7,591,999
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ 372,683	\$ 683,100
<b>TOTAL NET ASSETS</b>	<b><u>\$ 8,647,774</u></b>	<b><u>\$ 8,275,099</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 33,263,179</u></b>	<b><u>\$ 31,553,592</u></b>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended December 31, 2019

	CURRENT MONTH				Prior Year 12/31/18
	Actual 12/31/19	Budget 12/31/19	Positive (Negative) Variance	Percentage Variance	
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,782,284	\$ 1,842,443	\$ (60,159)	-3%	\$ 1,568,434
SWING BED	\$ 452,101	\$ 386,177	\$ 65,924	17%	\$ 138,319
OUTPATIENT	\$ 6,885,146	\$ 7,121,146	\$ (236,000)	-3%	\$ 7,007,476
NORTH COAST FAMILY HEALTH CENTER	\$ 360,566	\$ 451,124	\$ (90,558)	-20%	\$ 408,422
HOME HEALTH	\$ 114,114	\$ 123,173	\$ (9,059)	-7%	\$ 110,380
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 9,594,211</b>	<b>\$ 9,924,063</b>	<b>\$ (329,852)</b>	<b>-3%</b>	<b>\$ 9,233,031</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (3,680,823)	\$ (5,429,107)	\$ 1,748,284	32%	\$ (5,164,683)
POLICY DISCOUNTS	\$ (5,254)	\$ (8,605)	\$ 3,351	39%	\$ (7,056)
STATE PROGRAMS	\$ 220,500	\$ 162,376	\$ 58,124	36%	\$ 96,000
BAD DEBT	\$ (100,000)	\$ (105,933)	\$ 5,933	6%	\$ (87,000)
CHARITY	\$ (11,451)	\$ (29,126)	\$ 17,675	61%	\$ (55,062)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (3,577,028)</b>	<b>\$ (5,410,395)</b>	<b>\$ 1,833,367</b>	<b>34%</b>	<b>\$ (5,217,801)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 6,017,183</b>	<b>\$ 4,513,668</b>	<b>\$ 1,503,515</b>	<b>33%</b>	<b>\$ 4,015,230</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 178,993</b>	<b>\$ 238,503</b>	<b>\$ (59,510)</b>	<b>-25%</b>	<b>\$ 203,221</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 6,196,176</b>	<b>\$ 4,752,171</b>	<b>\$ 1,444,005</b>	<b>30%</b>	<b>\$ 4,218,451</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,486,764	\$ 1,545,352	\$ 58,588	4%	\$ 1,397,120
EMPLOYEE BENEFITS	\$ 733,036	\$ 748,260	\$ 15,224	2%	\$ 753,734
PROFESSIONAL FEES - PHYSICIAN	\$ 604,498	\$ 539,061	\$ (65,437)	-12%	\$ 448,795
OTHER PROFESSIONAL FEES - REGISTRY	\$ 572,176	\$ 556,365	\$ (15,811)	-3%	\$ 507,800
OTHER PROFESSIONAL FEES - OTHER	\$ 163,515	\$ 126,046	\$ (37,469)	-30%	\$ 71,067
SUPPLIES - DRUGS	\$ 464,993	\$ 478,191	\$ 13,198	3%	\$ 430,828
SUPPLIES - MEDICAL	\$ 215,027	\$ 245,246	\$ 30,219	12%	\$ 244,499
SUPPLIES - OTHER	\$ 66,513	\$ 88,429	\$ 21,916	25%	\$ 94,774
PURCHASED SERVICES	\$ 83,601	\$ 117,713	\$ 34,112	29%	\$ 104,262
REPAIRS & MAINTENANCE	\$ 47,146	\$ 70,047	\$ 22,901	33%	\$ 71,189
UTILITIES	\$ 80,366	\$ 74,630	\$ (5,736)	-8%	\$ 69,039
INSURANCE	\$ 49,965	\$ 53,376	\$ 3,411	6%	\$ 36,597
DEPRECIATION & AMORTIZATION	\$ 112,673	\$ 125,576	\$ 12,903	10%	\$ 128,316
RENTAL/LEASE	\$ 64,964	\$ 55,135	\$ (9,829)	-18%	\$ 55,359
OTHER EXPENSE	\$ 108,530	\$ 124,588	\$ 16,058	13%	\$ 106,319
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,853,767</b>	<b>\$ 4,948,015</b>	<b>\$ 94,248</b>	<b>2%</b>	<b>\$ 4,519,698</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 1,342,409</b>	<b>\$ (195,844)</b>	<b>\$ 1,538,253</b>	<b>785%</b>	<b>\$ (301,247)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 66,726	\$ 3,274	5%	\$ 65,000
INVESTMENT INCOME	\$ 5,000	\$ 6,605	\$ (1,605)	-24%	\$ 4,000
DONATIONS	\$ 183,050	\$ 27,457	\$ 155,593	567%	\$ -
INTEREST EXPENSE (ALL)	\$ (39,734)	\$ (43,240)	\$ 3,506	-8%	\$ (42,820)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 216	\$ (216)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,131	\$ (19)	-2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 28,170	\$ (454)	-2%	\$ 27,716
PARCEL TAX REVENUES	\$ 132,079	\$ 135,180	\$ (3,101)	-2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 379,223</b>	<b>\$ 222,245</b>	<b>\$ 156,978</b>	<b>71%</b>	<b>\$ 188,008</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 1,721,632</b>	<b>\$ 26,401</b>	<b>\$ 1,695,231</b>	<b>6421%</b>	<b>\$ (113,239)</b>
Operating Margin	21.7%	-4.1%			-7.1%
Total Profit Margin	27.8%	0.6%			-2.7%
EBIDA	23.5%	-1.5%			-4.1%
Cash Flow Margin	29.2%	2.6%			-0.3%

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended December 31, 2019

	YEAR-TO-DATE				
	Actual 12/31/19	Budget 12/31/19	Positive (Negative) Variance	Percentage Variance	Prior Year 12/31/18
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 9,486,233	\$ 10,935,798	\$ (1,449,565)	-13%	\$ 10,588,157
SWING BED	\$ 3,355,441	\$ 2,292,158	\$ 1,063,283	46%	\$ 1,544,438
OUTPATIENT	\$ 41,087,015	\$ 42,267,434	\$ (1,180,419)	-3%	\$ 40,890,288
NORTH COAST FAMILY HEALTH CENTER	\$ 2,345,339	\$ 2,677,640	\$ (332,301)	-12%	\$ 2,722,888
HOME HEALTH	\$ 751,831	\$ 731,092	\$ 20,739	3%	\$ 716,028
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 57,025,859</b>	<b>\$ 58,904,122</b>	<b>\$ (1,878,263)</b>	<b>-3%</b>	<b>\$ 56,461,799</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (29,700,573)	\$ (32,233,795)	\$ 2,533,222	8%	\$ (30,769,203)
POLICY DISCOUNTS	\$ (43,794)	\$ (51,073)	\$ 7,279	14%	\$ (46,977)
STATE PROGRAMS	\$ 1,323,000	\$ 963,786	\$ 359,214	37%	\$ 639,829
BAD DEBT	\$ (625,285)	\$ (628,766)	\$ 3,481	1%	\$ (699,460)
CHARITY	\$ (150,740)	\$ (172,875)	\$ 22,135	13%	\$ (120,268)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (29,197,392)</b>	<b>\$ (32,122,723)</b>	<b>\$ 2,925,331</b>	<b>9%</b>	<b>\$ (30,996,079)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 27,828,467</b>	<b>\$ 26,781,399</b>	<b>\$ 1,047,068</b>	<b>4%</b>	<b>\$ 25,465,720</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 1,170,023</b>	<b>\$ 1,342,247</b>	<b>\$ (172,224)</b>	<b>-13%</b>	<b>\$ 862,065</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 28,998,490</b>	<b>\$ 28,123,646</b>	<b>\$ 874,844</b>	<b>3%</b>	<b>\$ 26,327,785</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 9,133,052	\$ 9,181,532	\$ 48,480	1%	\$ 8,834,612
EMPLOYEE BENEFITS	\$ 4,395,092	\$ 4,441,392	\$ 46,300	1%	\$ 4,339,751
PROFESSIONAL FEES - PHYSICIAN	\$ 3,518,302	\$ 3,200,086	\$ (318,216)	-10%	\$ 3,087,391
OTHER PROFESSIONAL FEES - REGISTRY	\$ 3,656,294	\$ 3,302,298	\$ (353,996)	-11%	\$ 3,087,857
OTHER PROFESSIONAL FEES - OTHER	\$ 1,151,062	\$ 749,110	\$ (401,952)	-54%	\$ 547,740
SUPPLIES - DRUGS	\$ 2,837,635	\$ 2,801,964	\$ (35,671)	-1%	\$ 2,543,819
SUPPLIES - MEDICAL	\$ 1,184,126	\$ 1,455,642	\$ 271,516	19%	\$ 1,402,038
SUPPLIES - OTHER	\$ 448,356	\$ 524,906	\$ 76,550	15%	\$ 468,299
PURCHASED SERVICES	\$ 702,039	\$ 693,448	\$ (8,591)	-1%	\$ 662,501
REPAIRS & MAINTENANCE	\$ 388,440	\$ 415,781	\$ 27,341	7%	\$ 436,570
UTILITIES	\$ 452,483	\$ 442,951	\$ (9,532)	-2%	\$ 447,250
INSURANCE	\$ 329,381	\$ 316,814	\$ (12,567)	-4%	\$ 301,687
DEPRECIATION & AMORTIZATION	\$ 668,015	\$ 749,570	\$ 81,555	11%	\$ 768,770
RENTAL/LEASE	\$ 357,878	\$ 327,259	\$ (30,619)	-9%	\$ 316,246
OTHER EXPENSE	\$ 867,012	\$ 862,041	\$ (4,971)	-1%	\$ 673,445
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 30,089,167</b>	<b>\$ 29,464,794</b>	<b>\$ (624,373)</b>	<b>-2%</b>	<b>\$ 27,917,976</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (1,090,673)</b>	<b>\$ (1,341,148)</b>	<b>\$ 250,475</b>	<b>-19%</b>	<b>\$ (1,590,191)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 420,002	\$ 396,053	\$ 23,949	6%	\$ 390,000
INVESTMENT INCOME	\$ 42,050	\$ 39,201	\$ 2,849	7%	\$ 35,318
DONATIONS	\$ 279,065	\$ 162,970	\$ 116,095	71%	\$ 6,583
INTEREST EXPENSE (ALL)	\$ (241,620)	\$ (256,649)	\$ 15,029	-6%	\$ (259,055)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 1,289	\$ (1,289)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 6,672	\$ 6,711	\$ 39	1%	\$ 6,672
TAX SUBSIDIES FOR GO BONDS	\$ 166,296	\$ 167,205	\$ (909)	-1%	\$ 166,296
PARCEL TAX REVENUES	\$ 790,887	\$ 802,361	\$ (11,474)	-1%	\$ 798,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 1,463,352</b>	<b>\$ 1,319,141</b>	<b>\$ 144,289</b>	<b>11%</b>	<b>\$ 1,145,932</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 372,683</b>	<b>\$ (22,007)</b>	<b>\$ 394,690</b>	<b>-1793%</b>	<b>\$ (444,259)</b>
<b>Operating Margin</b>	<b>-3.8%</b>	<b>-4.8%</b>			<b>-6.0%</b>
<b>Total Profit Margin</b>	<b>1.3%</b>	<b>-0.1%</b>			<b>-1.7%</b>
<b>EBIDA</b>	<b>-1.5%</b>	<b>-2.1%</b>			<b>-3.1%</b>
<b>Cash Flow Margin</b>	<b>3.0%</b>	<b>2.0%</b>			<b>0.6%</b>

Statement of Revenue and Expense - 13 Month Trend

MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA

	1	2	3	4	5	6	7	8
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	12/31/2019	11/30/2019	10/31/2019	9/30/2019	8/31/2019	7/31/2019	6/30/2019	5/31/2019
<b>GROSS PATIENT SERVICE REVENUES</b>								
INPATIENT	1,732,284	1,495,026	1,153,050	1,604,446	1,417,030	2,041,840	1,793,781	1,296,892
SWING BED	452,101	591,134	534,825	563,816	578,121	635,444	620,030	608,924
OUTPATIENT	6,885,146	5,866,234	6,533,241	6,928,288	6,941,079	7,925,584	6,606,140	7,648,177
NORTH COAST FAMILY HEALTH CEN'	360,566	375,950	393,997	398,500	358,273	458,053	362,717	355,621
HOME HEALTH	114,114	96,294	130,250	117,874	129,099	164,200	128,396	119,334
<b>TAL PATIENT SERVICE REVENUES</b>	<b>9,594,211</b>	<b>8,424,638</b>	<b>8,745,363</b>	<b>9,612,924</b>	<b>9,423,602</b>	<b>11,225,121</b>	<b>9,511,054</b>	<b>10,028,948</b>
<b>DEDUCTIONS FROM REVENUE</b>								
CONTRACTUAL ALLOWANCES	(3,680,823)	(4,465,213)	(4,864,781)	(5,269,096)	(5,360,482)	(6,060,178)	(4,889,557)	(5,810,269)
POLICY DISCOUNTS	(5,254)	(6,346)	(8,837)	(3,393)	(11,141)	(8,823)	(211,250)	(41,405)
STATE PROGRAMS	220,500	220,500	220,500	220,500	220,500	220,500	459,275	552,945
BAD DEBT	(100,000)	(100,000)	(99,408)	(150,000)	(25,877)	(150,000)	(663,314)	(254,225)
CHARITY	(11,451)	(32,255)	(15,108)	(19,266)	(30,342)	(42,318)	(167,430)	(33,772)
<b>AL DEDUCTIONS FROM REVENUES</b>	<b>(3,577,028)</b>	<b>(4,383,314)</b>	<b>(4,767,634)</b>	<b>(5,221,255)</b>	<b>(5,207,342)</b>	<b>(6,040,819)</b>	<b>(5,472,276)</b>	<b>(5,586,726)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>6,017,183</b>	<b>4,041,324</b>	<b>3,977,729</b>	<b>4,391,669</b>	<b>4,216,260</b>	<b>5,184,302</b>	<b>4,038,778</b>	<b>4,442,222</b>
<b>OPERATING TAX REVENUES</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		
<b>OTHER OPERATING REVENUES</b>	<b>178,993</b>	<b>253,239</b>	<b>145,834</b>	<b>211,134</b>	<b>148,991</b>	<b>231,832</b>	<b>222,760</b>	<b>235,212</b>
<b>TOTAL OPERATING REVENUES</b>	<b>6,196,176</b>	<b>4,294,563</b>	<b>4,123,563</b>	<b>4,602,803</b>	<b>4,365,251</b>	<b>5,416,134</b>	<b>4,261,538</b>	<b>4,677,434</b>
<b>OPERATING EXPENSES</b>								
SALARIES & WAGES - STAFF	1,486,764	1,472,969	1,531,442	1,508,063	1,549,641	1,584,168	1,665,449	1,472,457
EMPLOYEE BENEFITS	733,036	704,251	720,704	716,731	732,314	788,056	863,009	742,661
PROFESSIONAL FEES - PHYSICIAN	604,498	573,785	579,785	586,416	592,615	581,203	486,140	485,547
OTHER PROFESSIONAL FEES - REGI	572,176	660,928	593,362	524,969	656,648	648,211	463,441	605,856
OTHER PROFESSIONAL FEES - OTHE	163,515	143,632	130,892	355,562	193,370	194,091	321,237	336,996
SUPPLIES - DRUGS	464,993	405,834	534,462	485,018	450,697	496,631	348,636	500,098
SUPPLIES - MEDICAL	215,027	136,118	169,312	187,480	181,727	294,462	257,159	169,002
SUPPLIES - OTHER	66,513	61,708	70,672	72,760	85,819	90,884	50,854	85,876
PURCHASED SERVICES	83,601	159,312	122,389	81,707	150,888	104,142	110,385	113,222
REPAIRS & MAINTENANCE	47,146	54,411	101,429	71,220	60,715	53,519	77,556	56,884
UTILITIES	80,366	62,264	87,158	73,180	72,714	76,801	60,767	80,245
INSURANCE	49,965	44,384	62,105	35,745	69,394	67,788	42,547	36,013
INTEREST	0	0	0	0	0	0	0	0
DEPRECIATION & AMORTIZATION	112,673	111,214	111,949	110,664	111,015	110,500	112,559	135,663
RENTAL/LEASE	64,964	57,064	63,474	62,348	57,509	205,716	54,321	56,991
OTHER EXPENSE	108,530	157,305	135,374	181,670	130,936	0	122,358	141,698
<b>TOTAL OPERATING EXPENSES</b>	<b>4,853,767</b>	<b>4,775,179</b>	<b>5,014,509</b>	<b>5,053,533</b>	<b>5,096,002</b>	<b>5,296,172</b>	<b>5,036,418</b>	<b>5,019,209</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>1,342,409</b>	<b>(480,616)</b>	<b>(890,946)</b>	<b>(450,730)</b>	<b>(730,751)</b>	<b>119,962</b>	<b>(774,880)</b>	<b>(341,775)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
OPERATING TAX REVENUES	70,000	70,000	70,000	70,000	70,000	70,000	65,000	65,000
INVESTMENT INCOME	5,000	17,053	5,000	5,000	5,000	5,000	17,304	18,572
DONATIONS	183,050	83,794	0	0	12,220	0	0	37,547
INTEREST EXPENSE (ALL)	(39,734)	(39,681)	(40,213)	(40,645)	(40,199)	(41,148)	(41,191)	(41,464)
EXTRAORDINARY GAINS/(LOSS)	0	0	0	0	0	0	(22,193)	(34,262)
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716	27,716	27,716	27,716
PARCEL TAX REVENUE	132,079	133,000	133,000	133,000	131,704	128,104	133,000	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>379,223</b>	<b>292,994</b>	<b>196,615</b>	<b>196,183</b>	<b>207,553</b>	<b>190,784</b>	<b>180,748</b>	<b>207,221</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>1,721,632</b>	<b>(187,622)</b>	<b>(694,331)</b>	<b>(254,547)</b>	<b>(523,198)</b>	<b>310,746</b>	<b>(594,132)</b>	<b>(134,554)</b>
<b>Operating Margin</b>	<b>22%</b>	<b>-11%</b>	<b>-22%</b>	<b>-10%</b>	<b>-17%</b>	<b>2%</b>	<b>-18%</b>	<b>-7%</b>
<b>Total Profit Margin</b>	<b>28%</b>	<b>-4%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>	<b>-3%</b>
<b>EBIDA</b>	<b>23%</b>	<b>-9%</b>	<b>-19%</b>	<b>-7%</b>	<b>-14%</b>	<b>4%</b>	<b>-16%</b>	<b>-4%</b>
<b>Cash Flow Margin</b>	<b>28%</b>	<b>-5%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>	<b>-3%</b>



## Statement of Revenue and Exp

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MENDOCINO COAST HEALTHCARE DIS'

FORT BRAGG, CA

	9	10	11	12	13
	Actual 4/30/2019	Actual 3/31/2019	Actual 2/28/2019	Actual 1/31/2019	Actual 12/31/2018
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	1,449,258	2,323,912	1,827,740	1,946,223	1,568,434
SWING BED	740,806	732,395	510,398	271,778	138,319
OUTPATIENT	7,489,072	6,991,396	6,799,218	7,884,721	7,007,476
NORTH COAST FAMILY HEALTH CEN'	443,678	440,820	397,755	463,344	408,422
HOME HEALTH	129,461	124,983	118,117	123,260	110,380
<b>TAL PATIENT SERVICE REVENUES</b>	<b>10,222,275</b>	<b>10,613,506</b>	<b>9,653,228</b>	<b>10,689,326</b>	<b>9,233,031</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	(5,634,202)	(5,526,455)	(5,409,176)	(6,074,385)	(5,164,683)
POLICY DISCOUNTS	(9,735)	(13,405)	(8,089)	(6,458)	(7,056)
STATE PROGRAMS	556,246	157,500	148,000	96,000	96,000
BAD DEBT	(147,787)	0	(86,000)	(109,000)	(87,000)
CHARITY	(36,612)	(39,882)	(43,521)	(46,276)	(55,062)
<b>AL DEDUCTIONS FROM REVENUES</b>	<b>(5,272,090)</b>	<b>(5,422,242)</b>	<b>(5,398,786)</b>	<b>(6,140,119)</b>	<b>(5,217,801)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>4,950,185</b>	<b>5,191,264</b>	<b>4,254,442</b>	<b>4,549,207</b>	<b>4,015,230</b>
OPERATING TAX REVENUES		0	0	0	0
OTHER OPERATING REVENUES	181,589	179,877	251,431	206,803	203,221
<b>TOTAL OPERATING REVENUES</b>	<b>5,131,774</b>	<b>5,371,141</b>	<b>4,505,873</b>	<b>4,756,010</b>	<b>4,218,451</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	1,566,058	2,004,021	1,419,826	1,577,412	1,397,120
EMPLOYEE BENEFITS	728,459	762,127	755,588	795,016	753,734
PROFESSIONAL FEES - PHYSICIAN	727,967	456,645	521,380	458,183	448,795
OTHER PROFESSIONAL FEES - REGI	580,617	579,522	447,930	567,028	507,300
OTHER PROFESSIONAL FEES - OTHE	329,581	232,597	324,380	206,653	71,067
SUPPLIES - DRUGS	424,393	431,693	446,867	496,553	430,828
SUPPLIES - MEDICAL	251,183	225,148	259,509	273,077	244,499
SUPPLIES - OTHER	99,137	91,307	110,688	63,509	94,774
PURCHASED SERVICES	121,611	117,892	96,041	94,425	104,262
REPAIRS & MAINTENANCE	51,088	71,321	57,350	66,037	71,189
UTILITIES	68,408	66,061	72,901	72,356	69,039
INSURANCE	37,864	42,782	37,864	36,453	36,597
INTEREST		0	0	0	0
DEPRECIATION & AMORTIZATION	113,204	100,746	125,253	125,735	128,316
RENTAL/LEASE	53,005	59,316	52,775	55,751	55,359
OTHER EXPENSE	201,696	127,813	140,770	142,968	106,320
<b>TOTAL OPERATING EXPENSES</b>	<b>5,344,271</b>	<b>5,368,991</b>	<b>4,869,122</b>	<b>5,031,156</b>	<b>4,519,699</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>(212,497)</b>	<b>2,150</b>	<b>(363,249)</b>	<b>(275,146)</b>	<b>(301,248)</b>
<b>NON-OPERATING REVENUES (EXPENSE)</b>					
OPERATING TAX REVENUES	65,000	65,000	65,000	65,000	65,000
INVESTMENT INCOME	4,000	4,000	4,000	17,020	4,000
DONATIONS		0	13,558	0	0
INTEREST EXPENSE (ALL)	(41,844)	(41,028)	(40,826)	(42,674)	(42,820)
EXTRAORDINARY GAINS/(LOSS)		0	0	0	0
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716
PARCEL TAX REVENUE	133,000	133,000	133,000	133,000	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>188,987</b>	<b>189,800</b>	<b>203,560</b>	<b>201,174</b>	<b>188,008</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(23,510)</b>	<b>191,950</b>	<b>(159,689)</b>	<b>(73,972)</b>	<b>(113,240)</b>
Operating Margin	-4%	0%	-8%	-6%	-7%
Total Profit Margin	0%	4%	-4%	-2%	-3%
EBIDA	-2%	2%	-5%	-3%	-4%
Cash Flow Margin	-1%	3%	-3%	-1%	-2%

Statement of Cash Flows

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**for the 6 months ended 12/31/19**

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12/31/2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$372,683
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	668,015
(Increase)/Decrease in Net Patient Accounts Receivable	(1,79,315)
(Increase)/Decrease in Other Receivables	405,919
(Increase)/Decrease in Inventories	57,822
(Increase)/Decrease in Pre-Paid Expenses	(110,806)
(Increase)/Decrease in Third Party Receivables	1,258,637
Increase/(Decrease) in Accounts Payable	1,814,394
Increase/(Decrease) in Notes and Loans Payable	327,756
Increase/(Decrease) in Accrued Payroll and Benefits	39,516
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	(150,337)
Increase/(Decrease) in Other Current Liabilities	(167,463)
<b>Net Cash Provided by Operating Activities:</b>	<u>2,557,789</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property, Plant and Equipment	(194,928)
(Increase)/Decrease in Limited Use Cash and Investments	957,948
(Increase)/Decrease in Other Limited Use Assets	(183,126)
<b>Net Cash Used by Investing Activities</b>	<u>74,894</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase/(Decrease) in Bond/Mortgage Debt	95,881
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	(152,048)
<b>Net Cash Used for Financing Activities</b>	<u>(147,929)</u>

(INCREASE)/DECREASE IN RESTRICTED ASSETS

<b>Net Increase/(Decrease) in Cash</b>	<u>2,284,753</u>
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u>\$4,303,731</u>

FORT BRAGG, CA

For the month ended December 31, 2019

Current Month				Year-To-Date				
Actual 12/31/19	Budget 12/31/19	Positive/ (Negative) Variance	Prior Year 12/31/18	STATISTICS	Actual 12/31/19	Budget 12/31/19	Positive/ (Negative) Variance	Prior Year 12/31/18
<b>Admissions</b>								
6	12	(50%)	11	Critical Care Services	62	72	(14%)	75
52	50	4%	54	General	261	298	(12%)	287
58	62	(6%)	65	Subtotal Medical & Surgical Admissions	323	370	(13%)	362
5	8	(38%)	8	OB	28	48	(42%)	58
63	70	(10%)	73	Total Admissions	351	418	(16%)	420
12	11	9%	12	Swing Bed	80	66	21%	72
3	8	(63%)	9	Total Deliveries	26	48	(46%)	53
<b>Inpatient Days</b>								
23	42	(45%)	48	Critical Care Services	170	252	(33%)	235
198	175	13%	169	General	960	1044	(8%)	1008
221	217	2%	217	Subtotal Medical & Surgical Inpatient Days	1130	1296	(13%)	1243
14	18	(22%)	24	OB	75	108	(31%)	139
235	235	0%	241	Total Inpatient Days	1205	1404	(14%)	1382
124	99	25%	101	Swing Bed	892	594	50%	617
6	16	(63%)	23	Total Newborn Days	55	96	(43%)	121
<b>Average Length of Stay</b>								
3.8	3.5	10%	4.4	Critical Care Services	2.74	3.50	(22%)	3.13
3.8	3.5	9%	3.1	General	3.68	3.50	5%	3.51
3.8	3.5	9%	3.3	Subtotal Medical & Surgical	3.50	3.50	(0%)	3.43
2.8	2.3	24%	3.0	OB	2.68	2.25	19%	2.40
3.7	3.4	11%	3.3	Total Inpatient (CAH)	3.43	3.36	2%	3.29
10.3	9.0	15%	8.4	Swing Bed	11.15	9.00	24%	8.57
<b>Avg Daily Census - Hospital</b>								
0.7	1.4	(45%)	1.5	Critical Care Services (4 Beds)	0.9	1.4	(33%)	1.3
6.4	5.6	13%	5.5	General (8 Beds)	5.2	5.7	(8%)	5.5
7.1	7.0	2%	7.0	Subtotal Medical & Surgical (12 Beds)	6.1	7.0	(13%)	6.8
0.5	0.6	(22%)	0.8	OB (3 Beds)	0.4	0.6	(31%)	0.8
7.6	7.6	0%	7.8	Subtotal Acute (15 Beds)	6.5	7.6	(14%)	7.5
4.0	3.2	25%	3.3	Swing Care (10 Beds)	4.8	3.2	50%	3.4
11.6	10.8	7%	11.0	Total Hospital (25 Beds Available)	11.4	10.9	5%	10.9
<b>Emergency Department</b>								
739	803	(8%)	800	Outpatients Treated in ED - Emergent	4650	4760	(2%)	4,891
46	49	(6%)	60	Patients Admitted from ED	265	292	(9%)	290
785	852	(8%)	860	Total Patients treated in ED	4,915	5052	(3%)	5,181
<b>Ambulance Service</b>								
151	169	(11%)	141	911 - Transports	862	1004	(14%)	926
3	1	200%	2	Transfer - Transports	11	6	83%	6
154	170	(9%)	143	Total Ambulance Transports	873	1010	(14%)	932
<b>Surgery - Cases</b>								
15	17	(12%)	14	Inpatient Cases	76	107	(29%)	98
1	6	(83%)	3	Total Implant Cases	15	35	(57%)	23
157	183	(14%)	171	Outpatient Cases	938	1163	(19%)	1124
173	206	(16%)	188	Total Surgery Cases	1029	1305	(21%)	1245
<b>North Coast Family Health Center</b>								
2,445	2,530	(3%)	2,448	Visits	14,474	16,063	(10%)	15,414
<b>Home Health</b>								
435	498	(13%)	452	Visits	3,157	3,163	(0%)	3,151
<b>Outpatient Encounters</b>								
4,410	4,901	(10%)	4,724	Encounters	27,229	31,121	(13%)	29,557



## Key Financial Ratios

MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA

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	Year to Date 12/31/2019	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	-3.8%	-4.3%	-6.5%
Total Profit Margin	1.3%	0.4%	-2.2%
EBIDA	-1.5%	-1.7%	-4.0%
Contractual Allowance % To Gross Charges	55.2%	58.2%	58.3%
Inpatient Gross Revenue Percentage (Hospital)	23.8%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	76.2%	76.2%	76.3%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	15.6		7.3
Days Cash, All Sources	47.9		41.0
Net Days in Accounts Receivable	35.0		25.4
Hospital Gross Days in AR	52.8		55.5
Cash Flow Margin	3.02%		-0.2%
Days in Accounts Payable	74		47
Current Ratio	1.15		0.90
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	25.3		22.6
Capital Costs as a % of Total Exp.	2.0%		2.6%
Capital Spend as a % of Annual Depreciation	89.1%		102.0%
Long Term Debt to Net Position	59.4%		66.5%
Debt Service Coverage Ratio	0.83		0.40
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$171,252	\$177,583	\$171,055
Salary & Benefits Expense per Paid FTE	(\$83,250)	(\$112,151)	(\$88,990)
Salary & Benefits as a % of Total Expenses	45.0%	46.2%	47.0%
Salary and Benefits as a % of Net Pat Rev.	48.6%	50.8%	52.0%
Employee Benefits as a % of Salaries	48.1%	48.4%	48.5%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	238.5		241.1
FTE - NON-PRODUCTIVE	38.7		35.7
FTE - REGISTRY/CONTRACT	40.0		32.4
FTE - TOTAL PAID	317.2	300.0	309.2
Cost To Charge Ratio	52.8%	50.0%	50.0%
Medicare Revenue as a % of Total Revenue	61%	60%	61%
Medi-cal Revenue as a % of Total Revenue	18%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	12%	13%	13%
Other Ins Revenue as a % of Total Revenue	6%	5%	4%
Self-Pay Revenue as a % of Total Revenue	3%	2%	1%

**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING**

**THURSDAY, FEBRUARY 27, 2020**

**4:30 p.m. Closed Session**

**6:00 p.m. Open Session**

**MENDOCINO COAST DISTRICT HOSPITAL**

**Redwoods Room**

**700 River Drive**

**Fort Bragg, California 95437**

**Mendocino Coast District Hospital Mission Statement**

**MISSION**

**To make a positive difference in the health of our rural community.**

**VISION**

**MCDH will play a vital role in the overall health and well-being of the community, and will be the key element in the healthcare system serving the needs of our community. We will provide leadership to enhance the efficiency, coordination, quality and range of services provided within our rural healthcare system.**

**MCDH will be the healthcare provider and employer of choice within our community. We will continually address and keep up with technology and superior clinical skills**

**We will have a positive impact on health by encouraging personal and community responsibility for health and wellness. Our efforts will play a decisive role in people choosing to stay in our community or to locate here.**

**VALUES**

**MCDH is committed to providing excellent quality, patient centered, cost effective health care in a caring, safe and professional environment, and serving the community's healthcare needs with current technology and superior clinical skills. We believe in the right to local access to a wide range of excellent quality healthcare services in our rural community. We promote patient safety and satisfaction, and consistently work toward a high level of care with results in our patients recommending us to others and in their returning to us for needed health care.**

**Every member of our healthcare team will play an active, participative role that effectively utilizes the skills and talents of each. People are our most valuable resource. We encourage professional development that will achieve a level of competence and morale that will attract and maintain the highest quality staff. We strive to build partnership with our employees emphasizing mutual respect and mutual success.**

**I. ROLL CALL**

**II. PUBLIC COMMENTS**

**This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.**

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

### III. CLOSED SESSION

1. **Information/Action:** Hardin v. Mendocino Coast District Hospital, U.S. District Court for the Northern District of California, et al., Case No. 3:17-CV-05554, conference with legal counsel. Government Code §54956.9.
2. **Information/Action:** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
3. **Information/Action:** Pursuant to §32155 of the Health and Safety Code December Quality Management and Improvement Council Reports

### IV. 6:00 P.M. OPEN SESSION CALL TO ORDER– JESSICA GRINBERG, PRESIDENT

### V. ROLL CALL

### VI. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1

### VII. PUBLIC COMMENTS

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

### VIII. REVIEW OF THE AGENDA

*Action*

### IX. BOARD COMMENTS

*Information*

### X. APPROVAL OF CONSENT CALENDAR

*Action*

The following items are considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

1. Approval of Board of Directors meeting minutes of January 30, 2020 Tab 1
2. Approval of Special Board of Directors meeting minutes of January 23, 2020 Tab 2
3. Patient Visitation Policy #829 Tab 3
4. Authorization for Release of Verbal Information to Others Tab 4
5. Approval of Alysoun Huntley Ford Fund Draw (there were no requests)

### XI. NEW BUSINESS

- Transition Plan of Stabilize and Transport: Dr. William Miller and Ms. Lynn Finley Tab 5 *Action*
- Resignation of Interim CFO: Ms. Jessica Grinberg, President *Action*

### XII. REPORTS

- CEO Report: Mr. Wayne Allen, Interim CEO *Information*
- Medical Staff Report: Dr. William Miller Chief of Staff Tab 6 *Action*
  - a. Appointments to Medical Staff/Allied Health Professional-Provisional Status

1. I-Wen Tseng, DO –Department of Medicine-Emergency Medicine
  2. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology
  3. Sandra Mendel, MD –Department of Medicine-Internal Medicine-NCFHC
- b. Temporary Privileges (as we await Board Meeting)
1. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology (Feb. 10-Feb 27, 2020)
- c. Re-Appointments to Medical Staff/Allied Health Professional Staff
1. Kevin Miller, MD –Department of Surgery-Ophthalmology
  2. Ramesh Nathan, MD –Department of Medicine-Infectious Disease
  3. Brent Wright, MD –Department of Surgery-Obstetrics-Gynecology
- d. Resignations from Medical Staff
1. Meyer Horensten, DO –Department of Medicine-NCFHC (Effective February 1, 2020)
  2. Robert Pollard, MD –Department of Medicine-Emergency Medicine (Effective February 1, 2020)
  3. John Rochat, MD –Department of Medicine-Oncology-Hematology (Effective January 1, 2020)
- e. Appointments to V-Rad Tele-Radiology Staff
1. Christopher Lawton, MD –Department of Medicine-Tele Radiology
  2. Richard Mitchell, MD –Department of Medicine-Tele Radiology

- Planning Committee Report: Mr. Steve Lund *Action*
- Chief Nursing Officer Report: Ms. Lynn Finley *Information*
- Finance Committee Report: Mr. John Redding Tab 7 *Action*

**XIII. FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT** *Information*

- Action Item List

**XIV. ASSOCIATION AND COMMUNITY SERVICE REPORTS** *Information*

**XV. Public Comments**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

***BROWN ACT REQUIREMENTS: Pursuant to the Brown Act, the council cannot discuss issues or take action on any requests during this comment period.***

**XVI. ADJOURNMENT**

***\* THIS DOCUMENT WILL BE PROVIDED AT THE MEETING.***

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437, no later than 72 hours prior to the meeting that such matter be included on that month’s agenda.

**\*Per District Resolution, each member of the Public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.**

# T A B 1

**BOARD OF DIRECTORS MEETING  
REDWOODS ROOM  
WEDNESDAY, JANUARY 30, 2020  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 5:00 pm in the Redwoods Room, Jessica Grinberg, Chair presiding

PRESENT: Mr. Lund, Ms. McColley, Ms. Grinberg, Mr. Redding, Ms. Arnold  
Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. in the Redwoods Room, Ms. Karen Arnold Chair presiding

**II. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley  
Board Members

BOARD MEMBERS ABSENT: None

ALSO PRESENT:

Mr. Wayne Allen, Interim CEO  
Mr. Doran Hammett, Interim CFO  
Ms. Gayl Moon, Executive Assistant

**III. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

1. ***Information/Action:*** Conference with Real Property Negotiator: Property, 700 River Drive, Fort Bragg, CA 95437: Agency Negotiator, Wayne Allen: Negotiating Parties: Mendocino Coast District Hospital, Stone Point Health (an affiliate of Adventist Health):Under Negotiation: Price and Terms of Payment: Gov. Code §5956.8
2. ***Information/Action:*** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
3. ***Information/Action:*** Pursuant to §32155 of the Health and Safety Code December Quality Management and Improvement Council Reports

**IV. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- The Board gave instructions to the attorney regarding real property negotiations. The negotiation is specifically for the proposed lease of the Hospital, and the attorney will be dealing with the terms of such lease.
- The Board received a Medical Staff report from Dr. Miller.
- The Board received a November Quality Management and Improvement Council Report.

**V. PUBLIC COMMENTS**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:
  - Mr. Allison discussed the need to save the Hospital.
  - Many community members urged the Board not to close Labor and Delivery.

**VI. ACTION: REVIEW OF THE AGENDA**

- To replace the word Affiliation with Measure C in Item #2 under New Business.

**MOTION:** To change the word Affiliation in the Oversight Committee report to the Measure C Oversight Committee report; otherwise to accept the agenda

- McColley moved
- Redding second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**VII. BOARD COMMENTS**

- Ms. McColley stated the World Health Organization has recognized the year 2020 is the year of nurse. She thanked all the nurses for their services.

**VIII. ACTION: APPROVAL OF CONSENT CALENDAR: MS. KAREN ARNOLD, CHAIR**

1. Minutes: Regular Session, January 2, 2020
2. Minutes: Special Session, January 6, 2020
3. Alysoun Huntley Ford Fund Draw (there were no requests)

**MOTION:** To approve the Consent Calendar as presented

- Lund moved
- Arnold second
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**IX. ACTION: BYLAWS REVISION/PLANNING COMMITTEE DATE AND TIME CHANGE: MR. STEVE LUND**

- Mr. Lund would like the Planning Committee to meet on Tuesday of the week immediately preceding the Thursday of the regular monthly Board of Directors meeting at 4:30 pm
- Change the in the bylaws to the Hospital Foundation's current name. The bylaws should also state that a member from the Board of Governors of the Foundation be a member of the Planning Committee.
- Change bi-monthly to every other month.

**MOTION:** To approve the revision of the bylaws with the above stated changes

- Lund moved
- McColley second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**X. ACTION/INFORMATION: ANNUAL MEASURE C OVERSIGHT COMMITTEE REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen stated the Measure C Oversight Committee approved the report at a meeting held last week. The Finance Committee approved the report and recommended it go to the Board of Directors for approval. Following is the report:
  - Parcel tax revenue for the fiscal year ended June 30, 2019 was \$1,719,114 and expenditures from these funds were as follows:
    - 1) \$27,072 –Parcel tax refunds
    - 2) \$700,000 – IT-MediTech HER upgrade
    - 3) \$38,600 –Surgery Department-Flooring
    - 4) \$24,650 –Surgery Department-Nitrous manifold
    - 5) \$17,488 –Emergency Department-Flooring
    - 6) \$258,245 –NCFHC-Offset operational losses
    - 7) \$258,245 –Emergency Department –Offset operational losses
    - 8) \$258,245 –Labor & Delivery-Offset Operational losses
    - 9) \$136,568 –Radiology-LOGIQ E10 Ultrasound
  - Year to date parcel tax revenue for the fiscal year ending June 30, 2020 was \$886,840 at December 31, 2019 and expenditures from these funds were as follows:
    - 1) \$7,200 –Parcel tax refunds
    - 2) \$56,319 –NCFHC –Offset operational losses
    - 3) \$56,319 –Emergency Department-operational losses
    - 4) \$56,316 –Labor & Delivery-Offset operational losses
  - Balance of parcel tax funds at December 31, 2019, \$710,683. A second payment will be received in April and the final true up in August.
  - Mr. Allen asked for approval of the fiscal 2019 amount of \$911,303 and also the fiscal 2020 amount of \$176,157.

**MOTION:** To approve the annual Measure C Oversight Committee Report

- Redding moved
- Lund second
- Roll call
  - Ayes: Arnold, Grinberg, Redding, McColley, Lund
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**XI. INFORMATION: CENSUS UPDATE: MS. PAULA COHEN**

- Ms. Cohen from the Community Foundation Board of Directors. The Community Foundation, the Public Health Department and the League of Women Voters together are working to outreach and increase the response rate for Mendocino County for the 2020 Census. April 1<sup>st</sup> is the count day.
- In the 2010 Census, Mendocino County had a response rate of about 71.8%. The Federal Government has the target at 85%. The threshold is below 80% anything below that is considered “hard-to-count”. The impact being Mendocino County lost approximately \$900,000 in funding per year for the last 10 years.
- The 2020 Census will be primarily conducted electronically. For people who do not have computers or broadband access will be able to complete the census by telephone (800 number). There will be designated locations in Mendocino County where people will be able to access computers to complete the census.



**XII. ACTION/INFORMATION: THE FUTURE OF OB SERVICES ON THE MENDOCINO COAST: MS. JESSICA GRINBERG, PRESIDENT**

- Mr. Redding stated that in his estimation, the cost of keeping OB open is \$3.1 million per year. This is basically a fixed cost as the staff needs to be on call 24 7. Almost all the deliveries at MCDH are on Medi-Cal which only pays \$17,000 per delivery. He feels the root causes are low volumes and insufficient reimbursement from Medi-Cal, and these are factors over which MCDH has no control. A very detailed transition plan is needed. The medical staff needs to be trained to handle emergencies and complications during labor and delivery. Mr. Redding stated that until he sees a plan with the costs and timeline, he will be unable to make a decision.
- Dr. Miller stated that what is needed is a transition plan which would be a Stabilization Transfer model. The transition plan from the current L&D model to the Stabilization Transfer model would include a timeline for implementation as well as all of the steps that need to happen in order to put the new model in place. The model itself will be a set of policies that the Hospital will follow.

**MOTION:** To direct staff to prepare a transition plan and report back to the Board at the earliest possible time

- Redding moved
- Motion died for lack of a second

**MOTION:** To transition from existing Labor and Delivery model at MCDH to a redesigned “stabilize and transfer” model no later than June 30, 2020. The transition plan shall include all necessary policies and strategies needed to ensure patient safety; essential staffing required to handle emergency C-section requirements, and a robust support system to meet the needs of all OB patients in our care to the best of our ability.

Staff is hereby directed by the Board to work internally to develop such strategies and systems necessary to support this change as soon as practical. We ask that regular monthly updates be provided to the Board to ensure that all requirements and resources needed to complete this transition by the designated deadline or sooner are in place. Nurses will get their STABLE Certification.

- Lund moved
- Arnold second

Ms. McColley stated that she feels putting a date on closing OB to June 30 is imprudent for safety of gestational age on the Coast. She feels that on June 30<sup>th</sup> a decision needs to be made tied to gestational age and not a hard stop date. She wants to see a proforma of the costs and risk benefits of closing it, competencies of staffing up training. She feels that MCDH should challenge Medi-Cal and put them on notice. She wants a healthy transition that is coming from quality and safety for everyone involved.

Ms. Grinberg stated that MCDH is a free-standing facility until the affiliation is voted for and passed by the community. Her feeling is that if the District does not affiliate, what needs to be done? She doesn't feel that this is a one solution situation. She feels a target date is necessary.

Mr. Lund stated there needs to be a cost analysis. This is a 2 step process. What the next step will be is a presentation of this plan that will either be sufficient or won't; this will include costs associated with what is happening now, and estimating what those costs would be moving forward. The Board to be given a status update monthly, as well as the Finance & Planning Committees. The plan will be done in conjunction with Adventist Health.

- Roll call

- Ayes: Lund, Arnold, Grinberg
- Noes: McColley
- Abstain: Redding
- Absent: None
- Motion carried

**XIII. ACTION: PROFESSIONAL SERVICES AGREEMENT FOR AKBAR KHAN, DO: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Lee stated that Dr. Kahn has been on staff for over one year. Like all physicians at MCDH, Dr. Kahn was proctored at the beginning of his appointment with MCDH. He is subject to ongoing professional performance evaluations as required by the Joint Commission.

**MOTION:** To accept the proposed Professional Services Agreement with Dr. Akbar Khan

- Lund moved
- Arnold second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Abstain: None
  - Absent: None
- Motion carried

**XIV. INFORMATION: CEO REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen stated that the Fort Bragg City Council passed a resolution supporting Measure C for Affiliation with Stone Point Health.

**XV. INFORMATION: MEDICAL STAFF REPORT: DR. WILLIAM MILLER**

- Dr. Miller gave an update on the State Survey that is currently taking place at MCDH:
  - ✓ This is a routine survey that happens every three (3) years.
  - ✓ This survey is a combined CMS, which is Medicare, and State Survey.
  - ✓ Their focus is currently infection control, especially in the surgery areas.
  - ✓ The surveyors found that MCDH was following a set of guidelines for surgical processing instruments as well as how the rooms were cleaned at the end of the day. The set of guidelines that MCDH was using were from 2011, and the current guidelines are from 2017 & 2018. MCDH was unaware of the new guidelines. This triggered immediate jeopardy which means that these issues have to be fixed immediately in order to maintain the Medicare Certification. The OR has been shut down until the surveyors approve that MCDH now meet the current standards.
  - ✓ There were problems in the work-flow processes due to the recent construction in the OR. The policies weren't changed to reflect those work-flow issues.
  - ✓ A team has been established to address all the deficiencies, and all the deficiencies have been addressed. The team consists of:
    - Lynn Finley, CNO
    - Emmet O'Connell, Infection Control Officer
    - Heather Brown-Douglas, Quality Manager
    - Dr. William Miller, Chief of Staff
  - ✓ The surveyors are now assessing the implementation of the action plan.
- Mr. Allen stated that MCDH will receive a report from the surveyors tomorrow. Mr. Allen will notify the public when the OR will reopen via press release.

A. Appointments to Medical Staff/Allied Health Professional-Provisional Status

1. John Delgado, MD –Department of Medicine-Immediate Care-NCFHC
2. Mayer Horensten, DO –Department of Medicine-Internal Medicine
3. Nichols Kusnezov, MD –Department of Surgery-Orthopedics
4. Carla Stange, NP, CNM –Department of Medicine-Women’s Health NCFHC

B. Temporary Privileges

1. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology (Jan 16 – Jan 30, 2020)

**MOTION:** To approve the recommendations as presented and codified on the agenda

- Lund moved
- McColley second
- Roll call
- Ayes: Grinberg, Lund, McColley, Redding, Arnold
- Noes: None
- Absent: None
- Abstain: None
- Motion carried

XVI. **INFORMATION: PLANNING COMMITTEE REPORT: MS. JESSICA GRINBERG**

- The next Planning Committee meeting will be Tuesday, February 18 at 4:30.

**MOTION:** To approve accept the Planning Committee Report

- Redding moved
- Arnold second
- Roll call
- Ayes: McColley, Arnold, Grinberg, Lund, Redding
- Noes: None
- Absent: None
- Abstain: None
- Motion carried

XVII. **INFORMATION: CHIEF NURSING OFFICER REPORT: MS. LYNN FINLEY**

- There was no report.

XVIII. **ACTION/INFORMATION: FINANCE REPORT: MR. JOHN REDDING**

- Mr. Redding stated that a team put together a corrective action plan to help balance the budget, and the Hospital is beginning to see the effects of that now. Revenues were up in December. The cost reductions are now reflected in the run rate which is now reduced by \$300,000 per month.
  - Operating cash was \$2.5 million at 12/31/19 or 15.6 days. A check run for \$1.5 million (10 days’ cash) was processed on January 3, 2020.
  - With the receipt of \$886,840 in parcel tax revenue in December the parcel tax cash account balance is \$1,790,987. Consistent with the purposes of Measure C, there is a request in this month’s board packet to transfer \$1,080,260 to the operating account to *maintain local emergency room services and to make critical upgrades to medical equipment.*
  - Current liabilities are up from the 6/30/19 year end driven primarily by accounts payable which is at 74.3 days as of 12/31/19. The check run on 1/3/20 of \$1.5 million reduced the days in accounts payable to 55.5, below the benchmark of 60 days.

- Based on the following factors Mr. Hammett have adjusted the contractual reserve allowances on the income statement by \$1,092,000 to more accurately reflect actual dollars due from Medicare in the current year.
  - On 6/26/19 the Medicare interim rate review for the fiscal year ending 6/30/19 resulted in a balance due the facility of \$1,238,000, received July 2019.
  - The Medicare Cost report filed 11/30/19 for the year ended 6/30/19 resulted in an additional amount due the facility of \$1,494,394. This amount is currently receivable from Medicare.
  - The 6/30/19 audit currently reflects a 51.6% contractual reserve percentage and the 12/31/19 interim financial statements had a 53.1% reserve prior to this adjustment.
  - The audit is almost complete, except for accounts receivable for NCFHC.
  - NCFHC is on a different system than the Hospital, therefore some manual processes need to take place. A consultant who is an expert in NextGen is helping with this process.
  - This will hopefully be resolved within the next couple of weeks.
  - The audit is 99% complete and should be ready very soon.

**MOTION:** To approve the December 2019 Financial Statements

- Lund moved
- Redding second
- Roll call
  - Ayes: Lund, McColley, Arnold, Grinberg, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**XIX. INFORMATION: FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT**

- Plan for restructure of District post affiliation.

**XX. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- There were no Association and Community Service Reports.

**XXI. PUBLIC COMMENTS:**

- A couple of community members commended the Board for dealing with the Labor and Delivery issue tonight in a very thoughtful and compassionate manner.
- A community spoke about a Patient Family & Advisory council meeting recently. This group has the potential to help MCDH.

**XXII. ADJOURN:**

The meeting adjourned at 8:15 p.m.

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

# T A B 2

**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTOR  
SPECIAL SESSION  
FORT BRAGG, CA  
THURSDAY, JANUARY 23, 2020**

**1. CALL TO ORDER:**

The Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. at 700 River Drive, Fort Bragg, CA 95437: President Jessica Grinberg presiding

Ms. Grinberg stated there are no action items on tonight's agenda; therefore during the Study Session time the Board will not be communicating with the community. She invited the community to stay for the meeting and observe the process.

**2. ROLL CALL: Arnold, Grinberg, Redding, McColley, Lund  
ABSENT: None**

**3. COMMENTS FROM THE COMMUNITY**

✓ Community members discussed the possible closure of the OB Department; some wanted to keep it open and some wanted to close it.

**4. Information: Study Session regarding the Future of OB Services on the Mendocino Coast: Ms. Jessica Grinberg, President**

✓ Several staff members/nurses from Willits Memorial Hospital and Ukiah Valley Hospital attended the meeting and spoke.

✓ Howard Hospital closed their OB Department in 1987. Since that time they:

- ❖ They work closely with the local doulas
- ❖ The nurses have special training; they are NRP certified, and they carry pediatric resuscitation
- ❖ The doctors are well versed in delivering babies
- ❖ They now stabilize and transfer
- ❖ They are in constant conversation with Ukiah Valley Hospital
- ❖ Have telehealth services with UC Davis
- ❖ They up staff in order to be able to cover the ER in case the physician or an RN need to accompany the mother in the ambulance

✓ Ukiah Valley Hospital has 1 to 2 patients from Fort Bragg come to their hospital to deliver their babies weekly.

✓ Lucresha Renteria, CEO Mendocino Coast Clinics stated:

- ✓ The clinic is currently a pre-natal care provider for women currently delivering at MCDH, as well as early pre-natal for women who are transferring to other hospitals to deliver.
- ✓ High risk patients are transferred to UCSF.
- ✓ Ultra sounds are referred to MCDH.
- ✓ MCC is preparing a transfer agreement with Mendocino Community Health Center who runs Care for Her in both Ukiah and Willits to transfer their prenatal patients.
- ✓ MCC provides half of the pediatric & OB on-call coverage each month.
- ✓ If the OB Department closes, MCC will lose a significant amount of business.

✓ Dr. William Miller, Chief of Staff stated that:

- ✓ A task force has been formed in order to identify what the issues are from a medical perspective. The task force consists of Dr. John Delgado, Task Force Chair; Dr. Robin Serrahn, ER Physician; Dr. Brent Wright, OBGYN; Dr. Lynette Chevalier, Pediatrician; Dr. Chris Robshaw, Pediatrician; Dr. Zoe Berna, Family Practice; Dr. Barbara Kilian, ER Physician, Dr. Kenneth Susman, General Surgeon. Lynn Finley, CNO & Davey Beak, Ambulance Manger were invited to participate as well.
  - ❖ The task force will create an outline of what a Stabilization & Transfer plan would look like.

- ❖ Create a transition plan/model.
- ❖ To test the plan/model.
- ✓ The Medical Staff is looking to the Board to make a decision, then they will come up with a set policy that follow this outline, and they will ensure that all concerns/challenges are addressed in the policy.
- ✓ Training will be the key. The ambulance crew will need to be trained not only in terms of transport, but also if they are called to someone's home to be able to do initial assessments and communicate that to the ER.
- ✓ Dr. Miller estimated the timeline of getting everyone trained and ready would be 30 to 45 days.
- ✓ Ms. Grinberg asked Ms. McColley to look into alternative solutions to keep maternal child health on the coast and what things could be offered. Ms. McColley talked about women's health and birth centers. Ms. McColley stated that her decision will be driven by high quality and safety of care.
  - ✓ Ms. McColley gave a power point presentation regarding birth centers.
    - ❖ California works with American Association of Birth Centers. Being on the coast, everyone in the area would need to collaborate. These are also known as alternative birth centers.
- ✓ Dr. Buz Graham would like to apply for a grant for a women's health center.

5. Adjourn:

The meeting adjourned at 8:30

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Ms. Jessica Grinberg, President  
Board of Directors

ATTEST:

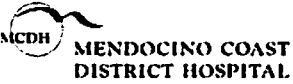
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Mr. Steve Lund, Vice President  
Board of Directors

These minutes constitute a portion of the official record of the Board and are the written record of the proceedings. Documents distributed to the Board of Directors at the meeting are available for public review except legally privileged or confidential documents.

# T A B 3



	<b>TITLE:</b> Patient Visitation
	<b>POLICY#:</b> 829

<b>Department(s):</b> Administration	<b>PolicyTech Version #:</b> 2
<b>Policy Owner:</b> Wayne Allen <b>Approvers:</b> BOD and CEO	<b>Date Created:</b> No Date Set <b>Last PolicyTech Review Date:</b> No Review Date <b>Last PolicyTech Revision Date:</b> 12/03/2019


**PURPOSE:** To set expectations for family and friends visiting patients in the hospital.

**POLICY:**

- I. Mendocino Coast District Hospital promotes a patient and family centered approach to care and will maintain a therapeutic environment, patient safety and personal privacy for our patients.
- II. Visitors are any guests of the patient, including but not limited to, family, friends, domestic partners or support persons.
- III. The healthcare team should be flexible in response to patient needs and preferences.
- IV. Visitors will only be denied visitation for a legitimate reason which must be validated by leadership.
- V. There may be exceptions to these guidelines. The health care team, using professional judgment, will consider a patient's unique circumstances when applying these guidelines.
- VI. Although all hours are visitation hours, after 8:00 p.m. visitors must go through the emergency department to gain access to the inpatient units.
- VII. All employees are to observe patient-visiting and privacy regulations when such visiting is for reasons that are personal or not job-related.

**PROTOCOL:**

- I. Considerations for visitation in all departments
  - A. Clinical and emotional needs of the patient
  - B. Limits set by the patient
  - C. The length and frequency of visits
  - D. Space limitations in patient rooms
  - E. Shift change and the need for minimal interruptions
  - F. Visitors may be asked to leave during procedures
  - G. Visitors must not put the patient at risk or contribute negatively to the health of the patient
  - H. An adult may spend the night with the patient if there is adequate space and it contributes to the well-being of the patient
    1. The visitor must be able to safely stay alone and take care of his/her own needs
    2. Visitor may not sleep on the hospital bed unless they are the parent of a pediatric patient
- II. Visitor behavior in all departments
  - A. Visitors are expected to adhere to conduct supportive of a healing environment
  - B. Visitors must follow environmental safety rules set by the facility (i.e. smoking, firearms, etc.)
  - C. Be as quiet as possible in the corridors and while in patient rooms
  - D. Visiting children under the age of 13 should be accompanied by an adult other than the patient
  - E. Visitors are to wash their hands before and after entering patients room and follow all infection control policies
  - F. Visitors may not tamper with medical equipment or give treatments without prior notification to the primary nurse
  - G. Visitors may be asked to leave if they become disruptive or interfere with the general comfort, healing, privacy or care of patients, visitors, or staff
  - H. Visitors may not consume alcohol or illegal drugs while on the hospital campus

	<b>TITLE: Patient Visitation</b>
	<b>POLICY#: 829</b>
<b>Department(s): Administration</b>	<b>PolicyTech Version #: 2</b>
<b>Policy Owner: Wayne Allen</b>	<b>Date Created: No Date Set</b>
<b>Approvers: BOD and CEO</b>	<b>Last PolicyTech Review Date: No Review Date</b>
	<b>Last PolicyTech Revision Date: 12/03/2019</b>

- III. Patient and visitor education in all departments
  - A. The patient should be instructed on their rights regarding visitation
  - B. The balance between providing support to the patient and allowing the patient sufficient rest and privacy should be discussed
  - C. Clear expectations should be provided about what visitors can do to assist in supporting the patient's care, where they can be on the unit, and limitations on their participation
- IV. Emergency department specific
  - A. There are no pre-set visiting hours
  - B. Patient will be allowed one support person at the bedside
  - C. Visitors, when not at the bedside, must wait in the lobby
- V. Critical care unit specific
  - A. Visitors should be limited to two at a time
  - B. Visitors, when not at the bedside, must wait in the hallway
  - C. Children visiting shall be at the discretion of the healthcare team and the patient
- VI. Peri-anesthesia services specific
  - A. Visitors are not routinely allowed in the acute recovery areas with the following exceptions:
    - 1. Children 18 and younger are permitted to have parents/guardians with them
    - 2. Patients with special needs may have family/guardians at their bedside
    - 3. Children visiting shall be at the discretion of the healthcare team and patient
- VII. Obstetrics specific
  - A. Visitors must check in when they first arrive
  - B. Must be free of illness or recent exposure to communicable diseases (e.g. Chicken pox)
  - C. Required to wash their hands thoroughly before holding an infant
  - D. Visitors to the nursery should be limited to two persons

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**Authorization for Release of Verbal Information to Others**

*\*To obtain written records an authorization to release medical records must be obtained*

Many of our patients allow family members (spouse, significant other, parents or children) or other specified persons to call and request the result of tests, procedures and financial information. Under the requirements for HIPAA, we are not allowed to give this information to anyone without the patient's consent.

If you wish to have your medical information, any diagnostic test results and/or financial information released to any family member or other specified persons, you must complete and sign this form.

This authorization will remain in effect for one year. You have the right to revoke this consent, in writing, at any time, except where we have already made disclosures in reliance to your prior consent.

**I authorize Mendocino Coast District Hospital, Home Health and/or North Coast Family Health Center to release the following information to the individuals listed below:**

All health information pertaining to my medical history, mental or physical condition and treatment

Only information related to: \_\_\_\_\_

**Names of persons I authorize release to:**

1. \_\_\_\_\_ Relation to Patient: \_\_\_\_\_

2. \_\_\_\_\_ Relation to Patient: \_\_\_\_\_

3. \_\_\_\_\_ Relation to Patient: \_\_\_\_\_

4. \_\_\_\_\_ Relation to Patient: \_\_\_\_\_

**Authorization Regarding Telephone Messages (Please initial all that apply)**

Primary phone number: \_\_\_\_\_

\_\_\_\_\_ I authorize you to leave a detailed message on my home or cell number regarding appointments

\_\_\_\_\_ I authorize you to leave a detailed message on my home or cell number regarding medical treatment, care, test results or financial information

\_\_\_\_\_ I authorize you to leave a message with anyone who answers the phone

\_\_\_\_\_ Messages may only be left with \_\_\_\_\_

\_\_\_\_\_  
Patient/Patient Representative Signature

\_\_\_\_\_  
Patient/Rep Printed Name

\_\_\_\_\_  
Date/Time

\_\_\_\_\_  
Witness Signature

\_\_\_\_\_  
Witness Printed Name

\_\_\_\_\_  
Date/Time

# **T A B 5**

**Mendocino Coast District Hospital plans on eliminating its obstetrics Department March 31, 2020 due to decreasing births and increasing costs of providing this service.**

**The Obstetrics Department consists of 2 labor & delivery rooms, three post-partum rooms and a nursery. We have one fulltime employee that this will affect. This employee has been cross training to another position and will be retained unless they chose otherwise.**

**The 3 nearest facilities that offer obstetric services are as follows:**

**Ukiah Valley Medical Center  
275 Hospital Dr, Ukiah, CA 95482  
57 miles**

**Santa Rosa Memorial Hospital  
1165 Montgomery Dr, Santa Rosa, CA 95405 · (707) 525-5300  
118 miles**

**Sutter Santa Rosa Regional Hospital  
30 Mark West Springs Rd Santa Rosa CA 95403  
113 miles**

**Interested parties may offer comments at Mendocino Coast District Hospital located at 700 River Drive Fort Bragg CA. Phone number at which comments can be left at is (707) 961-4610.**

**Our Chief Executive officer is Wayne Allen. He can be reached at the same address (707) 961-4610**

## Labor and Delivery Transition to Stabilize and Transfer

### Mendocino Coast District Hospital

February 21, 2020

- I. **Background**
  - a. Birth rates have been declining. Fiscal year 17 saw 106 births, fiscal year 19 saw 81. That is a 24% decrease. Calendar year 2019 we saw 57 births
  - b. Unable to find permanent staff and the department is run by Travelling RN's. Not able to staff the department fully. Requires 8.5 FTE's, only have 4 FTE's. It is variable and can get up to 6 FTE's at times but not consistently.
  - c. Lack of adequate MD coverage causing high Locums cost for 14 days OB coverage and 14 days of Pediatric coverage.
- II. **Community Notification Board Meeting open to the public 1/2/20**
  - a. Been in discussion with community since 2016 about the viability of OB
  - b. January 3, 2020. Town Hall Community Presentation Alternative OB solutions if we do not have a L&D Department. Question and answer session included.
  - c. January Board of Directors Workshop in public regarding Labor and Delivery.
- III. **Transport**
  - a. We own our own Ambulance service that is licensed as a CCT
  - b. Local EMS is changing their guidelines to allow transport of well infants younger than 28 days
  - c. Per discussion with Beta, skin to skin transport between infant and mother is the best, second in wrapped in saran wrap
  - d. Develop Protocols for Critical Care Transport RN that would include high risk OB
    - i. Discussion occurred 2/5/2020 that included our liability Maternal Health representative and our account representative.
      - 1. Safe to transport without a provider or second personnel for stable labor
      - 2. Emergency C-Sections are rare and would be based on Maternal stability
      - 3. Consent to Transfer – there needs to be documentation of explicit conversation regarding delivery at MCDH ED versus transport to nearest facility that has the services needed.
      - 4. Best to transport infant skin to skin with Mom. Next best is wrapped in saran wrap. Not in isolette or seat belted
      - 5. Recommends S.T.A.B.L.E training for staff
      - 6. Supportive of CCT- protocols and training in place
      - 7. Does not recommend FHM in the ED, if we can not do the intervention
      - 8. Provided ENA Position Statement and Emtala
  - e. Partnership's Transportation Benefit
    - i. Available to Partnership patients for transportation for planned appointments

#### IV. Staff Education

- I. Required Additional Certifications for ED RN's and Paramedics: NRP (Neonatal Resuscitation Program) conveys an evidence-based approach to care of the newborn at birth and facilitates effective team-based care for healthcare professionals who care for newborns at the time of delivery.
  - i. As of February 10, 2020 all RN's in the Emergency Department are NRP certified with the exception of 2 Per diem RN's, one of which is getting this certification through her full time employers. 10/12 Paramedics NRP Certified
  - ii. OB emergency Classes occurred February 16<sup>th</sup> and 18<sup>th</sup> covering postpartum hemorrhage, Shoulder Dystocia, OB Code and precipitous delivery.
- b. S.T.A.B.L.E. Neonatal education program to focus exclusively on the post-resuscitation/pre-transport stabilization care of sick infants. Based on a mnemonic to optimize learning, retention and recall of information, S.T.A.B.L.E. stands for the in the program: Sugar, Temperature, Airway, Blood pressure, Lab work, and Emotional support. A seventh module, Quality Improvement stresses the professional responsibility of improving and evaluating care provided to sick infants.
  - i. scheduled March 14<sup>th</sup>.
    1. UCSF scheduling a stable course with UVMC that we may be able to participate in.
- c. R.E.A.C.H High Risk OB Emergencies and Neonatal Stabilization March 31 2020 (tentative)
- d. A.L.S.O
  - i. Working with Darlene Harris to schedule for ED Providers
- e. UCSF 2 birthing scenarios with our high-fidelity simulators: a mom with an eclamptic seizure who has a normal birth and then the 2<sup>nd</sup> delivery would be a breech delivery. For the baby we could do a normal newborn resuscitation for the eclamptic mom, and then for the breech delivery the baby could require a full code and have HIE and need UCSF called for cooling transport. Two sessions, one in the AM and one in the PM. Performed in the ED
- f. EBSCO courses with CEU's identified as an annual competency for ED RN's
- g. Working with Mendocino Community College to access their Sim Lab OB mannequin for ED Staff training
- h. UVMC willing to have ED staff to come to their OB department for training.
  - i. Anita is working with Staff and UVMC to schedule.
  - ii. ED RN's participating in births at MCDH.

#### V. Current OB Staff

- a. 1 0.8 FTE NOC RN: Cross training to an open NOC House Supervisor Position
- b. 1 Per diem Staff converted from Temporary Staff
- c. The rest of the staff is currently temporary staff with 13 week contracts

#### VI. Timeline Close service March 31, 2020

#### VII. Partnerships with Community Providers



- a. Prenatal and postpartum care Mendocino Coast Clinics will continue to provide Prenatal, post-natal and pediatric services
  - b. Caring for Her - Mendocino Coast Clinic is working with Caring for Her to create a MOU to transfer care at 28 weeks, possibly co-manage between 28 to 34 weeks
  - c. Facilities to provide L&D
    - i. UVMC
      - 1. UVMC has Pediatric Hospitalist.
    - ii. SRMH
    - iii. Sutter Santa Rosa
    - iv. UCSF – high risk
- VIII. Equipment (Eric is constructing full list of equipment we have)
- a. Hemorrhage Cart: will move from L&D to ED
  - b. Infant Resuscitator (PANDA)
  - c. Yellow Cart- L&D supplies
    - i. Darlene will assist in creating this modeled after St Helena
- IX. Policies (in development to be completed by 3/31/2020)
- a. Emergency or Precipitous Delivery in the Emergency Department
  - b. Pregnant Patient Medical Screening in the ED (EMTALA)
  - c. Critical Care Transport for Registered Nurses (MCDH employees)
  - d. Infant security
  - e. Hemorrhage
  - f. Assessing the Pregnant Woman
  - g. Others as identified by the working team of OB and ED RN's
- X. C-Sections- General Surgeons are on call for all surgical emergencies including C-Sections
- XI. Pediatrics
- a. UVMC has a pediatric Hospitals
  - b. Telemedicine in the ED with UC Davis.
  - c. UCSF MOU for infants under 28 days.
- XII. How do other hospitals do this?
- a. Lucresha spoke with Bear Mtn Clinic that is located in a similar geographic area near Fall River Mills Hospital.
    - i. OB Closed approximately 2 years ago
    - ii. No births have occurred in the ED
    - iii. Increase in "roadside" births"
  - b. Anita spoke with Healdsburg
    - i. Staff are required to have NRP certification
    - ii. Have infant warmer
    - iii. Only policy related to OB in the ED is a policy regarding infant warmer and the supplies to maintain.
    - iv. There is no plan for emergency c-sections
    - v. They have not had a birth in their ED.
  - c. Anita has reached out to Sonoma several times but has not heard back.

**d. St Helena Recently closed their services**

**Emails out:**

**notifying of plans to close L&D. Requesting info regarding educational resources**

**Leanoa @ Stanford**

**Erin @ CMQCC**

**Megan Cyrus – Stanford\_ Newborn Screening**

**Kimberley Johnston UCSF - Kimberley responded and is working with us to provide education**

# Implementation of L&D Transition to Stabilize and Transfer

Company Name: Mendocino Coast District Hospital

Project Lead: Lynn Finley CNO

Mon, 2/3/2020

Process started in: 2016

Display Week: 1

Feb 3, 2020	Feb 10, 2020	Feb 17, 2020	Feb 24, 2020	Mar 2, 2020	Mar 9, 2020	Mar 16, 2020	Mar 23, 2020
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29							
S M T W T F S S	S M T W T F S S	S M T W T F S S	S M T W T F S S	S M T W T F S S	S M T W T F S S	S M T W T F S S	S M T W T F S S

TASK	Activity TO	PROGRESS	START	END
<b>Phase 1 ED Staff Education</b>				
Task 1	ED RN's NRP Certified	100%	2/5/20	2/15/20
Task 2	Paramedics NRP Certified	83%	2/5/20	2/15/20
Task 3	S.T.A.B.L.E		3/14/20	3/14/20
Task 4	OB Emergencies		2/16/20	2/18/20
Task 6	High Risk OB Emergencies and Neonatal Stabilization/REACH		3/31/20	3/31/20
Task 7	UCSF OB Simulations		5/12/20	5/12/20
Task 8	A.L.S.O. (To be scheduled)		2/19/20	8/17/20
<b>Phase 3 Submitting Notification to CDPH. Mendocino BOS, Public</b>				
Task 1	Board Approval		2/27/20	2/28/20
Task 2	Notifications Published		2/29/20	3/1/20
<b>Phase 4 Readiness</b>				
Task 1	Policy development		2/5/20	3/21/20
Task 2	Protocol Development		2/5/20	3/21/20
Task 3	Documentation Development		2/5/20	3/21/20
Task 4	Equipment identification/testing/location		2/6/20	3/22/20
Task 5	Yellow Cart		2/10/20	3/26/20

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# MENDOCINO COAST DISTRICT HOSPITAL

DATE: February 18, 2020  
TO: BOARD OF DIRECTORS  
FROM: WILLIAM MILLER, MD  
CHIEF OF STAFF

## SUBJECT: MEDICAL EXECUTIVE COMMITTEE RECOMMENDATIONS

The Medical Executive Committee considered and approved the following medical staff privileges and appointments and recommends these to the Board of Directors for approval:

### Appointments to Medical Staff/Allied Health Professional -Provisional Status

- **I-Wen Tseng, DO-** Department of Medicine-Emergency Medicine
- **Donald Lombardi, MD-** Department of Medicine-Oncology-Hematology
- **Sandra Mendel, MD-** Department of Medicine-Internal Medicine-North Coast Family Health Center
- 

### Temporary Privileges (As we await Board Meeting)

- **Donald Lombardi, MD-** Department of Medicine-Oncology-Hematology  
(February 10, 2020-February 27, 2020)

### Re-Appointments to Medical Staff/Allied Health Professional Staff

- **Kevin Miller, MD-** Department of Surgery-Ophthalmology
- **Ramesh Nathan MD-** Department of Medicine-Infectious Disease
- **Brent Wright, MD-** Department of Surgery-Obstetrics-Gynecology

### Resignations from Medical Staff

- **Mayer Horensten, DO-** Department of Medicine-North Coast Family Health Center (Effective February 1, 2020)
- **Robert Pollard, MD-** Department of Medicine-Emergency Medicine (Effective February 1, 2020)
- **John Rochat, MD-** Department of Medicine-Oncology-Hematology (Effective January 1, 2020)

### Appointments to V-Rad Tele-Radiology Staff

- **Christopher Lawton, MD-** Department of Medicine-Tele radiology
- **Richard Mitchell, MD-** Department of Medicine-Tele radiology

Department of Medical Staff Services  
William Lee, CPCS, CPMSM- Director  
700 River Drive ▪ Fort Bragg, California 95437  
Phone: (707) 961-4740 ▪ Fax: (707) 961-4786

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**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended January 31, 2020**

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MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA

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For the month ended January 31, 2020

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# MENDOCINO COAST HEALTHCARE DISTRICT

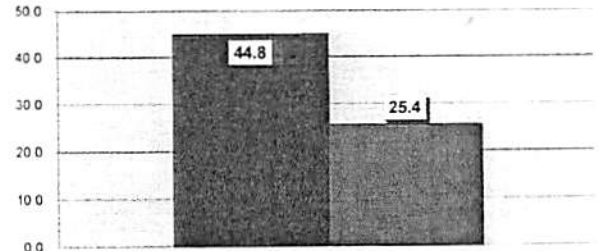
## EXECUTIVE FINANCIAL SUMMARY

For the month ended January 31, 2020

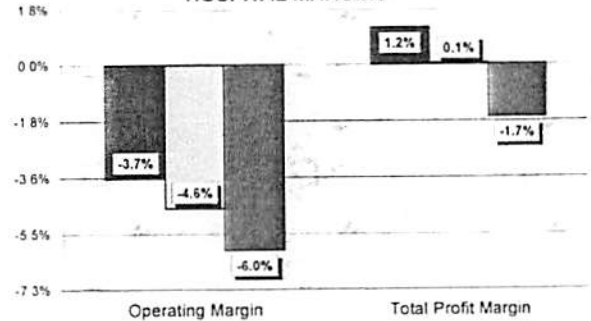
### BALANCE SHEET

	1/31/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$14,087,523	\$12,731,701
Assets Whose Use is Limited	5,007,024	5,608,305
Property, Plant and Equipment (Net)	14,406,702	14,554,636
<b>Total Unrestricted Assets</b>	<b>33,501,249</b>	<b>32,894,642</b>
<b>Total Assets</b>	<b>\$33,501,249</b>	<b>\$32,894,642</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$11,440,029	\$10,963,059
Long-Term Debt	12,698,162	12,979,083
<b>Total Liabilities</b>	<b>24,138,191</b>	<b>23,942,142</b>
Net Assets	9,363,058	8,952,507
<b>Total Liabilities and Net Assets</b>	<b>\$33,501,249</b>	<b>\$32,894,642</b>

NET DAYS IN ACCOUNTS RECEIVABLE



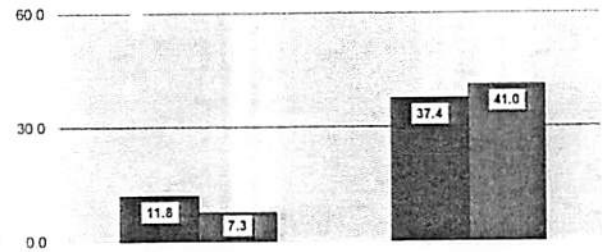
HOSPITAL MARGINS



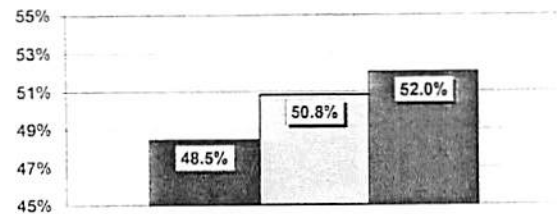
### STATEMENT OF REVENUE AND EXPENSES - YTD

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$67,407,708	\$68,828,185
Deductions From Revenue	(34,707,052)	(37,533,119)
Net Patient Revenues	32,700,656	31,295,066
Other Operating Revenue	1,357,908	1,605,750
<b>Total Operating Revenues</b>	<b>34,058,564</b>	<b>32,900,816</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	20,105,351	19,775,200
Purchased Services & Physician Fees	6,422,035	5,425,463
Supply Expenses	5,212,697	5,607,003
Interest Expense	0	0
Depreciation Expense	779,270	875,147
Other Operating Expenses	2,789,020	2,742,622
<b>Total Expenses</b>	<b>35,308,369</b>	<b>34,425,435</b>
<b>NET OPERATING SURPLUS</b>	<b>(1,249,805)</b>	<b>(1,524,619)</b>
Non-Operating Revenue/(Expenses)	1,660,356	1,541,386
<b>TOTAL NET SURPLUS</b>	<b>\$410,551</b>	<b>\$16,767</b>

DAYS CASH ON HAND



SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



### BOND COVENANTS

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	1.08
CURRENT RATIO	1.00	1.23
DAYS CASH ON HAND	30.0	37.4

Legend	Period
■ MENDOCINO COAST HEALTHCARE DISTF	1/31/2020
□ Budget	1/31/2020
■ Prior Fiscal Year End	6/30/2019

Balance Sheet - Assets

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended January 31, 2020

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	Current Month <u>1/31/2020</u>	Prior Year End <u>6/30/2019</u>
CURRENT ASSETS		
CASH	\$ 1,904,795	\$ 1,145,996
PARCEL TAX REVENUE ACCT	710,727	872,982
PATIENT RECEIVABLES	17,616,005	17,107,938
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>(10,436,859)</u>	<u>(12,458,158)</u>
NET PATIENT ACCOUNTS RECEIVABLES	7,179,146	4,649,780
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,797,419	3,612,009
OTHER RECEIVABLES	1,125,691	1,141,535
INVENTORIES	789,427	839,076
PREPAID EXPENSES	580,318	470,323
TOTAL CURRENT ASSETS	<u>\$ 14,087,523</u>	<u>\$ 12,731,701</u>
ASSETS WHOSE USE IS LIMITED		
BOARD DESIGNATED FUNDS	\$ 3,424,031	4,376,979
PLAN FUND	13,774	13,774
SPECIFIC PURPOSE FUND	0	0
BONDS	1,126,406	746,302
BOND COSTS	442,813	471,250
TOTAL LIMITED USE ASSETS	<u>\$ 5,007,024</u>	<u>\$ 5,608,305</u>
PROPERTY, PLANT, & EQUIPMENT		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	805,398	805,398
BUILDINGS & IMPROVEMENTS	24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	546,439	546,439
EQUIPMENT	20,875,168	20,430,219
CONSTRUCTION-IN-PROGRESS	1,789,074	1,602,686
GROSS PROPERTY, PLANT, & EQUIPMENT	<u>\$ 48,738,033</u>	<u>\$ 48,106,696</u>
LESS: ACCUMULATED DEPRECIATION	<u>(34,331,331)</u>	<u>(33,552,060)</u>
NET PROPERTY, PLANT, & EQUIPMENT	<u>\$ 14,406,702</u>	<u>\$ 14,554,636</u>
TOTAL ASSETS	<u>\$ 33,501,249</u>	<u>\$ 32,894,642</u>

Balance Sheet - Liabilities and Net Assets

MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended January 31, 2020

	Current Month 1/31/2020	Prior Year End 6/30/2019
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 6,086,170	\$ 4,369,232
ACCRUED PAYROLL	\$ 332,982	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,016,039	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 24,056	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 1,081,614	\$ 1,721,522
OTHER CURRENT LIABILITIES	\$ 701,796	\$ 911,488
INTEREST PAYABLE	\$ 972,635	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 83,333	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 263,435	\$ -
TOTAL CURRENT LIABILITIES	<u>\$ 11,440,029</u>	<u>\$ 10,963,059</u>
LONG TERM LIABILITIES		
BONDS PAYABLE	\$ 9,698,742	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 564,702	\$ -
TOTAL LONG TERM LIABILITIES	<u>\$ 12,698,162</u>	<u>\$ 12,979,083</u>
TOTAL LIABILITIES	<u>\$ 24,138,191</u>	<u>\$ 23,942,142</u>
FUND BALANCE		
UNRESTRICTED FUND BALANACE	\$ 8,952,507	\$ 7,591,999
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ 410,551	\$ 1,360,508
TOTAL NET ASSETS	<u>\$ 9,363,058</u>	<u>\$ 8,952,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,501,249</u>	<u>\$ 32,894,642</u>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended January 31, 2020

	CURRENT MONTH				
	Actual 01/31/20	Budget 01/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 01/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 2,259,685	\$ 1,842,443	\$ 417,242	23%	\$ 1,946,223
SWING BED	\$ 398,059	\$ 386,177	\$ 11,882	3%	\$ 271,778
OUTPATIENT	\$ 7,075,776	\$ 7,121,146	\$ (45,370)	-1%	\$ 7,884,721
NORTH COAST FAMILY HEALTH CENTER	\$ 530,514	\$ 451,124	\$ 79,390	18%	\$ 463,344
HOME HEALTH	\$ 117,815	\$ 123,173	\$ (5,358)	-4%	\$ 123,260
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 10,381,849</b>	<b>\$ 9,924,063</b>	<b>\$ 457,786</b>	<b>5%</b>	<b>\$ 10,689,326</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (5,256,163)	\$ (5,429,108)	\$ 172,945	3%	\$ (6,074,385)
POLICY DISCOUNTS	\$ (8,696)	\$ (8,605)	\$ (91)	-1%	\$ (6,458)
STATE PROGRAMS	\$ 41,823	\$ 162,376	\$ (120,553)	-74%	\$ 96,000
BAD DEBT	\$ (285,523)	\$ (105,933)	\$ (179,590)	-170%	\$ (109,000)
CHARITY	\$ (1,101)	\$ (29,126)	\$ 28,025	96%	\$ (46,276)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (5,509,660)</b>	<b>\$ (5,410,398)</b>	<b>\$ (99,264)</b>	<b>-2%</b>	<b>\$ (6,140,119)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 4,872,189</b>	<b>\$ 4,513,667</b>	<b>\$ 358,522</b>	<b>8%</b>	<b>\$ 4,549,207</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 187,885</b>	<b>\$ 263,503</b>	<b>\$ (75,618)</b>	<b>-29%</b>	<b>\$ 206,803</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 5,060,074</b>	<b>\$ 4,777,170</b>	<b>\$ 282,904</b>	<b>6%</b>	<b>\$ 4,756,010</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,558,203	\$ 1,545,353	\$ (12,850)	-1%	\$ 1,577,412
EMPLOYEE BENEFITS	\$ 758,773	\$ 748,260	\$ (10,513)	-1%	\$ 795,016
PROFESSIONAL FEES - PHYSICIAN	\$ 768,463	\$ 539,061	\$ (229,402)	-43%	\$ 458,183
OTHER PROFESSIONAL FEES - REGISTRY	\$ 603,931	\$ 556,365	\$ (47,566)	-9%	\$ 567,028
OTHER PROFESSIONAL FEES - OTHER	\$ 152,996	\$ 126,045	\$ (26,951)	-21%	\$ 206,653
SUPPLIES - DRUGS	\$ 397,969	\$ 490,816	\$ 92,847	19%	\$ 496,553
SUPPLIES - MEDICAL	\$ 271,314	\$ 245,246	\$ (26,068)	-11%	\$ 273,077
SUPPLIES - OTHER	\$ 73,297	\$ 88,429	\$ 15,132	17%	\$ 63,509
PURCHASED SERVICES	\$ 129,173	\$ 117,713	\$ (11,460)	-10%	\$ 94,425
REPAIRS & MAINTENANCE	\$ 72,873	\$ 70,047	\$ (2,826)	-4%	\$ 66,037
UTILITIES	\$ 78,301	\$ 74,630	\$ (3,671)	-5%	\$ 72,356
INSURANCE	\$ 47,355	\$ 53,376	\$ 6,021	11%	\$ 36,453
DEPRECIATION & AMORTIZATION	\$ 111,255	\$ 125,577	\$ 14,322	11%	\$ 125,735
RENTAL/LEASE	\$ 55,698	\$ 55,135	\$ (563)	-1%	\$ 55,751
OTHER EXPENSE	\$ 139,599	\$ 124,588	\$ (15,011)	-12%	\$ 142,970
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,219,200</b>	<b>\$ 4,960,641</b>	<b>\$ (258,559)</b>	<b>-5%</b>	<b>\$ 5,031,158</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (159,126)</b>	<b>\$ (183,471)</b>	<b>\$ 24,345</b>	<b>13%</b>	<b>\$ (275,148)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 66,726	\$ 3,274	5%	\$ 65,000
INVESTMENT INCOME	\$ 5,000	\$ 6,805	\$ (1,805)	-24%	\$ 17,020
DONATIONS	\$ -	\$ 27,457	\$ (27,457)	-100%	\$ -
INTEREST EXPENSE (ALL)	\$ (39,828)	\$ (43,240)	\$ 3,412	-8%	\$ (42,674)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 216	\$ (216)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,131	\$ (19)	-2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 28,170	\$ (454)	-2%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 135,180	\$ (2,180)	-2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 197,000</b>	<b>\$ 222,245</b>	<b>\$ (25,245)</b>	<b>-11%</b>	<b>\$ 201,174</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 37,874</b>	<b>\$ 38,774</b>	<b>\$ (900)</b>	<b>-2%</b>	<b>\$ (73,974)</b>
<b>Operating Margin</b>	<b>-3.1%</b>	<b>-3.8%</b>			<b>-5.8%</b>
<b>Total Profit Margin</b>	<b>0.7%</b>	<b>0.8%</b>			<b>-1.6%</b>
<b>EBIDA</b>	<b>-0.9%</b>	<b>-1.2%</b>			<b>-3.1%</b>
<b>Cash Flow Margin</b>	<b>2.4%</b>	<b>2.9%</b>			<b>0.5%</b>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended January 31, 2020

	YEAR-TO-DATE				
	Actual 01/31/20	Budget 01/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 01/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 11,745,918	\$ 12,778,241	\$ (1,032,323)	-8%	\$ 12,534,380
SWING BED	\$ 3,753,500	\$ 2,678,335	\$ 1,075,165	40%	\$ 1,816,216
OUTPATIENT	\$ 48,162,791	\$ 49,388,580	\$ (1,225,789)	-2%	\$ 48,775,009
NORTH COAST FAMILY HEALTH CENTER	\$ 2,875,853	\$ 3,128,764	\$ (252,911)	-8%	\$ 3,186,232
HOME HEALTH	\$ 869,646	\$ 854,265	\$ 15,381	2%	\$ 839,288
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 67,407,708</b>	<b>\$ 68,828,185</b>	<b>\$ (1,420,477)</b>	<b>-2%</b>	<b>\$ 67,151,125</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (34,956,736)	\$ (37,662,903)	\$ 2,706,167	7%	\$ (36,843,588)
POLICY DISCOUNTS	\$ (52,490)	\$ (59,678)	\$ 7,188	12%	\$ (53,435)
STATE PROGRAMS	\$ 1,364,823	\$ 1,126,162	\$ 238,661	21%	\$ 735,829
BAD DEBT	\$ (910,808)	\$ (734,699)	\$ (176,109)	-24%	\$ (808,460)
CHARITY	\$ (151,841)	\$ (202,001)	\$ 50,160	25%	\$ (166,544)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (34,707,052)</b>	<b>\$ (37,533,119)</b>	<b>\$ 2,826,067</b>	<b>8%</b>	<b>\$ (37,136,198)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 32,700,656</b>	<b>\$ 31,295,066</b>	<b>\$ 1,405,590</b>	<b>4%</b>	<b>\$ 30,014,927</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 1,357,908</b>	<b>\$ 1,605,750</b>	<b>\$ (247,842)</b>	<b>-15%</b>	<b>\$ 1,068,868</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 34,058,564</b>	<b>\$ 32,900,816</b>	<b>\$ 1,157,748</b>	<b>4%</b>	<b>\$ 31,083,795</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 10,691,261	\$ 10,726,885	\$ 35,624	0%	\$ 10,412,024
EMPLOYEE BENEFITS	\$ 5,153,865	\$ 5,189,652	\$ 35,787	1%	\$ 5,134,767
PROFESSIONAL FEES - PHYSICIAN	\$ 4,286,765	\$ 3,739,147	\$ (547,618)	-15%	\$ 3,545,574
OTHER PROFESSIONAL FEES - REGISTRY	\$ 4,260,225	\$ 3,858,663	\$ (401,562)	-10%	\$ 3,654,885
OTHER PROFESSIONAL FEES - OTHER	\$ 1,304,058	\$ 875,155	\$ (428,903)	-49%	\$ 754,393
SUPPLIES - DRUGS	\$ 3,235,604	\$ 3,292,780	\$ 57,176	2%	\$ 3,040,372
SUPPLIES - MEDICAL	\$ 1,455,440	\$ 1,700,888	\$ 245,448	14%	\$ 1,675,115
SUPPLIES - OTHER	\$ 521,653	\$ 613,335	\$ 91,682	15%	\$ 531,808
PURCHASED SERVICES	\$ 831,212	\$ 811,161	\$ (20,051)	-2%	\$ 756,926
REPAIRS & MAINTENANCE	\$ 461,313	\$ 485,878	\$ 24,515	5%	\$ 502,607
UTILITIES	\$ 530,784	\$ 517,581	\$ (13,203)	-3%	\$ 519,606
INSURANCE	\$ 376,736	\$ 370,190	\$ (6,546)	-2%	\$ 338,140
DEPRECIATION & AMORTIZATION	\$ 779,270	\$ 875,147	\$ 95,877	11%	\$ 894,505
RENTAL/LEASE	\$ 413,576	\$ 382,394	\$ (31,182)	-8%	\$ 371,997
OTHER EXPENSE	\$ 1,006,611	\$ 986,629	\$ (19,982)	-2%	\$ 816,415
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 35,308,373</b>	<b>\$ 34,425,435</b>	<b>\$ (882,938)</b>	<b>-3%</b>	<b>\$ 32,949,134</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (1,249,809)</b>	<b>\$ (1,524,619)</b>	<b>\$ 274,814</b>	<b>-18%</b>	<b>\$ (1,865,339)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 490,002	\$ 462,779	\$ 27,223	6%	\$ 455,000
INVESTMENT INCOME	\$ 47,050	\$ 45,806	\$ 1,244	3%	\$ 52,338
DONATIONS	\$ 279,065	\$ 190,427	\$ 88,638	47%	\$ 6,583
INTEREST EXPENSE (ALL)	\$ (281,448)	\$ (299,889)	\$ 18,441	-6%	\$ (301,729)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 1,505	\$ (1,505)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 7,784	\$ 7,842	\$ 58	1%	\$ 7,784
TAX SUBSIDIES FOR GO BONDS	\$ 194,012	\$ 195,375	\$ (1,363)	-1%	\$ 194,012
PARCEL TAX REVENUES	\$ 923,887	\$ 937,541	\$ (13,654)	-1%	\$ 931,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 1,660,352</b>	<b>\$ 1,541,386</b>	<b>\$ 119,082</b>	<b>8%</b>	<b>\$ 1,347,106</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 410,551</b>	<b>\$ 16,767</b>	<b>\$ 393,784</b>	<b>2349%</b>	<b>\$ (518,233)</b>
<b>Operating Margin</b>	<b>-3.7%</b>	<b>-4.6%</b>			<b>-6.0%</b>
<b>Total Profit Margin</b>	<b>1.2%</b>	<b>0.1%</b>			<b>-1.7%</b>
<b>EBIDA</b>	<b>-1.4%</b>	<b>-2.0%</b>			<b>-3.1%</b>
<b>Cash Flow Margin</b>	<b>2.9%</b>	<b>2.1%</b>			<b>0.6%</b>

Statement of Revenue and Expense - 13 Month Trend

MENDOCINO COAST HEALTHCARE DISTRICT

FORT BRAGG, CA

	1	2	3	4	5	6	7	8
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	1/31/2020	12/31/2019	11/30/2019	10/31/2019	9/30/2019	8/31/2019	7/31/2019	6/30/2019
<b>GROSS PATIENT SERVICE REVENUES</b>								
INPATIENT	2,259,685	1,782,284	1,495,026	1,153,050	1,604,446	1,417,030	2,041,840	1,793,781
SWING BED	398,059	452,101	591,134	534,825	563,816	578,121	635,444	620,020
OUTPATIENT	7,075,776	6,885,146	5,866,234	6,533,241	6,928,288	6,941,079	7,925,584	6,606,140
NORTH COAST FAMILY HEALTH CEN'	530,514	360,566	375,950	393,997	398,500	358,273	458,053	362,717
HOME HEALTH	117,815	114,114	96,294	130,250	117,874	129,099	164,200	128,396
<b>TAL PATIENT SERVICE REVENUES</b>	<b>10,381,849</b>	<b>9,594,211</b>	<b>8,424,638</b>	<b>8,745,363</b>	<b>9,612,924</b>	<b>9,423,602</b>	<b>11,225,121</b>	<b>9,511,054</b>
<b>DEDUCTIONS FROM REVENUE</b>								
CONTRACTUAL ALLOWANCES	(4,931,163)	(3,680,823)	(4,465,213)	(4,864,781)	(5,269,096)	(5,360,482)	(6,060,178)	(4,889,557)
POLICY DISCOUNTS	(8,696)	(5,254)	(6,346)	(8,837)	(3,393)	(11,141)	(8,823)	(211,250)
STATE PROGRAMS	41,823	220,500	220,500	220,500	220,500	220,500	220,500	459,275
BAD DEBT	(285,523)	(100,000)	(100,000)	(99,408)	(150,000)	(25,877)	(150,000)	(663,314)
CHARITY	(1,101)	(11,451)	(32,255)	(15,108)	(19,266)	(30,342)	(42,318)	(167,435)
<b>AL DEDUCTIONS FROM REVENUES</b>	<b>(5,184,660)</b>	<b>(3,577,028)</b>	<b>(4,383,314)</b>	<b>(4,767,634)</b>	<b>(5,221,255)</b>	<b>(5,207,342)</b>	<b>(6,040,819)</b>	<b>(5,472,276)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>5,197,189</b>	<b>6,017,183</b>	<b>4,041,324</b>	<b>3,977,729</b>	<b>4,391,669</b>	<b>4,216,260</b>	<b>5,184,302</b>	<b>4,038,778</b>
<b>OPERATING TAX REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER OPERATING REVENUES</b>	<b>187,885</b>	<b>178,993</b>	<b>253,239</b>	<b>145,834</b>	<b>211,134</b>	<b>148,991</b>	<b>231,832</b>	<b>222,760</b>
<b>TOTAL OPERATING REVENUES</b>	<b>5,385,074</b>	<b>6,196,176</b>	<b>4,294,563</b>	<b>4,123,563</b>	<b>4,602,803</b>	<b>4,365,251</b>	<b>5,416,134</b>	<b>4,261,538</b>
<b>OPERATING EXPENSES</b>								
SALARIES & WAGES - STAFF	1,558,203	1,486,764	1,472,969	1,531,442	1,508,063	1,549,641	1,584,168	1,665,449
EMPLOYEE BENEFITS	758,773	733,036	704,251	720,704	716,731	732,314	788,056	863,009
PROFESSIONAL FEES - PHYSICIAN	768,463	604,498	573,785	579,785	586,416	592,615	581,203	486,140
OTHER PROFESSIONAL FEES - REGI	603,931	572,176	660,928	593,362	524,969	556,648	548,211	463,441
OTHER PROFESSIONAL FEES - OTHE	152,996	163,515	113,632	130,892	355,562	193,370	194,091	321,237
SUPPLIES - DRUGS	397,969	464,993	405,834	534,462	485,018	450,697	496,631	348,635
SUPPLIES - MEDICAL	271,314	215,027	136,118	169,312	187,480	181,727	294,462	257,159
SUPPLIES - OTHER	73,297	66,513	61,708	70,672	72,760	85,919	90,884	50,854
PURCHASED SERVICES	129,173	83,601	159,312	122,389	81,707	150,888	104,142	110,385
REPAIRS & MAINTENANCE	72,873	47,146	54,411	101,429	71,220	60,715	53,519	77,556
UTILITIES	78,301	80,366	62,284	87,158	73,180	72,714	75,801	50,767
INSURANCE	47,355	49,965	44,384	62,105	35,745	69,394	57,788	42,547
INTEREST	0	0	0	0	0	0	0	0
DEPRECIATION & AMORTIZATION	111,255	112,673	111,214	111,949	110,664	111,015	110,500	112,559
RENTAL/LEASE	55,698	64,964	57,064	63,474	62,348	57,509	205,716	54,321
OTHER EXPENSE	139,599	108,530	157,305	135,374	181,670	130,935	0	122,358
<b>TOTAL OPERATING EXPENSES</b>	<b>5,219,200</b>	<b>4,863,767</b>	<b>4,775,179</b>	<b>5,014,508</b>	<b>5,053,533</b>	<b>5,096,002</b>	<b>5,296,172</b>	<b>5,036,418</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>165,874</b>	<b>1,342,409</b>	<b>(480,616)</b>	<b>(890,946)</b>	<b>(450,730)</b>	<b>(730,751)</b>	<b>119,962</b>	<b>(774,880)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
OPERATING TAX REVENUES	70,000	70,000	70,000	70,000	70,000	70,000	70,000	65,000
INVESTMENT INCOME	5,000	5,000	17,053	5,000	5,000	5,000	5,000	17,304
DONATIONS	0	183,050	83,794	0	0	12,220	0	0
INTEREST EXPENSE (ALL)	(39,828)	(39,734)	(39,681)	(40,213)	(40,645)	(40,199)	(41,148)	(41,191)
EXTRAORDINARY GAINS/(LOSS)	0	0	0	0	0	0	0	(22,193)
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716	27,715	27,716	27,716
PARCEL TAX REVENUE	133,000	132,079	133,000	133,000	133,000	131,704	128,104	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>197,000</b>	<b>379,223</b>	<b>292,984</b>	<b>196,615</b>	<b>196,183</b>	<b>207,553</b>	<b>190,784</b>	<b>180,748</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>362,874</b>	<b>1,721,632</b>	<b>(187,622)</b>	<b>(694,331)</b>	<b>(254,547)</b>	<b>(523,198)</b>	<b>310,746</b>	<b>(594,132)</b>
<b>Operating Margin</b>	<b>3%</b>	<b>22%</b>	<b>-11%</b>	<b>-22%</b>	<b>-10%</b>	<b>-17%</b>	<b>2%</b>	<b>-18%</b>
<b>Total Profit Margin</b>	<b>7%</b>	<b>28%</b>	<b>-4%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>
<b>EBIDA</b>	<b>5%</b>	<b>23%</b>	<b>-9%</b>	<b>-19%</b>	<b>-7%</b>	<b>-14%</b>	<b>4%</b>	<b>-16%</b>
<b>Cash Flow Margin</b>	<b>7%</b>	<b>28%</b>	<b>-5%</b>	<b>-17%</b>	<b>-6%</b>	<b>-12%</b>	<b>6%</b>	<b>-14%</b>

Statement of Revenue and Exp

MENDOCINO COAST HEALTHCARE DIS

FORT BRAGG, CA

	9	10	11	12	13
	Actual	Actual	Actual	Actual	Actual
	5/31/2019	4/30/2019	3/31/2019	2/28/2019	1/31/2019
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	1,296,892	1,449,258	2,323,912	1,827,740	1,946,223
SWING BED	608,924	740,806	732,395	510,398	271,778
OUTPATIENT	7,648,177	7,489,072	6,991,396	6,799,218	7,884,721
NORTH COAST FAMILY HEALTH CEN'	355,521	413,678	440,920	397,755	463,344
HOME HEALTH	119,334	129,461	124,983	118,117	123,260
<b>TAL PATIENT SERVICE REVENUES</b>	<b>10,028,948</b>	<b>10,222,275</b>	<b>10,613,506</b>	<b>9,653,228</b>	<b>10,689,326</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	(5,810,269)	(5,634,202)	(5,526,455)	(5,409,176)	(6,074,385)
POLICY DISCOUNTS	(41,405)	(9,735)	(13,405)	(8,089)	(6,458)
STATE PROGRAMS	552,945	556,246	157,500	148,000	96,000
BAD DEBT	(254,225)	(147,787)	0	(86,000)	(109,000)
CHARITY	(33,772)	(36,612)	(39,862)	(43,521)	(46,276)
<b>AL DEDUCTIONS FROM REVENUES</b>	<b>(5,586,728)</b>	<b>(5,272,090)</b>	<b>(5,422,242)</b>	<b>(5,398,786)</b>	<b>(6,140,119)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>4,442,222</b>	<b>4,950,185</b>	<b>5,191,264</b>	<b>4,254,442</b>	<b>4,549,207</b>
<b>OPERATING TAX REVENUES</b>			0	0	0
<b>OTHER OPERATING REVENUES</b>	235,212	181,589	179,877	251,431	206,803
<b>TOTAL OPERATING REVENUES</b>	<b>4,677,434</b>	<b>5,131,774</b>	<b>5,371,141</b>	<b>4,505,873</b>	<b>4,756,010</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	1,472,457	1,556,058	2,004,021	1,419,826	1,577,412
EMPLOYEE BENEFITS	742,661	728,459	762,127	755,588	795,016
PROFESSIONAL FEES - PHYSICIAN	485,547	727,967	456,645	521,380	458,183
OTHER PROFESSIONAL FEES - REGI'	605,856	580,617	579,522	447,930	567,028
OTHER PROFESSIONAL FEES - OTHE	336,996	329,581	232,597	324,380	206,653
SUPPLIES - DRUGS	500,098	424,393	431,693	448,867	496,553
SUPPLIES - MEDICAL	159,002	251,183	225,148	259,509	273,077
SUPPLIES - OTHER	85,878	99,137	91,307	110,688	63,509
PURCHASED SERVICES	113,222	121,611	117,892	96,041	94,425
REPAIRS & MAINTENANCE	56,884	51,088	71,321	57,350	66,037
UTILITIES	80,245	68,408	66,061	72,901	72,356
INSURANCE	36,013	37,864	42,782	37,864	36,453
INTEREST			0	0	0
DEPRECIATION & AMORTIZATION	135,663	113,204	100,746	125,253	125,735
RENTAL/LEASE	56,991	53,005	59,316	52,775	55,751
OTHER EXPENSE	141,698	201,696	127,813	140,770	142,968
<b>TOTAL OPERATING EXPENSES</b>	<b>5,019,209</b>	<b>5,344,271</b>	<b>5,368,991</b>	<b>4,869,122</b>	<b>5,031,156</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>(341,775)</b>	<b>(212,497)</b>	<b>2,150</b>	<b>(363,249)</b>	<b>(275,148)</b>
<b>NON-OPERATING REVENUES (EXPENSE)</b>					
OPERATING TAX REVENUES	65,000	65,000	65,000	65,000	65,000
INVESTMENT INCOME	18,572	4,000	4,000	4,000	17,020
DONATIONS	37,547		0	13,558	0
INTEREST EXPENSE (ALL)	(41,464)	(41,841)	(41,028)	(40,826)	(42,674)
EXTRAORDINARY GAINS/(LOSS)	(34,262)		0	0	0
BOND EXPENSE (ALL)	1,112	1,112	1,112	1,112	1,112
TAX SUBSIDIES FOR GO BONDS	27,716	27,716	27,716	27,716	27,716
PARCEL TAX REVENUE	133,000	133,000	133,000	133,000	133,000
<b>NON OPERATING INCOME (LOSS)</b>	<b>207,221</b>	<b>188,987</b>	<b>189,800</b>	<b>203,560</b>	<b>201,174</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(134,554)</b>	<b>(23,510)</b>	<b>191,950</b>	<b>(159,689)</b>	<b>(73,972)</b>
<b>Operating Margin</b>	<b>-7%</b>	<b>-4%</b>	<b>0%</b>	<b>-8%</b>	<b>-6%</b>
<b>Total Profit Margin</b>	<b>-3%</b>	<b>0%</b>	<b>4%</b>	<b>-4%</b>	<b>-2%</b>
<b>EBIDA</b>	<b>-4%</b>	<b>-2%</b>	<b>2%</b>	<b>-5%</b>	<b>-3%</b>
<b>Cash Flow Margin</b>	<b>-3%</b>	<b>-1%</b>	<b>3%</b>	<b>-3%</b>	<b>-1%</b>

## Statement of Cash Flows

MENDOCINO COAST HEALTHCARE DISTRICT

PAGE 9

FORT BRAGG, CA

for the 7 months ended 1/31/20

1/31/2020

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Income (Loss)	5410,551
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	779,270
(Increase)/Decrease in Net Patient Accounts Receivable	(2,529,366)
(Increase)/Decrease in Other Receivables	15,844
(Increase)/Decrease in Inventories	49,649
(Increase)/Decrease in Pre-Paid Expenses	(109,995)
(Increase)/Decrease in Third Party Receivables	1,814,590
Increase/(Decrease) in Accounts Payable	1,716,938
Increase/(Decrease) in Notes and Loans Payable	305,673
Increase/(Decrease) in Accrued Payroll and Benefits	(596,041)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	(539,908)
Increase/(Decrease) in Other Current Liabilities	(209,692)
<b>Net Cash Provided by Operating Activities:</b>	<u>907,513</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Property, Plant and Equipment	(531,336)
(Increase)/Decrease in Limited Use Cash and Investments	952,948
(Increase)/Decrease in Other Limited Use Assets	(351,667)
<b>Net Cash Used by Investing Activities</b>	<u>30,055</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Increase/(Decrease) in Bond/Mortgage Debt	(11,882)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	(169,039)
<b>Net Cash Used for Financing Activities</b>	<u>(280,921)</u>

**(INCREASE)/DECREASE IN RESTRICTED ASSETS**

<b>Net Increase/(Decrease) in Cash</b>	<u>596,536</u>
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u><u>\$2,615,514</u></u>



Patient Statistics

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended January 31, 2020

Current Month				Year-To-Date				
Actual 01/31/20	Budget 01/31/20	Positive/ (Negative) Variance	Prior Year 01/31/19	STATISTICS	Actual 01/31/20	Budget 01/31/20	Positive/ (Negative) Variance	Prior Year 01/31/19
<b>Admissions</b>								
15	12	25%	12	Critical Care Services	77	84	(8%)	87
43	49	(12%)	70	General	304	347	(12%)	357
58	61	(5%)	82	Subtotal Medical & Surgical Admissions	381	431	(12%)	444
9	8	13%	8	OB	37	56	(34%)	66
67	69	(3%)	90	Total Admissions	418	487	(14%)	510
15	11	36%	15	Swing Bed	95	77	23%	87
9	8	13%	8	Total Deliveries	35	56	(38%)	61
<b>Inpatient Days</b>								
51	42	21%	45	Critical Care Services	221	294	(25%)	280
234	172	36%	260	General	1194	1216	(2%)	1268
285	214	33%	305	Subtotal Medical & Surgical Inpatient Days	1415	1510	(6%)	1548
21	18	17%	22	OB	96	126	(24%)	161
306	232	32%	327	Total Inpatient Days	1511	1636	(8%)	1709
111	99	12%	103	Swing Bed	1003	693	45%	720
21	16	31%	17	Total Newborn Days	76	112	(32%)	138
<b>Average Length of Stay</b>								
3.4	3.5	(3%)	3.8	Critical Care Services	2.87	3.50	(18%)	3.22
5.4	3.5	55%	3.7	General	3.93	3.50	12%	3.55
4.9	3.5	40%	3.7	Subtotal Medical & Surgical	3.71	3.50	6%	3.49
2.3	2.3	4%	2.8	OB	2.59	2.25	15%	2.44
4.6	3.4	36%	3.6	Total Inpatient (CAH)	3.61	3.36	8%	3.35
7.4	9.0	(18%)	6.9	Swing Bed	10.56	9.00	17%	8.28
<b>Avg Daily Census - Hospital</b>								
1.6	1.4	18%	1.5	Critical Care Services (4 Beds)	1.0	1.4	(25%)	1.3
7.5	5.7	32%	8.4	General (8 Beds)	5.6	5.7	(2%)	5.9
9.2	7.1	29%	9.8	Subtotal Medical & Surgical (12 Beds)	6.6	7.1	(7%)	7.2
0.7	0.6	13%	0.7	OB (3 Beds)	0.4	0.6	(24%)	0.8
9.9	7.7	28%	10.6	Subtotal Acute (15 Beds)	7.0	7.6	(8%)	8.0
3.6	3.3	9%	3.3	Swing Care (10 Beds)	4.7	3.2	44%	3.4
13.5	11.0	22%	13.9	Total Hospital (25 Beds Available)	11.7	10.9	7%	11.4
<b>Emergency Department</b>								
761	777	(2%)	750	Outpatients Treated in ED - Emergent	5427	5537	(2%)	5,641
44	48	(8%)	65	Patients Admitted from ED	318	340	(6%)	355
805	825	(2%)	815	Total Patients treated in ED	5,745	5877	(2%)	5,996
<b>Ambulance Service</b>								
124	164	(24%)	156	911 - Transports	986	1168	(16%)	1082
3	1	200%	2	Transfer - Transports	14	7	100%	8
127	165	(23%)	158	Total Ambulance Transports	1000	1175	(15%)	1090
<b>Surgery - Cases</b>								
12	18	(33%)	23	Inpatient Cases	88	125	(30%)	121
0	7	(100%)	8	Total Implant Cases	15	42	(64%)	31
124	201	(38%)	197	Outpatient Cases	1062	1364	(22%)	1321
136	226	(40%)	228	Total Surgery Cases	1165	1531	(24%)	1473
<b>North Coast Family Health Center</b>								
2,649	2,783	(5%)	2,961	Visits	17,123	18,846	(9%)	18,375
<b>Home Health</b>								
460	548	(16%)	536	Visits	3,617	3,711	(3%)	3,687
<b>Outpatient</b>								
4,717	5,391	(13%)	5,424	Encounters	31,871	36,512	(13%)	34,981

## Key Financial Ratios

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**PAGE 11**

	Year to Date 1/31/2020	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	-3.7%	-4.3%	-6.0%
Total Profit Margin	1.2%	0.4%	-1.7%
EBIDA	-1.4%	-1.7%	-3.1%
Contractual Allowance % To Gross Charges	55.0%	58.2%	58.1%
Inpatient Gross Revenue Percentage (Hospital)	24.3%	23.8%	22.9%
Outpatient Gross Revenue Percentage (Hospital)	75.7%	76.2%	77.1%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	11.8		7.3
Days Cash, All Sources	37.4		41.0
Net Days in Accounts Receivable	44.8		25.4
Hospital Gross Days in AR	56.1		55.5
Cash Flow Margin	2.9%		0.6%
Days in Accounts Payable	72		47
Current Ratio	1.23		1.10
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	25.7		21.8
Capital Costs as a % of Total Exp.	1.8%		2.6%
Capital Spend as a % of Annual Depreciation	81.0%		102.0%
Long Term Debt to Net Position	57.6%		61.1%
Debt Service Coverage Ratio	1.08		0.40
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$172,487	\$177,583	\$171,055
Salary & Benefits Expense per Paid FTE	(\$83,579)	(\$112,151)	(\$88,990)
Salary & Benefits as a % of Total Expenses	44.9%	46.2%	47.0%
Salary and Benefits as a % of Net Pat Rev.	48.5%	50.8%	52.0%
Employee Benefits as a % of Salaries	48.2%	48.4%	48.5%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	238.8		241.1
FTE - NON-PRODUCTIVE	38.2		35.7
FTE - REGISTRY/CONTRACT	39.7		32.4
FTE - TOTAL PAID	316.8	300.0	309.2
Cost To Charge Ratio	52.4%	50.0%	50.0%
Medicare Revenue as a % of Total Revenue	61%	60%	61%
Medi-cal Revenue as a % of Total Revenue	18%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	12%	13%	13%
Other Ins Revenue as a % of Total Revenue	6%	5%	4%
Self-Pay Revenue as a % of Total Revenue	3%	2%	1%

**NOTICE AND AGENDA OF SPECIAL BOARD OF DIRECTORS MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**MONDAY APRIL 6, 2020**

**4:30 pm Closed Session**

**6:00 P.M. Open Session**

**Meeting Via Teleconference.**

**Dial In Number:**

**877-573-1973**

**Meeting ID (if you plan on making a comment enter the following number)**

**3300400#**

**(if you don't want to speak and just want to listen enter the following number)**

**5500600#**

PLEASE TAKE NOTICE a special Board of Directors meeting has been called for Monday, April 6, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided. The public may listen in and provide comments on the following number: 8775731973 (to comment enter 3300400) (to just listen enter 5500600)

**CONDUCT OF BUSINESS:**

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

1. Call to Order
2. Roll Call
3. Comments from the Community

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**The Board will adjourn to closed session using a call in number that is available to only the members of the Board of Directors. The Board of Directors will return to the open/public line at the conclusion of the closed session.**

**CLOSED SESSION:**

1. **Action/Information:** Pursuant to Government Code §54956.8 (Conference with Real Property Negotiators)  
Property: MCDH 700 River Dr, Fort Bragg, CA 95437  
Agency negotiator: Interim CEO  
Counsel: Mr. Craig Cannizzo, Attorney Hooper, Lundy & Bookman  
Negotiating parties: Stone Point Health, A California Nonprofit Public Benefit Corporation ("Stone Point Health"), An Affiliate Of Adventist Health System/West, d/b/a Adventist Health  
Under negotiation: Lease of hospital property
2. **Information/Action:** Pursuant to Government Code §54957.6: (Conference with Labor Negotiator).  
Agency designated representative: Dan Camp.  
Employee organization: Local UFCW 8-Golden State

**RECONVENTION OF OPEN SESSION: CALL TO ORDER – MS. JESSICA GRINBERG, PRESIDENT**

➤ Roll call

**REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

1. Lease agreement with Adventist Health
2. District's Labor Union Agreement

**OPEN SESSION ITEMS:**

1. **Action/Information:** Fiscal Year 2018/2019 Audit Report and Approval: Ms. Kami Matzek, CPA Dingus, Zarecor & Associates **Tab 1**
2. **Information:** OB Update: Ms. Lynn Finley, CNO **Tab 2**
3. **Action/Information:** OB Hardship Fund: Mr. Steve Lund, Vice President
4. **Information:** COVID 19 Update: Dr. William Miller, Chief of Staff; Ms. Lynn Finley, CNO
5. **Action/Information:** February 2020 Financial Report and Approval: Mr. John Redding, Treasurer **Tab 3**
6. Comments from Community  
This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You must state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.
7. Comments from Board of Directors
8. Adjourn

Dated: April 3, 2020

February Financial update: Mr. John Redding

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO) §

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on April 3, 2020

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

\_\_\_\_\_  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working days prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

Board Packets will be made available for pick up before the meeting at: **REDWOODS ROOM, MENDOCINO COAST DISTRICT HOSPITAL, 700 RIVER DR. FORT BRAGG, CA 95437**

**T**

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**Mendocino Coast Health Care District  
doing business as  
Mendocino Coast District Hospital**

Financial Indicators

June 30, 2019

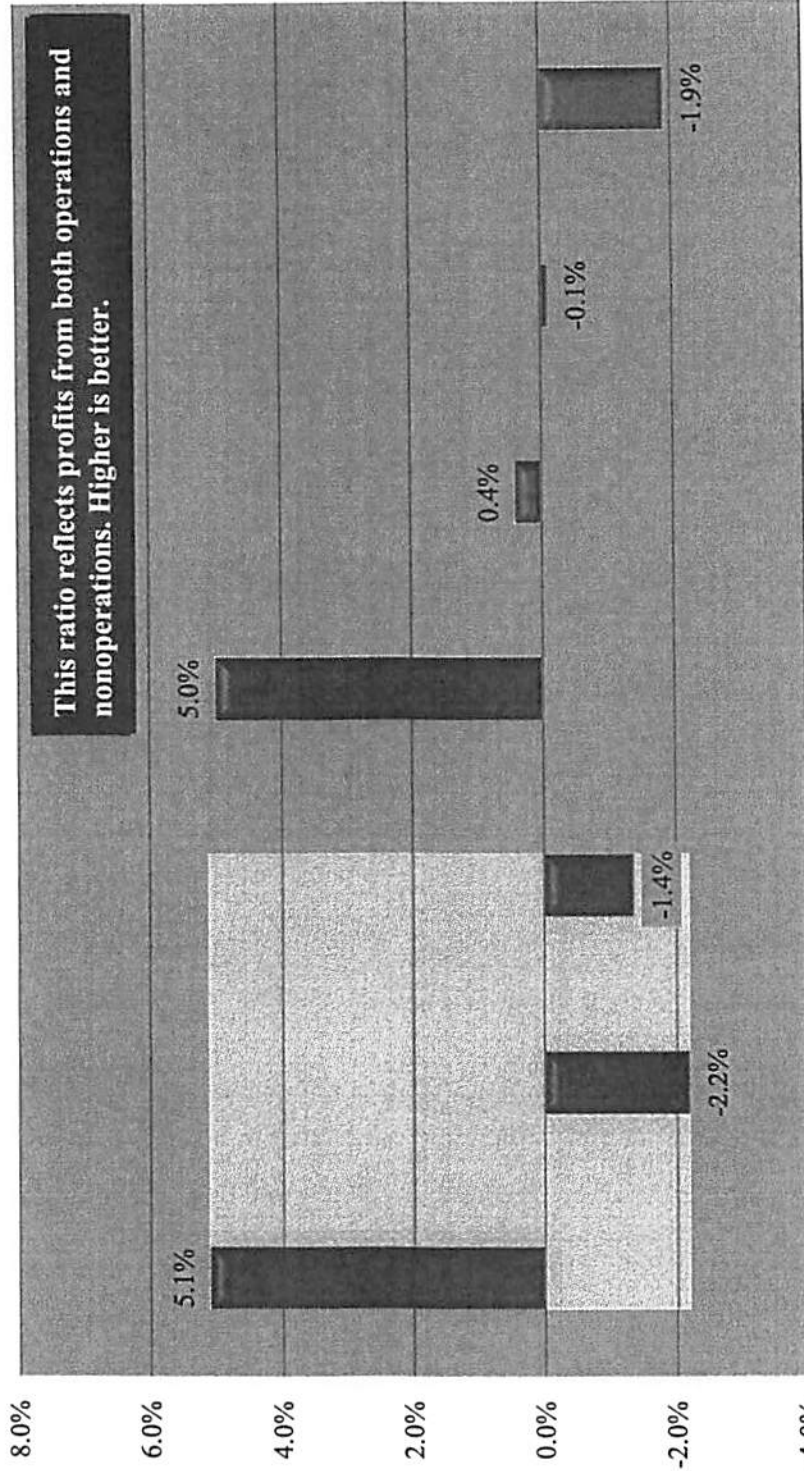


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Certified Public Accountants

Mendocino Coast Health Care District  
 doing business as  
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# Total Margin

$$\frac{\text{Change in Net Position}}{\text{Total Revenues}}$$



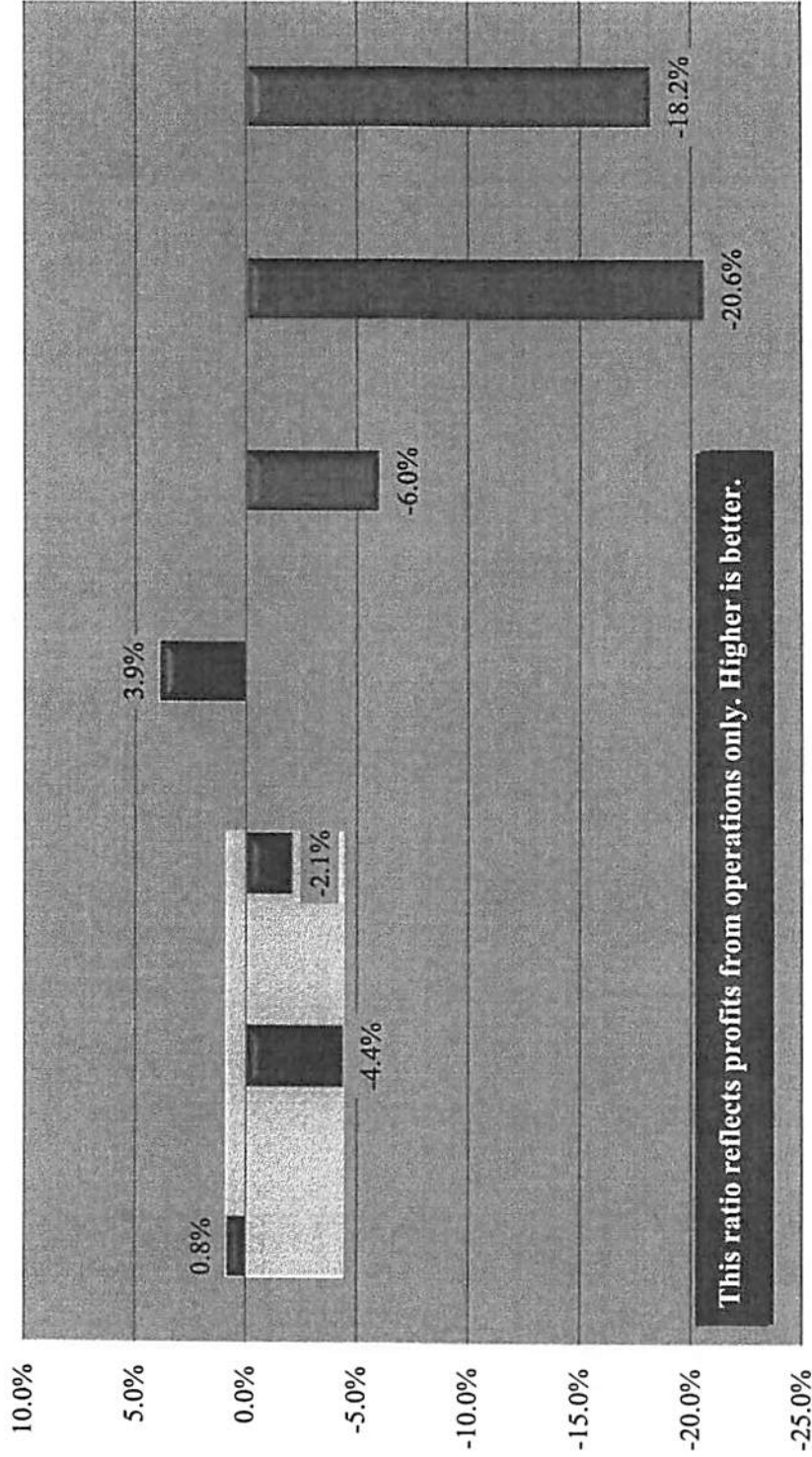
All California Hospitals 2017  
 All Hospitals <50 Beds 2017  
 All Rural Hospitals <\$90 Million in Revenue 2017  
 All Hospitals <\$80 Million in Revenue 2017



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# Operating Margin

$$\frac{\text{Operating Income (Loss)}}{\text{Total Operating Revenues}}$$



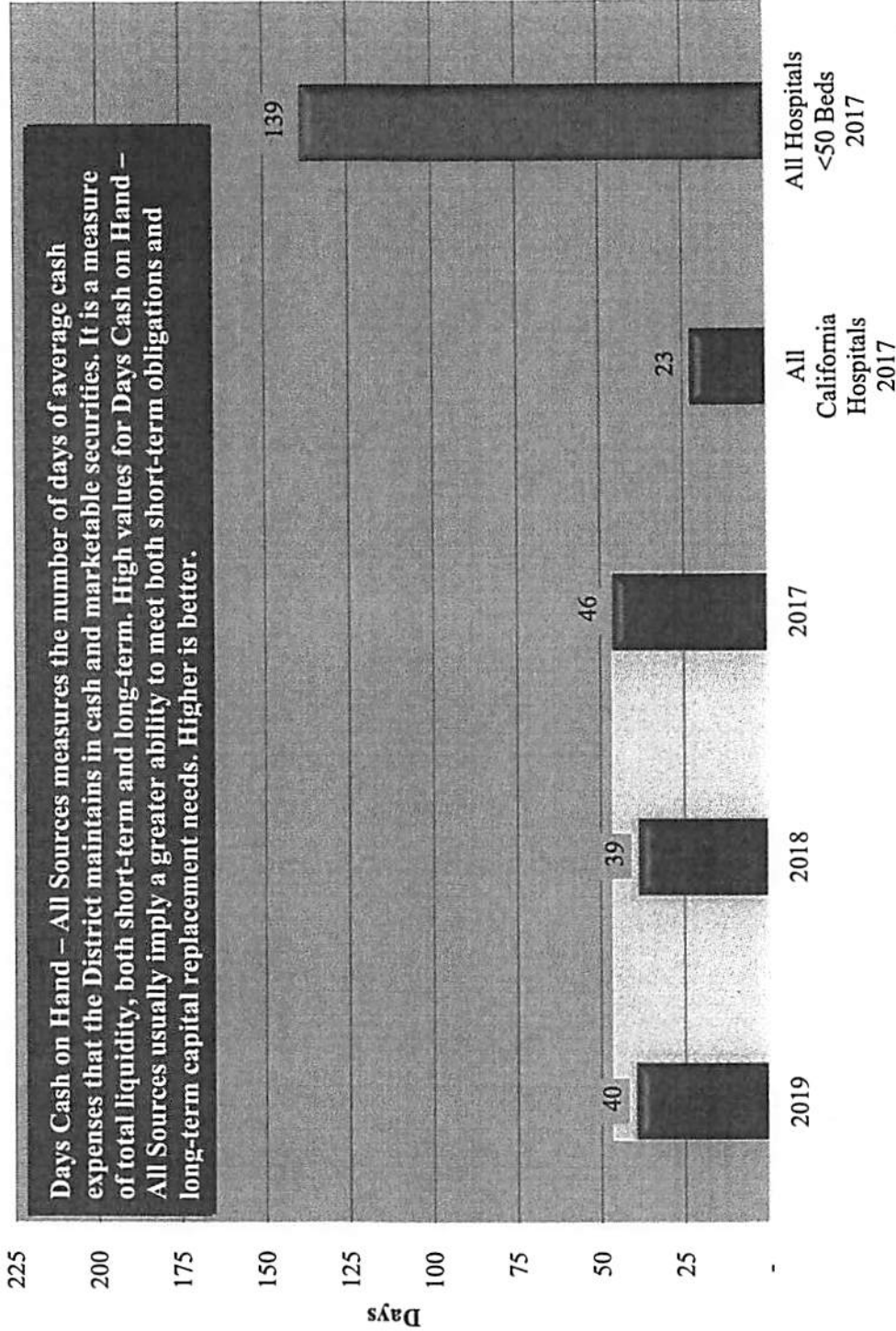


Mendocino Coast Health Care District  
 doing business as  
 Mendocino Coast District Hospital

# Days Cash on Hand – All Sources

$$\frac{\text{Cash + Short-term Investments + Unrestricted Long-term Investments}}{(\text{Total Expenses} - \text{Depreciation}) / 365}$$

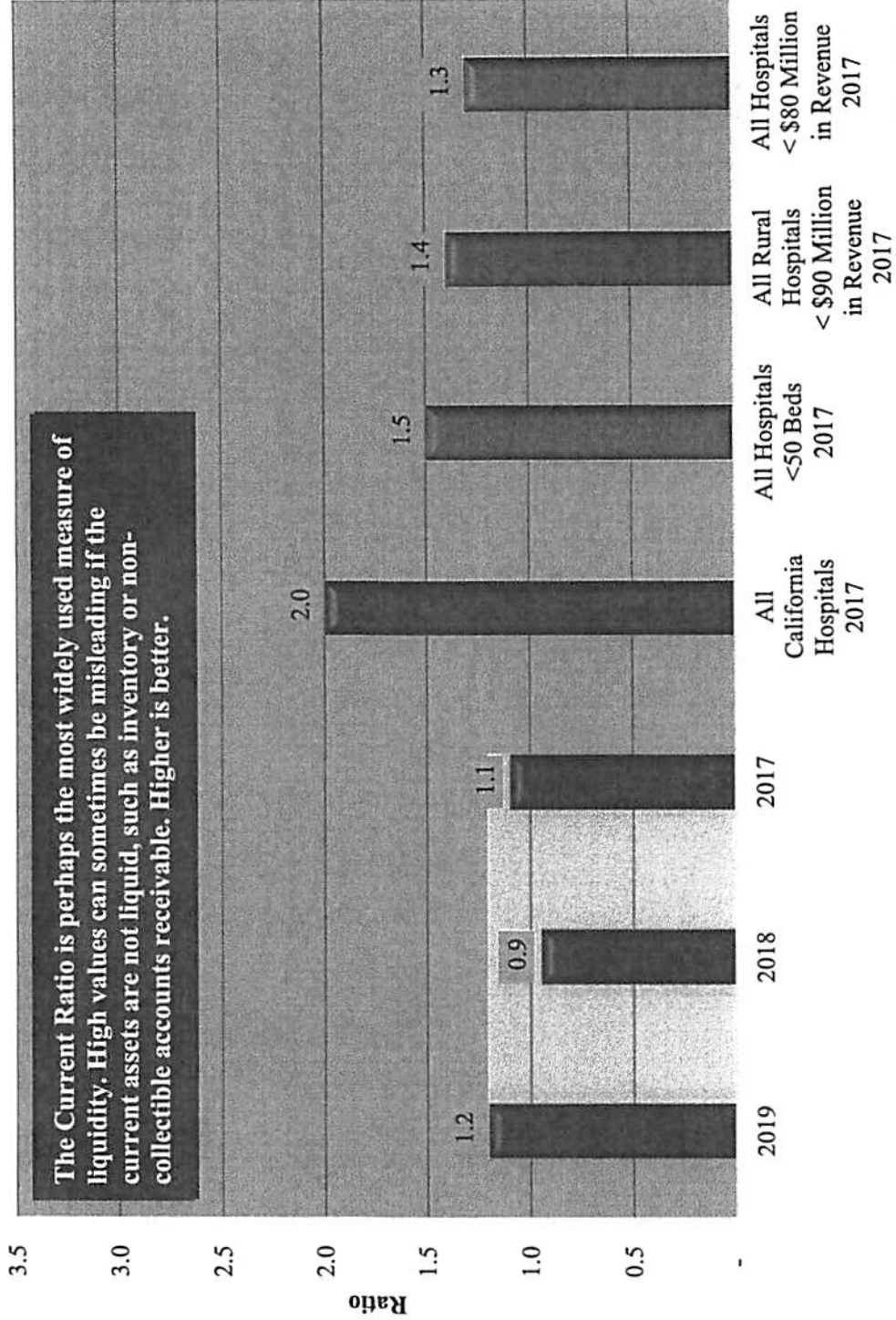
Days Cash on Hand – All Sources measures the number of days of average cash expenses that the District maintains in cash and marketable securities. It is a measure of total liquidity, both short-term and long-term. High values for Days Cash on Hand – All Sources usually imply a greater ability to meet both short-term obligations and long-term capital replacement needs. Higher is better.



Mendocino Coast Health Care District  
 doing business as  
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# Current Ratio

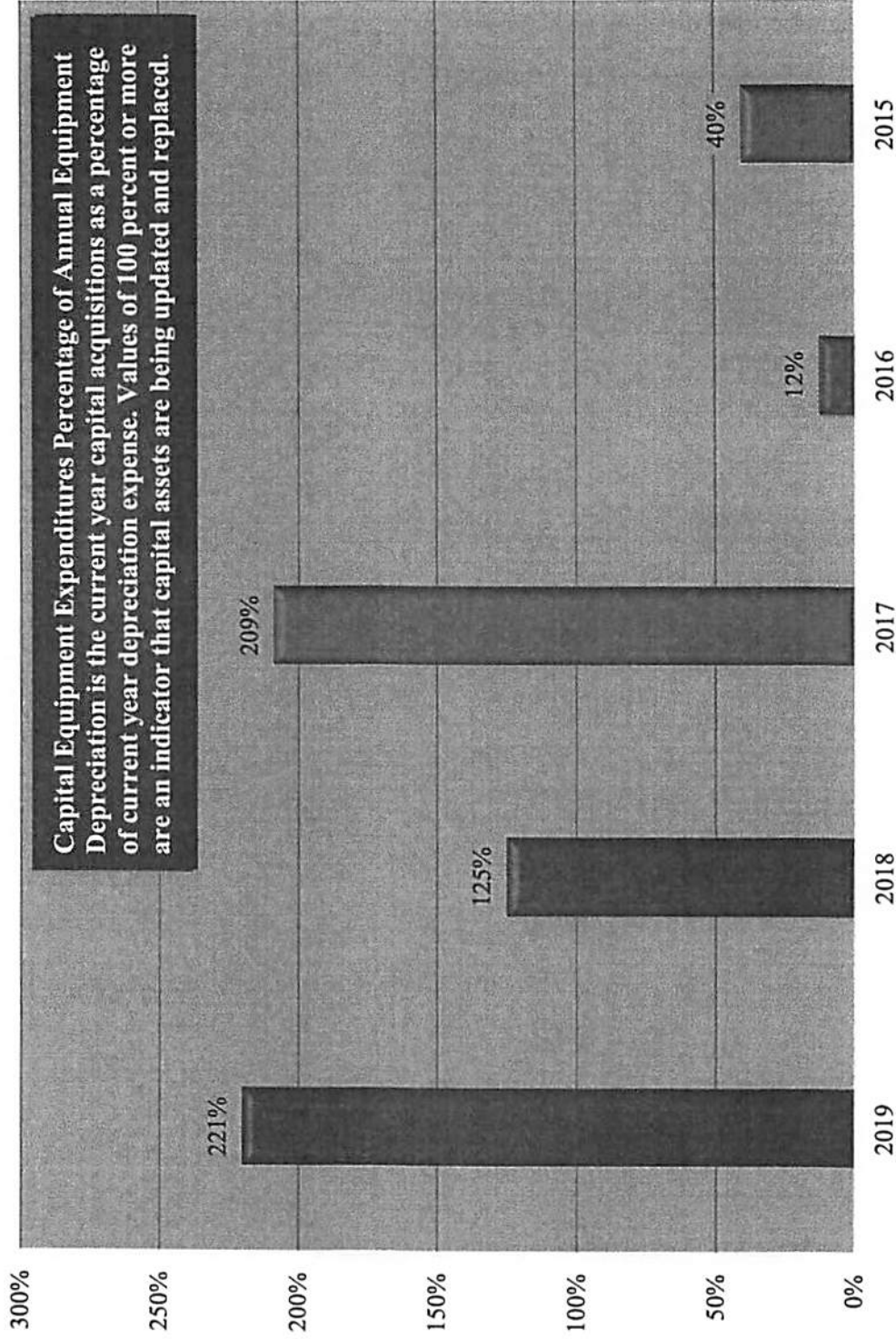
Current Assets  
 -----  
 Current Liabilities



Mendocino Coast Health Care District  
doing business as  
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# Capital Equipment Expenditures Percentage of Annual Equipment Depreciation

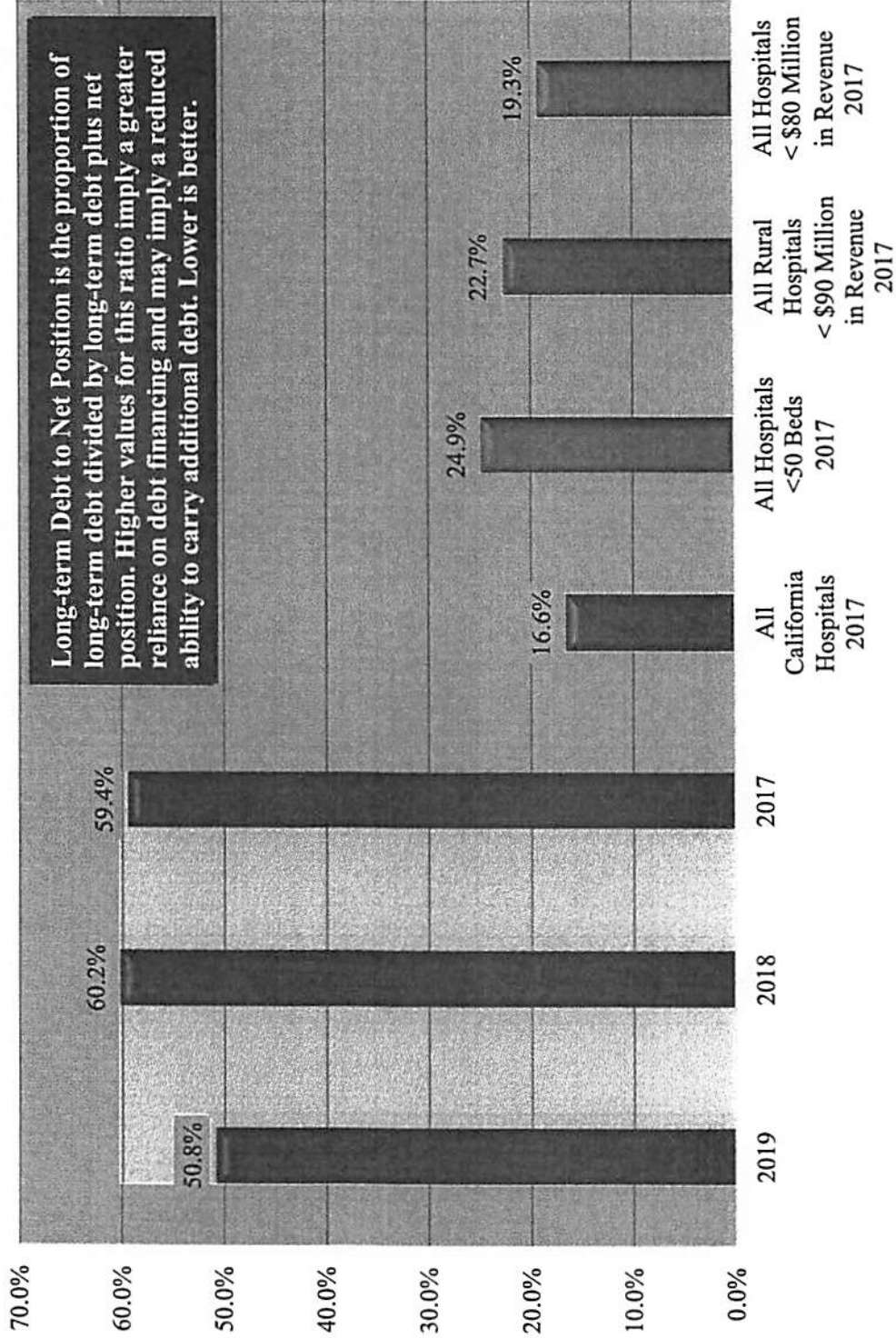
Capital Equipment Expenditures  
Equipment Depreciation Expense



# Long-term Debt to Net Position

Long-term Debt

Long-term Debt + Net Position



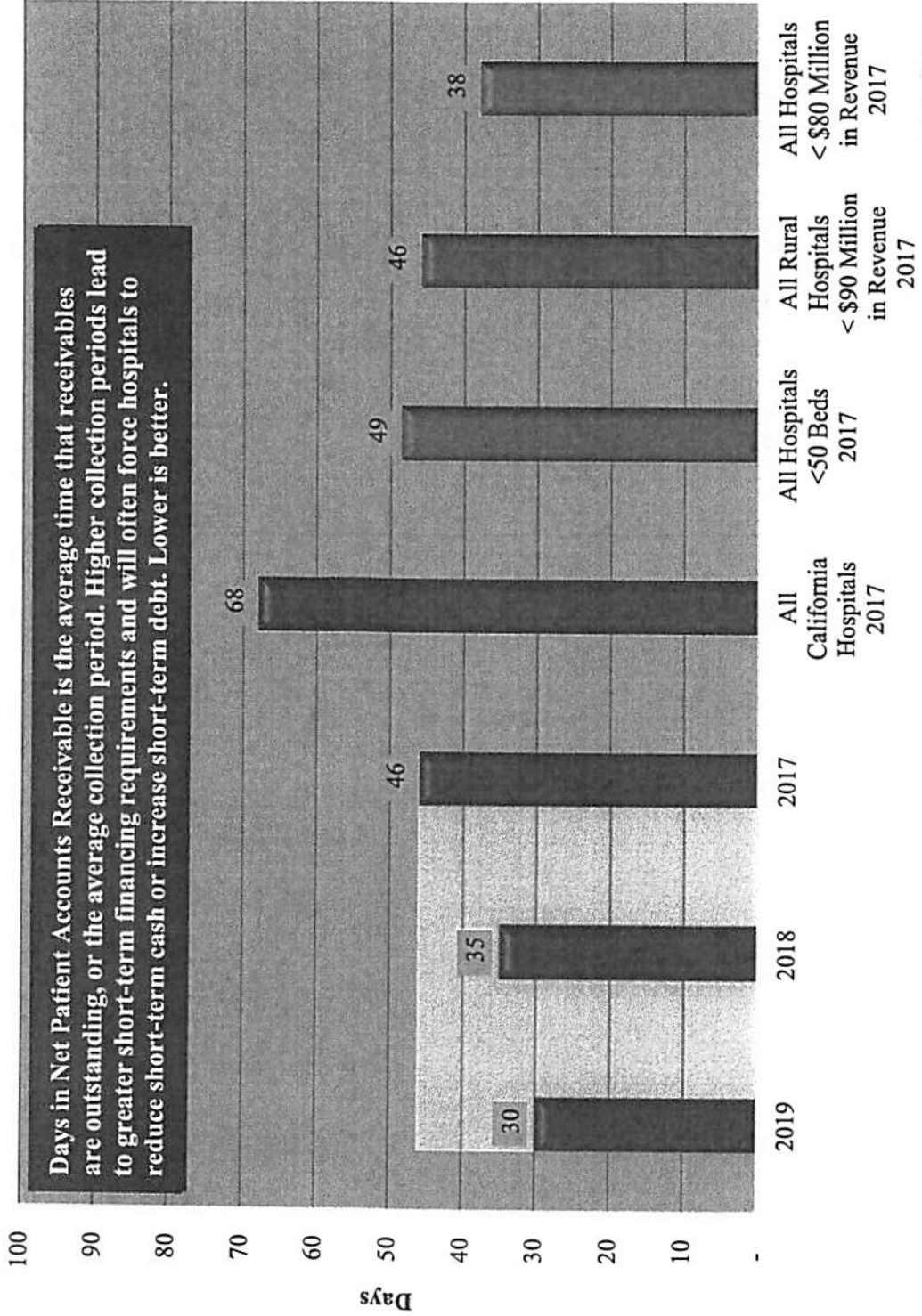
Long-term Debt to Net Position is the proportion of long-term debt divided by long-term debt plus net position. Higher values for this ratio imply a greater reliance on debt financing and may imply a reduced ability to carry additional debt. Lower is better.



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# Days in Net Patient Accounts Receivable

$\frac{\text{Net Patient Accounts Receivable}}{\text{Net Patient Service Revenue} / 365}$

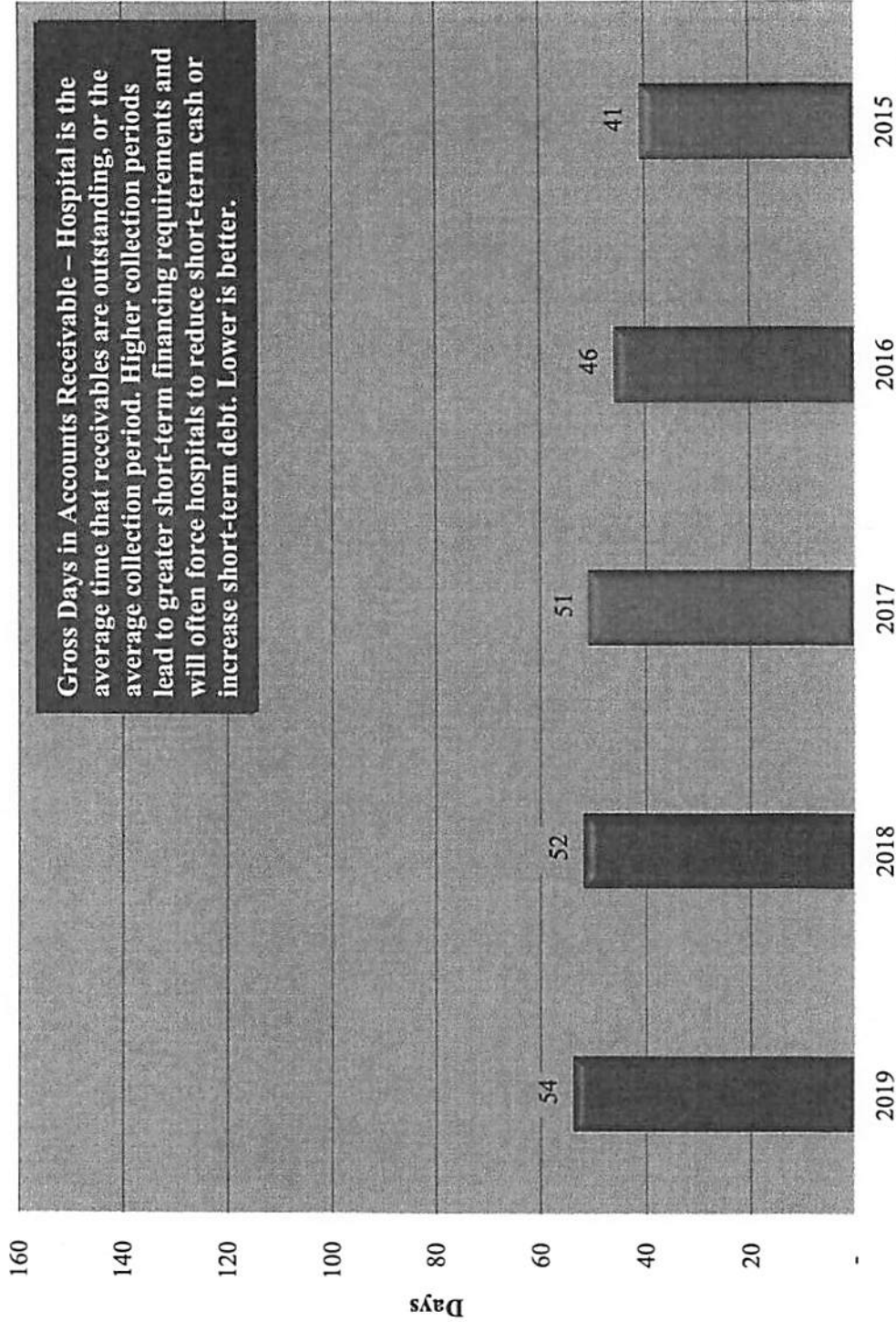




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 doing business as  
 Mendocino Coast District Hospital

# Gross Days in Accounts Receivable – Hospital

Gross Patient Revenues  
 Average Daily Hospital Revenue (Revenue / 365)



Gross Days in Accounts Receivable – Hospital is the average time that receivables are outstanding, or the average collection period. Higher collection periods lead to greater short-term financing requirements and will often force hospitals to reduce short-term cash or increase short-term debt. Lower is better.

2015

2016

2017

2018

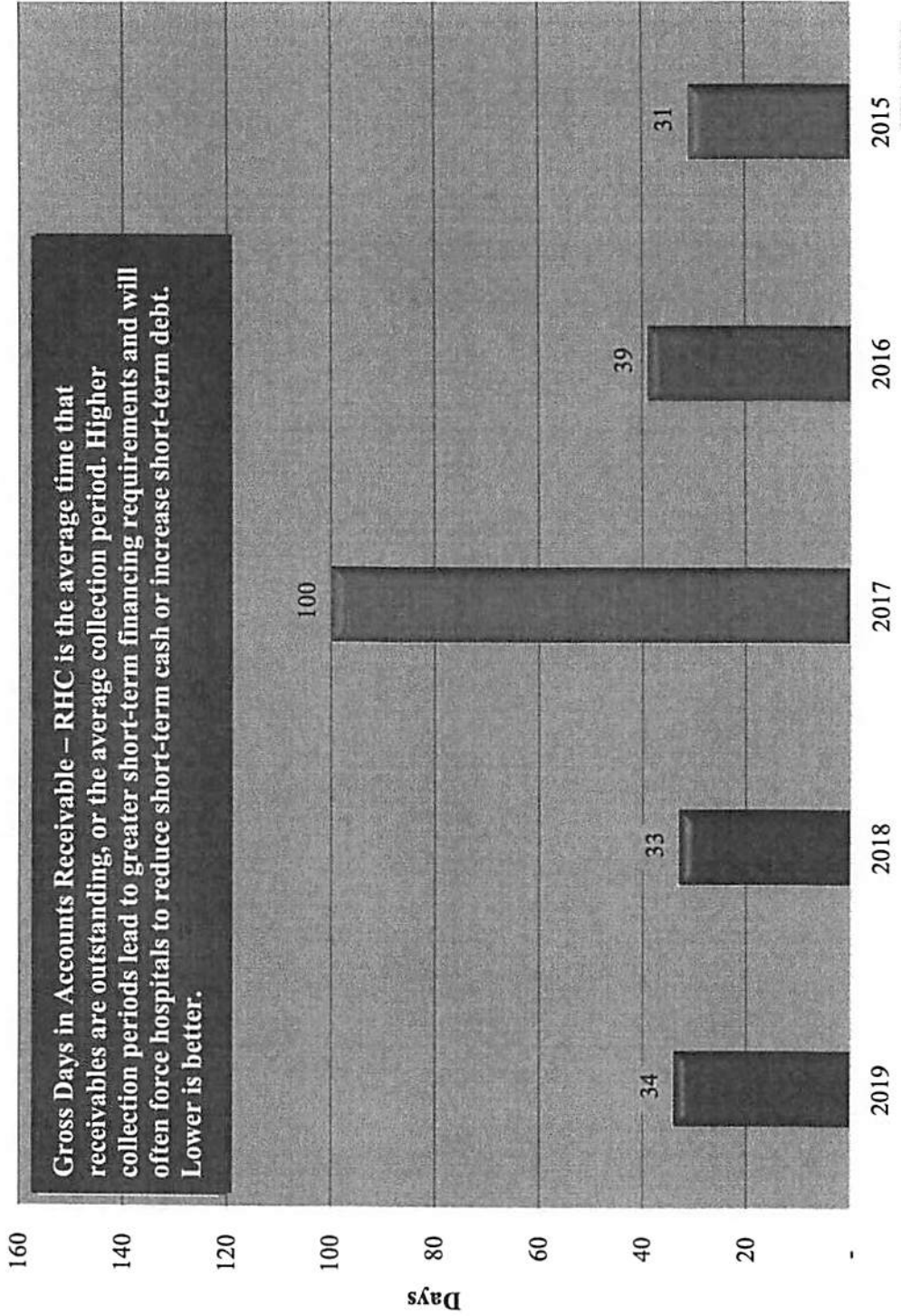
2019



Mendocino Coast Health Care District  
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# Gross Days in Accounts Receivable – RHC

Gross Patient Revenues  
Average Daily Hospital Revenue (Revenue / 365)

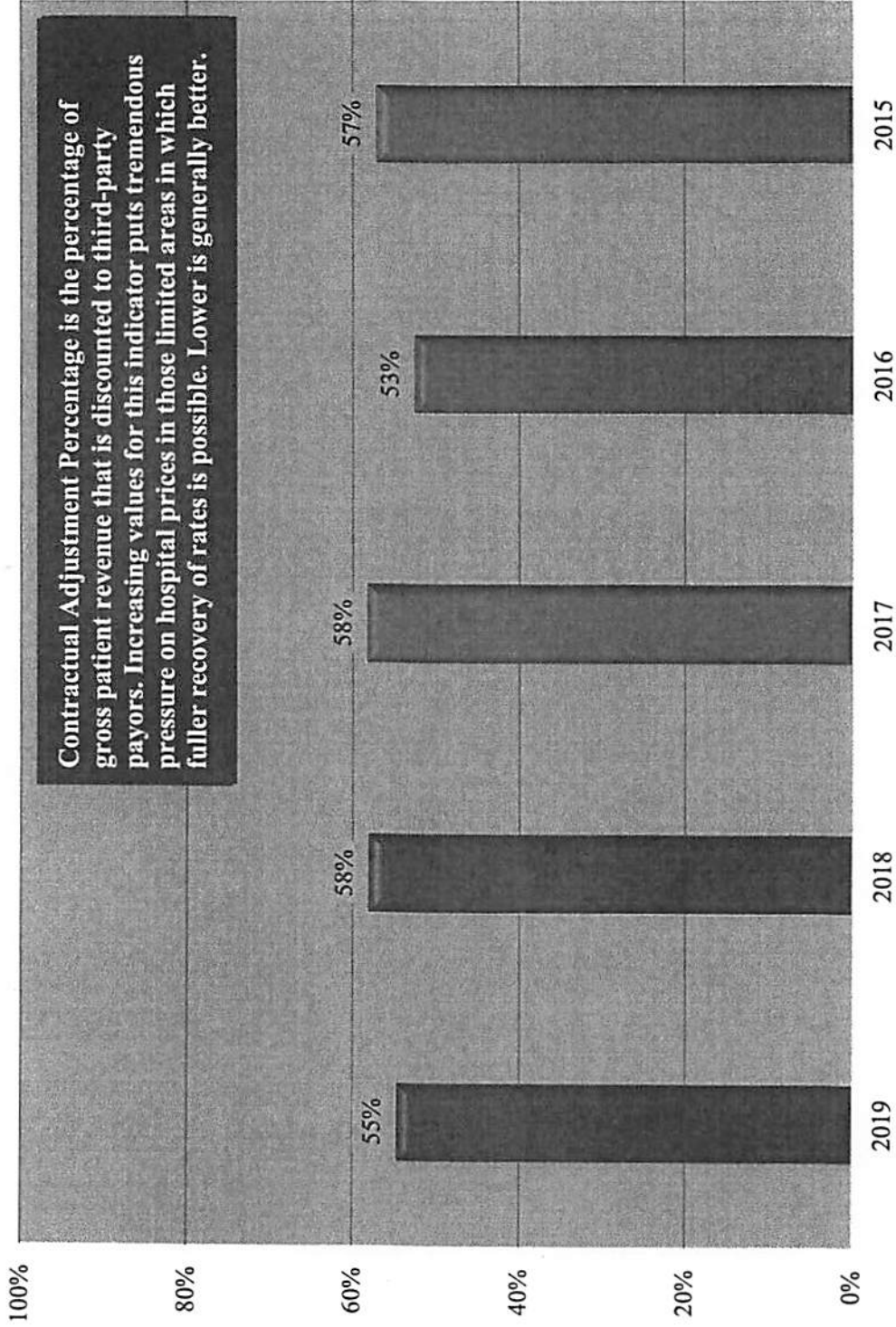


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# Contractual Adjustment Percentage

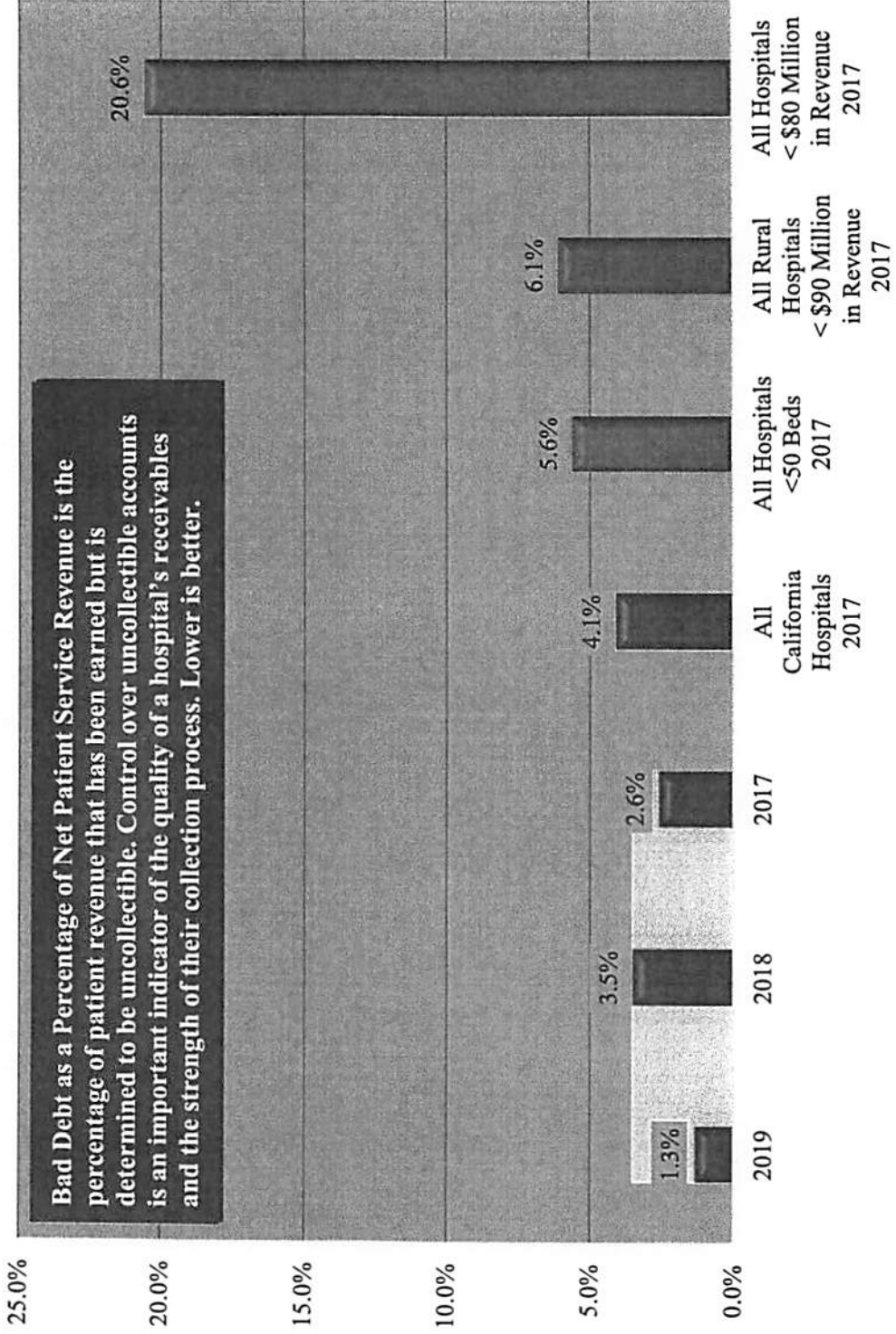
Contractual Adjustments  
Gross Patient Revenues





# Bad Debt as a Percentage of Net Patient Service Revenue

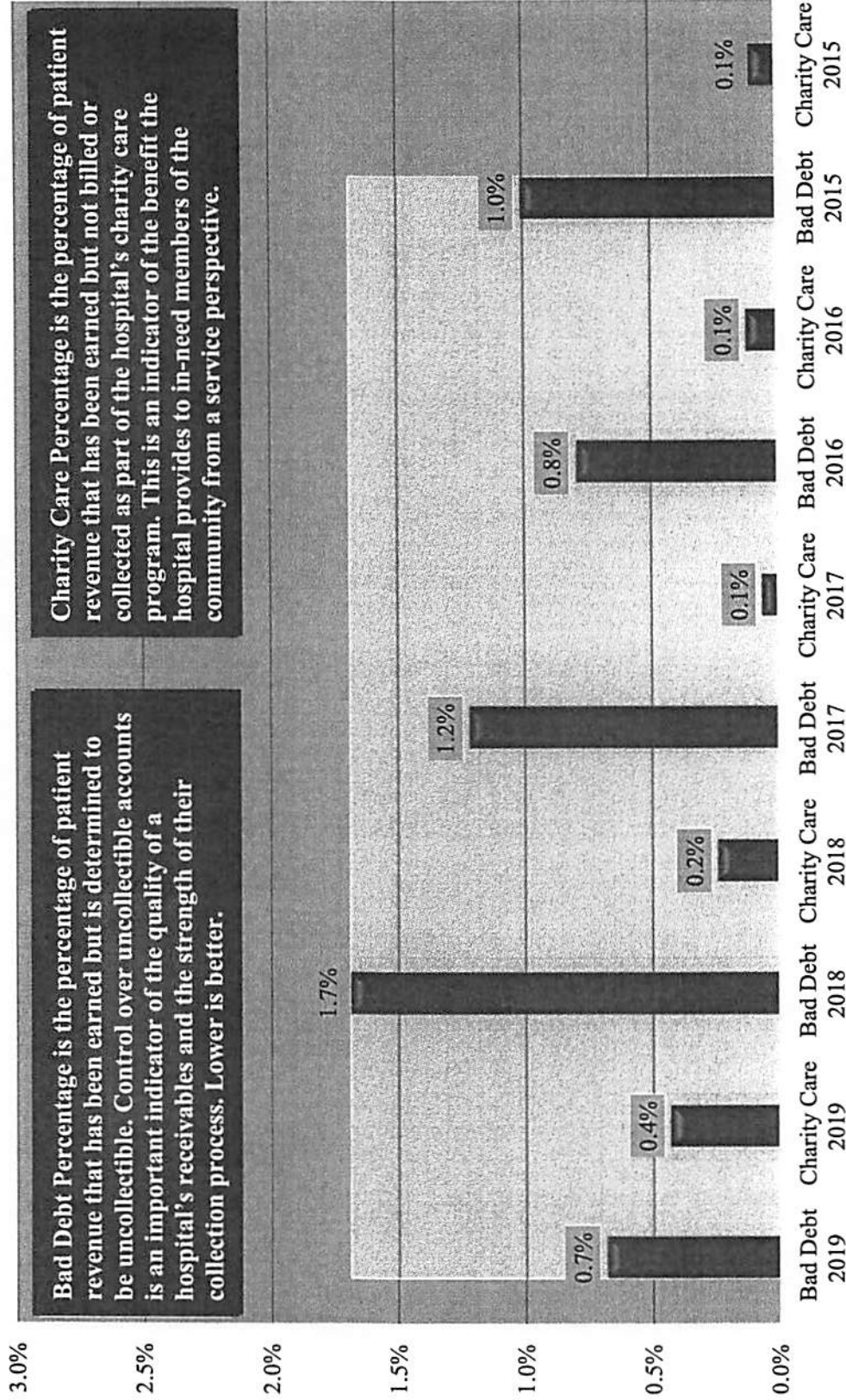
Provision for Bad Debt  
 Net Patient Service Revenues



Bad Debt as a Percentage of Net Patient Service Revenue is the percentage of patient revenue that has been earned but is determined to be uncollectible. Control over uncollectible accounts is an important indicator of the quality of a hospital's receivables and the strength of their collection process. Lower is better.

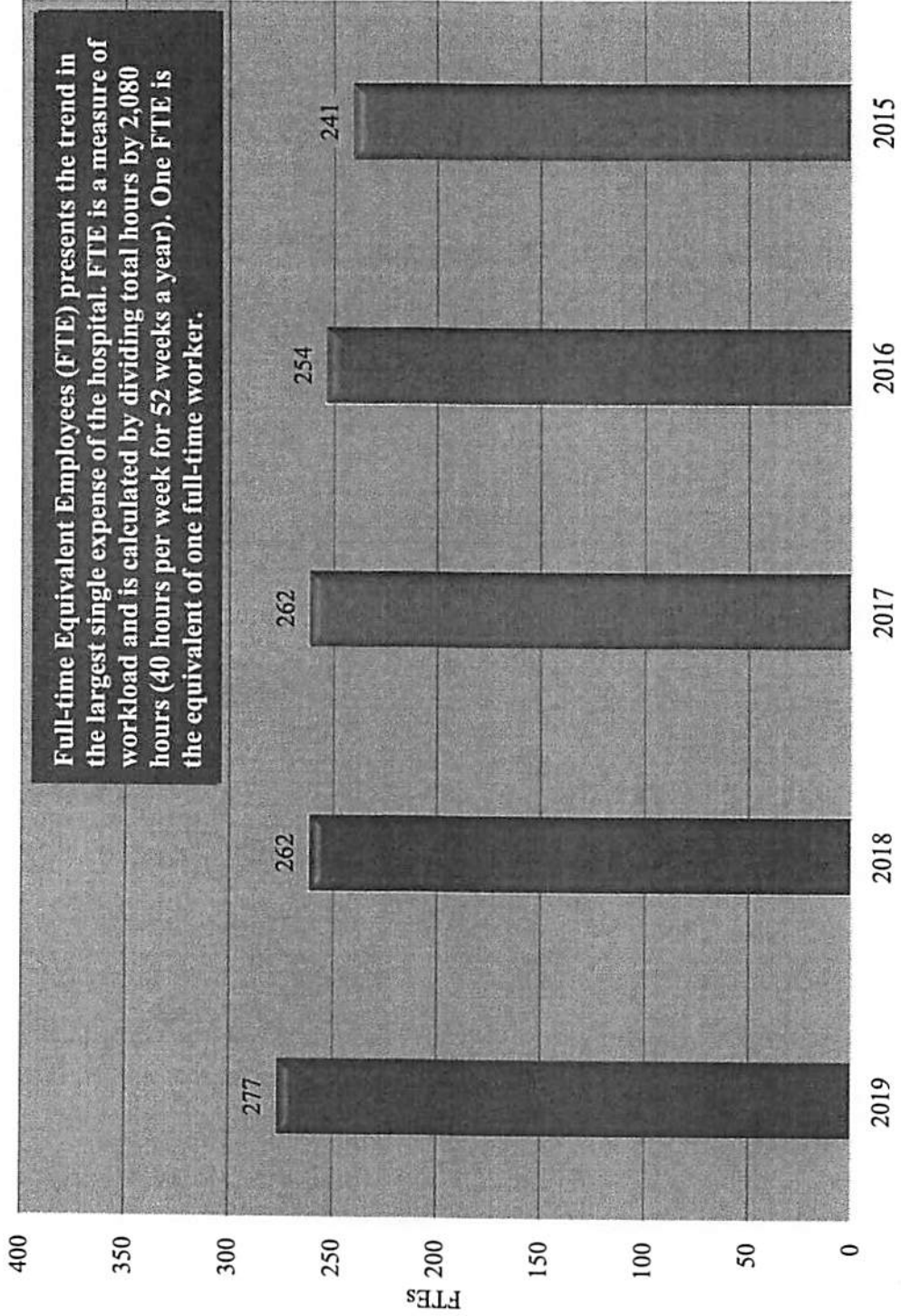
# Bad Debt and Charity Care Percentage

Provision for Bad Debt & Charity Care  
 Gross Patient Service Revenues



Mendocino Coast Health Care District  
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## Full-time Equivalent Employees (FTE)

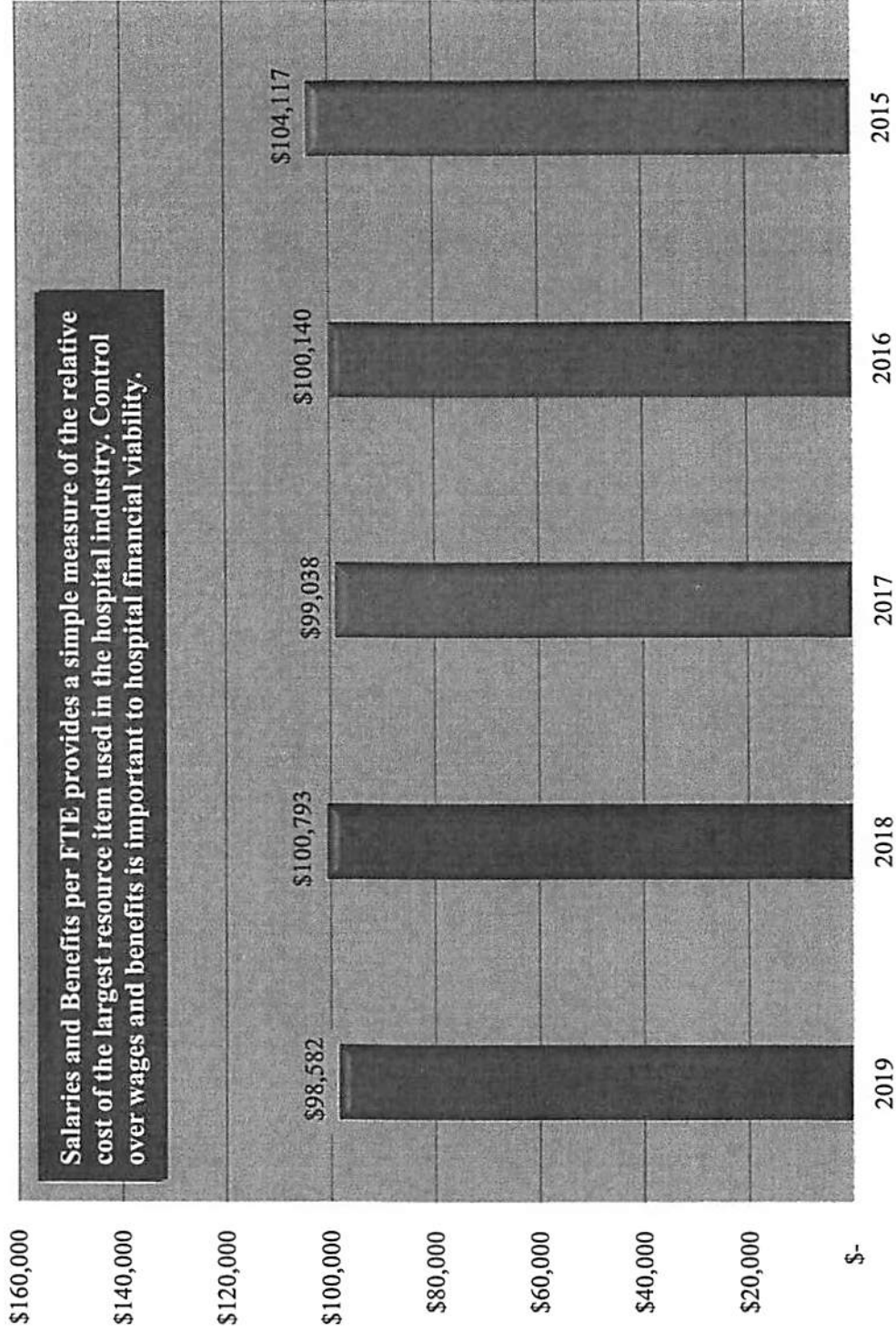


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doing business as  
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## Salaries and Benefits per FTE

Total Salaries + Total Benefits  
FTEs



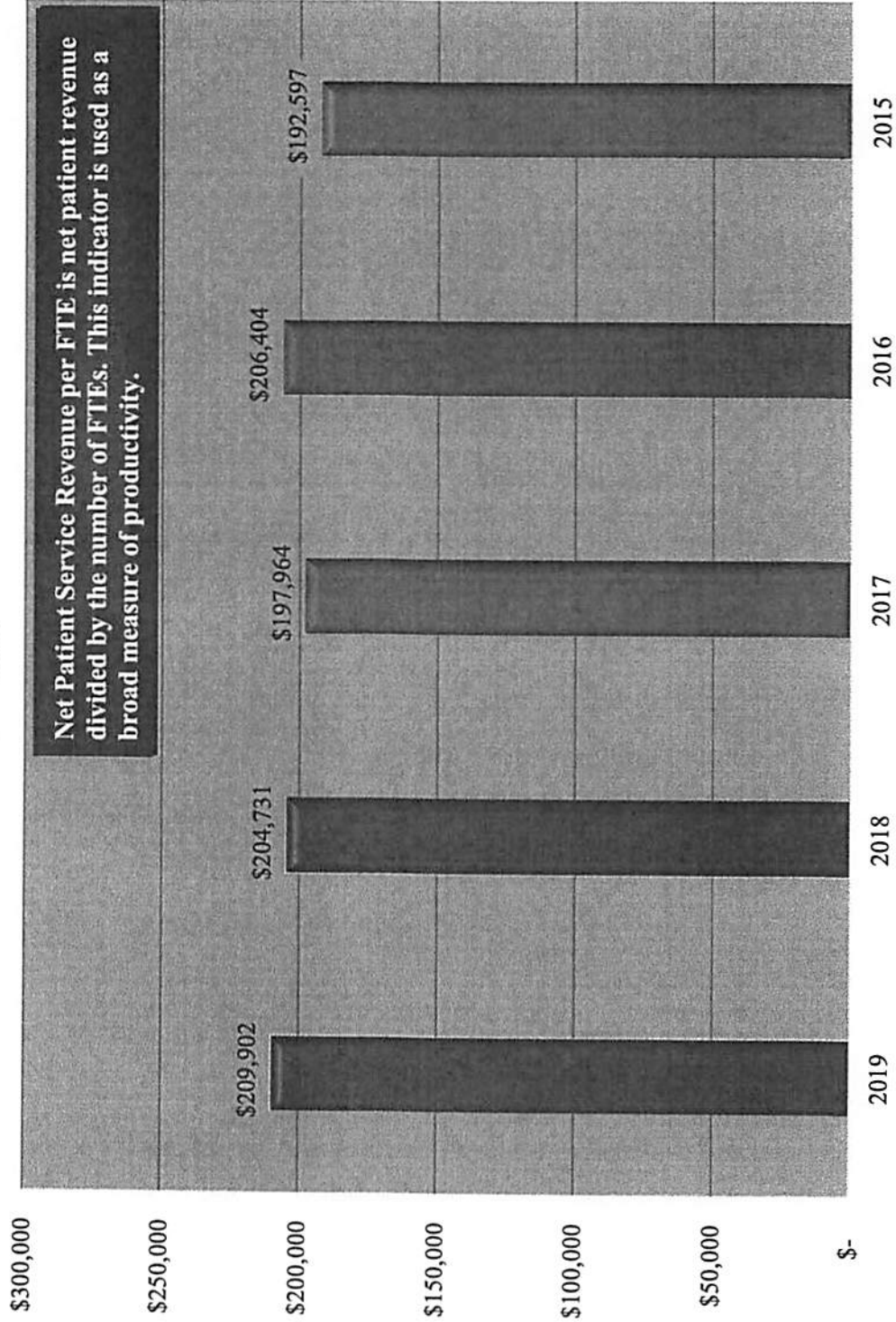
Salaries and Benefits per FTE provides a simple measure of the relative cost of the largest resource item used in the hospital industry. Control over wages and benefits is important to hospital financial viability.



Mendocino Coast Health Care District  
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## Net Patient Service Revenue per FTE

Net Patient Service Revenue  
FTEs



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**Mendocino Coast Health Care District  
doing business as  
Mendocino Coast District Hospital**

Basic Financial Statements and  
Independent Auditors' Report

June 30, 2019 and 2018



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Certified Public Accountants

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
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<b>Statements of revenues, expenses, and changes in net position</b>	<b>10</b>
<b>Statements of cash flows</b>	<b>11-12</b>
<b>Notes to basic financial statements</b>	<b>13-27</b>



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Fort Bragg, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital (the District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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.

### Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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 as of June 30, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *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 7 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
February 17, 2020

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Management's Discussion and Analysis  
June 30, 2019 and 2018**

Our discussion and analysis of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital's (the District) financial performance provides an overview of the District's financial activities for the years ended June 30, 2019 and 2018. Please read it in conjunction with the District's financial statements, which begin on page 8.

***Financial Highlights***

- The District's net position increased by \$3.1 million or 41.4 percent in the fiscal year ended June 30, 2019, and decreased by \$1.2 million or 13.8 percent in the prior fiscal year ended June 30, 2018.
- The District reported an operating income of \$.5 million in the fiscal year ended June 30, 2019, and an operating loss of \$2.4 million in the prior fiscal year ended June 30, 2018. The operating income in 2019 was an increase in operating income of \$3.1 million from the 2018 prior year. The operating loss in 2018 was a decrease in operating income of \$1.3 million from the 2017 year.
- Nonoperating net revenues (expenses) increased by \$1.6 million in 2019 compared to 2018. Nonoperating net revenues (expenses) increased by \$.2 million in 2018 compared to 2017.

***Using This Annual Report***

Financial statements are uniformly designed and presented in conformity with the provisions of GAAP (generally accepted accounting principles), and necessary for the fair evaluation of operations and the financial position of the District when looked at by various stakeholders. By reading and understanding these financial statements, stakeholders can determine if the District has made or lost money, where the money went and how the District stands financially. The District's financial statements consist of three statements — a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

**The Statement of Net Position**

The following Table 1 summarizes the more detailed statement on pages 8 and 9. The District's net position is the difference between its assets and liabilities. The District's net position increased by \$3.1 million or 41.4 percent in 2019 and decreased by \$1.2 million or 13.8 percent in 2018.

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2019 and 2018**

	2019	2018	2017
<b>Assets</b>			
Current assets	\$ 14,238,922	\$ 12,663,314	\$ 14,262,968
Investments limited as to use in local agency investment fund	4,376,979	4,280,051	4,226,086
Cash and cash equivalents restricted or limited as to use, less current portion	407,350	407,350	407,350
Capital assets, net	14,554,638	14,572,283	15,207,782
<b>Total assets</b>	<b>33,577,889</b>	<b>31,922,998</b>	<b>34,104,186</b>
<i>Deferred outflows of resources</i>	471,251	520,001	568,750
<b>Total assets and deferred outflows of resources</b>	<b>\$ 34,049,140</b>	<b>\$ 32,442,999</b>	<b>\$ 34,672,936</b>
<b>Liabilities</b>			
Current liabilities	\$ 11,825,581	\$ 13,364,768	\$ 12,984,246
Long-term debt, net of current maturities	11,486,879	11,486,238	12,885,393
<b>Total liabilities</b>	<b>23,312,460</b>	<b>24,851,006</b>	<b>25,869,639</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	2,681,811	3,013,037	2,500,488
Unrestricted	8,054,869	4,578,956	6,302,809
<b>Total net position</b>	<b>10,736,680</b>	<b>7,591,993</b>	<b>8,803,297</b>
<b>Total liabilities and net position</b>	<b>\$ 34,049,140</b>	<b>\$ 32,442,999</b>	<b>\$ 34,672,936</b>
Current ratio (current assets/current liabilities)	1.2	0.90	1.1

The current ratio provides one measure of liquidity where higher values are favorable, comparing current assets to current liabilities. It is an indicator of the District having enough resources to meet its short-term obligations.

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2019 and 2018**

**The Statement of Revenues, Expenses, and Changes in Net Position**

Table 2 summarizes the more detailed statement on page 10. This statement provides annual financial performance, financial activities within a year. Financial performance is assessed by giving a summary of how the District incurred its revenues and expenses through both operating and nonoperating activities.

**Table 2. Operating Results and Changes in Net Assets**

	2019	2018	2017
<i>Operating revenues</i>			
Net patient service revenue	\$ 58,142,969	\$ 53,639,509	\$ 51,866,507
Other operating revenue	911,354	812,600	673,437
<b>Total operating revenues</b>	<b>59,054,323</b>	<b>54,452,109</b>	<b>52,539,944</b>
<i>Operating expenses</i>			
Salaries and benefits	27,307,209	26,407,725	25,948,038
Supplies	9,044,465	8,472,046	8,314,818
Depreciation	1,481,931	1,511,526	1,456,629
Professional fees and registry	14,320,529	14,689,773	12,671,358
Other expenses	6,400,386	5,752,398	5,240,509
<b>Total operating expenses</b>	<b>58,554,520</b>	<b>56,833,468</b>	<b>53,631,352</b>
<i>Operating income (loss)</i>	<b>499,803</b>	<b>(2,381,359)</b>	<b>(1,091,408)</b>
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	2,594,047	831,003	805,563
Taxation for debt service	476,848	512,895	332,592
Interest expense	(548,102)	(513,157)	(736,975)
Bond issuance costs	-	-	(593,450)
Loss on disposal of assets	(66,338)	-	-
<b>Total nonoperating revenues (expenses), net</b>	<b>2,456,455</b>	<b>830,741</b>	<b>(192,270)</b>
<b>Excess of revenues (expenses) before capital contributions</b>	<b>2,956,258</b>	<b>(1,550,618)</b>	<b>(1,283,678)</b>
<i>Capital contributions</i>	<b>188,429</b>	<b>339,314</b>	<b>559,311</b>
<b>Change in net position</b>	<b>3,144,687</b>	<b>(1,211,304)</b>	<b>(724,367)</b>
<b>Net position, beginning of year</b>	<b>7,591,993</b>	<b>8,803,297</b>	<b>9,527,664</b>
<b>Net position, end of year</b>	<b>\$ 10,736,680</b>	<b>\$ 7,591,993</b>	<b>\$ 8,803,297</b>

The first component of the overall change in the District's net position is its operating income—generally, the difference between net patient revenues and the expenses incurred to perform those services. The District reported an operating income for the first time in three years in 2019.

The District primarily provides its healthcare services through billing for those services. Healthcare reimbursement from various payors is much less than the gross charges; this difference allows the differing payment methods from governmental and commercial insurance companies. Note 8 of the financial statements, net patient service revenues, goes into greater explanation. Net patient service revenues increased \$4.5 million or 8.4 percent in 2019 and increased \$1.7 million or 3.4 percent in 2018.

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Management’s Discussion and Analysis (Continued)  
June 30, 2019 and 2018**

The District is service oriented and as such, the largest expenditure of providing these healthcare services is the personnel cost. Compounding this cost is the nature of the services, requiring skilled and educated staff that is often in shortage both on a local and national level. The District also has a collective bargaining unit (union). Total personnel cost increased \$0.9 million or 3.4 percent in 2019 and increased \$0.5 million or 1.8 percent in 2018.

The District’s next largest operating cost is supplies. Healthcare supplies are characteristically expensive due to the nature of the services provided. The District belongs to a group purchasing organization in the process of mitigating these costs. Total supply cost increased \$0.6 million or 6.8 percent in 2019 and increased \$0.2 million or 1.9 percent in 2018.

The other primary expense components of these operating results are:

- A decrease in registry costs of \$0.9 million or 5.6 percent in 2019, and an increase in registry costs of \$0.7 million or 11.7 percent in 2018.
- An increase in purchased services costs of \$700,000 or 57 percent in 2019, and an increase in purchased services costs of \$178,000 or 16.9 percent in 2018
- A decrease in depreciation expense of \$29,000 or 2 percent in 2019, and an increase in depreciation expense of \$55,000 or 3.8 percent in 2018
- The District’s level of uncompensated care provided in 2019 was \$487,761 and \$269,000 in 2018, or 0.8 percent and 0.5 percent of gross revenue, respectively. These are services provided for which no payment is expected.

**The Statement of Cash Flows**

Table 3 summarizes the more detailed statements on pages 11 and 12. The statements of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as, “Where did cash come from?”, “What was cash used for?”, and “What was the change in cash balance during the reporting period?” There is an unfavorable decreasing trend in ending cash.

**Table 3: Statements of Cash Flows**

	2019	2018	2017
Beginning cash	\$ 3,007,141	\$ 3,622,886	\$ 4,460,648
Net cash provided by (used in) operating activities	(871,122)	563,104	1,446,007
Net cash provided by noncapital financing activities	2,214,035	277,969	461,788
Net cash used in capital and related financing activities	(1,052,067)	(1,402,853)	(2,518,072)
Net cash used in investing activities	(96,928)	(53,965)	(227,485)
<b>Ending cash</b>	<b>\$ 3,201,059</b>	<b>\$ 3,007,141</b>	<b>\$ 3,622,886</b>

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Management's Discussion and Analysis (Continued)  
June 30, 2019 and 2018**

**Other Economic Factors**

Competition from other hospitals and healthcare providers is a risk to the District's revenue. New or existing organizations try to carve out profitable segments of the District's business by expanding their marketing and/or facilities to meet the demand of healthcare in this area.

**Contacting the District's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the finance department.

Mendocino Coast District Hospital  
700 River Drive  
Fort Bragg, California 95437

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2019</b>	<b>2018</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,038,841	\$ 1,806,804
Cash and cash equivalents restricted or limited as to use	754,868	792,987
Receivables:		
Patient accounts	4,832,481	5,152,985
Estimated third-party payor settlements	3,976,836	2,852,947
Other	1,133,896	756,296
Taxes	192,601	70,390
Inventories	839,076	811,360
Prepaid expenses	470,323	419,545
Total current assets	14,238,922	12,663,314
<i>Noncurrent assets</i>		
Investments limited as to use in local agency investment fund	4,376,979	4,280,051
Cash and cash equivalents restricted or limited as to use, less current portion	407,350	407,350
Capital assets, net	14,554,638	14,572,283
Total noncurrent assets	19,338,967	19,259,684
<i>Deferred outflows of resources, bond refunding</i>	471,251	520,001
<b>Total assets and deferred outflows of resources</b>	<b>\$ 34,049,140</b>	<b>\$ 32,442,999</b>

*See accompanying notes to basic financial statements.*

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Statements of Net Position (Continued)**  
**June 30, 2019 and 2018**

<b>LIABILITIES AND NET POSITION</b>	<b>2019</b>	<b>2018</b>
<i>Current liabilities</i>		
Accounts payable	\$ 4,511,676	\$ 6,422,501
Accrued compensation and related liabilities	3,191,861	2,843,613
Estimated third-party payor settlements	1,618,185	1,648,985
Accrued interest	1,011,655	1,120,700
Current maturities of long-term debt	1,492,204	1,328,969
<b>Total current liabilities</b>	<b>11,825,581</b>	<b>13,364,768</b>
Long-term debt, less current maturities	11,486,879	11,486,238
<b>Total liabilities</b>	<b>23,312,460</b>	<b>24,851,006</b>
<i>Net position</i>		
Net investment in capital assets	2,681,811	3,013,037
Unrestricted	8,054,869	4,578,956
<b>Total net position</b>	<b>10,736,680</b>	<b>7,591,993</b>
<b>Total liabilities and net position</b>	<b>\$ 34,049,140</b>	<b>\$ 32,442,999</b>

*See accompanying notes to basic financial statements*



**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
<i>Operating revenues</i>		
Net patient service revenue	\$ 58,142,969	\$ 53,639,509
Other revenue	911,354	812,600
<b>Total operating revenues</b>	<b>59,054,323</b>	<b>54,452,109</b>
<i>Operating expenses</i>		
Salaries and wages	21,015,322	19,922,700
Employee benefits	6,291,887	6,485,025
Professional fees	7,885,520	7,875,143
Registry	6,435,009	6,814,630
Purchased services	1,936,630	1,233,737
Supplies	9,044,465	8,472,046
Depreciation	1,481,931	1,511,526
Repairs and maintenance	817,116	937,924
Utilities	880,404	805,686
Leases and rentals	650,751	550,046
Insurance	535,214	541,866
Other	1,580,271	1,683,139
<b>Total operating expenses</b>	<b>58,554,520</b>	<b>56,833,468</b>
<b>Operating income (loss)</b>	<b>499,803</b>	<b>(2,381,359)</b>
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	2,594,047	831,003
Taxation for debt service	476,848	512,895
Interest expense	(548,102)	(513,157)
Loss on disposal of assets	(66,338)	-
<b>Total nonoperating revenues, net</b>	<b>2,456,455</b>	<b>830,741</b>
<b>Excess of revenues (expenses) before capital contributions</b>	<b>2,956,258</b>	<b>(1,550,618)</b>
<i>Capital contributions</i>	188,429	339,314
<b>Change in net position</b>	<b>3,144,687</b>	<b>(1,211,304)</b>
<b>Net position, beginning of year</b>	<b>7,591,993</b>	<b>8,803,297</b>
<b>Net position, end of year</b>	<b>\$ 10,736,680</b>	<b>\$ 7,591,993</b>

*See accompanying notes to basic financial statements.*

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<b><i>Cash flows from operating activities</i></b>		
Receipts from and on behalf of patients	\$ 57,308,784	\$ 53,238,012
Other receipts	533,754	612,279
Payments to and on behalf of employees	(26,958,961)	(26,455,047)
Payments to suppliers and contractors	(31,754,699)	(26,832,140)
<b>Net cash provided by (used in) operating activities</b>	<b>(871,122)</b>	<b>563,104</b>
<b><i>Cash flows from noncapital financing activities</i></b>		
District tax receipts for maintenance and operations	2,471,836	826,037
Principal payments on long-term debt	(210,000)	(500,267)
Interest paid	(47,801)	(47,801)
<b>Net cash provided by noncapital financing activities</b>	<b>2,214,035</b>	<b>277,969</b>
<b><i>Cash flows from capital and related financing activities</i></b>		
District tax receipts for bond principal and interest	476,848	512,895
Capital contributions	188,429	339,314
Principal payments on long-term debt	(1,056,316)	(818,968)
Proceeds from issuance of long-term debt	1,500,000	-
Interest paid	(630,404)	(560,067)
Purchase of capital assets	(1,530,624)	(876,027)
<b>Net cash used in capital and related financing activities</b>	<b>(1,052,067)</b>	<b>(1,402,853)</b>
<b><i>Cash flows from investing activities</i></b>		
Purchase of investments in local agency investment fund	(96,928)	(53,965)
<b>Net cash used in investing activities</b>	<b>(96,928)</b>	<b>(53,965)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>193,918</b>	<b>(615,745)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,007,141</b>	<b>3,622,886</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,201,059</b>	<b>\$ 3,007,141</b>

*See accompanying notes to basic financial statements.*

**Mendocino Coast Health Care District**  
**doing business as Mendocino Coast District Hospital**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 2,038,841	\$ 1,806,804
Cash and cash equivalents restricted or limited as to use, current	754,868	792,987
Cash and cash equivalents restricted or limited as to use, long-term	407,350	407,350
<b>Total cash and cash equivalents</b>	<b>\$ 3,201,059</b>	<b>\$ 3,007,141</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i></b>		
Operating income (loss)	\$ 499,803	\$ (2,381,359)
<b><i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</i></b>		
Depreciation	1,481,931	1,511,526
Provision for bad debts	779,129	1,878,991
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(458,625)	(428,440)
Estimated third-party payor settlements	(1,123,889)	(393,540)
Other	(377,600)	(200,321)
Inventories	(27,716)	22,175
Prepaid expenses	(50,778)	110,010
Increase (decrease) in liabilities:		
Accounts payable	(1,910,825)	1,949,892
Accrued compensation and related liabilities	348,248	(47,322)
Estimated third-party payor settlements	(30,800)	(1,458,508)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (871,122)</b>	<b>\$ 563,104</b>

*See accompanying notes to basic financial statements.*

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Notes to Basic Financial Statements  
Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital (the District) is comprised of two separate divisions, a hospital division and a home health/hospice division, both of which are wholly owned by the District, 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 is a political subdivision of the State of California and is not subject to federal or state income taxes. The District is governed by a five member Board of Directors, elected from within the district to specified terms of office. The District's hospital and offices are located in Fort Bragg, California.

The District is a critical access hospital with 25 set-up acute-care beds. Services offered by the District include medical, swing bed, surgical, labor/delivery and nursery care, 24-hour emergency, laboratory, imaging services, orthopedics, oncology, physical therapy, home health, cardiac rehabilitation, and clinics. Members of the medical staff include specialist in emergency medicine, family practice, general surgery, radiology, and inpatient hospitalization.

A proposition to lease Mendocino Coast District Hospital to Adventist Health for the next 30 years will be voted on by county residents in March 2020. If approved, the District will no longer control the operations of the health services in the county.

The District has no significant component units.

**b. Summary of Significant Accounting Policies**

***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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Enterprise fund accounting*** – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

***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.

***Cash and cash equivalents and investments*** – The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments with an original maturity date of 90 days or less.

***Inventories*** – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical, surgical, and other supplies used in the operation of the District.

***Prepaid expenses*** – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***Accrued compensated absences*** – The District’s employees earn paid time off (PTO) for vacation, holidays, and short-term illnesses based upon years of service. The related liability is accrued during the period in which it is earned. The District’s policy is to permit employees to accumulate up to 400 hours of accrued compensated absences. The District may pay accrued vacation absences upon termination if proper notice and termination procedures are followed. As of June 30, 2019 and 2018, the District has an accrued compensated absence liability of \$1,149,244 and \$1,173,087, respectively.

***Net position*** – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District had no restricted net position as of June 30, 2019 and 2018. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

***Operating revenues and expenses*** – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the District’s principal activity. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing healthcare services.

***Restricted resources*** – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

***Grants and contributions*** – From time to time, the District receives grants from the state of California and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are restricted to specific capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

***Reclassifications*** – Certain reclassifications have been made to the 2018 financial statements to conform with the classifications used in the 2019 financial statements with no effect on previously reported change in net position.

***Subsequent events*** – Subsequent events have been reviewed through February 17, 2020, the date on which the financial statements were available to be issued.

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Upcoming accounting standard pronouncements* – In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*, to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It includes pension trust funds as fiduciary activities and will require them to be discretely presented on the District's financial statements as fiduciary component units. The new guidance is effective for the District's year ending June 30, 2020, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease payable and a right to use asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending June 30, 2021, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the District's year June 30, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**2. Bank Deposits and Investments:**

As of June 30, 2019 and 2018, the District had amounts on deposit in various financial institutions in the form of operating cash and cash equivalents. All of these funds were collateralized in accordance with the California Government Code (CGC), except for \$250,000 per financial institution that is federally insured.

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 percent of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent 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.

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**Years Ended June 30, 2019 and 2018**

**3. Investments:**

The District's investment balances and average maturities were as follows:

	2019				Investment Ratings
	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	Over 5	
Investment in Local Agency Investment Funds	\$ 4,376,979	\$ 4,376,979	\$ -	\$ -	Not applicable
Total investments	\$ 4,376,979	\$ 4,376,979	\$ -	\$ -	

	2018				Investment Ratings
	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	Over 5	
Investment in Local Agency Investment Funds	\$ 4,280,051	\$ 4,280,051	\$ -	\$ -	Not applicable
Total investments	\$ 4,280,051	\$ 4,280,051	\$ -	\$ -	

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no investments subject to fair value measurements at June 30, 2019 or 2018.

The policy identifies certain provisions which address interest rate risk, credit risk, and concentration of credit risk.

**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 percent 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 show 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 are in government investment funds which are not rated. The District believes that there is minimal credit risk with its investments 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 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 believes there is minimal concentration of credit risk at this time.

**Mendocino Coast Health Care District**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**3. Investments (continued):**

*Assets limited as to use* – Assets limited as to use as of June 30, 2019 and 2018, were comprised of cash and cash equivalents held by the County of Mendocino under a General Obligation bond agreement, held by a trustee under bond indenture agreements, and designated by the board for investment in Local Agency Investment Fund for board determined use. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use.

Assets limited as to use were comprised of the following:

	2019	2018
Board designated for the participation in Medicaid supplemental payment programs	\$ 4,376,979	\$ 4,280,051
Board designated for repayment of long-term debt	754,868	792,987
Bond restricted for payment of long-term debt	407,350	407,350
<b>Total assets limited as to use</b>	<b>\$ 5,539,197</b>	<b>\$ 5,480,388</b>

**4. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.



**Mendocino Coast Health Care District  
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Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**4. Patient Accounts Receivable (continued):**

The District’s allowance for uncollectible accounts for self-pay patients increased from the prior year due to accounts becoming more aged. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets consisted of these amounts:

	<b>2019</b>	<b>2018</b>
Receivable from patients and their insurance carriers	\$ 4,634,559	\$ 4,697,861
Receivable from Medicare	2,278,826	1,766,877
Receivable from Medi-Cal	620,716	507,997
<b>Total patient accounts receivable</b>	<b>7,534,101</b>	<b>6,972,735</b>
<b>Less allowance for uncollectible accounts</b>	<b>(2,701,620)</b>	<b>(1,819,750)</b>
<b>Patient accounts receivable, net</b>	<b>\$ 4,832,481</b>	<b>\$ 5,152,985</b>

**5. District Tax Revenues:**

The Mendocino County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually and are due in equal installments on October 31 and February 1. Property taxes are recorded as revenue when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Beginning July 1, 2018, the county voted to approve a special tax of \$144 per parcel for each parcel of taxable real property within the District each year for a period of twelve years, which is estimated to raise approximately \$1.7 million annually.

**Mendocino Coast Health Care District**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**6. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses as incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method.

Useful lives are estimated as follows:

Buildings and improvements	5-40 years
Equipment	3-20 years

Capital asset activity follows:

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 117,490	\$ -	\$ -	\$ -	\$ 117,490
Construction in progress	280,584	1,456,217	-	(134,114)	1,602,687
<b>Total capital assets not being depreciated</b>	<b>398,074</b>	<b>1,456,217</b>	<b>-</b>	<b>(134,114)</b>	<b>1,720,177</b>
<i>Capital assets being depreciated</i>					
Building and improvements	25,215,842	-	-	-	25,215,842
Equipment	22,640,197	74,407	(1,678,040)	134,114	21,170,578
<b>Total capital assets being depreciated</b>	<b>47,856,039</b>	<b>74,407</b>	<b>(1,678,040)</b>	<b>134,114</b>	<b>46,386,520</b>
<i>Less accumulated depreciation for</i>					
Building and improvements	(14,982,920)	(788,063)	-	-	(15,770,983)
Equipment	(18,698,910)	(693,868)	1,611,702	-	(17,781,076)
<b>Total accumulated depreciation</b>	<b>(33,681,830)</b>	<b>(1,481,931)</b>	<b>1,611,702</b>	<b>-</b>	<b>(33,552,059)</b>
<b>Total capital assets being depreciated, net</b>	<b>14,174,209</b>	<b>(1,407,524)</b>	<b>(66,338)</b>	<b>134,114</b>	<b>12,834,461</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 14,572,283</b>	<b>\$ 48,693</b>	<b>\$ (66,338)</b>	<b>\$ -</b>	<b>\$ 14,554,638</b>

**Mendocino Coast Health Care District**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**6. Capital Assets (continued):**

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
<i>Capital assets not being depreciated</i>					
Land	\$ 117,490	\$ -	\$ -	\$ -	\$ 117,490
Construction in progress	1,137,652	647,081	-	(1,504,149)	280,584
<b>Total capital assets not being depreciated</b>	<b>1,255,142</b>	<b>647,081</b>	<b>-</b>	<b>(1,504,149)</b>	<b>398,074</b>
<i>Capital assets being depreciated</i>					
Building and improvements	25,215,842	-	-	-	25,215,842
Equipment	20,966,403	228,946	(59,301)	1,504,149	22,640,197
<b>Total capital assets being depreciated</b>	<b>46,182,245</b>	<b>228,946</b>	<b>(59,301)</b>	<b>1,504,149</b>	<b>47,856,039</b>
<i>Less accumulated depreciation for</i>					
Building and improvements	(14,172,324)	(810,596)	-	-	(14,982,920)
Equipment	(18,057,281)	(700,930)	59,301	-	(18,698,910)
<b>Total accumulated depreciation</b>	<b>(32,229,605)</b>	<b>(1,511,526)</b>	<b>59,301</b>	<b>-</b>	<b>(33,681,830)</b>
<b>Total capital assets being depreciated, net</b>	<b>13,952,640</b>	<b>(1,282,580)</b>	<b>-</b>	<b>1,504,149</b>	<b>14,174,209</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 15,207,782</b>	<b>\$ (635,499)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,572,283</b>

**Construction in progress** – As of June 30, 2019, construction in progress consisted of the following projects:

	Estimated Completion Date	Total Budgeted Project Cost	Total Cost Incurred	Estimated Cost to Complete
Auto Transfer Switch	December 2019	\$ 1,077,926	\$ 677,926	\$ 400,000
HVAC	December 2019	1,078,464	878,464	200,000
Emergency Department Water Heater	December 2019	98,411	28,411	70,000
Cardiology Building Remodel	December 2019	267,886	17,886	250,000
<b>Total costs to complete</b>		<b>\$ 2,522,687</b>	<b>\$ 1,602,687</b>	<b>\$ 920,000</b>

**Mendocino Coast Health Care District**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**7. Long-term Debt and Capital Lease Obligations:**

A schedule of changes in the District's long-term debt follows:

<i>Bonds and Notes Payable</i>	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
LTGO bonds series 2016	\$ 4,090,000	\$ -	\$ (50,000)	\$ 4,040,000	\$ 50,000
LTGO bonds series 2000 - capital appreciation	428,773	-	(79,659)	349,114	78,463
2009 revenue bonds	240,000	-	(240,000)	-	-
2016 revenue bonds	5,090,000	-	(360,000)	4,730,000	625,000
United Healthcare note	1,260,000	-	(210,000)	1,050,000	210,000
OSHPD CAL Mortgage	755,805	-	(200,000)	555,805	200,000
Bankruptcy payables	189,310	-	-	189,310	189,310
HELP II loan	-	1,500,000	(126,657)	1,373,343	139,431
Premiums and discounts	761,319	-	(69,808)	691,511	-
<b>Total long-term debt</b>	<b>\$ 12,815,207</b>	<b>\$ 1,500,000</b>	<b>\$ (1,336,124)</b>	<b>\$ 12,979,083</b>	<b>\$ 1,492,204</b>

<i>Bonds and Notes Payable</i>	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
LTGO bonds series 2016	\$ 4,125,000	\$ -	\$ (35,000)	\$ 4,090,000	\$ 50,000
LTGO bonds series 2000 - capital appreciation	507,741	-	(78,968)	428,773	79,659
2009 revenue bonds	470,000	-	(230,000)	240,000	240,000
2016 revenue bonds	5,440,000	-	(350,000)	5,090,000	360,000
United Healthcare note	1,470,000	-	(210,000)	1,260,000	210,000
CMS note	55,483	-	(55,483)	-	-
OSHPD CAL Mortgage	880,805	-	(125,000)	755,805	200,000
Bankruptcy payables	424,094	-	(234,784)	189,310	189,310
Premiums and discounts	831,505	-	(70,186)	761,319	-
<b>Total long-term debt</b>	<b>\$ 14,204,628</b>	<b>\$ -</b>	<b>\$ (1,389,421)</b>	<b>\$ 12,815,207</b>	<b>\$ 1,328,969</b>

Aggregate annual principal and interest payments over the terms of long-term debt follow:

Years Ending June 30,	Long-term Debt		
	Principal	Interest	Total
2020	\$ 1,492,204	\$ 602,124	\$ 2,094,328
2021	1,083,601	586,100	1,669,701
2022	1,047,791	569,815	1,617,606
2023	910,802	563,863	1,474,665
2024	1,065,701	405,949	1,471,650
2025 - 2029	5,442,473	859,487	6,301,960
2030 - 2031	1,245,000	47,157	1,292,157
	<b>\$ 12,287,572</b>	<b>\$ 3,634,495</b>	<b>\$ 15,922,067</b>

**Mendocino Coast Health Care District  
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Years Ended June 30, 2019 and 2018**

**7. Long-term Debt and Capital Lease Obligations (continued):**

*Refunding Revenue Bonds, Series 2009* – Bonds payable dated October 1, 2009, in the original amount of \$5,000,000, partially refunded in 2017 by the Refunding Revenue Bonds, Series 2016. The unfunded portion of the bond principal in the amount of \$240,000 was paid in full during 2019.

*Refunding Revenue Bonds, Series 2016* – In July 2016, the District issued the Mendocino Coast Health Care District (Mendocino County, California) Insured Health Facility Refunding Revenue Bonds, Series 2016 in the amount of \$5,745,000. The bond principal is payable yearly at various amounts from \$360,000 to \$625,000. Bond interest is payable semiannually at various rates from 3.0 percent to 5.0 percent. The bonds mature in 2029 and are payable solely from gross revenues and certain funds held under the Indenture. Repayment of the bonds is insured pursuant to a Contract of Insurance and a Regulatory Agreement through the California Health Facility Construction Loan Insurance Program administered by the Office of Statewide Health Planning and Development of the State of California (OSHDP).

*2000 General Obligation Refunding Bonds, Series 2016* – In November 2016, the District issued \$4,125,000 principal amount of general obligation bonds in order to refinance its General Obligation Bonds, Series 2000. Interest on the bonds is payable semiannually at rates ranging from 2.375 percent to 5.000 percent and principal maturities, ranging from \$50,000 in 2023 to \$645,000 in 2031, are due annually on August 1 of each year.

Bonds maturing on or after August 1, 2027, may be redeemed prior to maturity at the District's option. The redemption price is 100 percent. The Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, are insured by a municipal bond insurance policy.

Bonds maturing on August 1, 2022, are subject to mandatory redemption, paid from a mandatory sinking fund in which the District will make annual payments on August 1, 2018, through August 1, 2022, in amounts ranging from \$35,000 to \$55,000.

*United Healthcare Note* – The District borrowed funds in the amount of \$2,100,000 in April 2014 from United Healthcare under a program established to finance certain electronic medical records conversion and installation required by Centers for Medicare & Medicaid Services (CMS). The note carries an interest rate of 4.0 percent and principal payments of \$210,000 are due annually in April through 2024.

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Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**7. Long-term Debt and Capital Lease Obligations (continued):**

***Cal Mortgage*** – The District borrowed a total of \$1,005,806 from Cal Mortgage to replace a line of credit with a bank in the amount of \$1,000,000 during fiscal year ended June 30, 2013. This was done to help facilitate the District’s bankruptcy filing. The note carries varying interest rates and payments including principal and interest ranging from \$233,207 to \$157,570 and are due monthly through March 2022.

The Agreement with OSHPD sets out certain business covenants of the District, including maintenance, operation and management of facilities and limitations on encumbrances, assignment and transfer of any part of the facilities, and other matters. The Agreement also provides for the rights and obligations of the parties in the event of a default. Under the Agreement, the District has agreed to fix, charge, and collect such rates, fees, and charges which, together with all other receipts and revenues of the District, will produce a debt coverage ratio of at least 1.25 times the District’s aggregate debt service for a fiscal year. The District met this requirement as of June 30, 2019.

***CMS Payable*** – The District had a note payable to CMS related to a settlement for a self-reported Stark Law violation. This note was repaid during fiscal year ended June 30, 2018.

***Bankruptcy Payable*** – The District has a note payable related to amounts due to various vendors from the bankruptcy settlement. The settlement was for \$900,884, and has a final payment of \$189,310 due in 2020.

***HELP II Loan*** – The District has a promissory note payable to California Health Facilities Financing Authority for the sum of \$1,500,000. The loan carries monthly interest and principal payments of \$13,802 through July 2028. The promissory note requires the District to submit audited financial statements within 120 days of year end, which the District was not in compliance with for the fiscal year ended June 30, 2019.

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**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Net Patient Service Revenues:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provision for bad debts and writeoffs decreased from the prior year as the District had performed a cleanup of old accounts in the prior year. The District has not changed its charity care or uninsured discount policies during 2019. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2019	2018
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 41,023,992	\$ 31,655,763
Medi-Cal	2,830,314	4,530,030
Other third-party payors	10,958,113	14,444,611
Patients	1,411,209	1,840,649
Supplemental payments	3,186,231	3,316,703
	<b>59,409,859</b>	<b>55,787,756</b>
Less:		
Charity care	487,761	269,256
Provision for bad debts	779,129	1,878,991
	<b>58,142,969</b>	<b>53,639,509</b>
<b>Net patient service revenue</b>	<b>\$ 58,142,969</b>	<b>\$ 53,639,509</b>

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. Home health and hospice services are reimbursed on a prospective rate per episode of care. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.
- **Medi-Cal** – Services to Medi-Cal beneficiaries are paid at prospectively determined rates per procedure or discharge. The rural health clinic is paid a prospective rate per encounter and updated annually for inflation.

**Mendocino Coast Health Care District  
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Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**8. Net Patient Service Revenues (continued):**

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing Medicare, Med-Cal, and other 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. Net patient service revenue increased by approximately \$930,000 and decreased by approximately \$70,000 in 2019 and 2018, respectively, due to differences between original estimates and final settlements or revised estimates. Net patient service revenue increased by approximately \$1,500,000 and \$690,000 in 2019 and 2018, respectively, due to differences between original estimates and final settlements or revised estimates for supplemental payment programs.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2019 and 2018, were approximately \$243,000 and \$131,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2019 and 2018.

**9. Employees' Retirement Plans:**

The District has a noncontributory, defined contribution pension plan which covers substantially all employees, the Mendocino Coast District Hospital Money Purchase Pension Plan (the Plan) which is administered by Transamerica. The District has the authority to amend the Plan. Assets of the Plan consist of a group of annuity contracts. The annual contribution made by the District is equal to approximately 5 percent of eligible employee salaries. Total pension expense for the years ended June 30, 2019 and 2018, were \$841,369 and \$834,849, respectively. For the years ended June 30, 2019 and 2018, the amounts owed to the Plan by the District were \$877,969 and \$860,213, respectively.

The District has a 403(b) salary savings plan (the 403(b) Plan) which is available to substantially all employees. The 403(b) Plan is wholly employee funded through regular deductions from wages and salaries. There is no provision for any matching or other such contributions by the District. Employee contributions to the plan for the years ended June 30, 2019 and 2018, were \$864,386 and \$829,747, respectively.



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Years Ended June 30, 2019 and 2018**

**10. Risk Management and Contingencies:**

*Medical malpractice claims* – The District purchases malpractice liability insurance through Beta Healthcare Group. Beta offers the District a professional and general liability policy on a “claims made” basis with primary limits of \$10,000,000 per claim and an annual aggregate of \$20,000,000. The policy has a \$1,000 deductible per claim. Beginning in fiscal year 2019, the District decreased its coverage with limits of \$1,000,000 per claim with an annual aggregate of \$3,000,000.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

*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 employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

*Industry regulations* – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

**11. Mendocino Coast District Foundation:**

The Mendocino Coast District Foundation (the Foundation) has been established as a nonprofit public benefit corporation to solicit contributions on behalf of the community in the Mendocino County coastal area. Funds raised, except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District and other healthcare functions within the community. The Foundation’s funds, which represent the Foundation’s unrestricted resources, are donated to the District in amounts and in periods determined by the Foundation’s Board of Trustees, who may also restrict the use of such funds for District property or equipment replacement, expansion, or other specific purposes.

The District received contributions from the Foundation in the amount of \$188,429 and \$339,314 during the years ended June 30, 2019 and 2018, respectively. The District provides office space to the Foundation at no charge and the Foundation’s directors and computer equipment are covered under the District’s general liability, directors and officers, and property insurance.

The Foundation’s financial statements are not consolidated with the District’s financial statements as the Foundation’s operations are not material.

**Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Notes to Basic Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**12. Concentrations of Credit Risk:**

*Patient accounts receivable* – The District grants credit without collateral to its patients and residents, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Mendocino County.

The mix of receivables from patients was as follows:

	2019	2018
Medicare	40 %	42 %
Medi-Cal	18	18
Other third-party payors	25	28
Patients	17	12
	<b>100 %</b>	<b>100 %</b>

*Physicians* – The District is dependent on local physicians practicing in its service area to provide admissions and utilize District services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

*Collective bargaining unit* – Effective July 1, 2018, the District renewed its contract with United Food & Commercial Workers Union 8-Golden State (the Union). The contract is effective through June 30, 2020. As of June 30, 2019 and 2018, 70 percent and 75 percent, respectively, of the District’s employees were represented by the Union.



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

Board of Directors  
Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Fort Bragg, California

We have audited the financial statements of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital (the District) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the allowance for uncollectible patient accounts and contractual adjustments is based on experience, third-party collection history, and analysis of the collectibility of the individual accounts.
- Management's estimate for third-party settlements is based on interim payments, District expenses, patient revenues, and patient statistical data.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

#### *Difficulties Encountered in Performing the Audit*

The completion of the audit was delayed because a reconciled trial balance, supporting schedules, and other information was not gathered on a timely basis.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were by management: the allowance for uncollectible accounts, accounts receivable, and estimated third party settlements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 17, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Restriction on Use*

This information is intended solely for the information and use of the Board of Directors and management of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

*Dingus, Zarecor & Associates, PLLC*

Spokane Valley, Washington  
February 17, 2020



DINGUS | ZARECOR & ASSOCIATES PLC  
Certified Public Accountants

Board of Directors  
Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Fort Bragg, California

In planning and performing our audit of the financial statements of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital (the District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as described below, we identified deficiencies in internal control that we consider to be material weaknesses.

**Auditor detected adjustments** – Numerous auditor detected adjustments were proposed by the audit team in order to correct the financial statements, related to the allowance for contractual adjustments and bad debts, patient accounts receivable, third-party settlements, Medicaid supplemental payments, and revenue bond activity. Adjustments should not be necessary in the audit process, and such adjustments indicate weakness in internal controls over financial reporting and preparation. As a result, financial statements being used by management and the Board for decision making purposes were not accurate. Adequate internal controls should be implemented to reconcile all accounts on the general ledger prior to the audit process. There should also be a review and approval of all manual journal entries and reconciliations by an individual who did not prepare the entry or reconciliation.

**Clinic receivables** - The District's accounts receivable related to the clinic were not reconciled at year end. The District should have a process of reconciling balance to ensure accurate financial reporting. We recommend the implementation of a formal reconciliation and review process to ensure these are reconciled on a monthly basis.

#### **Internal Controls**

During our audit, we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated February 17, 2020, on the financial statements of the District.

We will review the status of the comments during our next audit engagement. Our comments are summarized as follows:

Internal controls are deterrents to fraud and errors. The following internal control structure comments should be considered along with available resources, the cost, benefits of the particular control, and other mitigating controls. The inability to optimally segregate incompatible duties increases the importance of management's and the Board of Director's oversight in the internal control process. Although nothing has come to our attention that would lead us to believe fraud has occurred, we recommend the following procedures to help minimize the risk of errors and fraud in your organization:

- The District does not have updated and complete policies and procedures. Policies and procedures help ensure proper procedures are consistently followed and that new employees or temporary employees have adequate instruction to perform their tasks and follow proper internal control processes. We recommend all policies and procedures be reviewed and updated during the year.
- The District does not have a formal policy for reviewing manual journal entries or bank reconciliations. It was noted during the internal control walkthroughs that journal entries created and posted by the Controller were not being reviewed. We recommend the implementation of a formal review process to ensure all journal entries are reviewed after posted to the general ledger.

#### **Lease Standard Implementation**

The District will be required to implement Governmental Accounting Standards Board Statement No. 87, *Leases* (or Financial Accounting Standards Board No. 2016-02, *Leases*), in the year ending June 30, 2021. The District will also be required to restate the year ending June 30, 2020, when implementing the new lease accounting standard. The District will need to be prepared to account for currently reported operating leases as capital leases on July 1, 2020.

We expect a material amount of lease obligations and the related assets will be added to the District's statement of net position in 2021.

We recommend the District develop and implement a plan to evaluate all leases during 2020. The implementation plan should include the following:

- Develop a system (spreadsheet or software) for monitoring leases.
- Prepare an inventory of all leased equipment and real estate.
- Review lease expense accounts while preparing the inventory.
- Develop written policies and procedures for all staff involved in equipment and real estate leases (accounting, department managers, purchasing, etc.).
- Review existing service and supplies agreements for implicit equipment leases (an example is a laboratory analyzer provided if a certain amount of reagents are purchased from a vendor) Develop a lease capitalization threshold. This would allow for leases with total payments under a certain dollar threshold to be expensed as paid (the current practice for operating leases).

The District has very significant real estate leases. Such leases often contain renewal options which will need to be evaluated to determine *if it is reasonably certain, based on all relevant factors*, that the lessee will exercise the option or not.

**Board of Directors  
Mendocino Coast Health Care District  
doing business as Mendocino Coast District Hospital  
Page 3**

**We can assist with the implementation of the new lease standard.**

**This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.**

***Dingus, Zarecor & Associates PLLC***

**Spokane Valley, Washington  
February 17, 2020**

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## Mendocino Coast District Hospital Labor and Delivery Update

April 3, 2020

To: Mendocino Coast Healthcare District Board

This correspondence serves as an update regarding the preparations done to ensure the care for a laboring woman that presents to the Emergency Department as of April 1, 2020.

As previously stipulated, we have identified and prepared Room 3 in the Emergency Department as the room where we will deliver care. This room is a single patient room with solid walls which will accommodate the Hemorrhage/OB Cart, the OB Stretcher, and the infant warmer. It will provide privacy for the laboring mother.

All planned updates of our equipment are completed. The Stryker OB stretcher will be placed in ED room 3 when needed. OB nurses have worked with ED RN's, pharmacy and ED Physicians to design and stock an OB/Hemorrhage cart that will be housed in Room 3 at all times. The infant warmer will be housed with the OB Stretcher.

All California Department of Public Health required preparations for this transition have been completed. Furthermore, all hospital required obstetrical and neonatal education has been completed. Additional courses that we have offered, although not required, include S.T.A.B.L.E., the "OB Emergencies" course taught by Darlene Harris, REACH "High Risk OB" and UCSF "High Risk Scenarios". ED staff attended the "OB Emergencies" course and S.T.A.B.L.E.. As per the mandate from our Governor's Office, due to COVID -19, REACH has postponed the "High Risk OB" class. Once we know we can safely gather as a group to schedule this, we will do so. To date, UCSF has not postponed its May 12<sup>th</sup> scenarios in the ED. We will continue to seek out supplemental educational opportunities as they become available.

All policies that have been developed for the Emergency Department regarding obstetrical care in the facility, starting April 1, 2020, have gone through Medical Staff for approval. All essential order sets and forms have been reviewed and are in the process of final approval. The final will be completed by the March 31, 2020 deadline.

Finally and critically, regarding the Emergency Operations Command and it's response to the COVID-19 crisis, the space previously designated for OB services has been designated for the service of acute COVID-19 patients, as the need arises. The availability of this space is essential for the adequate care of our community during this anticipated epidemic.

Thank you so much for your time and consideration.

William Miller MD, Chief of Staff

John Delgado MD, Chair of Physician OB Task Force, EOC Physician Liaison

Lynn Finley RN Chief Nursing Officer

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**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended February 29, 2020**

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**FORT BRAGG, CA**

**For the month ended February 29, 2020**

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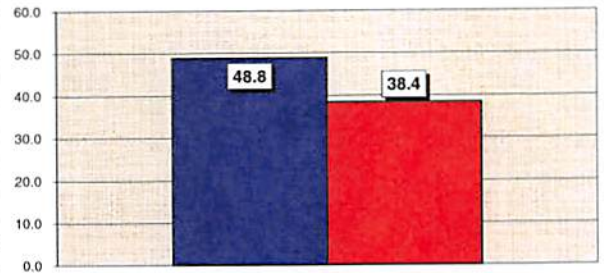
EXECUTIVE FINANCIAL SUMMARY

For the month ended February 29, 2020

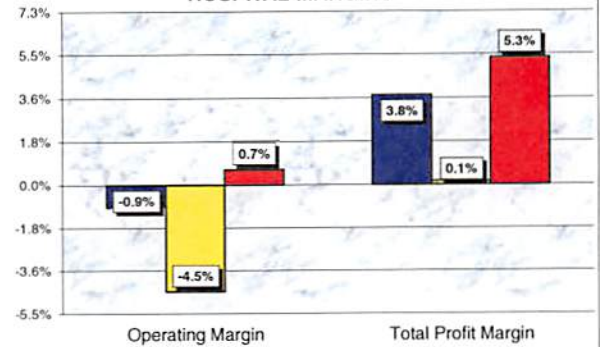
**BALANCE SHEET**

	2/29/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$17,485,673	\$14,710,373
Assets Whose Use is Limited	4,345,651	5,608,305
Property, Plant and Equipment (Net)	14,366,776	14,554,636
<b>Total Unrestricted Assets</b>	<b>36,198,100</b>	<b>34,873,313</b>
<b>Total Assets</b>	<b>\$36,198,100</b>	<b>\$34,873,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$11,888,646	\$11,157,552
Long-Term Debt	12,081,267	12,979,083
<b>Total Liabilities</b>	<b>23,969,913</b>	<b>24,136,635</b>
Net Assets	12,228,186	10,736,679
<b>Total Liabilities and Net Assets</b>	<b>\$36,198,100</b>	<b>\$34,873,313</b>

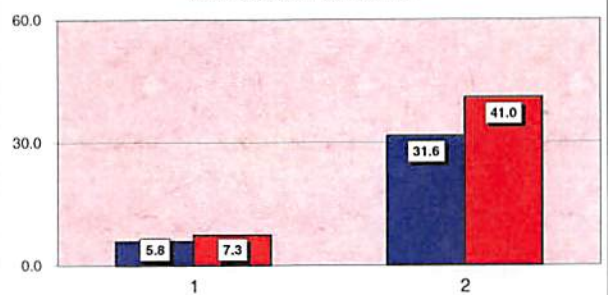
NET DAYS IN ACCOUNTS RECEIVABLE



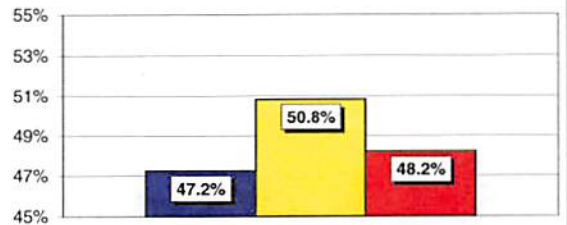
HOSPITAL MARGINS



DAYS CASH ON HAND



SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



**STATEMENT OF REVENUE AND EXPENSES - YTD**

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$76,631,157	\$78,112,162
Deductions From Revenue	(38,483,037)	(42,597,558)
Net Patient Revenues	38,148,120	35,514,604
Other Operating Revenue	1,453,276	1,852,877
<b>Total Operating Revenues</b>	<b>39,601,396</b>	<b>37,367,481</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	22,801,798	22,429,194
Purchased Services & Physician Fees	7,333,572	6,157,305
Supply Expenses	5,830,888	6,379,929
Interest Expense	0	0
Depreciation Expense	877,644	996,837
Other Operating Expenses	3,133,486	3,098,585
<b>Total Expenses</b>	<b>39,977,384</b>	<b>39,061,850</b>
<b>NET OPERATING SURPLUS</b>	<b>(375,991)</b>	<b>(1,694,369)</b>
Non-Operating Revenue/(Expenses)	1,867,503	1,749,301
<b>TOTAL NET SURPLUS</b>	<b>\$1,491,508</b>	<b>\$54,932</b>

**BOND COVENANTS**

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	3.75
CURRENT RATIO	1.00	1.47
DAYS CASH ON HAND	30.0	31.6

MENDOCINO COAST HEALTHCARE DIST	2/29/2020
Budget	2/29/2020
Prior Fiscal Year End	6/30/2019

Balance Sheet - Assets

MENDOCINO COAST HEALTHCARE DISTRICT

PAGE 3

FORT BRAGG, CA

For the month ended February 29, 2020

	Current Month <u>2/29/2020</u>	Prior Year End <u>6/30/2019</u>
CURRENT ASSETS		
CASH	\$ 940,208	\$ 1,145,996
PARCEL TAX REVENUE ACCT	710,727	872,982
PATIENT RECEIVABLES	18,437,155	18,226,405
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>(10,467,880)</u>	<u>(12,555,953)</u>
NET PATIENT ACCOUNTS RECEIVABLES	7,969,275	5,670,452
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	5,248,181	4,570,009
OTHER RECEIVABLES	1,190,225	1,141,535
INVENTORIES	800,862	839,076
PREPAID EXPENSES	626,195	470,323
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 17,485,673</u></b>	<b><u>\$ 14,710,373</u></b>
ASSETS WHOSE USE IS LIMITED		
BOARD DESIGNATED FUNDS	\$ 3,437,554	4,376,979
PLAN FUND	13,774	13,774
SPECIFIC PURPOSE FUND	0	0
BONDS	455,573	746,302
BOND COSTS	438,750	471,250
<b>TOTAL LIMITED USE ASSETS</b>	<b><u>\$ 4,345,651</u></b>	<b><u>\$ 5,608,305</u></b>
PROPERTY, PLANT, & EQUIPMENT		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	805,398	805,398
BUILDINGS & IMPROVEMENTS	24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	546,439	546,439
EQUIPMENT	20,902,409	20,430,219
CONSTRUCTION-IN-PROGRESS	1,820,283	1,602,686
GROSS PROPERTY, PLANT, & EQUIPMENT	<u>\$ 48,796,483</u>	<u>\$ 48,106,696</u>
LESS: ACCUMULATED DEPRECIATION	<u>(34,429,705)</u>	<u>(33,552,060)</u>
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b><u>\$ 14,366,776</u></b>	<b><u>\$ 14,554,636</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 36,198,100</u></b>	<b><u>\$ 34,873,313</u></b>



**Balance Sheet - Liabilities and Net Assets**  
**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended February 29, 2020**

	<u>Current Month 2/29/2020</u>	<u>Prior Year End 6/30/2019</u>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 5,520,968	\$ 4,416,725
ACCRUED PAYROLL	\$ 391,879	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 995,111	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 28,979	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 2,195,614	\$ 1,868,522
OTHER CURRENT LIABILITIES	\$ 673,954	\$ 911,488
INTEREST PAYABLE	\$ 885,719	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 66,667	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 251,787	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 11,888,646</u></b>	<b><u>\$ 11,157,552</u></b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	\$ 9,007,742	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 638,808	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,081,267</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 23,969,913</u></b>	<b><u>\$ 24,136,635</u></b>
<b>FUND BALANCE</b>		
UNRESTRICTED FUND BALANACE	\$ 10,736,679	\$ 7,591,991
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ 1,491,508	\$ 3,144,687
<b>TOTAL NET ASSETS</b>	<b><u>\$ 12,228,186</u></b>	<b><u>\$ 10,736,679</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 36,198,100</u></b>	<b><u>\$ 34,873,313</u></b>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended February 29, 2020

	CURRENT MONTH				Prior Year 02/28/19
	Actual 02/29/20	Budget 02/29/20	Positive (Negative) Variance	Percentage Variance	
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,707,120	\$ 1,723,607	\$ (16,487)	-1%	\$ 1,827,740
SWING BED	\$ 533,534	\$ 361,257	\$ 172,277	48%	\$ 510,398
OUTPATIENT	\$ 6,320,352	\$ 6,661,879	\$ (341,527)	-5%	\$ 6,799,218
NORTH COAST FAMILY HEALTH CENTER	\$ 560,825	\$ 422,024	\$ 138,801	33%	\$ 397,755
HOME HEALTH	\$ 101,617	\$ 115,210	\$ (13,593)	-12%	\$ 118,117
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 9,223,448</b>	<b>\$ 9,283,977</b>	<b>\$ (60,529)</b>	<b>-1%</b>	<b>\$ 9,653,228</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (3,859,341)	\$ (5,081,944)	\$ 1,222,603	24%	\$ (5,409,176)
POLICY DISCOUNTS	\$ (18,932)	\$ (8,050)	\$ (10,882)	-135%	\$ (8,089)
STATE PROGRAMS	\$ 103,073	\$ 151,900	\$ (48,827)	-32%	\$ 148,000
BAD DEBT	\$ -	\$ (99,099)	\$ 99,099	100%	\$ (86,000)
CHARITY	\$ (786)	\$ (27,246)	\$ 26,460	97%	\$ (43,521)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (3,775,986)</b>	<b>\$ (5,064,439)</b>	<b>\$ 1,288,453</b>	<b>25%</b>	<b>\$ (5,398,786)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 5,447,462</b>	<b>\$ 4,219,538</b>	<b>\$ 1,227,924</b>	<b>29%</b>	<b>\$ 4,254,442</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 95,368</b>	<b>\$ 247,127</b>	<b>\$ (151,759)</b>	<b>-61%</b>	<b>\$ 251,431</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 5,542,831</b>	<b>\$ 4,466,665</b>	<b>\$ 1,076,166</b>	<b>24%</b>	<b>\$ 4,505,873</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,456,214	\$ 1,440,029	\$ (16,185)	-1%	\$ 1,419,826
EMPLOYEE BENEFITS	\$ 721,264	\$ 693,494	\$ (27,770)	-4%	\$ 755,588
PROFESSIONAL FEES - PHYSICIAN	\$ 729,969	\$ 504,282	\$ (225,687)	-45%	\$ 521,380
OTHER PROFESSIONAL FEES - REGISTRY	\$ 518,980	\$ 520,471	\$ 1,491	0%	\$ 447,930
OTHER PROFESSIONAL FEES - OTHER	\$ 80,931	\$ 117,258	\$ 36,327	31%	\$ 324,380
SUPPLIES - DRUGS	\$ 377,879	\$ 460,765	\$ 82,886	18%	\$ 446,867
SUPPLIES - MEDICAL	\$ 165,677	\$ 229,429	\$ 63,752	28%	\$ 259,509
SUPPLIES - OTHER	\$ 74,635	\$ 82,732	\$ 8,097	10%	\$ 110,688
PURCHASED SERVICES	\$ 100,637	\$ 110,302	\$ 9,665	9%	\$ 96,041
REPAIRS & MAINTENANCE	\$ 56,660	\$ 65,528	\$ 8,868	14%	\$ 57,350
UTILITIES	\$ 69,972	\$ 69,813	\$ (159)	0%	\$ 72,901
INSURANCE	\$ 44,816	\$ 49,933	\$ 5,117	10%	\$ 37,864
DEPRECIATION & AMORTIZATION	\$ 98,374	\$ 121,690	\$ 23,316	19%	\$ 125,253
RENTAL/LEASE	\$ 58,480	\$ 51,579	\$ (6,901)	-13%	\$ 52,775
OTHER EXPENSE	\$ 114,538	\$ 119,110	\$ 4,572	4%	\$ 140,769
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,669,024</b>	<b>\$ 4,636,415</b>	<b>\$ (32,609)</b>	<b>-1%</b>	<b>\$ 4,869,122</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 873,806</b>	<b>\$ (169,750)</b>	<b>\$ 1,043,556</b>	<b>615%</b>	<b>\$ (363,249)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 62,421	\$ 7,579	12%	\$ 65,000
INVESTMENT INCOME	\$ 13,522	\$ 6,178	\$ 7,344	119%	\$ 4,000
DONATIONS	\$ -	\$ 25,686	\$ (25,686)	-100%	\$ 13,558
INTEREST EXPENSE (ALL)	\$ (38,209)	\$ (40,451)	\$ 2,242	-6%	\$ (40,826)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 212	\$ (212)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,057	\$ 55	5%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 26,353	\$ 1,363	5%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 126,459	\$ 6,541	5%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 207,141</b>	<b>\$ 207,915</b>	<b>\$ (774)</b>	<b>0%</b>	<b>\$ 203,560</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 1,080,948</b>	<b>\$ 38,165</b>	<b>\$ 1,042,783</b>	<b>2732%</b>	<b>\$ (159,688)</b>
<b>Operating Margin</b>	<b>15.8%</b>	<b>-3.8%</b>			<b>-8.1%</b>
<b>Total Profit Margin</b>	<b>19.5%</b>	<b>0.9%</b>			<b>-3.5%</b>
<b>EBIDA</b>	<b>17.5%</b>	<b>-1.1%</b>			<b>-5.3%</b>
<b>Cash Flow Margin</b>	<b>20.8%</b>	<b>3.0%</b>			<b>-1.4%</b>



Statement of Revenue and Expense

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
 For the month ended February 29, 2020

	YEAR-TO-DATE				
	Actual 02/29/20	Budget 02/29/20	Positive (Negative) Variance	Percentage Variance	Prior Year 02/28/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 13,453,038	\$ 14,501,848	\$ (1,048,810)	-7%	\$ 14,362,120
SWING BED	\$ 4,287,034	\$ 3,039,592	\$ 1,247,442	41%	\$ 2,326,614
OUTPATIENT	\$ 54,483,143	\$ 56,050,459	\$ (1,567,316)	-3%	\$ 55,574,227
NORTH COAST FAMILY HEALTH CENTER	\$ 3,436,678	\$ 3,550,788	\$ (114,110)	-3%	\$ 3,583,987
HOME HEALTH	\$ 971,263	\$ 969,475	\$ 1,788	0%	\$ 957,405
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 76,631,157</b>	<b>\$ 78,112,162</b>	<b>\$ (1,481,005)</b>	<b>-2%</b>	<b>\$ 76,804,351</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (38,816,077)	\$ (42,744,847)	\$ 3,928,770	9%	\$ (42,252,763)
POLICY DISCOUNTS	\$ (71,422)	\$ (67,728)	\$ (3,694)	-5%	\$ (61,522)
STATE PROGRAMS	\$ 1,467,896	\$ 1,278,062	\$ 189,834	15%	\$ 883,829
BAD DEBT	\$ (910,808)	\$ (833,798)	\$ (77,010)	-9%	\$ (894,460)
CHARITY	\$ (152,627)	\$ (229,247)	\$ 76,620	33%	\$ (210,065)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (38,483,037)</b>	<b>\$ (42,597,558)</b>	<b>\$ 4,114,520</b>	<b>10%</b>	<b>\$ (42,534,982)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 38,148,120</b>	<b>\$ 35,514,604</b>	<b>\$ 2,633,515</b>	<b>7%</b>	<b>\$ 34,269,369</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 1,453,276</b>	<b>\$ 1,852,877</b>	<b>\$ (399,601)</b>	<b>-22%</b>	<b>\$ 1,320,299</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 39,601,396</b>	<b>\$ 37,367,481</b>	<b>\$ 2,233,915</b>	<b>6%</b>	<b>\$ 35,589,669</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 12,147,464	\$ 12,166,914	\$ 19,450	0%	\$ 11,831,850
EMPLOYEE BENEFITS	\$ 5,875,129	\$ 5,883,146	\$ 8,017	0%	\$ 5,890,355
PROFESSIONAL FEES - PHYSICIAN	\$ 5,016,734	\$ 4,243,429	\$ (773,305)	-18%	\$ 4,066,954
OTHER PROFESSIONAL FEES - REGISTRY	\$ 4,779,205	\$ 4,379,134	\$ (400,071)	-9%	\$ 4,102,815
OTHER PROFESSIONAL FEES - OTHER	\$ 1,384,989	\$ 992,413	\$ (392,576)	-40%	\$ 1,078,773
SUPPLIES - DRUGS	\$ 3,613,483	\$ 3,753,545	\$ 140,062	4%	\$ 3,487,239
SUPPLIES - MEDICAL	\$ 1,621,117	\$ 1,930,317	\$ 309,200	16%	\$ 1,934,624
SUPPLIES - OTHER	\$ 596,288	\$ 696,067	\$ 99,779	14%	\$ 642,496
PURCHASED SERVICES	\$ 931,849	\$ 921,463	\$ (10,386)	-1%	\$ 852,967
REPAIRS & MAINTENANCE	\$ 517,973	\$ 551,356	\$ 33,383	6%	\$ 559,957
UTILITIES	\$ 600,756	\$ 587,394	\$ (13,362)	-2%	\$ 592,507
INSURANCE	\$ 421,552	\$ 420,123	\$ (1,429)	0%	\$ 376,005
DEPRECIATION & AMORTIZATION	\$ 877,644	\$ 996,837	\$ 119,193	12%	\$ 1,019,758
RENTAL/LEASE	\$ 472,056	\$ 433,973	\$ (38,083)	-9%	\$ 424,770
OTHER EXPENSE	\$ 1,121,149	\$ 1,105,739	\$ (15,410)	-1%	\$ 957,190
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 39,977,387</b>	<b>\$ 39,061,850</b>	<b>\$ (915,537)</b>	<b>-2%</b>	<b>\$ 37,818,260</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (375,991)</b>	<b>\$ (1,694,369)</b>	<b>\$ 1,318,378</b>	<b>-78%</b>	<b>\$ (2,228,591)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 560,000	\$ 525,200	\$ 34,800	7%	\$ 520,000
INVESTMENT INCOME	\$ 60,575	\$ 51,984	\$ 8,591	17%	\$ 56,338
DONATIONS	\$ 279,065	\$ 216,113	\$ 62,952	29%	\$ 20,141
INTEREST EXPENSE (ALL)	\$ (319,657)	\$ (340,340)	\$ 20,683	-6%	\$ (342,555)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 1,717	\$ (1,717)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 8,896	\$ 8,899	\$ 3	0%	\$ 8,899
TAX SUBSIDIES FOR GO BONDS	\$ 221,728	\$ 221,728	\$ -	0%	\$ 221,728
PARCEL TAX REVENUES	\$ 1,056,887	\$ 1,064,000	\$ (7,113)	-1%	\$ 1,064,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 1,867,499</b>	<b>\$ 1,749,301</b>	<b>\$ 118,198</b>	<b>7%</b>	<b>\$ 1,550,669</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 1,491,508</b>	<b>\$ 54,932</b>	<b>\$ 1,436,576</b>	<b>2615%</b>	<b>\$ (677,922)</b>
<b>Operating Margin</b>	<b>-0.9%</b>	<b>-4.5%</b>			<b>-6.3%</b>
<b>Total Profit Margin</b>	<b>3.8%</b>	<b>0.1%</b>			<b>-1.9%</b>
<b>EBIDA</b>	<b>1.3%</b>	<b>-1.9%</b>			<b>-3.4%</b>
<b>Cash Flow Margin</b>	<b>5.4%</b>	<b>2.2%</b>			<b>0.3%</b>

Statement of Cash Flows

MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA  
for the 8 months ended 2/29/20

	<u>2/29/2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss)	\$1,491,508
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	877,644
(Increase)/Decrease in Net Patient Accounts Receivable	(2,298,823)
(Increase)/Decrease in Other Receivables	(48,690)
(Increase)/Decrease in Inventories	38,214
(Increase)/Decrease in Pre-Paid Expenses	(155,872)
(Increase)/Decrease in Third Party Receivables	(678,172)
Increase/(Decrease) in Accounts Payable	1,104,243
Increase/(Decrease) in Notes and Loans Payable	190,443
Increase/(Decrease) in Accrued Payroll and Benefits	(653,149)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	327,092
Increase/(Decrease) in Other Current Liabilities	(237,534)
<b>Net Cash Provided by Operating Activities:</b>	<u>(43,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property, Plant and Equipment	(689,785)
(Increase)/Decrease in Limited Use Cash and Investments	939,425
(Increase)/Decrease in Other Limited Use Assets	323,229
<b>Net Cash Used by Investing Activities</b>	<u>572,869</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Increase/(Decrease) in Bond/Mortgage Debt	(802,882)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	(94,933)
<b>Net Cash Used for Financing Activities</b>	<u>(897,815)</u>
(INCREASE)/DECREASE IN RESTRICTED ASSETS	
<b>Net Increase/(Decrease) in Cash</b>	<u>(368,043)</u>
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u><u>\$1,650,935</u></u>

Current Month				Year-To-Date				
Actual 02/29/20	Budget 02/29/20	Positive/ (Negative) Variance	Prior Year 02/28/19	STATISTICS	Actual 02/29/20	Budget 02/29/20	Positive/ (Negative) Variance	Prior Year 02/28/19
<b>Admissions</b>								
12	11	9%	12	Critical Care Services	89	95	(6%)	99
45	45	0%	41	General	349	392	(11%)	398
57	56	2%	53	Subtotal Medical & Surgical Admissions	438	487	(10%)	497
7	7	0%	2	OB	44	63	(30%)	68
<b>64</b>	<b>63</b>	<b>2%</b>	<b>55</b>	<b>Total Admissions</b>	<b>482</b>	<b>550</b>	<b>(12%)</b>	<b>565</b>
<b>12</b>	<b>10</b>	<b>20%</b>	<b>8</b>	<b>Swing Bed</b>	<b>107</b>	<b>87</b>	<b>23%</b>	<b>95</b>
<b>7</b>	<b>7</b>	<b>0%</b>	<b>2</b>	<b>Total Deliveries</b>	<b>42</b>	<b>63</b>	<b>(33%)</b>	<b>63</b>
<b>Inpatient Days</b>								
35	39	(10%)	38	Critical Care Services	256	333	(23%)	318
169	158	7%	140	General	1363	1374	(1%)	1408
204	197	4%	178	Subtotal Medical & Surgical Inpatient Days	1619	1707	(5%)	1726
13	16	(19%)	5	OB	109	142	(23%)	166
<b>217</b>	<b>213</b>	<b>2%</b>	<b>183</b>	<b>Total Inpatient Days</b>	<b>1728</b>	<b>1849</b>	<b>(7%)</b>	<b>1892</b>
<b>147</b>	<b>90</b>	<b>63%</b>	<b>82</b>	<b>Swing Bed</b>	<b>1150</b>	<b>783</b>	<b>47%</b>	<b>802</b>
<b>12</b>	<b>14</b>	<b>(14%)</b>	<b>3</b>	<b>Total Newborn Days</b>	<b>88</b>	<b>126</b>	<b>(30%)</b>	<b>141</b>
<b>Average Length of Stay</b>								
2.9	3.5	(18%)	3.2	Critical Care Services	2.88	3.51	(18%)	3.21
3.8	3.5	7%	3.4	General	3.91	3.51	11%	3.54
3.6	3.5	2%	3.4	Subtotal Medical & Surgical	3.70	3.51	5%	3.47
1.9	2.3	(19%)	2.5	OB	2.48	2.25	10%	2.44
<b>3.4</b>	<b>3.4</b>	<b>0%</b>	<b>3.3</b>	<b>Total Inpatient (CAH)</b>	<b>3.59</b>	<b>3.36</b>	<b>7%</b>	<b>3.35</b>
<b>12.3</b>	<b>9.0</b>	<b>36%</b>	<b>10.3</b>	<b>Swing Bed</b>	<b>10.75</b>	<b>9.00</b>	<b>19%</b>	<b>8.44</b>
<b>Avg Daily Census - Hospital</b>								
1.2	1.4	(13%)	1.2	Critical Care Services (4 Beds)	1.0	1.4	(24%)	1.3
5.8	5.6	3%	4.5	General (8 Beds)	5.6	5.7	(2%)	5.8
7.0	7.0	(0%)	5.7	Subtotal Medical & Surgical (12 Beds)	6.6	7.1	(6%)	7.1
0.4	0.6	(22%)	0.2	OB (3 Beds)	0.4	0.6	(24%)	0.7
<b>7.5</b>	<b>7.6</b>	<b>(2%)</b>	<b>5.9</b>	<b>Subtotal Acute (15 Beds)</b>	<b>7.1</b>	<b>7.6</b>	<b>(7%)</b>	<b>7.8</b>
5.1	3.2	58%	2.6	Swing Care (10 Beds)	4.7	3.2	46%	3.3
<b>12.6</b>	<b>10.8</b>	<b>16%</b>	<b>8.5</b>	<b>Total Hospital (25 Beds Available)</b>	<b>11.8</b>	<b>10.9</b>	<b>8%</b>	<b>11.1</b>
<b>Emergency Department</b>								
689	725	(5%)	679	Outpatients Treated in ED - Emergent	6116	6262	(2%)	6,320
46	44	5%	41	Patients Admitted from ED	364	384	(5%)	396
<b>735</b>	<b>769</b>	<b>(4%)</b>	<b>720</b>	<b>Total Patients treated in ED</b>	<b>6,480</b>	<b>6646</b>	<b>(2%)</b>	<b>6,716</b>
<b>Ambulance Service</b>								
141	153	(8%)	125	911 - Transports	1127	1321	(15%)	1207
0	1	(100%)	0	Transfer - Transports	14	8	75%	8
<b>141</b>	<b>154</b>	<b>(8%)</b>	<b>125</b>	<b>Total Ambulance Transports</b>	<b>1141</b>	<b>1329</b>	<b>(14%)</b>	<b>1215</b>
<b>Surgery - Cases</b>								
14	16	(13%)	12	Inpatient Cases	102	141	(28%)	133
1	6	(83%)	6	Total Implant Cases	16	48	(67%)	37
157	174	(10%)	185	Outpatient Cases	1219	1538	(21%)	1506
<b>172</b>	<b>196</b>	<b>(12%)</b>	<b>203</b>	<b>Total Surgery Cases</b>	<b>1337</b>	<b>1727</b>	<b>(23%)</b>	<b>1676</b>
<b>North Coast Family Health Center</b>								
<b>2,294</b>	<b>2,403</b>	<b>(5%)</b>	<b>2,494</b>	<b>Visits</b>	<b>19,417</b>	<b>21,249</b>	<b>(9%)</b>	<b>20,869</b>
<b>Home Health</b>								
<b>401</b>	<b>473</b>	<b>(15%)</b>	<b>475</b>	<b>Visits</b>	<b>4,018</b>	<b>4,184</b>	<b>(4%)</b>	<b>4,162</b>
<b>Outpatient</b>								
<b>4,207</b>	<b>4,656</b>	<b>(10%)</b>	<b>4,734</b>	<b>Encounters</b>	<b>36,078</b>	<b>41,168</b>	<b>(12%)</b>	<b>39,715</b>



## Key Financial Ratios

### MENDOCINO COAST HEALTHCARE DISTRICT FORT BRAGG, CA

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	Year to Date 2/29/2020	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	-0.9%	-4.3%	0.7%
Total Profit Margin	3.8%	0.4%	5.3%
EBIDA	1.3%	-1.7%	1.0%
Contractual Allowance % To Gross Charges	53.8%	58.2%	57.4%
Inpatient Gross Revenue Percentage (Hospital)	24.6%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	75.4%	76.2%	76.2%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	5.8		7.3
Days Cash, All Sources	31.6		41.0
Net Days in Accounts Receivable	48.8		38.4
Hospital Gross Days in AR	61.1		53.6
Cash Flow Margin	5.4%		7.0%
Days in Accounts Payable	68		49.0
Current Ratio	1.47		1.3
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	29.2		21.8
Capital Costs as a % of Total Exp.	1.7%		2.6%
Capital Spend as a % of Annual Depreciation	78.6%		102.0%
Long Term Debt to Net Position	49.7%		54.7%
Debt Service Coverage Ratio	3.75		2.98
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$184,588	\$177,583	\$183,185
Salary & Benefits Expense per Paid FTE	(\$110,331)	(\$112,151)	(\$108,875)
Salary & Benefits as a % of Total Expenses	45.1%	46.2%	46.6%
Salary and Benefits as a % of Net Pat Rev.	47.2%	50.8%	48.2%
Employee Benefits as a % of Salaries	48.4%	48.4%	47.4%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	239.3		241.1
FTE - NON-PRODUCTIVE	37.8		35.7
FTE - REGISTRY/CONTRACT	32.9		32.4
FTE - TOTAL PAID	310.0	300.0	309.2
Cost To Charge Ratio	52.2%	50.0%	49.5%
Medicare Revenue as a % of Total Revenue	63%	60%	61%
Medi-cal Revenue as a % of Total Revenue	20%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	11%	13%	13%
Other Ins Revenue as a % of Total Revenue	5%	5%	4%
Self-Pay Revenue as a % of Total Revenue	1%	2%	1%

**NOTICE AND AGENDA OF SPECIAL BOARD OF DIRECTORS MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**SUNDAY, APRIL 19, 2020  
1:00 P.M. Open Session  
Meeting Via Teleconference  
Dial In Number:  
CALL IN NUMBER:  
877-573-1973  
Passcode 9614637#**

PLEASE TAKE NOTICE a special Board of Directors meeting has been called for Sunday, April 19, 2020 at 1:00 pm. **This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor’s Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided. The public may listen in and provide comments on the following number: 877-573-1973 passcode 9614637#

**CONDUCT OF BUSINESS:**

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

1. Call to Order
2. Roll Call
3. Comments from the Community  
This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.
4. **ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**
  1. Minutes: Regular Session February 27, 2020 **TAB 1**
  2. Minutes: Special Session April 6, 2020 **TAB 2**
5. **Action/Information: LEASE** **TAB 3**

*BETWEEN*  
**MENDOCINO COAST HEALTH CARE DISTRICT, AS LANDLORD**  
*AND*  
**ADVENTIST HEALTH MENDOCINO COAST, AS TENANT**
6. **Action/Information: TRANSFER OF BUSINESS OPERATIONS AGREEMENT** **TAB 4**

**MENDOCINO COAST HEALTH CARE DISTRICT,**  
**A Local Health Care District of the State of California**  
**(“District”)**  
**AND**  
**ADVENTIST HEALTH MENDOCINO COAST,**  
**A California Nonprofit Public Benefit Corporation**  
**(“AH Mendocino”)**  
**AND**  
**STONE POINT HEALTH,**  
**A California Nonprofit Public Benefit Corporation**  
**(“Stone Point Health”)**
7. **Action/Information: BOARD RESOLUTION NO. 2020-01: Authorizing District Officers to** **TAB 5**

**Enter into Lease and Transfer of Business Operations Agreement (Items No. 5 and 6)**

**8. Comments from Community**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You must state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**9. Comments from Board of Directors**

**10. Adjourn**

Dated: April 16, 2020

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Gayl Moon  
Secretary to the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO) §

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on April 16, 2020

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Gayl Moon  
Secretary to the Board of Directors

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Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working days prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

Board Packets will be made available for pick up at the Patient Registration area until 5:00 pm on Friday, April 17, 2020: **700 RIVER DR. FORT BRAGG, CA 95437**

**T**

**A**

**B**

**1**

**BOARD OF DIRECTORS MEETING  
REDWOODS ROOM  
THURSDAY, FEBRUARY 27, 2020  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 4:30 pm in the Redwoods Room, Jessica Grinberg, Chair presiding

PRESENT: Mr. Redding, Ms. Arnold, Ms. Grinberg, Mr. Lund

Absent: Ms. Amy McColley

Mr. Wayne Allen, Interim CEO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. in the Redwoods Room, Ms. Jessica Grinberg, President presiding

**II. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg  
Board Members

BOARD MEMBERS ABSENT: Ms. Amy McColley

ALSO PRESENT:

Mr. Wayne Allen, Interim CEO

Mr. Doran Hammett, Interim CFO

**III. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- 1. *Information/Action:*** Hardin v. Mendocino Coast District Hospital, U.S. District Court for the Northern District of California, et al., Case No. 3:17-CV-05554, conference with legal counsel. Government Code §54956.9.
- 2. *Information/Action:*** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code Medical Staff Credentials and Privileges Review and Medical Staff Report
- 3. *Information/Action:*** Pursuant to §32155 of the Health and Safety Code January Quality Management and Improvement Council Reports

**IV. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- The Board has authorized Wayne Allen as CEO to sign the settlement agreement to release all of the claims in the Ellen Hardin Case.

**V. PUBLIC COMMENTS**

- Community members made comments regarding Hospital issues. Following are topics that were discussed:
  - Many community members urged the Board not to close Labor and Delivery.

**VI. ACTION: REVIEW OF THE AGENDA**

- There were no changes to the agenda.

**MOTION:** To accept the agenda as presented

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Redding, Arnold, Grinberg



- Noes: None
- Absent: McColley
- Abstain: None
- Motion carried

**VII. BOARD COMMENTS**

- Mr. Redding stated that he was with Dr. Miller when they gave twelve (12) Town Hall presentations. What was expressed at these meetings was that Adventist Health would be successful if they do take over the Hospital's operations. Mr. Redding agrees with that.

**VIII. ACTION: APPROVAL OF CONSENT CALENDAR: MS. KAREN ARNOLD, CHAIR**

1. Minutes: Regular Session, January 30, 2020
2. Minutes: Special Session, January 23, 2020
3. Patient Visitation Policy #829
4. Authorization for Release of Verbal Information to Others
5. Alysoun Huntley Ford Fund Draw (there were no requests)

**MOTION:** To approve the Consent Calendar as presented

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Redding, Arnold, Grinberg
  - Noes: None
  - Absent: McColley
  - Abstain: None
- Motion carried

**IX. ACTION: TRANSITION PLAN OF STABILIZE AND TRANSPORT: DR. WILLIAM MILLER AND MS. LYNN FINLEY, CNO**

- Dr. Miller stated that a team has been working the preparation for the eventual closure of the OB Department has been ongoing for about eight (8) months, since July 2019. The team members are:
  - ✓ Lynn Finley, CNO
  - ✓ Davey Beak, Ambulance Service Manager
  - ✓ Heather Brown-Douglas, Quality Manager
  - ✓ Anita West, ER Manager
  - ✓ Dr. John Delgado
  - ✓ Dr. Robin Serrahn
- The team gave a power point presentation which covered:
  - Project timeline
  - Research
  - Training for ED RN's and Paramedics for Neonatal Resuscitation Program (NRP)
  - Training of ED RN's and Paramedics for S.T.A.B.L.E Neonatal education program to focus exclusively on the post-resuscitation/pre-transport stabilization care of sick infants.
  - Training ED Physicians for Advanced Life Support in Obstetrics (ALSO)
  - Training in R.E.A.C.H High Risk OB Emergencies and Neonatal Stabilization
  - Pediatrics
    - UCSF for neonatal consults, transport and admission
    - UVMC Pediatric Hospitalist for consult and admission
    - UC Davis Tele Health for Pediatric consult

- Obstetrics
  - Care for Her in Ukiah Consult and admission
  - UCSF consult, transport and admission for high risk
  - Emergent C-Sections
- Transport
- Policies and Protocols in development
- Equipment
- Financials

- Dr. Miller thanked the team for all their hard work. He recommended to the Board that vote to close Labor & Delivery with a closure date of March 31, 2020 as staff is prepared.
- Ms. Grinberg told the audience that she was allowing twenty (20) minutes for comments.
- Mr. Lund would like to see a presentation with budget information: he would like clarification on who will continue to provide prenatal care on the coast: he would like to see a plan for helping women with families in economic need, and he would like further information on what staff has done regarding risk assessment. Mr. Lund stated that he would prefer moving the date to close OB from March 31<sup>st</sup> to the end of April in order to work through some of these issues.
- Ms. Grinberg asked Mr. Redding, Chair of the Finance Committee and Mr. Lund, Chair of the Planning if they want this presentation/information brought back to their committees prior to voting on this issue. Mr. Lund said that he would like it brought back to his committee. Mr. Redding said that he has all the information he needs.

**MOTION:** To close Labor and Delivery Services formally as of April 30<sup>th</sup>

- Lund moved

Mr. Lund amended to the following:

**MOTION:** To move forward with the formal closure of the OB Department April 30<sup>th</sup> with in the interim, a budget analysis for the challenges we're facing now and how this is going to help us moving forward financially; a summary of the risk assessment that has been done both by clinical staff and from a liability perspective; the alternative support for expectant mothers, at least have a framework of how that could be done; cover prenatal care and where it will be done

- Lund moved
- Arnold second

Mr. Redding stated that he feels the training is well along. He stated that that extra month with cost the Hospital \$200,000, and he wants to make sure that the Hospital will gain something in the next month that is worth that kind of money. If it is a matter of how MCDH will support the disadvantaged families, that can be worked out. He is not necessarily convinced that it is worth the extra month.

Dr. Miller stated that a framework can be provided of the issues Mr. Lund is requesting. Dr. Miller stated he feels the Board should make a decision to close by March 31<sup>st</sup> because the Hospital staff is ready to do so now. Dr. Delgado agreed.

Mr. Lund with withdrew his motion, and Ms. Arnold withdrew her second.

**MOTION:** To move forward with the formal closure of the OB Department March 31, 2020 within the interim, a budget analysis for the challenges we're facing now and how this is going to help us moving forward financially; a summary of the risk assessment that has been done both by clinical staff and from a liability perspective; the alternative support for expectant mothers, at lease have a framework of how that could be done; cover prenatal care and where it will be done

- Lund moved
- Redding second
- Roll call
  - Ayes: Lund, Redding, Arnold, Grinberg
  - Noes: None
  - Absent: McColley
  - Abstain: None
- Motion carried

**MOTION:** To set aside the \$200,000 potential savings from closing the service March 31<sup>st</sup> rather than April 30<sup>th</sup> to provide funding in support of families in need during this transition time

- Lund moved
- Arnold second

Ms. Renteria with Mendocino Coast Clinics will partner with Ms. Finley, CNO of MCDH to make a list of the ways community members may need this fund.

Mr. Lund amended his motion to reflect the following:

**MOTION:** To set aside the \$200,000 potential savings from closing the service March 31<sup>st</sup> rather than April 30<sup>th</sup> to provide funding in support of families in need during this transition time; the criteria will be developed as to how the funds will be utilized

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Redding, Arnold, Grinberg
  - Noes: None
  - Absent: McColley
  - Abstain: None
- Motion carried

**X. ACTION: RESIGNATION OF INTERIM CFO: MS. JESSICA GRINBERG, PRESIDENT**

- Mr. Doran Hammett has resigned as Interim CFO.
- The Board thanked him for his service.

**MOTION:** To approve the resignation of Interim CFO

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Arnold, Grinberg
  - Noes: Redding
  - Absent: McColley
  - Abstain: None
- Motion carried

**XI. INFORMATION: CEO REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen stated that he and City Manager Tabatha Miller developed a press release regarding the serious health concern that we are currently facing. The press release focuses on common sense precautions and reassuring the community that the Hospital and the City of Fort Bragg are ready and prepared.
- The press release will go to the press, the state, and on the MCDH & City of Fort Bragg's websites. Will also get the word out to the schools and community groups.

- Mr. Allen continues to negotiate with Adventist Health on the Lease.

**XII. ACTION: MEDICAL STAFF REPORT: DR. WILLIAM MILLER CHIEF OF STAFF**

A. Appointments to Medical Staff/Allied Health Professional-Provisional Status

1. I-Wen Tseng, DO –Department of Medicine-Emergency Medicine
2. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology
3. Sandra Mendel, MD –Department of Medicine-Internal Medicine-NCFHC

B. Temporary Privileges (as we await Board Meeting)

1. Donald Lombardi, MD –Department of Medicine-Oncology-Hematology (Feb. 10-Feb. 27, 2020)

C. Re-Appointments to Medical Staff/Allied Health Professional Staff

1. Kevin Miller, MD –Department of Surgery-Ophthalmology
2. Ramesh Nathan, MD –Department of Medicine-Infectious Disease
3. Brent Wright, MD –Department of Surgery-Obstetrics-Gynecology

D. Resignations from Medical Staff

1. Meyer Horensten, DO –Department of Medicine-NCFHC (effective Feb. 1, 2020)
2. Robert Pollard, MD –Department of Medicine-Emergency Medicine (effective Feb. 1, 2020)
3. John Rochat, MD –Department of Medicine-Oncology-Hematology (effective Feb. 1, 2020)

E. Appointments to V-Rad Tele-Radiology Staff

1. Christopher Lawton, MD –Department of Medicine-Tele Radiology
2. Richard Mitchell, MD –Department of Medicine-Tele Radiology

**MOTION:** To approve the Appointments to Medical Staff/Allied Health Professional Status, Temporary Privileges, Re-Appointments to Medical Staff, Resignations & Appointments to V-Rad Tele-Radiology Staff as presented

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Redding, Grinberg, Arnold
  - Noes: None
  - Abstain: None
  - Absent: McColley
- Motion carried

Dr. Miller, Dr. Berna & Dr. Kilian are all currently taking an on-line course to become infection physicians.

**XIII. INFORMATION: PLANNING COMMITTEE REPORT: MR. STEVE LUND**

- Mr. Lund stated the Planning Committee accepted resignations from Dr. Kilian and John Allison. Community members interested in serving on the Planning Committee should contact Mr. Lund.
- Dr. Kreger gave a presentation on Hubs & Routes on disaster preparedness.
- Discussed county wide mental health.
- The next Planning Committee meeting will be on March 17<sup>th</sup>.
- Discussed the structure and the purpose of the District post affiliation.
- Discussed how the District could try to sustain a Volunteer Hospice Program.
- Mr. Lund thanked all the staff for their hard work and dedication to the community.

**XIV. INFORMATION: CHIEF NURSING OFFICER REPORT: MS. LYNN FINLEY**

- Ms. Finley thanked the Board for the brave decision that was made tonight.

**XV. INFORMATION: FINANCE COMMITTEE REPORT: MR. JOHN REDDING**

- Mr. Redding stated that the Hospital is starting to see the results of the financial improvement plan. They are back on budget.
- Mr. Hammett presented the January financials.

**MOTION:** To approve the January 2020 Financial Statement

- Lund moved
- Arnold second
- Roll call
  - Ayes: Lund, Redding, Arnold, Grinberg
  - Noes: None
  - Absent: McColley
  - Abstain: None
- Motion carried

The Finance Committee looked at what the District might look like post affiliation.

**Core purposes:**

- ✓ Make payments on all debt obligations
- ✓ Manage and comply with the Lease Agreement
- ✓ Manage the capital budget and accompanying procurement activities
- ✓ Deposit the money in excess of operating costs into an escrow account to be used for the seismic retrofit program or a new health care facility. Manage this investment

**Staffing needed:**

- ✓ Executive Director/Financial Manager
- ✓ Administrative assistant
- ✓ Maintenance Supervisor
- ✓ Program manager for seismic upgrade efforts and procurement activities
- ✓ Bookkeeper/payroll services/CPA (outsource)
- ✓ Legal services (outsource)

**Other resources needed:**

- ✓ Office space for District personnel
- ✓ Meeting space for Board and staff meetings
- ✓ Board insurance
- ✓ Employee benefit plan

**Short term needs:**

- ✓ Manage Accounts Payable and Accounts Receivable until all are cleared
- ✓ Participate in transition activities

**Allocation of costs**

- ✓ Costs incurred as the result of complying with the Lease Agreement will be identified separate from all other costs.
- ✓ Costs related to the Lease Agreement are considered overhead costs and will count toward the \$2M+ a year obligation to maintain the plant and equipment.

**XVI. INFORMATION: FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT**

- Continue planning for post affiliation.
- Special Board Meeting regarding the audit and the lease.

**XVII. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- There were no Association and Community Service Reports.

**XVIII. PUBLIC COMMENTS:**

- There were no public comments.

**XIX. ADJOURN:**

The meeting adjourned at 8:30 p.m.

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

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**MENDOCINO HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL SESSION  
MINUTES  
MONDAY, APRIL 6, 2020  
FORT BRAGG, CA 95437  
MEETING VIA TELECONFERENCE**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 4:30 pm via Teleconference, Jessica Grinberg, Chair presiding

PRESENT: Mr. Redding, Ms. Arnold, Ms. Grinberg, Mr. Lund, Ms. Amy McColley

Absent: None

Mr. Wayne Allen, Interim CEO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. via Teleconference, Ms. Jessica Grinberg, President presiding

**II. ROLL CALL VIA TELECONFERENCE:**

PRESENT: Ms. Jessica Grinberg, Ms. Amy McColley, Mr. John Redding, Ms. Karen Arnold, Mr. Steve Lund  
Board Members

BOARD MEMBERS ABSENT: None

ALSO PRESENT:

Mr. Wayne Allen, Interim CEO

**III. COMMENTS FROM THE COMMUNITY**

- A community member raised concerns regarding the closing of the OB Department.

**IV. CLOSED SESSION:**

- 1. *Information/Action:*** Pursuant to Government Code §54956.8 (Conference with Real Property Negotiators)  
Property: MCDH 700 River Dr, Fort Bragg, CA 95437  
Counsel: Mr. Craig Cannizzo, Attorney Hooper, Lundy, & Bookman  
Negotiating parties: Stone Point Health, A California Nonprofit Public Benefit Corporation ("Stone point Health"), An Affiliate of Adventist Health System/West, d/b/a Adventist Health  
Under negotiation: Lease of hospital property
- 2. *Information/Action:*** Pursuant to Government Code §54957.6 (Conference with Labor Negotiator)  
Agency designated representative: Dan Camp  
Employee organization: Local UFCW 8-Golden State

**V. RECONVENTION OF OPEN SESSION:**

**VI. ROLL CALL:** Arnold, Grinberg, Redding, McColley, Lund

**ABSENT:** None

**VII. REPORT ON ANY ACTION TAKEN IN CLOSED SESSION; GOVERNMENT CODE 94957.1**

- The Board will reconvene into Closed Session after Open Session. There was no report out.

**VII. PUBLIC COMMENTS**



- A community member made a comment regarding the importance for MCDH to sign the lease agreement with Adventist Health as soon as possible.

**VI. ACTION/INFORMATION: FISCAL YEAR 2018/2019 AUDIT REPORT AND APPROVAL: MS. KAMI MATZEK, CPA DINGUS ZARECOR & ASSOCIATES**

- Dr. Jason Kirkman, Audit Committee Chair, introduced Mr. Luke Zarecor with DZA & Associates who presented the Audit Report for FYE 2018/2019 in lieu of Kami Matzek as stated on the agenda, as she was unavailable.

**MOTION:** To accept the

- Redding moved
- Arnold second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**VII. INFORMATION: OB UPDATE: MS. LYNN FINLEY, CNO**

- The OB Department closed on March 31, 2020.
- Room 3 has been prepared up in the Emergency Department as the room where the Hospital will deliver care. This room will accommodate the Hemorrhage/OB Cart, the OB Stretcher, and the infant warmer. It will provide privacy for the laboring mother. OB nurses have worked with ED RN's, Pharmacy and ED Physicians to design and stock an OB/Hemorrhage cart that will be housed in Room 3 at all times. The infant warmer will be housed with the OB Stretcher. A procedure has been put in place to clean the room if a COVID 19 patient has been in there prior to any other patient being treated in that same room. All California Department of Health required preparations for this transition have been completed. All hospital required obstetrical and neonatal education has been completed.
- All policies that have been developed for the Emergency Department regarding obstetrical care in the facility, starting April 1, 2020, have been approved by the Medical Staff.
- Finally and critically, regarding the Emergency Department Command and it's response to the COVID-19 crisis, the space previously designated for OB Services has been designated for the service of acute COVID-19 patients, as the need arises. The availability of this space is essential for the adequate care of our community during this anticipated epidemic.  
Ms. McColley suggested waiting for one hour before putting another patient in that same room to enable all the droplets to drop. Ms. Finley stated that MCDH is following the CDC guidelines pertaining to COVID-19; however she will reach out to the other healthcare facilities in the county to see what their procedures are for this matter. Ms. Finley will give another report to the Board at a future meeting.

**VIII. ACTION/INFORMATION: OB HARDSHIP FUND: MR. STEVE LUND, VICE CHAIR**

- This item is regarding the need to provide hardship funding for mothers to be/families that were in need of that level of support given the change in having to go over the hill for childbirth services unless it is an emergency. The Board had previously discussed setting aside \$200,000; however after doing some research, it was determined that the Hospital District is unable to do this, as it would be considered a gift of public funds. In order to do this properly, a decision would need to be made to allocate the level of funding to the Mendocino Coast Clinics, and allow them to be the administrator and be the allocator of the designated funds to mothers and

or families according to the guidelines. The requirement/desire would be to have Lucresha Renteria, Mendocino Coast Clinics Administrator provide the Hospital District with quarterly reports.

- Mr. Lund stated that the funds will be provided by the Healthcare District which is currently a part of the Hospital.

**MOTION:** To establish a fund of \$25,000 to be allocated to the Mendocino Coast Clinics in their role as a 501c3 to serve the purpose of creating a hardship fund for administration in the labor and delivery area of their work with the expectation that they will provide a quarterly report regarding the use and benefit of those funds

- Lund moved
- Redding second

Mr. Lund further stated that the clinic could request additional funding from the District if there was a need. There was discussion at the last Board meeting for the need to have the District create a hardship fund to support those families in need.

Mr. Lund suggested allocating the funding and tasking the Mendocino Coast Clinics to develop procedures and guidelines as to how the funds should be utilized. The Board requested reviewing an outline for the funds prior to allocating the money the Mendocino Coast Clinics.

Mr. Lund amended his motion and Mr. Redding amended his second to the following:

**MOTION:** To establish a fund of \$25,000 to be allocated to the Mendocino Coast Clinics in their role as a 501c3 to serve the purpose of creating a hardship fund for administration in the labor and delivery area of their work with the expectation that they will provide a quarterly report regarding the use and benefit of those funds. To have Ms. Renteria and the clinic present an outline that describes how these funds will be administered and used: the funds to be provided to Ms. Renteria and the clinic as soon as possible in order to fulfill immediate needs.

- Roll call
  - Ayes: Lund, Redding, Grinberg, Arnold, McColley
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**IX. INFORMATION: COVID 19 UPDATE: DR. WILLIAM MILLER, CHIEF OF STAFF; MS. LYNN FINLEY, CNO**

- Dr. Miller stated
  - The current projection is that there will be a delay in the upswing of cases to June. Currently have had no patients or staff with COVID 19 at MCDH.
  - Emergency command has been working and planning very hard. There are four phases to this plan.
    1. The planning & conservation phase
    2. This phase will occur when the Hospital actually has COVID 19 patients come for treatment, at which time a second Emergency Department will be opened in order to separate the COVID 19 patients from the general emergency patients. The Station 1 nursing area will become a designated respiratory unit.
    3. When the Hospital has an even more significant increase in COVID 19 patients, this will mark expansion into the Intensive Care Unit.
    4. If the situation does arise that the Hospital has so many patients that it exceeds their capabilities.
  - The supply of personal protective equipment is inventoried daily and are being locked up.

- MCDH does not have the test capability to do the test on campus. They are currently sending all tests to Quest. Quest in turn sends them to Los Angeles for processing. If the test is flagged as critical, the turnaround time is approximately 2 to 3 days. The turnaround time for a regular test is 7 to 10 days.
- The number of tests that MCDH can do at this time is limited and therefore the general population cannot be tested.
- MCDH does have to different analyzers on campus, both of these analyzers now have FDA approved COVID tests; however the Hospital will not receive test kits for either of these analyzers in the foreseeable future.
- Policies are continually updated following CDC guidelines.
- The Hospital remains in very close coordination with the County Health Department, the state Department of Health, with their colleagues at Adventist Health in Ukiah and Willits, local providers, Mendocino Coast Clinics & Sherwood Oaks.
- Dr. Miller and Tabatha Miller, City Manager are writing a joint weekly report (The Miller Report). This report is being posted on numerous sites. Every morning at 9:30 am on Kozt, a local radio station, the Hospital gives a 5 minute update which is presented by different staff members each day. Every Tuesday at 1:00 pm there is a provider phone call.
- The Board thanked everyone for their outstanding efforts during this very difficult time.

**X. ACTION/INFORMATION: FEBRUARY 2020 FINANCIAL REPORT AND APPROVAL: MR. JOHN REDDING, TREASURER**

- Mr. Redding presented the February Financial Report.

**MOTION:** To approve the

- Redding moved
- McColley second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**XI. COMMENTS FROM COMMUNITY**

- There were no comments from the community.

**XII. COMMENTS FROM BOARD OF DIRECTORS**

- Mr. Lund stated appreciation for Dr. Miller’s report and all the hard work being done by everyone on staff.
- Ms. McColley requested perhaps using Zoom or some other application in the future.
- Ms. Arnold thanked all staff for all of their work during this pandemic.
- Mr. Redding thanked the medical staff, Lynn Finley and the entire team for their for organizing and implementing the closure of Labor & Delivery and transitioning to stabilize and transfer, and during this pandemic.
- Ms. Grinberg thanked the business community and the community at large for their vigilance during these difficult times.

**XIII. ADJOURN:**

- The meeting adjourned at 7:30 pm

**CLOSED SESSION**

The Board reconvened into Closed Session at 7:30 pm

**CLOSED SESSION REPORT OUT**

- 1. Information/Action:** Pursuant to Government Code §54956.8 (Conference with Real Property Negotiators)  
Property: MCDH 700 River Dr, Fort Bragg, CA 95437  
Counsel: Mr. Craig Cannizzo, Attorney Hooper, Lundy, & Bookman  
Negotiating parties: Stone Point Health, A California Nonprofit Public Benefit Corporation (“Stone point Health”), An Affiliate of Adventist Health System/West, d/b/a Adventist Health  
Under negotiation: Lease of hospital property

  - No action was taken
  
- 2. Information/Action:** Pursuant to Government Code §54957.6 (Conference with Labor Negotiator)  
Agency designated representative: Dan Camp  
Employee organization: Local UFCW 8-Golden State

  - No action was taken

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

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**LEASE**

*BETWEEN*

**MENDOCINO COAST HEALTH CARE DISTRICT,  
as Landlord**

*AND*

**ADVENTIST HEALTH MENDOCINO COAST,  
as Tenant**

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**LEASE**

This **LEASE** (the "Lease") is made and entered into as of \_\_\_\_\_, 2020 (the "Execution Date") , between **MENDOCINO COAST HEALTH CARE DISTRICT**, a California health care district (the "District" and, in its capacity as landlord under this Lease, "Landlord"), and **ADVENTIST HEALTH MENDOCINO COAST**, a California nonprofit public benefit corporation ("Tenant"), a wholly owned subsidiary of **STONE POINT HEALTH**, a California nonprofit public benefit corporation ("Stone Point Health"), an affiliate of **ADVENTIST HEALTH SYSTEM/WEST**, d/b/a **ADVENTIST HEALTH**, a California nonprofit religious corporation ("Adventist Health").

**WITNESSETH:**

**WHEREAS**, Landlord is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the "Hospital");

**WHEREAS**, at the Execution Date, Landlord owns the following real property that constitutes the Hospital (collectively, the "Premises"): (a) the land described in **Exhibit A** (the "Land"); (b) all buildings, structures, and other improvements and appurtenances located on the Land or otherwise constituting part of the Premises (the "Improvements"); (c) all right, title, and interest of Landlord, if any, in and to the land lying in the bed of any street or highway in front of or adjoining the Land to the center line of such street or highway; (d) the appurtenances and all the estate and rights of Landlord in and to the Land; (e) any strips or gores adjoining the Land; and (f) all Building Equipment attached or appurtenant to any of the foregoing;

**WHEREAS**, in connection with the Premises, Landlord owns Existing FF&E (as defined herein);

**WHEREAS**, Landlord desires to lease the Premises and the Existing FF&E to Tenant, and Tenant desires to lease the Premises and the Existing FF&E from Landlord so that Tenant may become the successor operator of the Hospital as of the Commencement Date, to effect the continued delivery of health care for the benefit of communities served by the Landlord;

**WHEREAS**, the parties desire to enter into this Lease to set forth their rights and obligations to each other relating to the Premises and the Existing FF&E; and

**WHEREAS**, in connection with this Lease, the parties are entering a related Transfer of Business Operations Agreement, which sets forth the terms on which Tenant will assume certain assets, liabilities, and other operational items from Landlord to ensure continuous Hospital operations.

**NOW, THEREFORE**, for good and valuable consideration, Landlord leases and demises the Premises and the Existing FF&E to Tenant, and Tenant takes and leases the Premises and the Existing FF&E from Landlord for the Term, upon the terms and conditions of this Lease.

1. Definitions. The following definitions apply in this Lease:

“Additional Rent” means all sums that this Lease requires Tenant to pay Landlord, whether or not expressly called Additional Rent, except Base Rent.

“Affiliate” of any specified Person means any other Person Controlling or Controlled by or under common Control with such specified Person. “Affiliated” shall have the correlative meaning.

“Application” means any agreement, application, certificate, document, or submission (or amendment of any of the foregoing): (a) necessary or appropriate for any Construction this Lease allows, including any application for any building permit, certificate of occupancy, utility service or hookup, easement, covenant, condition, restriction, subdivision plat, or such other instrument as Tenant may from time to time reasonably request for such Construction; (b) to allow Tenant to obtain any abatement, deferral, or other benefit otherwise available for Real Estate Taxes; (c) if and to the extent (if any) this Lease permits, to allow Tenant to change the use or zoning of the Premises; (d) to enable Tenant from time to time to seek any Approval or to use and operate the Premises in accordance with this Lease; or (e) otherwise reasonably necessary and appropriate to permit Tenant to realize the benefits of the Premises under this Lease.

“Approvals” means any and all licenses, permits (including building, demolition, alteration, use, and special permits), approvals, consents, certificates (including certificate(s) of occupancy), rulings, variances, authorizations, or amendments to any of the foregoing as shall be necessary or appropriate under any Law for the commencement, performance, or completion of any Construction, or the zoning, rezoning (to the extent this Lease allows), use, occupancy, maintenance, or operation of the Premises.

“Building” means all occupiable Improvements located or to be located on the Premises from time to time.

“Building Equipment” means all fixtures incorporated in the Premises and used, useful, or necessary to operate the Building as such (including boilers; compactors; compressors; conduits; ducts; elevators; escalators; heating, ventilating and air conditioning systems; and pipes) as opposed to operating any particular business in the Building.

“Business Day” means any weekday on which State-chartered banks are open to conduct regular banking business with bank personnel.

“Casualty” means any damage or destruction of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, affecting any or all Improvements, whether or not insured or insurable.

“Casualty Termination” means a termination of this Lease because of a Substantial Casualty, when and as this Lease expressly allows such a termination.

**“Commencement Date”** means the date Tenant commences operation of the Premises following the occurrence or satisfaction of all of the following events, which are reasonably necessary for Hospital operations as determined by Tenant: (a) Electorate Approval has been received, (b) timing coordination related to transitioning Hospital operations onto Tenant’s internal systems, including but not limited to supply chain and vendor arrangements and (c) all regulatory approvals necessary to operate an acute care hospital, including but not limited to approvals from California Department of Public Health, California Board of Pharmacy, Centers for Medicare and Medicaid Services and Department of Health Care Services have been received, but only to the extent any such regulator requires approval of a change in ownership application prior to the Commencement Date. Tenant shall keep Landlord informed of the progress of the foregoing applications for approvals and events and shall give Landlord at least five (5) business days’ advance notice of the Commencement Date.

**“Condemnation”** means: (a) any temporary or permanent taking of (or of the right to use or occupy) any Premises by condemnation, eminent domain, or any similar proceeding; or (b) any action by any Government not resulting in an actual transfer of an interest in (or of the right to use or occupy) any Premises but creating a right to compensation, such as a change in grade of any street upon which the Premises abut.

**“Condemnation Award”** means any award(s) paid or payable (whether or not in a separate award) to either party after the Commencement Date because of or as compensation for any Condemnation, including: (1) any award made for any Improvements that are the subject of the Condemnation; (2) the full amount paid or payable by the condemning authority for the estate that is the subject of the Condemnation, as determined in Condemnation; (3) any interest on such award; and (4) any other sums payable on account of such Condemnation, including for any prepayment premium under any mortgage.

**“Condemnation Effective Date”** means, for any Condemnation, the first date when the condemning authority has acquired title to or possession of any Premises subject to the Condemnation.

**“Construction”** means any alteration, construction, demolition, development, expansion, reconstruction, redevelopment, repair, Restoration, or other work affecting any Improvements, including new construction.

**“Contracts”** means all written commitments, contracts, leases, licenses, agreements and understandings relating to the Hospital or the Licensed Operations, including, without limitation, agreements with payors, physicians and other providers; agreements with health plans, health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems; joint venture and partnership agreements; management, employment, retention and severance agreements; vendor agreements; real and personal property leases and schedules; maintenance agreements and schedules; agreements with municipalities and labor organizations; and bonds, mortgages and other loan agreements.

**“Control”** means the possession, directly or indirectly, of either: (a) at least 51% direct or indirect ownership of the Equity Interests of a Person; or (b) the power to direct or cause

the direction of the management and policies of such Person, whether by ownership of Equity Interests, by contract, or otherwise.

**“County”** means the county where the Premises are located.

**“CPI”** means the United States Department of Labor, Bureau of Labor Statistics “Consumer Price Index” for All Urban Consumers published for San Francisco-Oakland-San Jose, California, with a base of 1982-1984 = 100. If the CPI ceases to be published, with no successor index, then the parties shall reasonably agree upon a reasonable substitute index.

**“CPI Adjustment Factor”** means, for any Lease Year, the lesser of (a) 1.03 and (b) quotient of (i) the CPI for the month preceding by two months the first month of such Lease Year divided by (ii) the CPI for the month preceding by two months the first month of the immediately preceding Lease Year (solely by way of example and for the avoidance of doubt, if the first month of the second Lease Year were June 2020 then the CPI Adjustment Factor for the second Lease Year would be the lesser of (a) 1.03 and (b) the quotient of the CPI for April 2020 divided by the CPI for April 2019).

**“Default”** means an uncured default or breach under this Lease. A Default may consist of a Monetary Default or a Nonmonetary Default.

**“Default Interest”** means interest at an annual rate equal to the lesser of: (a) the Prime Rate plus two percent (2%) per annum; or (b) the Usury Limit.

**“District Bonds”** means [to come from Landlord’s Bond Counsel].

**“Employee Benefit Plan”** means any (i) nonqualified deferred compensation or retirement plan or arrangement which is an Employee Pension Benefit Plan, (ii) qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (iii) qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (iv) Employee Welfare Benefit Plan or material fringe benefit plan or program, (v) employment, consulting, severance, termination, pension, retirement, supplemental retirement, excess benefit, profit sharing, bonus, incentive, deferred compensation, retention, transaction and change in control plan, program, arrangement, agreement, policy or commitment, (vi) stock option, restricted stock, deferred stock, performance stock, stock appreciation, stock unit or other equity or equity-based plan, program, arrangement, agreement, policy or commitment, (vii) savings, life, health, disability, accident, medical, dental, vision, death benefit, cafeteria, insurance, flex spending, adoption/dependent/employee assistance, tuition, vacation, paid-time-off, perquisite, outplacement, welfare benefit, fringe benefit and other similar compensation or benefit plan, program, arrangement, agreement, policy (whether formal or informal) or commitment, including in each case each “employee benefit plan” as defined in Section 3(3) of ERISA (whether or not subject to ERISA).

**“Environmental Law”** means any Law about the following at, in, under, above, or upon the Premises: (a) air, environmental, ground water, or soil conditions; or (b) clean-up, control,

disposal, generation, storage, release, transportation, or use of, or liability or standards of conduct concerning, Hazardous Substances.

“Equipment Lien” means any security interest, financing lease, personal property lien, conditional sales agreement, chattel mortgage, security agreement, title retention arrangement or any similar arrangement (including any related financing statement) for Tenant’s acquisition or leasing of any Financed FF&E used in the Premises that is leased, purchased under conditional sale or installment sale arrangements, encumbered by a security interest, or used under a license, provided that each Equipment Lien encumbers or otherwise relates only to the Financed FF&E for which such secured party provides bona fide purchase-money financing or a bona fide equipment lease, after the Commencement Date.

“Equity Interest” means all or any part of any direct or indirect equity or ownership interest(s) (whether stock, partnership interest, beneficial interest in a trust, membership interest, or other interest of an ownership or equity nature) in any entity at any tier of ownership that directly or indirectly owns or holds any ownership or equity interest in a Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Estoppel Certificate” means a statement setting forth, as of the date of such statement, (a) the documents comprising this Lease, (b) whether or not any Defaults exist under this Lease, (c) the Base Rent and (d) whether any Base Rent has been prepaid for more than one (1) month in advance.

“Expiration Date” means the date when this Lease terminates or expires in accordance with its terms or otherwise, whether on the Scheduled Expiration Date, by Landlord’s exercise of remedies for an Event of Default, by Tenant’s exercise of its termination right or otherwise.

“Existing FF&E” means FF&E owned by Landlord immediately before the Commencement Date and leased to Tenant pursuant to this Lease.

“Fee Estate” means Landlord’s fee estate in the Premises, including Landlord’s reversionary interest in the Premises after the Expiration Date.

“FF&E” means all movable furniture, furnishings, equipment, and personal property (excluding Building Equipment) that may be removed without material damage to the Premises and without adversely affecting: (a) the structural integrity of the Premises; (b) any electrical, plumbing, mechanical, or other system in the Premises; (c) the present or future operation of any such system; or (d) the present or future provision of any utility service to the Premises. FF&E includes items such as hospital equipment, furniture, movable equipment, telephone, telecommunications and facsimile transmission equipment, point of sale equipment, televisions, radios, network racks, and computer systems and peripherals.

“Financed FF&E” means any FF&E subject to an Equipment Lien in favor of a lessor or lender that: (a) is not an Affiliate of Tenant, and (b) actually provides bona fide financing

or a bona fide equipment lease after the Commencement Date for Tenant's acquisition or use of such FF&E.

**"Government"** means each and every governmental agency, authority, bureau, department, quasi-governmental body, or other entity or instrumentality having or claiming jurisdiction over the Premises (or any activity this Lease allows), including the United States federal government, the State and County governments and their subdivisions and municipalities, and all other applicable governmental agencies, authorities, and subdivisions thereof. "Government" shall also include any planning commission, board of standards and appeals, department of buildings, city council, zoning board of appeals, or planning board or commission having or claiming jurisdiction over the Premises or any activities on or at the Premises.

**"Government Healthcare Programs"** means Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs, including such program's Participation Agreements.

**"Handling of Hazardous Substances"** means the production, use, reuse, generation, Release, storage, treatment, formulation, processing, labeling, distribution, introduction into commerce, registration, transportation, reclamation, recycling, disposal, arranging for disposal, discharge or other handling or disposition of Hazardous Substances.

**"Hazardous Substances"** includes flammable substances, explosives, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, medical wastes, toxic substances or related materials, explosives, petroleum and petroleum products, and any "hazardous" or "toxic" material, substance or waste that is defined by those or similar terms or is regulated as such under any Law, including any material, substance or waste that is: (i) defined as a "hazardous substance" under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317), as amended; (ii) defined as a "hazardous waste" under Section 1004 of The Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq., as amended; (iii) defined as a "hazardous substance" or "hazardous waste" under Section 101 of The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. or any so-called "superfund" or "superlien" law, including the judicial interpretations thereof; (iv) defined as a "pollutant" or "contaminant" under 42 U.S.C.A. § 9601(33); (v) defined as "hazardous waste" under 40 C.F.R. Part 260; (vi) defined as a "hazardous chemical" under 29 C.F.R. Part 1910; or (vii) subject to any other Law regulating, relating to or imposing obligations, liability or standards of conduct concerning protection of human health, plant life, animal life, natural resources, property or the enjoyment of life or property free from the presence in the environment of any solid, liquid, gas, odor or any form of energy from whatever source.

**"Hazardous Substances Discharge"** means any deposit, discharge, generation, emission, release, or spill of Hazardous Substances that occurs at or from the Premises, or into the Land, or that arises at any time from the use, occupancy, or operation of the Premises or any activities conducted therein or any adjacent or nearby real property, or resulting from seepage, leakage, or other transmission of Hazardous Substances from other real property to the Land,



whether or not caused by a party to this Lease and whether occurring before or after the Commencement Date.

“Improvements” has the meaning set forth in the recitals of this Lease.

“Indemnify” means, where this Lease states that any Indemnitor shall “Indemnify” any Indemnitee from, against, or for a particular matter (the “Indemnified Risk”), that the Indemnitor shall indemnify the Indemnitee and defend and hold the Indemnitee harmless from and against any and all loss, cost, claims, liability, penalties, judgments, damages, and other injury, detriment, or expense (including Legal Costs, interest and penalties) that the Indemnitee suffers or incurs: (a) from, as a result of, or on account of the Indemnified Risk; or (b) in enforcing the Indemnitor’s indemnity. Indemnitor’s counsel shall be subject to Indemnitee’s approval, not to be unreasonably withheld. Any counsel satisfactory to Indemnitor’s insurance carrier shall be automatically deemed satisfactory.

“Indemnitee” means any party entitled to be Indemnified under this Lease and its agents, directors, employees, Equity Interest holders, mortgagees, and officers.

“Indemnitor” means a party that agrees to Indemnify any other Person.

“Insubstantial Condemnation” means any Condemnation except a Substantial Condemnation or a Temporary Condemnation.

“Land” has the meaning set forth in the recitals of this Lease.

“Landlord” means the Landlord named in the opening paragraph of this Lease and its permitted successors and assigns (in all cases in compliance with this Lease, including requirements regarding any Trust Funds).

“Landlord Employee Benefit Plans” means any Employee Benefit Plan sponsored, maintained or contributed to, or required to be sponsored, maintained or contributed to by Landlord, or with respect to which Landlord has any actual or contingent liability.

“Laws” means all laws, ordinances, requirements, orders, proclamations, directives, rules, and regulations of any Government affecting the Premises, this Lease, or any Construction in any way, including any use, maintenance, taxation, operation, or occupancy of, or environmental conditions affecting, the Premises, or relating to any Real Estate Taxes, or otherwise relating to this Lease or any party’s rights and remedies under this Lease, or any Transfer of any of the foregoing, whether in force at the Commencement Date or passed, enacted, or imposed at some later time, subject in all cases, however, to any applicable waiver, variance, or exemption.

“Lease Year” means: (a) the twelve consecutive calendar month period starting on the Rent Commencement Date; and (b) every subsequent period of twelve consecutive calendar months during the Term.

**“Leasehold Estate”** means Tenant’s leasehold estate, and all of Tenant’s rights, privileges, and Preemptive Rights, under this Lease, upon and subject to all the terms and conditions of this Lease, and any direct or indirect interest in such leasehold estate.

**“Legal Costs”** of any Person means all reasonable costs and expenses such Person incurs in any legal proceeding (or other matter for which such Person is entitled to be reimbursed for its Legal Costs), including reasonable attorneys’ fees, court costs, and expenses, and in or as a result of any bankruptcy proceeding.

**“Liability Insurance”** means commercial general liability insurance against claims for personal injury, death, or property damage occurring upon, in, or about the Premises or adjoining streets and passageways.

**“Licensed Operations”** means the services licensed as part of the consolidated general acute care hospital license for the Hospital, including, without limitation, the Hospital’s outpatient services, including those outpatient clinics reimbursed through the “Rural Health Clinics Program” (as defined in 42 C.F.R. Pt. 405).

**“Loss”** means any Casualty or Condemnation.

**“Loss Proceeds”** means Condemnation Award(s) and/or Property Insurance Proceeds.

**“Market Value”** of the Fee Estate or the Leasehold Estate means, as of any date of determination, the present fair market value of such estate (including the fair market value of the rights of the holder of such estate in and to any Improvements) as of such date, considered: (a) as if no Loss had occurred; (b) without adjusting for any expectation of any Loss; (c) as if the Leasehold Estate had not been terminated; (d) taking into account the benefits and burdens of this Lease, the remaining Term, all Permitted Encumbrances, and all other matters affecting such estate and its valuation; and (e) discounting to present value all the obligations and benefits associated with such estate (including, in the case of the Fee Estate, the Rent and Landlord’s reversion). The Market Value shall be determined as if the Term: (1) were to continue until the Scheduled Expiration Date and (2) included, prospectively, all renewal Terms except any renewal Term for which Tenant Notifies Landlord that Tenant would not have exercised the renewal option in due course. Market Value shall be determined independently of, and without regard to, any valuation established in a Condemnation.

**“Memorandum of Lease”** means a memorandum of this Lease, in recordable form, setting forth the following provisions of this Lease: (a) all information any Law requires; (b) the Purchase Option; and (c) such other provisions, except the amount or means of determining Rent, as either party reasonably desires.

**“Modification”** means any abandonment, amendment, cancellation, discharge, extension, modification, rejection, renewal, replacement, restatement, substitution, supplement, surrender, termination, or waiver of a specified agreement or document, or of any of its terms or provisions, or the acceptance of any cancellation, rejection, surrender, or termination of such agreement, document, or terms.

“Modify” means agree to, cause, make, or permit any Modification.

“Monetary Default” means a party’s failure to pay money (including Real Estate Taxes and insurance premiums) when and as this Lease requires.

“Nonmonetary Default” means a party’s material: (a) failure to comply with any affirmative or negative covenant or obligation in this Lease, except a Monetary Default; or (b) breach of any representation or warranty (as of the date made or deemed made).

“Notice” means any consent, demand, designation, election, notice, or request relating to this Lease, including any Notice of Default. Notices shall be delivered, and shall become effective, only in accordance with the “Notices” section of this Lease.

“Notice of Default” means any Notice claiming or giving Notice of a Default or alleged Default.

“Notify” means give a Notice.

“Participation Agreement” means any of Landlord’s Government Healthcare Program participation agreement, provider agreement and related provider and/or certification numbers and national provider identifiers (“NPIs”).

“Person” means any association, corporation, Government, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind. (This does not limit any Transfer restriction.)

“Preemptive Right” means any expansion, extension, purchase, or renewal option; right of first refusal or first offer; or other preemptive right this Lease gives Tenant.

“Premises” has the meaning set forth in the recitals of this Lease.

“Prime Rate” means the prime rate or equivalent “base” or “reference” rate for corporate loans that is from time to time: (a) published in the Wall Street Journal; or (b) if such rate is no longer so published or announced, then a reasonably equivalent rate published by an authoritative third party that Landlord and Tenant jointly designate. Notwithstanding anything to the contrary in this paragraph, the Prime Rate shall never exceed the Usury Limit.

“Prohibited Lien” means any mechanic’s, vendor’s, laborer’s, or material supplier’s statutory lien or other similar lien arising from work, labor, services, equipment, or materials supplied, or claimed to have been supplied, to Tenant (or anyone claiming through either), which lien attaches (or may attach upon termination of this Lease) to the Fee Estate. An Equipment Lien is not a Prohibited Lien.

“Property Insurance” means insurance providing coverage for the Premises, the Building, and Building Equipment, against loss, damage, or destruction by fire and other hazards (except earthquake or war risk) from time to time during the Term.

**“Property Insurance Proceeds”** means net proceeds (after reasonable costs of adjustment and collection, including Legal Costs) of Property Insurance, when and as received by Landlord or Tenant, excluding proceeds of Tenant’s business interruption insurance in excess of Rent.

**“Real Estate Taxes”** means all general and special real estate taxes (including taxes on FF&E, sales taxes, use taxes, and the like), assessments, municipal water and sewer rents, rates and charges, excises, levies, license and permit fees, fines, penalties and other governmental charges and any interest or costs with respect thereto, and charges for public utilities not otherwise payable directly by Tenant (including gas, electricity, light, heat, air conditioning, power and telephone and other communication services), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever that at any time before or during the Term and applicable to the Term or any part of it may be assessed, levied, imposed upon, or become due and payable out of or in respect of, or charged with respect to or become a lien on, the Premises, or any FF&E, Building Equipment or other facility used in the operation thereof, or the rent or income received therefrom, or any use or occupancy thereof. **“Real Estate Taxes”** shall not, however, include any of the following, all of which Landlord shall pay before delinquent or payable only with a penalty: (a) any franchise, income, excess profits, estate, inheritance, succession, transfer, gift, corporation, business, capital levy, or profits tax, or license fee, of Landlord; (b) any item listed in this paragraph that is levied, assessed, or imposed against the Premises during the Term based on the recapture or reversal of any previous tax abatement or tax subsidy, or compensating for any previous tax deferral or reduced assessment or valuation, or correcting a miscalculation or misdetermination, relating to any period(s) before the Commencement Date; and (c) interest, penalties, and other charges for items “a” and “b.” If at any time during the Term the method of taxation prevailing at the Commencement Date shall be altered so that any new tax, assessment, levy (including any municipal, state or federal levy), imposition, or charge, or any part thereof, shall be measured by or be based in whole or in part upon the Premises and imposed upon Landlord, then all such new taxes, assessments, levies, Real Estate Taxes, or charges, or the part thereof to the extent that they are so measured or based, shall be deemed to be included within the term “Real Estate Taxes,” to the extent that such Real Estate Taxes would be payable if the Premises were the only property of Landlord subject to such Real Estate Taxes.

**“Release”** means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching, or migration into or through the environment.

**“Rent”** means Base Rent and Additional Rent.

**“Restoration”** means, after a Loss, the alteration, clearing, rebuilding, reconstruction, repair, replacement, restoration, and safeguarding of the damaged or remaining Improvements, substantially consistent with their condition before the Loss, subject to such Construction as Tenant shall perform in conformity with this Lease, subject to any changes in Law that would limit the foregoing.

**“Restoration Funds”** means any Loss Proceeds (and deposits by Tenant) to be applied to Restoration.

**“Restore”** means accomplish a Restoration.

**“Scheduled Expiration Date”** means 11:59 p.m. on either (x) if the Commencement Date is not the first day of a calendar month, the last day of the thirtieth (30<sup>th</sup>) year following the Commencement Date or (y) if the Commencement Date is the first day of a calendar month, the date preceding the thirtieth (30<sup>th</sup>) year “anniversary” of the Commencement Date (in either case, the **“Original Scheduled Expiration Date”**).

**“State”** means the state of California.

**“Structure”** of the Premises means only the concrete floors, footings, foundation, load-bearing walls, roof, roof support system, and structural steel or other structural support system of the Premises.

**“Sublease”** means, for the Premises, any: (a) sublease; (b) agreement or arrangement (including a concession, license, management, or occupancy agreement) allowing any Person to occupy, use or possess; (c) sub-sublease or any further level of subletting; or (d) Modification or assignment of “a” through “c.” (Any reference to Subleases does not diminish, impair, limit, or waive any limit on Subleases.)

**“Substantial Casualty”** means a Casualty that: (a) renders 10% or more of the Premises used for a general acute care hospital facility not capable of being used or occupied; (b) requires Restoration whose cost Tenant reasonably estimates in writing would exceed Two Million Dollars (\$2,000,000); or (c) pursuant to Law, prevents the Premises from being restored to the same bulk, and for the same use(s), as before the Casualty.

**“Substantial Condemnation”** means any Condemnation that (a) takes the entire Premises; (b) in Tenant’s reasonable determination renders the remaining Premises Uneconomic; or (c) occurs less than two (2) years before the end of the Term.

**“Subtenant”** means any Person entitled to occupy, use, or possess any Premises under a Sublease.

**“Temporary Condemnation”** means a Condemnation of the temporary right to use or occupy all or part of the Premises.

**“Transfer”** of any property means any of the following, whether by operation of law or otherwise, whether voluntary or involuntary, and whether direct or indirect: (a) any assignment, conveyance, grant, hypothecation, mortgage, pledge, sale, or other transfer, whether direct or indirect, of all or any part of such property, or of any legal, beneficial, or equitable interest or estate in such property or any part of it (including the grant of any easement, lien, or other encumbrance); (b) any conversion, exchange, issuance, modification, reallocation, sale, or other transfer of any direct or indirect Equity Interest(s) in the owner of such property by the holder of such Equity Interest(s); (c) any transaction described in “b” affecting any Equity Interest(s) or any other interest in such property or in any such owner (or in any other direct or indirect owner at any higher tier of ownership) through any manner or means whatsoever; or (d) any transaction that is in substance equivalent to any of the foregoing. A transaction affecting Equity Interests, as referred

to in clauses “b” through “d,” shall be deemed a Transfer by Tenant even though Tenant is not technically the transferor. A “Transfer” shall not, however, include any of the foregoing (provided that the other party to this Lease has received Notice thereof) transactions affecting Equity Interests: (a) that constitutes a mere change in form of ownership with no material change in beneficial ownership and is a tax-free transaction under federal income tax law and the State real estate transfer tax; (b) to member(s) of the immediate family(ies) of the transferor(s) or trusts for their benefit; or (c) to any Person that, as of the Commencement Date, holds an Equity Interest in the entity whose Equity Interest is being transferred.

“Trust Funds” means any funds that this Lease requires or allows Landlord (or anyone acting for Landlord) to hold, and in which Tenant has an interest.

“Unavoidable Delay” means delay in performing any obligation under this Lease (except payment of money) arising from or on account of any cause whatsoever beyond the obligor’s reasonable control, despite such obligor’s reasonable diligent efforts, including industry-wide strikes, labor troubles or other union activities (but only to the extent such actions affect similar premises at that time and do not result from an act or omission of the obligor), the obligor’s inability to obtain required labor or materials after commercially reasonable efforts to do so, litigation (unless caused by the obligor), Loss, accidents, Laws, governmental preemption, war, or riots. Unavoidable Delay shall exclude delay caused by the obligor’s financial condition, illiquidity, or insolvency. Any obligor claiming Unavoidable Delay shall Notify the obligee: (a) within 30 days after such obligor knows of any such Unavoidable Delay; and (b) within 10 days after such Unavoidable Delay ceases to exist. To be effective, any such Notice must describe the Unavoidable Delay in reasonable detail. Where this Lease states that performance of any obligation is subject to Unavoidable Delay(s) or words of similar import, such Unavoidable Delay(s) shall extend the time for such performance only by the number of days by which such Unavoidable Delay(s) actually delayed such performance.

“Uneconomic” means that the Premises or any substantial part of the Premises: (1) is materially diminished in value or utility; (2) cannot be used for its previously intended purpose; (3) is subject to material impairment of access to, parking facilities benefiting, or any material service(s) necessary or appropriate for economic operation; (4) requires Restoration whose cost Tenant reasonably estimates in writing would exceed the then-current aggregate Market Value of the Premises; (5) does not comply with any operating requirements under any hospital license held by Tenant; (6) cannot reasonably be operated as a general acute care hospital, whether in a manner substantially consistent with past practice or on a scale that is smaller but nevertheless profitable (after taking into account the payment of all expenses, including Rent as adjusted after any Condemnation) and reasonably feasible; or (7) cannot be developed or operated in a commercially reasonable manner.

“Usury Limit” means the highest rate of interest, if any, that Law allows under the circumstances.

“Valuation Consultant” means Deloitte Financial Advisory Services LLP or another third-party valuation consultant mutually agreed upon between Landlord and Tenant.

“Waiver of Subrogation” means a provision in, or endorsement to, any Property Insurance policy, by which the carrier agrees to waive rights of recovery by way of subrogation against either party to this Lease for any loss such policy covers.

2. Term. The term of this Lease (the “Term”) shall: (a) commence on the Commencement Date; and (b) continue until the Original Scheduled Expiration Date, unless terminated sooner.

3. Rent.

3.1 Base Rent. For the first three (3) years of the Term, Tenant shall pay an annual rent (“Base Rent”) in the amount of One Million Seven Hundred and Fifty Thousand Dollars (\$1,750,000), without deduction, set off, prior notice or demand from Landlord (the “Initial Base Rent”). Thereafter, for the next two (2) subsequent years of the Term, if the total earnings before interest, taxes, depreciation and amortization (“EBITDA”) from the Medical Business is equal to or greater than five percent (5%) of the net revenue for the immediately preceding twelve- (12-) month period prior to the annual anniversary renewal date of the Term, Tenant shall pay Base Rent in the amount of Two Million Nine Hundred and Fifty Thousand Dollars (\$2,950,000) (the “Increased Base Rent”); otherwise Tenant shall continue to pay the Initial Base Rent. Beginning in the sixth (6<sup>th</sup>) year of the Term (on the fifth [5<sup>th</sup>] year anniversary of the Commencement Date), Tenant shall pay Base Rent in the amount of the Increased Base Rent. Base Rent will be payable on the Commencement Date and on each anniversary thereafter until the Lease expires or is terminated in accordance with the terms of this Lease. For each successive year during the Term after the fifth (5<sup>th</sup>) year anniversary of the Commencement Date, the Base Rent shall be equal to the product of (a) the Base Rent for the immediately preceding year multiplied by (b) the CPI Adjustment Factor, provided that in no event will the Base Rent ever be an amount less than the Initial Base Rent. In the event this Lease is terminated prior to the end of the Term, Landlord shall return a pro-rata share of the Base Rent to Tenant based on the date Tenant vacates the Premises. Landlord and Tenant acknowledge and agree that from and after the first date on which the Base Rent is the Increased Base Rent, the difference between the Base Rent paid by Tenant and the Initial Base Rent (which difference shall be One Million Two Hundred Thousand Dollars for the first such year of the Term; and adjusting the Initial Base Rent by the CPI Adjustment Factor in subsequent years of the Term as the Base Rent is so adjusted) (such difference, cumulatively, the “Rent Delta”) shall be deemed and constitute Tenant’s contribution to the Restricted Capital Fund; and, in the event that Tenant exercises Tenant’s ROFR or the Purchase Option, the Rent Delta shall be credited toward the purchase price (with respect to Tenant’s ROFR) or the Purchase Option Price (with respect to the Purchase Option) paid by Tenant at closing of such Transfer.

3.2 Payment. During the Term, Tenant shall pay Base Rent by good and sufficient check payable to Landlord or by wire transfer, at such address, as Landlord shall designate from time to time. The annual rental payable hereunder shall be paid to Landlord in two equal payments each year of the Lease. The first payment will be due on the Commencement Date and then on each subsequent anniversary of the Commencement Date during the Term. The second payment will be due six months after the Commencement Date and thereafter every six months after each Commencement Date anniversary during the Term. Each rent payment shall be made without offset or diminution from any cause whatsoever.

3.3 *Additional Rent.* In addition to Base Rent, Tenant shall pay Landlord, as additional rent under this Lease, all Additional Rent, subject to Section 3.1.

3.4 *Offsets.* Except as expressly provided in this Lease, Tenant shall pay all Rent without offset, defense, claim, counterclaim, reduction, or deduction of any kind whatsoever.

3.5 *Late Charges.* In the event the Base Rent or other sums due under this Lease are received more than ten (10) days after the due date, Tenant agrees to pay to Landlord as Additional Rent a late charge equal to 5% of the amount due, not to exceed Five Hundred Dollars (\$500.00) but in no event less than Fifty Dollars (\$50.00). This does not create a grace period. Tenant further agrees to pay Landlord any costs incurred by Landlord in effecting the collection of such past due Rent and late charge including but not limited to fees of an attorney, court costs or collection agency fees. Nothing herein contained shall limit any other remedy of Landlord.

4. *Real Estate Taxes; Other Payments.*

4.1 *Real Estate Taxes.* Tenant shall pay and discharge all Real Estate Taxes payable or accruing for all period(s) within the Term, before failure to pay creates a material risk to Landlord of forfeiture or penalty, subject however to Tenant's right of Contest as this Lease expressly provides. Tenant shall also pay all interest and penalties any Government assesses for late payment of any Real Estate Taxes, except late payment because Landlord failed to remit any payment for Real Estate Taxes (paid to Landlord by Tenant) in accordance with Tenant's reasonable instructions or failed to promptly forward Tenant a copy of any applicable bill that Landlord receives. In the latter case Landlord shall pay such interest and penalties. Tenant shall within a reasonable time after Notice from Landlord give Landlord reasonable proof that Tenant has paid any Real Estate Taxes that this Lease requires Tenant to pay. Tenant shall have the sole right and authority to Contest Real Estate Taxes, in compliance with the Contest Conditions. Notwithstanding the foregoing, (a) Landlord acknowledges and agrees that, as of the Commencement Date, certain Real Estate Taxes are not payable with respect to the Premises due to the tax-exempt status of both Landlord and Tenant; (b) Landlord covenants and agrees that it shall not take any action, or fail to take any action (including, without limitation, the failure to cooperate with Tenant to file for Tenant's organizational clearance certificate with the California Board of Equalization), which shall result in the Premises becoming subject to such Real Estate Taxes; (c) Landlord covenants and agrees that it shall not take any action, or fail to take any action, which shall result in the Premises becoming subject to additional Real Estate Taxes; and (d) in the event that Landlord breaches the covenants in clauses (b) and (c) and Real Estate Taxes are imposed on the Premises as a result thereof, Landlord shall be solely responsible for the payment of such Real Estate Taxes and Tenant shall have no liability or obligation hereunder with respect thereto.

4.2 *Assessments in Installments.* To the extent Law allows, Tenant may apply to have any assessment payable in installments. Tenant shall then pay and discharge only such installments as become due and payable during the Term.

4.3 *Utilities.* Tenant shall arrange and pay for all fuel, gas, light, power, water, sewage, garbage disposal, telephone, and other utility charges, and the expenses of maintenance, use, and service in connection with the foregoing, for the Premises during the Term. Landlord shall



have absolutely no liability or responsibility for the foregoing, provided that Landlord performs its obligations regarding any related Application.

4.4 *Triple Net Lease.* The parties intend that this Lease shall be a true triple net lease and that except for such costs or expenses which are expressly set forth herein as the obligation of Landlord, all cost, fees and expenses associated with the Premises and the use or maintenance of the Premises shall be the responsibility of and shall be paid by Tenant.

5. Use.

5.1 *Permitted Use.* Tenant shall use the Premises for the operation of a general acute care hospital (the "Mandated Use"), including outpatient services, rural health clinics, ambulance services, and any other lawful purpose (collectively, the "Medical Business"), for the period comprising the first one hundred twenty (120) months after the Commencement Date (the "Mandated Use Period"). Additionally, Tenant shall maintain and provide the existing number of acute care beds, basic emergency services, home health services and existing ambulance services during the Mandated Use Period. Tenant shall provide the existing services at Premises listed on Schedule 5.1 for a period of twenty-four (24) months after the Commencement Date. Thereafter, Tenant shall provide the type and number of services at the Premises as Tenant shall determine in its sole discretion. Notwithstanding the foregoing, (a) Landlord and Tenant may mutually agree to terminate the services commitments as set forth herein at any time during the Term, and (b) throughout the Term, Tenant shall provide emergency services. Tenant's obligations under this Section 5 will not survive termination of this Lease.

5.2 *Exclusive Control.* Tenant shall have exclusive control, possession, occupancy, use, and management of the Premises. Tenant shall have full and complete charge, authority and control of the administration, management and operation of the Medical Business at the Premises. Tenant shall have the right and authority to determine all business, technical and professional policies relating to the operation of the Medical Business, with no restrictions, qualifications or supervision by Landlord. Tenant shall determine the financial policy of the Medical Business and shall have complete power to fix, control and regulate the charges and collections made for services therein. In fixing such charges, Tenant shall apply its best judgment and be controlled by applicable State and federal regulatory statutes and rules.

5.3 *Character of Service.* Tenant is a nonprofit charitable corporation which furthers the mission of the Seventh-day Adventist Church. As such, it operates under certain defined principles and objectives in the operation and management of its health care facilities. Tenant desires to maintain an atmosphere consistent with its beliefs. Landlord understands and agrees that the Medical Business shall be operated in accordance with the characteristics of Seventh-day Adventist medical facilities, subject to Tenant's covenants set forth in Section [6.1] of this Lease.

5.4 *[District Bonds Use Requirements.* [To come from Landlord's Bond Counsel].

5.5 *Mandated Use.* Tenant's failure to operate the Premises for the Mandated Use during the Mandated Use Period, other than as the result of Loss or other Unavoidable Delay, shall constitute a Default.

6. *Compliance.*

6.1 *Generally.* Tenant shall during the Term, at Tenant's expense, in all material respects, subject to Tenant's right of Contest: (a) comply with all Laws and (b) procure and comply with all Approvals required by Law.

6.2 *Copies of Notices.* Landlord shall promptly give Tenant a copy of any notice of any kind regarding the Premises or any Real Estate Taxes (including any bill or statement), and any notice of nonrenewal or threatened nonrenewal of any Approval that Landlord receives from any Government, utility company, insurance carrier, or insurance rating bureau.

7. *Maintenance and Construction.*

7.1 *Obligation to Maintain.* Landlord shall, during the Term, keep and maintain the Premises and the Existing FF&E in good order, condition, and repair, as reasonably specified and prioritized by Tenant according to Tenant's operational needs, subject to Loss (governed by other provisions of this Lease). Landlord's obligation to maintain the Premises and the Existing FF&E includes an obligation to make all repairs, improvements and replacements that the Premises and the Existing FF&E may require by Law from time to time during the Term, whether foreseen or unforeseen, capital or operating. The parties acknowledge the Premises and the Existing FF&E will require significant and ongoing maintenance, repair, and improvements. The parties agree that Tenant, as the operator of the Premises, shall have the principal interest in determining the priority and schedule of Premises and Existing FF&E maintenance, repair, improvements and/or replacements, as applicable. Therefore, beginning on the Execution Date, Tenant shall develop a schedule of maintenance, alterations and construction for the Premises (the "Improvements Schedule"). Tenant will have sole discretion in determining and prioritizing projects on the Improvements Schedule except as may be required to comply with the provisions of the Measure C (2018). Prior to undertaking any project described in the Improvements Schedule, Tenant shall provide the Improvements Schedule to Landlord so that Landlord can determine whether the expenditures comply with Measure C. Beginning on the Commencement Date, Landlord shall make Two Million Dollars (\$2,000,000) ("Improvements Fund") annually available to fund (i) the Improvements Schedule projects and (ii) any repairs, improvements or replacements of Existing FF&E and/or procurement of new FF&E for Hospital operations as determined by Tenant in its sole discretion ("New FF&E"). Landlord shall make the Improvements Funds available each year of this Lease in two equal installments. The first installment will be made available to Tenant on the Commencement Date and each subsequent anniversary of the Commencement Date during the Term. The second installment will be made available to Tenant on the date that is six months after the Commencement Date and thereafter on the date that is six months after each Commencement Date anniversary during the Term. Notwithstanding anything herein to the contrary, any FF&E Tenant acquires or leases during the Term for Hospital operations using funds other than the Improvements Fund shall not be included in the definition of "New FF&E." Landlord shall deposit the Improvements Fund in an account. Tenant shall manage the Improvements Fund account and shall have authority to withdraw money for Improvements Schedule projects and FF&E related

expenses as described herein. On each anniversary of the Commencement Date, the Improvements Fund shall be increased by an amount equal to the product of (a) the Improvements Fund for the immediately preceding year multiplied by (b) the CPI Adjustment Factor, provided that in no event will the Improvements Fund ever be an amount less than Two Million Dollars (\$2,000,000). Any surplus of the Improvements Fund from a given year will be carried forward and added to the following year's Improvements Fund.

**7.2 Restricted Capital Fund.** No later than the Commencement Date, Landlord shall open a non-transferable account with a bank or escrow company of its choosing and begin depositing monies according to the schedule set forth in **Exhibit D**. Landlord will retain sole ownership and control of this Restricted Capital Fund account ("**Restricted Capital Fund**"), subject to a springing control agreement in favor of Tenant in the event of the occurrence of a Landlord Default under Section 19.2.2.1. Landlord shall provide Tenant with an accounting of the Restricted Capital Fund upon Tenant's request, subject to Section 15.5.7 of this Lease. Landlord may only use the Restricted Capital Fund (1) to achieve seismic compliance of the Improvements as mandated by state and federal Laws ("**Seismic Compliance**"), or (2) upon mutual agreement with Tenant, for (i) the development or modernization of Hospital outpatient facilities or (ii) the development or modernization of inpatient facilities.

**7.2.1. Seismic Compliance Plan.** No later than January 1, 2025, Landlord shall prepare, to the reasonable satisfaction of Tenant, a committed plan to achieve Seismic Compliance for the Improvements. Landlord must achieve Seismic Compliance no later than January 1, 2030, or on the date required by Law, whichever occurs later. The Seismic Compliance Plan and Schedule herein are based on current statutory and regulatory seismic safety requirements as of the effective date of this Lease. The Seismic Compliance Plan and Schedule shall be modified *in pari materia* to account for any subsequent legislative or regulatory modifications of current seismic requirements which delays, reduces, relieves or otherwise affects the seismic safety requirements applicable to the hospital premises. Notwithstanding anything to the contrary contained herein, Landlord, and not Tenant, shall be solely responsible for the compliance of the Premises with any Laws relating to seismic performance standards and any costs and expenses related thereto. Landlord's obligation for Seismic Compliance shall not survive expiration of this Lease caused by the closing of Tenant's purchase of the Hospital Assets pursuant to Section 15.5 of this Lease.

**7.3 Improvements Schedule, Restricted Capital Fund and Construction Projects.** Landlord may perform the Improvements Schedule projects or Restricted Capital Fund Projects. Landlord shall provide at least thirty (30) days written notice to Tenant before performing any such projects it wishes to perform. Upon receiving notice, Tenant may elect to perform any Landlord-noticed projects, by delivering written notice to Landlord within Landlord's notice period. Additionally, Tenant may perform any Improvements Schedule projects it deems necessary or appropriate under Sections 7.1. Tenant shall keep Landlord reasonably informed of the Improvements Schedule projects it is performing. Tenant may make withdrawals from the Improvements Fund as costs are incurred for Improvements Schedule projects it performs. Tenant shall provide monthly accounting of the Improvements Fund account to Landlord and provide reasonably requested documentation supporting withdrawals it makes. If Landlord performs any Improvements Schedule projects, it shall invoice Tenant within thirty (30) days it completes the

project. Tenant shall pay Landlord within forty-five (45) days of receiving Landlord's invoice. For Improvements Schedule or Construction projects with estimated costs that equal or are less than amounts available in the Improvements Fund, Tenant may proceed with such projects with Notice to Landlord. For Improvements Schedule or Construction projects with estimated costs that are greater than the amounts available in the Improvements Fund, Tenant shall seek Landlord's prior consent, which will not be unreasonably withheld, and the parties shall come to an agreement as to which party shall assume responsibility for what portion of the cost of such projects within a reasonable period after Tenant initially seeks Landlord's consent for such project. Tenant may carry any excess costs of Improvements Schedule or Construction projects from a given year into future Improvements Funds years until Tenant is made whole. To the extent that Tenant commences any projects hereunder, Tenant shall complete the project with reasonable diligence and within a reasonable period. Tenant shall timely obtain and promptly deliver to Landlord, for Landlord's information, all Approvals necessary or appropriate for any projects. All Improvements that Tenant constructs on the Land shall become part of the Premises.

7.4 *Plans and Specifications.* To the extent that Tenant obtains plans and specifications or surveys (including working plans and specifications and "as-built" plans and specifications and surveys) for any Improvements Schedule or Construction projects, Tenant shall promptly upon Landlord's request give Landlord a copy, subject to the terms of any agreement between Tenant and the applicable architect, engineer, or surveyor.

7.5 *Applications and Approvals.* Tenant shall apply to each applicable Government for such Approvals as any projects undertaken by Tenant shall require. Upon Tenant's request, Landlord shall, without cost to Landlord, promptly join in and execute any Application as Tenant reasonably requests, and otherwise reasonably cooperate with Tenant in obtaining Approvals, provided that such Application is in customary form and imposes no material obligations (beyond obligations ministerial in nature or merely requiring compliance with Law) upon Landlord. Landlord grants to Tenant a power of attorney, coupled with an interest, and therefore irrevocable, to sign on Landlord's behalf any Application that this Lease requires Landlord to sign. Promptly upon Tenant's request and without charge, Landlord shall furnish all information in its possession that Tenant reasonably requests for any Application. Landlord assumes no liability by cooperating with any projects undertaken by Landlord.

7.6 *Landlord Nonopposition.* Landlord shall not appear in opposition to any Application brought, sought, or defended by Tenant before any Government arising out of any Application consistent with this Lease.

7.7 *Tenant EMR and Business Systems.* Tenant may implement an electronic medical record ("EMR") system of its choice and other standard business technology solutions for use in operations at the Premises at such time as Tenant decides. Upon expiration or termination of this Lease, Landlord may purchase Tenant's EMR electronic platform and receive associated data in a manner consistent with state and federal law.

## 8. Prohibited Liens.

8.1 *Tenant's Covenant.* If a Prohibited Lien is filed then Tenant shall, within 30 days after receiving Notice from Landlord of such filing (but in any case within 15 days after



receipt of Notice from Landlord of commencement of foreclosure proceedings), commence appropriate action to cause such Prohibited Lien to be paid, discharged, bonded, or cleared from title. Tenant shall thereafter prosecute such action with reasonable diligence and continuity. If Landlord receives notice of any such filing, then Landlord shall promptly Notify Tenant. Nothing in this Lease shall be construed to: (a) limit Tenant's right of Contest; or (b) obligate Tenant regarding any lien that results from any act or omission by Landlord. If any Subtenant causes a Prohibited Lien, then Tenant's obligations under this paragraph shall be suspended so long as both: (a) Tenant is with reasonable diligence endeavoring to cause the Subtenant to remove the Prohibited Lien; and (b) the holder of the Prohibited Lien has not commenced foreclosure proceedings.

8.2 *Protection of Landlord.* NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT UPON CREDIT, AND THAT NO MECHANIC'S OR OTHER LIEN FOR ANY SUCH LABOR OR MATERIALS SHALL ATTACH TO OR AFFECT THE FEE ESTATE. NOTHING IN THIS LEASE SHALL BE DEEMED OR CONSTRUED IN ANY WAY TO CONSTITUTE LANDLORD'S CONSENT OR REQUEST, EXPRESS OR IMPLIED, BY INFERENCE OR OTHERWISE, TO ANY CONTRACTOR, SUBCONTRACTOR, LABORER, EQUIPMENT OR MATERIAL SUPPLIER FOR THE PERFORMANCE OF ANY LABOR OR THE FURNISHING OF ANY MATERIALS OR EQUIPMENT FOR ANY CONSTRUCTION, NOR AS GIVING TENANT ANY RIGHT, POWER OR AUTHORITY TO CONTRACT FOR, OR PERMIT THE RENDERING OF, ANY SERVICES, OR THE FURNISHING OF ANY MATERIALS THAT WOULD GIVE RISE TO THE FILING OF ANY LIENS AGAINST THE FEE ESTATE. TENANT SHALL INDEMNIFY LANDLORD AGAINST ANY CONSTRUCTION UNDERTAKEN BY TENANT OR ANYONE CLAIMING THROUGH TENANT, AND AGAINST ALL PROHIBITED LIENS.

9. *Hazardous Substances.*

9.1 *Restrictions.* Tenant shall not cause on, under or at the Premises during the Term: (a) any material violation of any Environmental Law; or (b) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance, or transportation to or from the Premises of any Hazardous Substance, unless in compliance with all applicable Environmental Laws.

9.2 *Compliance; Clean-Up.*

9.2.1. Tenant shall, at Tenant's expense: (a) comply with Environmental Law in connection with its operations and, to the extent Environmental Law requires, investigate, mitigate and/or clean up any Hazardous Substance Discharge on, at, or under the Premises to the extent caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws in connection with its operations; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term, prepare and submit the required plans and all related bonds and other financial assurances;

(d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Landlord against all Liabilities associated with Hazardous Substances Discharge, noncompliance with Environmental Law and any other matter that arises in connection with an environmental condition, property damage, natural resource damage or bodily injury to the extent caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term.

9.2.2. Landlord shall, at Landlord's expense: (a) comply with Environmental Law and, to the extent Environmental Law requires, investigate, mitigate and/or clean up any Hazardous Substance Discharge on, at, or under the Premises (i) to the extent caused or exacerbated by Landlord or any of Landlord's People or attributable to Landlord's operation of the Hospital or (ii) predating the Commencement Date; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Landlord or any of Landlord's People, attributable to Landlord's operation of the Hospital, or predating the Commencement Date, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Tenant against all Liabilities associated with Hazardous Substances Discharge, noncompliance with Environmental Law and any other matter that arises in connection with an environmental condition, property damage, natural resource damage or bodily injury caused or exacerbated by Landlord or any of Landlord's People, attributable to Landlord's operation of the Hospital, or predating the Commencement Date, in any case whether known or unknown.

9.2.3. "Liabilities" for purposes of this Section 9.2 shall include all costs, losses, liabilities, obligations, damages, lawsuits, deficiencies, claims, demands and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, any investigation or clean-up, remedial correction or response action, damages to the environment or natural resources, legal fees and all amounts paid in investigation, defense or settlement. Any party's obligations under this Section 9.2 shall not limit such party's rights against third parties. With respect to either party hereto, its "People" means its agents, employees, contractors, officers, directors, consultants and representatives. This Section shall survive the expiration or termination of this Lease.

#### 10. Indemnification; Liability of Landlord.

10.1 *Obligations.* Landlord and Tenant shall each Indemnify the other against any: (a) wrongful act, wrongful omission, or negligence of the Indemnitor (and anyone claiming by or through the Indemnitor) or its or their partners, members, directors, officers, or employees; (b) breach or default by the Indemnitor under this Lease; or (c) breach of any representation or warranty made by Indemnitor in this Lease. In addition, Tenant shall Indemnify Landlord against the following during the Term: (w) any Contest Tenant initiates; (x) any Application made at Tenant's request; (y) any Construction undertaken by Tenant and any agreements that Tenant (or anyone claiming through Tenant) makes for any such Construction; and (z) any accident, injury or damage whatsoever caused to any person in or on the Premises or upon or under the sidewalks adjoining the Premises. Notwithstanding anything to the contrary in this Lease, no Indemnitor shall be required to Indemnify any Indemnitee regarding the Indemnitee's intentional acts or omissions



or negligence. This paragraph does not apply to Environmental Law and Hazardous Substances Discharges, which are covered elsewhere.

10.2 *Liability of Landlord.* During the Term: (a) Tenant is and shall be in exclusive control and possession of the Premises; and (b) Landlord shall not be liable for any injury or damage to any property (of Tenant or any other Person) or to any person occurring on or about the Premises, unless caused by Landlord's intentional act, omission, or Landlord's negligence. Nothing in this Lease shall be construed to exculpate, relieve, or Indemnify Landlord from or against any liability of Landlord: (y) to third parties existing at or before the Commencement Date; or (z) arising from Landlord's intentional acts or omissions or Landlord's negligence.

10.3 *Indemnification Procedures.* Wherever this Lease requires any Indemnitor to Indemnify any Indemnitee:

10.3.1. *Prompt Notice.* Indemnitee shall promptly Notify Indemnitor of any claim. If Indemnitee fails to give prompt Notice, then to the extent, and only to the extent, such failure materially prejudices Indemnitor, Indemnitor shall be relieved of its indemnity obligations for such claim.

10.3.2. *Selection of Counsel.* Indemnitor shall select counsel reasonably acceptable to Indemnitee. Counsel to Indemnitor's insurance carrier shall be deemed satisfactory. Even though Indemnitor shall defend the action, Indemnitee may, at its option and its own expense, engage separate counsel to advise it regarding the claim and its defense. Such counsel may attend all proceedings and meetings. Indemnitor's counsel shall actively consult with Indemnitee's counsel. Indemnitor and its counsel shall, however, fully control the defense.

10.3.3. *Cooperation.* Indemnitee shall reasonably cooperate with Indemnitor's defense, provided Indemnitor reimburses Indemnitee's actual reasonable out of pocket expenses (including Legal Costs) in providing such cooperation.

10.3.4. *Settlement.* Indemnitor may, with Indemnitee's consent, not to be unreasonably withheld, settle the claim. Indemnitee's consent shall not be required for any settlement by which: (w) Indemnitor procures (by payment, settlement, or otherwise) a release of Indemnitee by which Indemnitee need not make any payment to the claimant; (x) neither Indemnitee nor Indemnitor on behalf of Indemnitee admits liability; (y) the continued effectiveness of this Lease is not jeopardized in any way; and (z) Indemnitee's interest in the Premises is not jeopardized in any way.

10.3.5. *Insurance Proceeds.* Indemnitor's obligations shall be reduced by net insurance proceeds Indemnitee actually receives for the matter giving rise to indemnification.

10.4 *Survival.* This Section 10 shall survive the expiration or termination of this Lease.

11. Right of Contest.

11.1 *Tenant's Right; Contest Conditions.* Notwithstanding anything to the contrary in this Lease, Tenant shall have the exclusive right to contest, at its sole cost, by appropriate legal proceedings diligently conducted in good faith, the amount or validity of any Real Estate Taxes or Prohibited Lien; the valuation, assessment, or reassessment (whether proposed, phased, or final) of the Premises for Real Estate Taxes; the amount of any Real Estate Tax; the validity of any Law or its Application to the Premises; the terms or conditions of, or requirements for, any Approval; or the validity or merit of any claim against which this Lease requires Tenant to Indemnify Landlord (any of the foregoing, a "Contest"). Tenant may defer payment or performance of the contested obligation pending outcome of the Contest, provided that Tenant causes the following conditions (collectively, the "Contest Conditions") to remain satisfied:

*11.1.1. No Criminal Act.* Such deferral or noncompliance shall not constitute a criminal act by Landlord or subject Landlord to a material risk of any fine or penalty, or, if such material risks exists, Tenant has given Landlord a bond, letter of credit, or other security reasonably satisfactory to Landlord (the "Contest Security") in an amount equal to the reasonably estimated amount of such civil penalties.

*11.1.2. No Liability.* Such deferral or noncompliance creates no material risk of a lien, charge, or other liability of any kind against the Fee Estate, or, if such material risk exists, Tenant has given Landlord Contest Security equal to the reasonably estimated amount of such lien, charge, or other liability.

*11.1.3. No Forfeiture.* Such deferral or noncompliance will not place the Fee Estate in material danger of being forfeited or lost.

*11.1.4. No Cost to Landlord.* Such Contest shall be without cost, liability, or expense to Landlord.

*11.1.5. Diligence.* Tenant shall prosecute such Contest with reasonable diligence and in good faith.

*11.1.6. Payment.* If required for such Contest, Tenant shall have paid the Contested Real Estate Taxes or other matter.

*11.1.7. Collection of Real Estate Taxes.* If such Contest relates to any Real Estate Tax, then such Contest shall suspend its collection from Landlord and the Fee Estate.

*11.1.8. No Tax Deed.* If, at any time, payment of any Real Estate Taxes is necessary to prevent the imminent (i.e., within 30 days) delivery of a tax deed of the Fee Estate for nonpayment, then Tenant shall pay or cause to be paid the sums in sufficient time to prevent delivery of such deed.



*11.1.9. Named Parties.* If Landlord has been named as a party in any action, then Tenant shall cause Landlord to be removed as such party and Tenant substituted in Landlord's place, if permissible under the circumstances.

*11.2 Landlord Obligations and Protections.* Landlord need not join in any Contest unless (a) Tenant has complied with the Contest Conditions; and (b) such Contest must be initiated or prosecuted in Landlord's name. In such case, Landlord shall cooperate, as Tenant reasonably requests, to permit the Contest to be prosecuted in Landlord's name. Landlord shall give Tenant any documents, deliveries, and information in Landlord's control and reasonably necessary for Tenant to prosecute its Contest. Landlord shall otherwise assist Tenant in such Contest as Tenant reasonably requires. Tenant shall pay all reasonable costs and expenses, including Legal Costs, of any Contest.

*11.3 Miscellaneous.* Tenant shall be entitled to any refund of any Real Estate Taxes (and penalties and interest paid by Tenant), to the extent attributable to periods within the Term, whether such refund is made during or after the Term. When Tenant concludes Tenant's Contest of any Real Estate Taxes, Tenant shall pay the amount of such Real Estate Taxes (if any) as has been finally determined in such Contest to be due, to the extent attributable to periods within the Term, and any costs, interest, penalties, or other liabilities in connection with such Real Estate Taxes. Upon final determination of Tenant's Contest of a Law, Tenant shall comply with such final determination. So long as the Contest Conditions remain satisfied, Landlord shall enter no objection to any Contest.

*11.4 Contest Security.* Landlord shall promptly release any Contest Security to Tenant after the Contest has been resolved and Tenant has performed its obligations, if any, as determined by such resolution. Landlord shall hold any Contest Security in an interest-bearing account separate from any other account held by Landlord.

## 12. Insurance.

### 12.1 *Insurance Program.*

*12.1.1. Professional Liability Insurance; General Liability Insurance; Property Insurance.* Tenant shall, at its sole expense, during the Term, maintain hospital professional and general liability protection for the Premises during the Term through either (a) the AHS/West HPL/GL self-funded Trust Program which provides liability protection for all AHS/West participant health care facilities, or (b) alternative commercial insurance coverage with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. To the extent that the hospital medical staff bylaws require physicians exercising clinical privileges to maintain their own liability insurance policies, Tenant will enforce said requirement. In addition, Tenant or, at Tenant's election with not less than thirty (30) days' prior written Notice to Landlord and at Tenant's sole cost and expense, Landlord shall maintain Property Insurance on the Premises and buildings and Improvements within the Premises. The limits for such Property Insurance shall be for the full replacement value of the property so insured. Such insurance shall provide protection on a comprehensive special form "all risk" basis.

12.2 *Nature of Insurance Program.* All insurance policies this Lease requires, if issued by a commercial insurer (as opposed to protection through the AHS/West self-funded HPL/GL Trust Program), shall be issued by carriers that: (a) have a policyholders' rating of "A-/VIII" or better, based on the latest rating publication of Property and Casualty Insurers by A.M. Best Company (or its equivalent if such publication ceases to be published); and (b) are lawfully doing business in the State.

12.3 *Policy Requirements and Endorsements.* All insurance policies this Lease requires (except any insurance policies required under Section 12.6 to which the following provisions may be inapplicable) shall contain (by endorsement or otherwise) the following provisions:

12.3.1. *Insureds.* Liability coverage shall name Landlord as an "additional insured" or as an "additional participant" as respects Tenant's acts, errors and omissions. Notwithstanding anything to the contrary in this paragraph, all Property Insurance Proceeds shall be paid and applied as this Lease provides.

12.3.2. *Primary Coverage.* All policies or programs of self-insurance shall be written as primary coverage as respects Tenant's acts, errors and omissions, not contributing to or in excess of any coverage that Landlord may carry.

12.3.3. *Notice to Landlord.* The insurance carrier or the AHS/West self-funded HPL/GL Trust Program shall provide Landlord 30 days' prior Notice of cancellation or nonrenewal.

12.4 *Tenant's Inability to Obtain Insurance.* So long as (a) any insurance (except Property Insurance) this Lease requires is, after diligent effort by Tenant, unobtainable at commercially reasonable rates through no act or omission by Tenant; and (b) Tenant obtains the insurance coverage reasonably obtainable and Notifies Landlord of the extent of Tenant's inability to obtain the full insurance this Lease requires, Tenant's obligation to procure and maintain such insurance as is unobtainable shall be excused, but only so long as conditions "a" and "b" are satisfied. Notwithstanding the foregoing, if Landlord at any time can procure for Tenant such insurance at commercially reasonable rates at any time after Tenant's Notice of inability to do so (and before Tenant has withdrawn such Notice), then Tenant shall obtain and maintain such insurance at Tenant's expense.

12.5 *Waiver of Certain Claims.* To the extent that Landlord or Tenant purchases any policy of Property Insurance, the party purchasing such insurance (the "Insurance Purchaser") shall cause the insurance carrier to agree to a Waiver of Subrogation, if not already in the policy. If any insurance policy cannot be obtained with a Waiver of Subrogation, or a Waiver of Subrogation is obtainable only by paying an additional premium, then the Insurance Purchaser shall so Notify the other party. The other party shall then have 10 Business Days after receipt of such Notice either to (a) direct the Insurance Purchaser to place such insurance with a company reasonably satisfactory to the other party and willing to issue the insurance with a Waiver of Subrogation at no greater or additional cost, or (b) agree to pay the additional premium if such a policy can be obtained only at additional cost. To the extent that the parties actually obtain insurance with a Waiver of Subrogation, the parties release each other, and their respective

authorized representatives, from any claims for damage to any person or the Premises that are caused by or result from risks insured against under such insurance policies.

12.6 *Landlord Insurance.* Landlord shall, at its sole expense, maintain comprehensive general liability coverage for its own protection, and other insurance policies or programs of self-insurance it deems appropriate to cover the liability of Landlord. In addition, if Landlord's medical/hospital professional liability insurance is written on a claims made basis, Landlord agrees to purchase an unlimited extended reporting period endorsement or "tail" coverage. Landlord agrees to provide Tenant with evidence of such coverage.

12.7 *No Representation.* Neither party makes any representation that the limits, scope, or forms of insurance coverage this Lease requires are adequate or sufficient.

12.8 *Updates to Insurance Coverage.* Tenant and Landlord hereby covenant and agree that each will reevaluate, no later than the commencement of each renewal Term, the insurance coverage requirements set forth in this Section 12 of this Lease, and will update or otherwise amend the requirements of this Section 12 to ensure that at all times each party will carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other entities in connection with the ownership and operation of property and facilities of similar character and size in California.

### 13. *Losses and Loss Proceeds.*

13.1 *Prompt Notice.* If either party becomes aware of any Casualty or actual, contemplated, or threatened Condemnation, then such party shall promptly so Notify the other party.

13.2 *Casualty.* If any Casualty occurs that is not a Substantial Casualty, then Tenant shall, except as otherwise provided in this paragraph, Restore with reasonable promptness. If the Casualty is a Substantial Casualty, then Tenant may, by Notice to Landlord given within six (6) months after the Casualty elect a Casualty Termination effective thirty (30) days after such Notice. Upon any Casualty Termination, Tenant shall assign and transfer to Landlord all of Tenant's rights to Property Insurance Proceeds Tenant received, or is entitled to receive, because of the Casualty. If, however, pursuant to Law, the Premises cannot be restored to the same bulk, and for the same use(s), as before the Casualty, then upon any resulting Casualty Termination, Tenant shall be entitled to receive and retain (as a first priority claim to the Property Insurance Proceeds) a portion of the Property Insurance Proceeds equal to the Market Value of the Leasehold Estate. Unless Tenant has validly elected a Casualty Termination: (a) this Lease shall not terminate; and (b) Tenant shall be solely responsible for negotiating and adjusting any Property Insurance Proceeds (or, if Landlord is the insuring party, then Landlord shall allow Tenant to participate in the negotiation and adjustment of any Property Insurance Proceeds).

13.3 *Substantial Condemnation.* If a Substantial Condemnation occurs during the Term, then as of the Condemnation Effective Date the Expiration Date shall occur and the parties shall apportion Rent. Landlord shall not settle or compromise any Condemnation Award

without consent by Tenant. Landlord and Tenant shall allocate the Condemnation Award as follows and in the following order of priority, without duplication, until exhausted:

*13.3.1. Costs and Expenses.* To reimburse Landlord and Tenant for their respective actual costs and expenses, including Legal Costs, incurred in the Substantial Condemnation and determining and collecting the Condemnation Award.

*13.3.2. Landlord's Claim.* Landlord shall receive such portion of the Condemnation Award as shall equal the Market Value of the Fee Estate at the Condemnation Effective Date.

*13.3.3. Tenant's Claim.* Tenant shall receive such portion of the Condemnation Award as shall equal the Market Value of the Leasehold Estate, if any, at the Condemnation Effective Date.

*13.3.4. Residual Claim.* Landlord shall receive the entire remaining Condemnation Award.

*13.4 Insubstantial Condemnation.* If an Insubstantial Condemnation occurs during the Term then any Condemnation Award(s) shall be paid to Tenant and applied first toward Restoration, in the same manner as Restoration after Casualty, provided that if the Condemnation Award is inadequate to complete the Restoration, Tenant shall contribute the deficiency and Tenant shall Restore in compliance with this Lease. After Tenant has completed and fully paid for Restoration, any remaining Condemnation Award shall be distributed to Landlord and Tenant as if it arose from a Substantial Condemnation that affected only the part of the Premises taken, with an equitable allocation of all elements taken into account in determining such distribution. After the Condemnation Effective Date, all Base Rent shall decrease by a fraction whose numerator is the amount of the Condemnation Award paid to Landlord and whose denominator is the Market Value of the Fee Estate immediately before the Condemnation Effective Date.

*13.5 Near End of Term.* If an Insubstantial Condemnation occurs during the last three (3) years of the Term, then Tenant, upon thirty (30) days' prior Notice to Landlord, given at any time within ninety (90) days after such Insubstantial Condemnation, may cancel or terminate this Lease. Upon such termination, the Rent shall be apportioned as of the date of termination, and Tenant need not Restore. In that event, the balance of the Condemnation Award, less any reasonable amounts expended by Tenant to the date of termination to safeguard, clear, or make emergency repairs to the Premises (the costs of which shall be reimbursed to Tenant from the Condemnation Award), shall belong to Landlord free of any claim by Tenant.

*13.6 Temporary Condemnation.* If a Temporary Condemnation occurs during the Term and relates to a period longer than 90 days, then Tenant may terminate this Lease effective as of the Condemnation Effective Date. In that event, and to the extent that the period of such Temporary Condemnation otherwise includes any period outside the Term, the Condemnation Award from such Temporary Condemnation shall belong to Landlord. If the Temporary Condemnation relates to a period of 90 days or less, or if Tenant does not terminate this Lease because of the Temporary Condemnation, then Tenant shall receive the Condemnation Award (to the extent attributable to periods within the Term) and this Lease shall not be affected

in any way. Landlord shall have no right to participate in any Temporary Condemnation proceedings unless either (a) Tenant elects to terminate this Lease because of the Temporary Condemnation; or (b) Tenant may not legally participate in such proceedings. In the latter case, Landlord shall participate in such proceedings in accordance with Tenant's instructions, all at Tenant's reasonable expense and using counsel selected, instructed, and paid by Tenant.

13.7 *Use of Loss Proceeds.* Landlord assigns to Tenant the right to receive all Loss Proceeds if the event giving rise to such Loss Proceeds has not resulted in the termination of this Lease. If Landlord receives any Loss Proceeds under such circumstances, Landlord shall promptly remit them to Tenant. Until Tenant has completed and paid for Restoration, Tenant shall hold all Loss Proceeds to be used first to Restore and for no other purpose. When Tenant has completed and paid for Restoration, Tenant may retain any remaining Loss Proceeds. Notwithstanding anything in this Lease to the contrary, if Restoration Funds are insufficient to Restore, then Tenant may terminate this Lease on thirty (30) days' Notice to Landlord and shall deliver all of the Loss Proceeds received by Tenant (or the right to receive same if not yet received by Tenant) to Landlord.

13.8 *Continuation of Lease.* Except as this Lease expressly provides, this Lease shall not terminate, be forfeited, or be affected in any other manner, and Tenant waives any right to quit or surrender the Premises or any part of the Premises, because of any Loss or any resulting untenability. Unless and until this Lease has been validly terminated, Tenant's obligations under this Lease, including the obligation to pay Rent, shall continue unabated, subject to the Nonrecourse Clause.

#### 14. Representations and Warranties.

Landlord represents and warrants to Tenant that the following facts and conditions exist and are true as of the Commencement Date:

14.1 *Due Authorization and Execution.* Landlord has full right, title, authority, and capacity to execute and perform this Lease, the Memorandum of Lease and any other agreements and documents to which Landlord is a party and referred to or required by this Lease, subject to the Electorate Approval (collectively, the "Lease-Related Documents"); the execution and delivery of the Lease-Related Documents have been duly authorized by all requisite actions of Landlord; the Lease-Related Documents constitute valid, binding, and enforceable obligations of Landlord; and neither the execution of the Lease-Related Documents nor the consummation of the transactions they contemplate violates any agreement (including Landlord's governing documents), contract, or other restriction to which Landlord is a party or is bound. Tenant makes to Landlord representations and warranties reciprocal to those in the preceding sentence. Both parties' representations and warranties in this paragraph shall continue to apply in full force and effect throughout the Term as if made continuously during the Term.

14.2 *Real Property.* With respect to Landlord's real property, Landlord represents and warrants the following:

14.2.1 *Use of Real Property and Condition.* The Premises has been operated by Landlord as an acute care hospital from the date of first licensure as such to the present,

which use included the handling of certain substances normally used in such hospitals some of which may be Hazardous Substances. Landlord has limited or no knowledge of any uses or operations of the Premises prior to such first acute care hospital licensure. Landlord has no knowledge of any Release or threatened Release by any person of any Hazardous Substances, at, under or about the Premises, which may give rise to any cost, penalty, expense, claim, demand, order, or liability, including, but not limited to, investigation, remediation, or other response action costs being imposed against Landlord and/or Tenant by any third party. Landlord hereby represents and warrants to Tenant that Landlord is not aware of, nor has Landlord received notification of any information which reasonably should have alerted Landlord to become aware of, any actual or potential claim, action, or demand relating to the handling of Hazardous Substances or Environmental Laws, actual material violations of any statutes, regulations or laws relating to maintenance, disposition, release or handling of any Hazardous Substances at the Hospital.

*14.2.2. Permits.* The Hospital and the Premises are and, during the period of Landlord's ownership always have been, operated in compliance in all material respects with all Environmental Laws. Landlord has all permits required under Environmental Laws for any and all operations, activities, alterations, or improvements at the Hospital, and for the Transferred Assets, which permits are listed in **Schedule 14.2.2**. Landlord is in full compliance with the terms and conditions of such permits and all such permits are presently in full force and effect. No such permits will terminate as a result of the consummation of the transactions contemplated by this Agreement, and no such permit is required to be transferred to Tenant or any of its affiliates at or prior to the Commencement Date for Tenant to lawfully operate the Hospital on and after the Commencement Date.

*14.2.3. Violations.* Landlord has not: (a) entered into or been subject to any consent decree, compliance order, or administrative order with respect to the Hospital or operations thereon, in each case relating to Environmental Law; (b) received notice under the citizen provision of any Environmental Law in connection with the Hospital or operations thereon; (c) received any request for information, notice, notice of violation, demand letter, administrative inquiry, or complaint or claim with respect to any environmental condition or Environmental Law relating to the Hospital or operations thereon; or (d) been subject to or threatened with any governmental or citizen enforcement action with respect to the Hospital or operations thereon; and Landlord has no reason to believe that any of the above will be forthcoming.

*14.2.4. Reports.* Landlord has provided to Tenant all material permits, audits, reports, notices, assessments, and other documentation relating to the Handling of Hazardous Substances or Environmental Laws at the Hospital or Premises that are in the possession, custody, or control of Landlord.

**14.3 No Litigation.** Landlord has not been served with any summons, complaint or written notice to arbitrate, and there is no existing or, to Landlord's knowledge, pending or threatened litigation, suit, action, investigation or proceeding before any court or administrative agency affecting Landlord, any constituent entity or individual of Landlord, or the Premises that would, if adversely determined, materially adversely affect Landlord, the Premises, the Licensed Operations, this Lease, or the Leasehold Estate, except as set forth in **Schedule 14.3**.

14.4 *No Pending Condemnation.* There is no existing or, to Landlord's knowledge, pending or threatened Condemnation affecting any portion of the Premises or any pending public improvements in, about, outside or appurtenant to the Premises that will materially adversely affect the use and operation of the Premises for the Medical Business, the value of the Premises, or access to the Premises or that will create additional cost to any owner or Tenant of the Premises by means of special assessments or otherwise.

14.5 *Equipment Liens.* To Landlord's knowledge, the Premises are free and clear of any rights or claims of a type that, if Tenant entered into or granted them after the Commencement Date, would constitute Equipment Liens.

14.6 *FIRPTA.* Landlord is not a "foreign person" within the meaning of Section 1445(f)(3) of the United States Internal Revenue Code of 1986.

14.7 *No Pending Construction or Liens.* Other than the construction contemplated in Section 7, Landlord is not a party to any contract for any Construction. With the exception of matters related to the construction contemplated in Section 7, to Landlord's knowledge, no Person has the right to claim any mechanic's or supplier's lien arising from any labor or materials furnished to the Premises before the Commencement Date.

14.8 *[Reserved].*

14.9 *Electorate Approval.* To Landlord's knowledge, Landlord has taken such actions as are necessary to submit to the voters of Landlord's district a measure proposing the transfer and lease of Premises and Existing FF&E as contemplated under this Lease, in accordance with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code (the "Electorate Approval").

14.10 *Premises Status.* The Premises are subject only to the permitted real property encumbrances listed on Schedule 14.10; and except as disclosed on Schedule 14.10, there are no purchase contracts, options, rights of first refusal, rights of first offer or first negotiation, restrictive covenants or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in the Premises. No officers, directors or employees of Landlord, or relative of any of such officer, director or employee, has any direct or indirect interest in any of the Premises.

14.11 *Zoning.* To Landlord's knowledge, the Premises are zoned to permit the uses for which the Premises is presently used and/or intended to be used, without variances or conditional use permits.

14.12 *Easements and Encroachments.* To Landlord's knowledge, Landlord has all easements and rights of way, including without limitation, easements for all utilities, services, roadways and other means of ingress and egress, necessary for access to the Premises. Except as disclosed in the express map and/or the title report, none of the Improvements encroach onto adjacent property, violate set-back, building, or sideline requirements, or encroach onto any easements located on the Premises.

15. Landlord's Transfers.

15.1 *Landlord's Right to Convey.* Landlord may Transfer the Fee Estate from time to time, but only if (a) such transaction and the resulting ownership of Landlord do not otherwise violate this Lease; and (b) Landlord promptly Notifies Tenant of such Transfer and Tenant grants its written consent thereto prior, and as a condition, to the effectiveness of such Transfer. If any transaction violates the preceding sentence, then: (w) it shall be null, void, and of no force or effect; (x) notwithstanding the foregoing, Tenant shall be entitled to equitable relief to cancel and rescind it; (y) Tenant may terminate this Lease; and (z) Tenant may exercise any other available right or remedy.

15.2 *Release of Landlord.* Upon any Transfer of the entire Fee Estate in compliance with this Lease, the grantor shall be automatically freed and relieved from all liability (excluding liability previously accrued) for performance of any covenants or obligations to be performed by Landlord after the Transfer, provided that: (i) Landlord delivers and turns over to the grantee all Trust Funds; and (ii) such successor Landlord acknowledges to Tenant receipt of such Trust Funds and assumes Landlord's future obligations under this Lease, subject to the Nonrecourse Clause. This Lease shall bind Landlord only while Landlord owns the Fee Estate, except as to any liabilities and obligations accrued before the date of Transfer of the Fee Estate or arising from failure to turn over any Trust Funds.

15.3 *Tenant's Right of First Refusal.* If Landlord desires to Transfer the Fee Estate at any time prior to the Expiration Date, then Landlord shall first offer (the "Landlord's Offer") to Transfer the Fee Estate to Tenant (or a purchaser Tenant procures) ("Tenant's ROFR") before offering it to any other Person, all as follows:

15.3.1. *Landlord's Offer.* Landlord's Offer shall be in writing and shall set forth the terms on which Landlord proposes to Transfer the Fee Estate. Such terms shall: (a) require either payment in cash at closing or deferred payments secured, if at all, only by a standard printed form fee mortgage; (b) not involve any other real property (but shall include the then Existing FF&E); (c) not require either purchaser or Landlord to perform or bear any material post-closing obligations or deliver any guaranties, except for the Special Operating Covenant and except that Landlord shall indemnify Tenant for any and all liabilities, whether known or unknown, connected with any violation of Environmental Law or any Hazardous Substance Discharge caused by the Landlord or beginning or occurring prior to the Commencement Date; (d) allow the purchaser to assign its contract; and (e) require conveyance of title subject only to (i) nonmonetary encumbrances recorded against the Fee Estate prior to the Commencement Date and (ii) encumbrances created by, or resulting from the acts or omissions of, or with the express written consent of, Tenant, and the Special Operating Covenant. The Transfer shall otherwise be on the terms of a standard printed form contract of sale used in the State for improved real property and selected by Tenant, modified as necessary in Tenant's reasonable judgment to reflect the terms of Landlord's Offer, with a closing 60 to 180 days (as designated by Tenant on 60 days' Notice to Landlord) after the date Tenant has accepted Landlord's Offer. Time shall not be of the essence for the closing date.

15.3.2. *Sale to Third Party.* If Tenant Notifies Landlord that Tenant does not desire to purchase the Fee Estate on the terms of Landlord's Offer, or fails to accept Landlord's



Offer within sixty (60) days after receipt, then Landlord may Transfer the Fee Estate to any other Person, except as set forth below, provided that such Transfer closes within one hundred eighty (180) days after the date that Tenant notifies Landlord that it does not desire to purchase the Fee Estate (or the date of expiration of the sixty (60) days if no such notice is given) and complies with the limitations that apply to “Landlord’s Offer” in the previous paragraph (including the Special Offering Covenant, which shall apply to any other Person purchasing the Fee Estate as if such Person were Tenant). If, however, Landlord desires to Transfer the Fee Estate for a price less than ninety-five percent (95%) of the price in Landlord’s Offer, or on terms that in any other way are materially more favorable to the purchaser than those in Landlord’s Offer, then Landlord shall again deliver to Tenant a Landlord’s Offer. The procedure described above shall again apply, but Tenant’s response period shall be thirty (30) days.

*15.3.3. Transferees.* Any purchaser (or direct or indirect subsequent purchaser) of the Fee Estate or any interest in the Fee Estate shall be bound, as to subsequent Transfers, by Tenant’s ROFR, whether or not the instrument(s) of Transfer to such purchaser so state.

*15.4 Special Operating Covenant.* As a material consideration to Landlord for the conveyance of the Fee Estate to Tenant pursuant to Tenant’s ROFR (or pursuant to the Purchase Option described below), Tenant covenants for itself and its successors and assigns to use and operate the real property solely for operating and maintaining the property as a general acute care hospital facility with the requisite number of licensed beds to maintain designation as a Critical Access Hospital from the Centers for Medicare and Medicaid Services (“CMS”) and a 24 hour emergency room for a period equal to the balance of the Mandated Use Period, if any, that remains following such conveyance of the Fee Estate to Tenant or its designee (the “Special Operating Covenant”), except to the extent prevented from doing so as a result of and during the occurrence of an Unavoidable Delay. In the event of a violation of the Special Operating Covenant, Landlord shall thereafter have the power, at its option, to terminate all right, title, and interest in the Fee Estate granted by deed to Tenant and its successors and assigns, in the manner provided by law for the exercise of this power of termination. Immediately on such a termination, Tenant (and its successors or assigns, as applicable) shall forfeit all rights and title to the Fee Estate, and the Fee Estate shall revert to Landlord to reenter and take possession of the Fee Estate with all improvements thereon and to revest in Landlord the Fee Estate (the “Power of Termination”). Following Landlord’s exercise of the Power of Termination, provided Tenant (or its successor and assign, as applicable) shall have executed all documentation reasonably requested by Landlord to effectuate and document the revesting of the Fee Estate in Landlord, Landlord shall pay to Tenant (or the then current Fee Owner) an amount equal to the then current fair market value of the Fee Estate as determined by an MAI appraisal from the Valuation Consultant. The Special Operating Covenant and Power of Termination constitute covenants, equitable servitudes, restrictions and easements in gross in favor of Landlord without regard to technical classification and designation, run with the land and shall be binding on Tenant and all successors and assigns during the term of the Special Operating Covenant and shall be expressly set forth in the recorded grant deed conveying the Fee Estate to Tenant (or its designee, as applicable) and, at Landlord’s option, in a separate restrictive covenant agreement to be recorded immediately following such grant deed. If the Power of Termination is exercised by Landlord as a result of Tenant’s violation of the Special Operating Covenant, Tenant (or the then-current owner and operator of the Fee

Estate) shall reasonably cooperate with Landlord (without limitation on any remedies otherwise available to Landlord), in transitioning any remaining healthcare operations over to Landlord (or its designated successor lessee or operator) at no additional charge to Landlord (except for the purchase price for the Fee Estate and the fair market value of Tenant's (or its successor's) FF&E and inventory if Landlord desires to acquire such FF&E and inventory) so as to reasonably limit interruption to patient care.

**15.5 *Tenant's Purchase Option.*** Tenant shall have the option (the "Purchase Option"), at any time after the third (3<sup>rd</sup>) anniversary of the Commencement Date, to purchase any one or more of the parcels of improved real property identified on **Exhibit E** (the "Purchase Option Parcels") from Landlord at a purchase price equal to the Market Value for the Purchase Option Parcels designated by Tenant (the "Designated Purchase Option Parcels") and the Existing FF&E, to the extent then present at the Premises (collectively, the "Purchase Option Price") on the terms and conditions in subsections 15.5.1 thru 15.5.9. Tenant's Purchase Option rights with respect to unimproved land parcels identified in **Exhibit E** shall be conditioned upon and subject to Landlord's compliance with the requirements of Law with respect to its disposition of Surplus Real Property.

**15.5.1. *Tenant's Notice.*** Tenant may exercise its Purchase Option by giving Landlord written Notice of Tenant's intent to purchase the Designated Purchase Option Parcels (the "Option Exercise Notice"), which Option Exercise Notice shall set forth the desired closing date for the purchase (which shall not be more than sixty (60) days after the date of Electorate Approval of Sale) and shall contain a request that Landlord solicit Electorate Approval of Sale. The Option Exercise Notice shall be accompanied by (a) an MAI appraisal from the Valuation Consultant showing the Market Value for the Designated Purchase Option Parcels and the Existing FF&E (collectively, for purposes of this Section 15.5, the "Hospital Assets"), and (b) three (3) counterparts of an escrow agreement, in customary form (the "Escrow Agreement"), naming a nationally recognized title company as escrow agent ("Escrow Agent") and Landlord and Tenant as the other parties, all executed by Escrow Agent and Tenant.

**15.5.2. *Further Electorate Approval.*** Promptly upon receiving the Option Exercise Notice, Landlord shall take such actions as are necessary to submit to the voters of Landlord's district a measure proposing the sale of the Hospital Assets to Tenant, as contemplated under this Lease, in accordance with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code; the voters' approval of such sale, as certified by the registrar of voters, shall constitute "Electorate Approval of Sale". If the voters do not approve the sale of the Hospital Assets, Tenant may terminate the Lease by providing two hundred and seventy (270) days written Notice to Landlord. Tenant must exercise this right no later than ninety (90) days after the election is certified by registrar of voters.

**15.5.3. *Opening of Escrow.*** Landlord shall sign the three (3) counterparts of the Escrow Agreement and return one (1) fully executed counterpart to each of Tenant and the Escrow Agent within five (5) Business Days of Landlord's receipt of the Option Exercise Notice. Escrow Agent's receipt of a fully executed counterpart of the Escrow Agreement shall effect the opening of escrow for Tenant's purchase of the Hospital Assets.



*15.5.4. Payment of Purchase Price.* Tenant shall have discretion in paying the purchase price of the Fee Estate through any combination of following: (i) cash payment to Landlord, (ii) assumption of Landlord Debt, (iii) promissory note in favor of the Landlord secured by the Fee Estate, or (iv) as the parties may mutually agree.

*15.5.5. Closing Conditions.*

(a) At closing and as a condition to Tenant's obligation to close, Landlord shall pay and so covenants to pay, on the Closing Date all State and local transfer taxes payable by reason of the sale of the Hospital Assets from Landlord to Tenant. Landlord, as seller, and Tenant, as purchaser, shall execute and deliver all questionnaires, returns, reports and other documents required to be executed and filed in connection with such taxes in a timely fashion so that all clearances required to be obtained shall have been obtained by the Closing Date.

(b) At closing and as a condition to Tenant's obligation to close, title to the Hospital Assets shall be conveyed, and Landlord covenants so to convey, free and clear of all exceptions to title other than Permitted Encumbrances, the Special Operating Covenant and any municipal, state or federal rules or regulations which may then affect the Land or the Improvements or such transfer and conveyance.

(c) At closing, as a condition to Tenant's obligation to purchase the Hospital Assets, Landlord will deliver to Tenant an affidavit that it is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, or will otherwise comply with the provisions of such Section.

*15.5.6. Closing Procedures.* On the Closing Date, the Hospital Assets shall be conveyed in their "as is" condition and there shall be no abatement or diminution of the Purchase Option Price by reason of any fire, casualty, eminent domain or Condemnation affecting the Designated Purchase Option Parcels or the Improvements located thereon. The Purchase Option Price shall be paid by Tenant on the Closing Date by payment to the Escrow Agent of an amount equal to the Purchase Option Price (reduced, as applicable, by the amount of Rent paid in advance with respect to any period from and after the Closing Date) by wire transfer of federal funds to Escrow Agent's account. On or before the Closing Date, Landlord and Tenant shall deliver to Escrow Agent the deed to the Designated Purchase Option Parcels, which deed shall be the usual grant deed in proper form for recording (but including the Special Operating Covenant) and shall be duly executed and acknowledged by both parties so as to convey to Tenant title to the Designated Purchase Option Parcels in fee simple, subject to the Special Operating Covenant, in accordance with this Section 15.5.6 (the "Deed"), as well as any other documents or instruments reasonably requested by Tenant, Landlord and/or Escrow Agent to confirm the proper Transfer of the Hospital Assets from Landlord to Tenant (such as a bill of sale for the then-Existing FF&E) in accordance with the terms and provisions of this Section 15.5.6 (the "Ancillary Documents"). Upon Escrow Agent's receipt of the Deed and the Ancillary Documents from Landlord and Tenant (as applicable) and the Purchase Option Price from Tenant, the closing shall be deemed to have occurred, Escrow Agent shall be authorized to record the Deed in the applicable land records and to release the Purchase Option Price (as adjusted for the payment of any State and local transfer taxes or other closing amounts payable by Landlord) to Landlord, and this Lease shall terminate and be of no further force or effect and neither party hereto shall have any obligations to the other

under this Lease (other than provisions of this Lease which expressly provide that they survive termination of this Lease). In the event that Landlord fails timely to deliver the Deed and the Ancillary Documents to Escrow Agent, Tenant shall have the right to pursue all rights and remedies afforded at law and in equity, including specific performance. In the event that Tenant fails timely to deliver the Purchase Option Price to Escrow Agent and provided that all conditions to Tenant's performance were previously satisfied, Landlord shall have no further obligation to sell the Hospital Assets to Tenant under this Section 15.4 and the Purchase Option shall be of no further force or effect.

*15.5.7. Improvements Fund and Restricted Capital Fund.* If Tenant purchases the Designated Purchase Option Parcels, Landlord will retain ownership and control of the Improvements Fund. Tenant will be deemed on the Closing Date to have waived all rights on the use of the Improvements Fund set forth in this Lease. Notwithstanding the foregoing, Landlord shall retain responsibility for the completion and payment of all Improvements Schedule projects that are commenced prior to Tenant delivering the Option Exercise Notice.

*15.5.8. No Other Agreement.* In the event that the Option Exercise Notice shall have been given, the provisions of this Section 15.5 shall constitute the entire agreement of sale with respect to the sale by Landlord to Tenant of the Hospital Assets and no further agreement of sale shall be required of Landlord or Tenant with respect to the Hospital Assets, other than closing documents reasonably required by Landlord or Tenant or Escrow Agent hereunder and for the normal and usual closing adjustments.

*15.5.9. Merger.* Upon the closing of the purchase of the Hospital Assets, the Term shall expire and neither the Landlord nor Tenant shall have any further rights or obligations under this Lease, except for those rights and/or obligations which are expressly provided in this Lease to survive said closing.

## 16. Tenant's Transfers.

16.1 *Tenant's Right.* Tenant may Transfer this Lease or the Leasehold Estate to an Affiliate of Tenant without Landlord's consent (but with prior written Notice) and otherwise with Landlord's prior written consent, not to be unreasonably withheld, delayed or conditioned. Any assignee of Tenant shall assume all obligations and liabilities of Tenant under this Lease. Tenant shall pay all transfer and other taxes payable on account of any Transfer by Tenant. Tenant shall promptly Notify Landlord of any Transfer. After Tenant assigns this Lease and the assignee assumes it, the assignor shall have no obligation or liability under this Lease, except any unperformed obligations that arose before the assignment (unless assumed in writing, in recordable form, by the assignee). If Tenant assigns this Lease, then as between Landlord and Tenant, Tenant shall be deemed to have assigned to the assignee or transferee all claims against Landlord then existing, and the assignee shall be deemed, by assuming this Lease, to have assumed all liabilities and obligations of Tenant then existing or thereafter arising under this Lease (except as this Lease otherwise expressly states).

17. Equipment Liens.

17.1 *Tenant's Rights.* After the Commencement Date, Tenant intends, from time to time, to acquire or lease FF&E. If at any time or from time to time Tenant desires to enter into or grant any Equipment Lien that otherwise complies with this Lease, then upon Tenant's request Landlord shall enter into such customary documentation regarding the Financed FF&E as Tenant reasonably requests, providing for matters such as: (a) waiver of any right to take possession of such Financed FF&E upon an Event of Default; (b) waiver of any other right, title, or interest in the Financed FF&E; and (c) agreements to enable the holder of such Equipment Lien to repossess such Financed FF&E if such holder exercises remedies under its Equipment Lien. Tenant shall not enter into any Equipment Lien that causes any Prohibited Lien.

18. Quiet Enjoyment; Title to Certain Premises; Certain Agreements.

18.1 *Quiet Enjoyment.* So long as this Lease has not been terminated, Landlord covenants that Tenant shall and may peaceably and quietly have, hold, and enjoy the Premises and the Existing FF&E for the Term, subject to the terms of this Lease, without molestation, hindrance, or disturbance by or from Landlord or by anyone claiming by or through Landlord or having title to the Premises or the Existing FF&E paramount to Landlord, and free of any encumbrance created or suffered by Landlord, except Permitted Encumbrances.

18.2 *Access and Inspection.* Notwithstanding anything to the contrary in this Lease, Landlord and its agents, representatives, and designees shall have the right to enter the Premises upon reasonable Notice during regular business hours, solely to: (a) ascertain whether Tenant is complying with this Lease; (b) cure Tenant's Defaults; (c) inspect the Premises and any Construction; (d) perform such tests, borings, and other analyses as Landlord determines may be necessary or appropriate relating to (non)compliance with any Law or possible Hazardous Substances Discharge; (e) show the Premises to a prospective transferee; or (f) to fulfill any legal obligation Landlord may retain, as a healthcare district, with respect to the Premises under the California Health & Safety Code. In entering the Premises, Landlord and its designees shall not unreasonably interfere with operations on the Premises and shall comply with Tenant's reasonable instructions and all applicable Laws. Landlord shall Indemnify Tenant against any claims arising from Landlord's entry upon the Premises.

19. Events of Default; Remedies.

19.1 *Definition of "Event of Default."* An "Event of Default" means the occurrence of any one or more of the following:

19.1.1. *Monetary Default.* If a Monetary Default occurs and continues for 10 Business Days after Notice from the non-defaulting party, specifying in reasonable detail the amount of money not paid and the nature and calculation of each such payment.

19.1.2. *Prohibited Liens.* If a party fails to comply with any obligation regarding Prohibited Liens and does not remedy such failure within 15 days after Notice from the non-obligated party.



*19.1.3. Bankruptcy or Insolvency.* If Tenant ceases to do business as a going concern, ceases to pay its debts as they become due or admits in writing that it is unable to pay its debts as they become due, or becomes subject to any bankruptcy proceeding (except an involuntary bankruptcy proceeding dismissed within 180 days after commencement), or a custodian or trustee is appointed to take possession of, or an attachment, execution or other judicial seizure is made with respect to, substantially all of Tenant's assets or Tenant's interest in this Lease (unless such appointment, attachment, execution or other seizure was involuntary and is contested with diligence and continuity and is vacated and discharged within 180 days).

*19.1.4. Nonmonetary Default.* If any other Nonmonetary Default occurs and the defaulting party does not cure it within 45 days after Notice from the non-defaulting party describing it in reasonable detail, or, in the case of a Nonmonetary Default that cannot with due diligence be cured within 45 days from such Notice, if defaulting party does not (x) within 45 days from Landlord's Notice advise the non-defaulting party of the defaulting party's intention to take all reasonable steps to cure such Nonmonetary Default; (y) duly commence such cure within such period, and then diligently prosecute such cure to completion; and (z) complete such cure within a reasonable time under the circumstances (not necessarily limited to 45 days).

*19.2 Remedies.* If an Event of Default occurs and so long as such Event of Default is continuing without cure or waiver, then the non-defaulting party shall, at its option, have any or all of the following remedies, all cumulative (so exercise of one remedy shall not preclude exercise of another remedy), in addition to such other remedies as may be available at law or in equity or under any other terms of this Lease. The non-defaulting party's remedies include:

*19.2.1. No Waiver.* No failure by the non-defaulting party to insist upon strict performance of any covenant, agreement, term, or condition of this Lease or to exercise any right or remedy upon a Default. Landlord's acceptance of full or partial Rent during continuance of any such Default, shall waive any such Default or such covenant, agreement, term, or condition. No covenant, agreement, term, or condition of this Lease to be performed or complied with, and no Default, shall be Modified except by a written instrument executed by the non-defaulting party. No waiver of any Default shall affect or alter this Lease. Each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent Default of such covenant, agreement, term or condition of this Lease.

*19.2.2. Tenant Specific Remedies.* Tenant will have the following specific remedies for Landlord Defaults in addition to all other remedies available to Tenant as set forth in this Lease:

*19.2.2.1. Restricted Capital Fund.* In the event Landlord fails to fund the Restricted Capital Fund in the amounts required and at the times set forth in **Exhibit D**, upon delivery by Tenant of Notice to Landlord regarding such failure, Landlord shall have one (1) year from the delivery of such Notice to cure Landlord's failure to fund the Restricted Capital Fund while continuing to remain current on any and all subsequent fundings of the Restricted Capital Fund required pursuant to **Exhibit D**. If Landlord fails to so cure its failure to fund within such one (1) year period while otherwise remaining current on its Restricted Capital Fund obligations, Tenant may exercise either of the following remedies under this Section **Error! Reference source not found.**: (a) Tenant may elect to take control of the Restricted Capital Fund,

without any change or modification in Landlord's obligation to make the subsequent deposits to the Restricted Capital Fund required pursuant to **Exhibit D** (and any subsequent Landlord failure to fund the Restricted Capital Fund in the amounts required and at the times set forth in **Exhibit D** shall give rise to Tenant again having the right to elect remedies pursuant to this Section **Error! Reference source not found.**); or (b) Tenant shall have the right to terminate this Lease upon two hundred seventy (270) days' Notice to Landlord and Landlord shall pay Ten Million Dollars (\$10,000,000) to Tenant in liquidated damages within three (3) months of receipt of such Notice from Tenant. The parties agree that Landlord's failure to fulfill its Restricted Capital Fund obligations deprives Tenant of a material term of this Lease. The Restricted Capital Fund provides for the future development of the Premises and as a result of Landlord's breach, Tenant is deprived of the economic opportunities that flow from that development. The parties further agree that these liquidated damages are not intended as a penalty, but as a reasonable estimate of damages to Tenant resulting from Landlord's default related to the Restricted Capital Fund, which damages are difficult for the parties to determine as of the Execution Date. In the event of the termination of this Lease pursuant to clause (b) of this Section **Error! Reference source not found.**, Landlord's payment of the liquidated damages shall be Landlord's sole liability with respect to Landlord's breach of its Restricted Capital Fund obligations set forth in Section 7.2, and if Tenant shall have previously taken control of the Restricted Capital Fund pursuant to clause (a) of this Section **Error! Reference source not found.**, Tenant shall return control of the Restricted Capital Fund to Landlord. Nothing in this Section 19.2.2.1 shall be deemed to limit Tenant's remedies at law or equity that may be pursued or availed of by Tenant for any other breach by Landlord of this Lease.

19.2.2.2. *Tenant's Termination Right.* Tenant shall have the right, at Tenant's sole election, to terminate this Lease upon two hundred seventy (270) days' Notice to Landlord if (x) Landlord fails to prepare, to the reasonable satisfaction of Tenant, a committed plan to achieve Seismic Compliance for the Improvements and to secure committed funds on or before January 1, 2025, or five (5) years prior to the date required by Law to achieve Seismic Compliance, whichever occurs later, in an amount sufficient to complete the work described in such plan, (y) Landlord fails to achieve Seismic Compliance for the Improvements on or before January 1, 2030, or on the date required by Law, whichever occurs later, or (z) Landlord fails to perform a material obligation under the Lease, which includes, but is not limited to making the Improvements Fund available to Tenant.

19.2.3. *Landlord Specific Remedies.* Landlord will have the following specific remedies for Tenant Defaults in addition to all other remedies set forth in this Lease.

19.2.3.1. *Continuation of Lease.* Landlord may continue this Lease in full force and effect and the Lease will continue in effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. During the period Tenant is in Default, Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Tenant shall pay to Landlord the Rent due under this Lease on the dates the Rent is due, less the rent Landlord

receives from any reletting. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord Notifies Tenant that Landlord elects to terminate this Lease.

If Landlord elects to relet the Premises as provided in this paragraph, rent that Landlord receives from reletting shall be applied to the payment of:

First, any indebtedness from Tenant to Landlord other than Base Rent due from Tenant;

Second, all costs, including for maintenance, incurred by Landlord in reletting;

Third, Base Rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. If, on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including for maintenance, Landlord incurred in reletting that remain after applying the rent received from the reletting as provided in this paragraph.

19.2.3.2. *Termination of Lease.* Landlord can terminate Tenant's right to possession of the Premises and the Existing FF&E. No act by Landlord other than giving Notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to recover from Tenant:

(i) The worth, at the time of the award, of the unpaid Rent that had been earned at the time of termination of this Lease;

(ii) The worth, at the time of the award, of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided;

(iii) The worth, at the time of the award, of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and

(iv) Any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's Default.

"The worth, at the time of the award," as used in "a" and "b" of this paragraph, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge on a loan. "The worth, at the time of the award," as referred to in "c" of this paragraph, is to be computed by



discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%. The “balance of the term”, as referred to in “c” of this paragraph, shall be the period beginning on the date of the time of the award and ending on the first date thereafter on which Tenant could have effected the termination of this Lease pursuant to Section 19.9 or Section 19.10.

19.3 *Cure Rights.* If a party at any time fails to make any payment or take any action this Lease requires and such failure has ripened into an Event of Default, then the non-defaulting party, after ten (10) Business Days’ Notice to the defaulting party, or in an emergency with such Notice (if any) as is reasonably practicable under the circumstances, and without waiving or releasing the defaulting party from any obligation or Default and without waiving the non-defaulting party’s right to take such action as this Lease may permit as a result of such Default, may (but need not) make such payment or take such action. The defaulting party shall reimburse the defaulting in an amount equal to (a) all reasonable sums paid, and reasonable costs and expenses (including Legal Costs) incurred, by the non-defaulting party in exercising its cure rights under this paragraph; and (b) Default Interest on “a.”

19.4 *Holding Over.* If for any reason or no reason Tenant remains in the Premises after the Expiration Date without the consent of Landlord, then Landlord will suffer injury that is substantial, difficult, or impossible to measure accurately. Therefore, if Tenant remains in the Premises after the Expiration Date without the consent of Landlord, for any reason or no reason, then in addition to any other rights or remedies of Landlord, Tenant shall pay to Landlord, as liquidated damages and not as a penalty, for each month (prorated daily for partial months) during which Tenant holds over after the Expiration Date, a sum equal to: 120% (for the first month or partial month of holding over), 133% (for the second month or partial month of holding over), and 150% (for each subsequent month or partial month of holding over) times the monthly Rent, including Additional Rent, payable under this Lease during the year preceding the Expiration Date.

19.5 *Waivers.* TENANT WAIVES ANY RIGHT OF REDEMPTION PROVIDED FOR BY LAW. TENANT WAIVES ANY RIGHT TO INTERPOSE ANY COUNTERCLAIM IN ANY ACTION BY LANDLORD TO ENFORCE THIS LEASE OR LANDLORD’S RIGHTS AND REMEDIES UNDER THIS LEASE.

19.6 *Accord and Satisfaction; Partial Payments.* No payment by either party of a lesser amount than the amount owed under this Lease shall be deemed to be other than a part payment on account. No endorsement or statement on any check or letter accompanying any check or payment of Rent shall be deemed an accord or satisfaction. Landlord may accept any such check or payment without prejudice to Landlord’s right to recover the balance of such Rent or pursue any other remedy.

19.7 *Regulatory Approvals.* Tenant shall have the right to terminate this Lease upon sixty (60) days’ Notice to Landlord if Tenant’s licensing and regulatory applications are denied or rejected and Tenant is unable to cure with reasonable effort. Tenant’s termination rights will include all requisite state regulatory approvals, including the California Department of Public Health approval of Tenant’s general acute care hospital license change of ownership application, the California Board of Pharmacy approval of Tenant’s change of ownership application, and an

effective Medi-Cal enrollment; and (c) Tenant's receipt of all requisite federal regulatory approvals, including approval by CMS of Tenant's Medicare CMS-855A change of ownership application.

19.8 *Termination by Either Party.* Either party may terminate this Lease at any time in the event an unforeseeable circumstance beyond the party's control materially affects the party's ability to perform its obligations under this Lease. The event must have been reasonably unforeseeable at the time the parties entered this Lease and unavoidable from the perspective of the terminating party. In order to terminate under this provision, the terminating party must give at least twelve (12) months' prior written notice setting forth in sufficient detail, to the non-terminating party's satisfaction, the facts and circumstances justifying termination under this Section.

19.9 *Early Termination for Economic Reasons.* Effective as of any of the third anniversary, fifth anniversary, tenth anniversary, fifteenth anniversary, twentieth anniversary or twenty-fifth anniversary of the Commencement Date, Tenant may terminate this Lease if Tenant determines that the EBITDA from the Medical Business is less than five percent (5%) of the net revenue for the immediately preceding twelve- (12-) month period prior to the date of determination, which termination shall be effected by Tenant giving Landlord written Notice of Tenant's election to terminate pursuant to this Section **Error! Reference source not found.** not less than two hundred seventy (270) days prior to such anniversary.

19.10 *Restructure Notice.* Without limiting Tenant's termination rights, any time that Tenant has a right to terminate this Lease, if Tenant determines that the Medical Business is no longer economically feasible, Tenant shall have the right to deliver a Notice to Landlord proposing a restructuring of the terms of this Lease, setting forth the terms of such restructuring (the "Restructure Notice"). Upon receipt of the Restructure Notice, Landlord and Tenant shall meet and confer in good faith to negotiate a new structure based on Tenant's Restructure Notice. If the parties do not come to an agreement within sixty (60) days following Landlord's receipt of the Restructure Notice, Landlord shall be deemed to have rejected Tenant's Restructure Notice terms and Tenant thereafter shall have the right to terminate this Lease upon two hundred seventy (270) days' Notice of termination to Landlord.

## 20. End of Term.

Upon any Expiration Date other than an Expiration Date resulting from Tenant's purchase of the Fee Estate: (a) Tenant shall deliver to Landlord possession of the Premises and the Existing FF&E and the New FF&E in Tenant's possession as of such Expiration Date, in the condition this Lease requires, subject to any Loss that this Lease does not require Tenant to Restore; (b) Tenant shall surrender any right, title, or interest in and to the Premises and such Existing FF&E and New FF&E and deliver such evidence and confirmation thereof as Landlord reasonably requires; (c) Tenant shall deliver the Premises and such Existing FF&E and New FF&E free and clear of all liens except (1) Permitted Encumbrances and (2) liens that Landlord or any of its agents caused; (d) the parties shall adjust for Real Estate Taxes and all other expenses and income of the Premises and any prepaid Rent and shall make such payments as shall be appropriate on account of such adjustment in the same manner as for a sale of the Premises (but any sums otherwise payable to Tenant shall first be applied to cure any Default); (e) the parties shall

terminate the Memorandum of Lease; and (f) Tenant shall assign to Landlord, and Landlord shall reimburse Tenant for, all utility and other service provider deposits for the Premises. Additionally, if Landlord Notifies Tenant in writing not less than one hundred eighty (180) days prior to such Expiration Date of Landlord's election to resume operation of the Premises, either directly or through the engagement of a third-party operator, then Landlord and Tenant shall proceed with the transferring back of the Hospital operations to Landlord in accordance with Article [13] of that certain Transfer of Business Operations Agreement dated as of [ ● ].

21. Notices.

All Notices shall be in writing and shall be addressed to Landlord and/or Tenant (and their designated copy recipients), as applicable, as set forth in **Exhibit B**. Notices (including any required copies as set forth in **Exhibit B**) shall be delivered by Federal Express or other overnight (one-night) courier service, or by personal delivery, to the addresses set forth in **Exhibit B**, in which case they shall be deemed delivered on the date of delivery (or when delivery has been attempted twice, as evidenced by the written report of the courier service) to such address(es). Either party may change its address by giving Notice in compliance with this Lease. Notice of such a change shall be effective only upon receipt. Any party giving a Notice may request the recipient to acknowledge receipt of such Notice. The recipient shall promptly comply with any such request, but failure to do so shall not limit the effectiveness of any Notice. Any attorney may give any Notice on behalf of its client. No Notice shall be effective unless and until a copy of such Notice has been delivered to the intended recipient's mortgagee(s) of which the sender shall have received Notice.

22. No Broker.

Each party: (a) represents and warrants that it did not engage or deal with any broker or finder in connection with this Lease and no Person is entitled to any commission or finder's fee on account of any agreements or arrangements made by such party; and (b) shall Indemnify the other party against any breach of such representation.

23. Nonrecourse.

No shareholder, officer, member, manager, director, agent, or employee of Landlord or Tenant shall have any liability under this Lease. (This Lease sometimes refers to this paragraph as the "Nonrecourse Clause.")

24. Additional Deliveries; Third Parties.

24.1 Estoppel Certificates. Up to twice a year, each party to this Lease (a "Requesting Party") may require the other party (a "Certifying Party") to execute, acknowledge, and deliver to the Requesting Party (or directly to a designated third party) up to four original counterparts of an Estoppel Certificate. The Certifying Party shall sign, acknowledge, and return such Estoppel Certificate within fifteen (15) days after request, even if the Requesting Party is in Default. Any Estoppel Certificate shall bind the Certifying Party.



24.2 *Further Assurances.* Each party shall execute and deliver such further documents, and perform such further acts, as may be reasonably necessary to achieve the parties' intent in entering into this Lease. Upon request from Tenant, Landlord shall promptly, under documentation reasonably satisfactory to the requesting party: (a) acknowledge any Subtenant's nondisturbance and recognition rights (provided such Subtenant joins in such agreement); and (b) certify (subject to any then exception reasonably specified) that this Lease is in full force and effect, that no Lease impairment has occurred, that to Landlord's knowledge no Default exists, the date through which Rent has been paid, and other similar matters as reasonably requested.

24.3 *[Reserved].*

24.4 *Modification.* Any Modification of this Lease must be in writing signed by the party to be bound.

24.5 *Successors and Assigns.* This Lease shall bind and benefit Landlord and Tenant and their successors and assigns, but this shall not limit or supersede any Transfer restrictions. Nothing in this Lease confers on any Person (except Landlord and Tenant) any right to insist upon, or to enforce against Landlord or Tenant, the performance or observance by either party of its obligations under this Lease.

24.6 *Memorandum of Lease.* Concurrently with the execution of this Lease, the parties shall promptly execute, acknowledge, and deliver duplicate originals of a Memorandum of Lease. Either party may record such Memorandum of Lease. Any taxes imposed upon such recording shall be paid by the party that caused such recordation to occur. If the parties amend this Lease, then the parties shall have the same rights and obligations regarding a memorandum of such amendment as they do for the Memorandum of Lease. Tenant may at any time by Notice to Landlord elect to require the Memorandum of Lease to be terminated, in which case: (a) the parties shall terminate the Memorandum of Lease; and (b) the parties acknowledge that Tenant shall rely on notice by possession rather than constructive notice by recordation of the Memorandum of Lease.

## 25. Miscellaneous.

25.1 *Costs and Expenses; Legal Costs.* In the event of any litigation or dispute between the parties, or claim made by either party against the other, arising from this Lease or the landlord-tenant relationship under this Lease, or Landlord's enforcement of this Lease upon a Default, or to enforce or interpret this Lease or seek declaratory or injunctive relief in connection with this Lease, or to exercise any right or remedy under or arising from this Lease, or to regain or attempt to regain possession of the Premises or terminate this Lease, or in any subsequent bankruptcy proceeding affecting the other party to this Lease, the prevailing party shall be entitled to reimbursement of its Legal Costs with Default Interest and all other reasonable costs and expenses incurred in enforcing this Lease or curing the other party's default.

25.2 *No Consequential Damages.* Whenever either party may seek or claim damages against the other party (whether by reason of a breach of this Lease by such party, in enforcement of any indemnity obligation, for misrepresentation or breach of warranty, or otherwise), neither Landlord nor Tenant shall seek, nor shall there be awarded or granted by any

court, arbitrator, or other adjudicator, any speculative, consequential, collateral, special, punitive, or indirect damages, whether such breach shall be willful, knowing, intentional, deliberate, or otherwise. The parties intend that any damages awarded to either party shall be limited to actual, direct damages sustained by the aggrieved party. Neither party shall be liable for any loss of profits suffered or claimed to have been suffered by the other.

25.3 *No Merger.* If the Leasehold Estate and the Fee Estate are ever commonly held, they shall remain separate and distinct estates (and not merge).

25.4 *No Waiver by Silence.* Failure of either party to complain of any act or omission on the part of the other party shall not be deemed a waiver by the noncomplaining party of any of its rights under this Lease. No waiver by either party at any time, express or implied, of any breach of this Lease shall waive such breach or any other breach.

25.5 *Performance Under Protest.* If a dispute arises regarding performance of any obligation under this Lease, the party against which such obligation is asserted shall have the right to perform it under protest, which shall not be regarded as voluntary performance. A party that has performed under protest may institute appropriate proceedings to recover any amount paid or the reasonable cost of otherwise complying with any such obligation, with interest at the Prime Rate.

25.6 *Survival.* The rights and obligations of the parties set forth in Section 9.2 and Section 10, and all rights and obligations of the parties in this Lease that by their nature are to be performed after any termination of this Lease shall survive any such termination or expiration of the Lease.

25.7 *Unavoidable Delay.* Each party's obligation to perform or observe any nonmonetary obligation under this Lease shall be suspended during such time as such performance or observance is prevented or delayed by Unavoidable Delay.

25.8 *Restrictive Covenant.*

25.8.1 *Non-Competition.* The parties acknowledge that Landlord intends to rebrand itself as a community-based health district for the purpose of providing services designed to improve overall health of the community by supplementing but not replacing hospital services for the medically underserved. As such, Tenant and Landlord shall collaborate to develop and agree proactively on a community needs assessment and plan with the intent to establish coordinated investments to advance the health of the low income and disadvantaged population of District. As a community-based health district, Landlord intends to initiate, develop and provide certain community benefit services to meet unmet community needs (such as senior living, child advocacy, and behavioral health) for the low income and disadvantaged (poor, Medi-Cal, uninsured, and underinsured) and develop partnerships to facilitate such services in District. Without limitation on the rights of participation and first refusal set forth in Sections 25.8.2 and 25.8.3 below, Landlord agrees that, during the Term, neither Landlord nor any Affiliate of Landlord shall, directly or indirectly, participate or engage in any healthcare or healthcare related service in District that competes with Tenant, unless the prior written approval of Tenant is obtained, which approval Tenant may withhold for any healthcare or healthcare related service

that would reduce or impair Tenant's financial condition in Tenant's sole discretion (provided that the basis for such judgment to withhold consent shall be provided to the Landlord and shall be based on Tenant's good faith analysis of the matter). In the event that Landlord during the Term plans or decides to initiate a healthcare or healthcare related service, Landlord shall Notify Tenant of Landlord's interest in and thereby its request to provide such service(s) and Tenant shall notify Landlord in writing of its approval or disapproval within ninety (90) days following Tenant's receipt of Notice from Landlord identifying the purpose and scope of the proposed healthcare or healthcare related service. As used herein, it shall be deemed that a Landlord-requested health care or healthcare related service competes with Tenant if it: (i) reduces or impairs the financial condition of the Tenant, (ii) is reasonably likely to reduce or impair the Tenant's future financial condition, or (iii) provides a healthcare or healthcare related service that is unrelated to the Landlord's intent to initiate, develop and provide certain community benefit and community health related services to meet unmet community needs for the low income and disadvantaged population (poor, Medi-Cal, uninsured or underinsured). *Landlord Establishment/Operation of Approved Healthcare or Healthcare Related Services*. In the event Landlord, at any time, during the Term, desires to establish and operate a healthcare or healthcare related service, then Landlord shall initiate the Notice process described in Section 25.8.1, above, which Notice shall include the general terms on which Landlord proposes to establish and offer such service(s). Provided that Tenant approves of the proposed healthcare or healthcare related service, then concurrently with Tenant's delivery of its approval of the proposed healthcare or healthcare related service, Tenant shall Notify Landlord of whether or not Tenant has elected to provide such service(s) itself, either independently or in a joint venture or in affiliation with Landlord (the "Service Election Notice"). If Tenant elects to provide such service(s) independently, Tenant shall have one (1) year from the date of delivery of its Service Election Notice to Landlord to establish and operate such service(s), subject to Unavoidable Delay. If Tenant elects to provide such service(s) in a joint venture or in affiliation with Landlord, the parties shall meet and confer in good faith to form the joint venture or agree on the terms of an affiliation and establish and operate such services(s). If despite the parties' good faith efforts, the parties are unable to agree on the joint venture or terms of affiliation for such service(s) by the date that is one (1) year after the date of Tenant's delivery of its Service Election Notice to Landlord's about same, or if Tenant fails to establish and operate such service(s) independently within such one (1) year period (subject to Unavoidable Delay), Landlord thereafter may establish and operate same without any participation by Tenant provided that Landlord makes such service(s) available to Tenant's patients on a commercially reasonable basis.

25.8.3. *Health Care Service Agreement – Right of First Refusal*. If Landlord, at any time during the Term, receives a bona fide offer from an independent third party provider ("Third Party Provider") to provide Landlord with a healthcare or healthcare-related service that Tenant has approved in accordance with Section 25.8.1 (a "Health Care Service Agreement"), which offer Landlord is willing to accept (a "Third Party Offer"), then Landlord shall provide Tenant with a right of first refusal with respect to such Third Party Offer by delivering a Notice to Tenant identifying the Third Party Provider and setting forth the terms of such Third Party Offer, including, without limitation, identification of the proposed Health Care Service Agreement and the material terms thereof (the "ROFR Offer Notice"). Tenant then shall have an option to be the provider to Landlord under a Health Care Service Agreement with Landlord on the same terms as set forth in such ROFR Offer Notice, which terms must be commercially reasonable. If Tenant does not deliver an election notice to exercise such option within ninety (90)

days after receiving the ROFR Offer Notice from Landlord, then before such failure to deliver an election notice is deemed an election not to exercise the option, Landlord shall re-send the ROFR Offer Notice to Tenant granting Tenant an additional ten (10) days from such second Notice to respond, which Notice shall specifically reference this paragraph and state that Tenant's failure to respond within ten (10) days from Tenant's receipt of such second Notice shall be deemed Tenant's election not to exercise its option to enter into the applicable Health Care Service Agreement on the terms set forth in the ROFR Offer Notice. Upon Tenant's timely exercise of such option, Landlord and Tenant shall negotiate in good faith the remaining terms and conditions of a Health Care Service Agreement for such service. If Tenant fails to timely exercise its option to enter into the applicable Health Care Service Agreement or provides Landlord Notice that Tenant is not interested in pursuing a transaction on the terms presented in the ROFR Offer Notice, Landlord may thereafter effect the transaction with the Third Party Provider identified in the ROFR Offer Notice on the same terms and conditions specified in the applicable ROFR Offer Notice, as long as such terms also meet a commercial reasonableness standard. However, if such transaction is not consummated with the named Third Party Provider, and on the same terms and conditions set forth in the applicable ROFR Offer Notice, within one hundred and eighty (180) days after the expiration of the Tenant's election period (if Tenant did not deliver a ROFR Election Notice), then Tenant's right of first refusal under this paragraph shall be reinstated and Landlord then shall continue to be obligated to give Notice from time to time of any intent to enter into a Health Care Service Agreement for the applicable service, it being the intention of the parties that this shall be an ongoing right of first refusal with each potential Health Care Service Agreement for such service throughout the Term, in compliance with the terms of this Section 25.8.3. Furthermore, Tenant shall have the right to receive a new ROFR Offer Notice and effect the noticed transaction if any of the terms set forth in the previously delivered ROFR Offer Notice are changed in any way that, in Tenant's reasonable opinion, favors the Third Party Provider, including, but not limited to, any increase in the consideration payable to the Third Party Provider, or any other financial incentives or concessions to such Third Party Provider not included in the prior ROFR Offer Notice delivered to Tenant. If Landlord is obliged to re-Notice Tenant with respect to the proposed Health Care Service Agreement with such Third-party Provider under the preceding sentence with respect to a previously received ROFR Offer Notice, Tenant shall have thirty (30) days in which to provide Landlord with a ROFR Election Notice in response to the new ROFR Offer Notice. Nothing in this Section 25.8.3 shall allow Landlord to provide, directly or indirectly through any Health Care Services Agreement, any healthcare or healthcare related service prohibited by this Lease, including, without limitation, the non-compete and other restrictions and requirements specified in Section 25.8.1.

26. *Interpretation, Execution, and Application of Lease.*

26.1 *Captions.* The captions of this Lease are for convenience and reference only. They in no way affect this Lease.

26.2 *Counterparts.* This Lease may be executed in counterparts.

26.3 *Delivery of Drafts.* Neither party shall be bound by this Lease unless and until such party shall have executed and delivered at least one counterpart of this Lease. The submission of draft(s) or comment(s) on drafts shall bind neither party in any way. Such draft(s) and comment(s) shall not be considered in interpreting this Lease.

26.4 *Entire Agreement.* This Lease contains all terms, covenants, and conditions about the Premises. The parties have no other understandings or agreements, oral or written, about the Premises or Tenant's use or occupancy of, or any interest of Tenant in, the Premises.

26.5 *Governing Law.* This Lease, its interpretation and performance, the relationship between the parties, and any disputes arising from or relating to any of the foregoing, shall be governed, construed, interpreted, and regulated under the Laws of the State, without regard to principles of conflict of laws.

26.6 *Partial Invalidity.* If any term or provision of this Lease or its application to any party or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Lease, or the application of such term or provision to Persons or circumstances except those as to which it is invalid or unenforceable, shall not be affected by such invalidity. All remaining provisions of this Lease shall be valid and be enforced to the fullest extent Law allows.

26.7 *Principles of Interpretation.* No inference in favor of or against any party shall be drawn from the fact that such party has drafted any part of this Lease. The parties have both participated substantially in its negotiation, drafting, and revision, with advice from counsel and other advisers. A term defined in the singular may be used in the plural, and vice versa, all in accordance with ordinary principles of English grammar, which also govern all other language in this Lease. The words "include" and "including" shall be construed to be followed by the words: "without limitation." Each of these terms shall be interpreted as if followed by the words "(or any part of it)" except where the context clearly requires otherwise: Building Equipment; FF&E; Fee Estate; Land; Leasehold Estate; Premises; Structure; and any other similar collective noun. Every reference to any document, including this Lease, refers to such document as Modified from time to time (except, at Landlord's option, any Modification that violates this Lease), and includes all exhibits, schedules, and riders to such document. The word "or" includes the word "and."

26.8 *Reasonableness.* Wherever this Lease states that a party shall not unreasonably withhold approval: (a) such approval shall not be unreasonably delayed or conditioned; (b) no withholding of approval shall be deemed reasonable unless withheld by Notice specifying reasonable grounds, in reasonable detail, for such withholding, and indicating specific reasonable changes in the proposal under consideration that would make it acceptable; (c) if a party grants its consent (or fails to object) to any matter, this shall not waive its rights to require such consent for any further or similar matter; and (d) any dispute on the withholding or delay of consent shall be determined by arbitration. Any consent or approval which is not stated to be able to be withheld or granted in a party's sole and absolute discretion shall be subject to the reasonableness standard described above.

26.9 *Books and Records.* To the extent that the services provided under this Agreement are deemed by the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General, or the Secretary's or Comptroller's delegate, to be subject to the provisions of Section 952 of Public Law 96-499, the parties, until the expiration of four (4) years subsequent to the furnishing of services under this Agreement, shall make available, upon written request of the Secretary, the Comptroller, or any of their duly authorized representatives this Lease, and the books, documents, and records of the parties that are necessary to certify the nature and extent of the charges to Tenant's patients.



If any party carries out any of its duties under this Lease through a subcontract, with a value of \$10,000 or more over a twelve (12)-month period, with a related organization (as that term is defined with regard to a provider in 42 C.F.R. 413.17(1)), such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization upon written request shall make available, to the Secretary, the Comptroller, or any of their duly authorized representatives the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

If any party is requested to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation related directly to the provision of services under this Agreement (e.g. a governmental investigation of billing practices or services provided to hospital patients), such party shall Notify the other party of the nature and scope of such request and shall make available to the other party, upon written request, all such books, documents, or records.

*[Signatures on Next Page.]*

**IN WITNESS WHEREOF**, Landlord and Tenant have executed this Lease on the Commencement Date.

**LANDLORD**

MENDOCINO COAST HEALTH CARE  
DISTRICT,  
a local health care district of the State of California

By: \_\_\_\_\_  
Its \_\_\_\_\_

**TENANT**

ADVENTIST HEALTH MENDOCINO COAST, a  
California nonprofit public benefit corporation

By: \_\_\_\_\_  
Its \_\_\_\_\_

***Attachments:***

- Exhibit A** = Land Description
- Exhibit B** = Notice Addresses (Including Required Copy Recipients)
- Exhibit C** = Service Area
- Exhibit D** = Restricted Capital Fund Funding Schedule
- Exhibit E** = Purchase Option Parcels
  
- Schedule 5.1 = List of Continued Services
- Schedule 14.2.2 = List of Environmental Permits
- Schedule 14.3 = Material Litigation/Proceedings
- Schedule 14.10 = Permitted Real Property Encumbrances

## EXHIBIT A

### LAND DESCRIPTION

	Bldg.	Address	APN/ Parcel Description	Bldg. Square Feet	Own/Lease
1.	Acute Space (Includes ED& Lab Addition)	700 River Drive	018--090-15-00 9.70 acres	52,472 sf	Own
2.	Materials Handling Bldg.	700 River Drive	018--090-15-00 Same parcel as above	4,500 sf	Own
3.	Patient Services Bldg.	775 River Drive	018--090-15-00 Same parcel as above	13,420 sf	Own
4.	AJ Gray Bldg.	775 River Drive	018--090-15-00 Same parcel as above	4,219 sf	Own
5.	Founders Bldg.	515 Cypress Street	018-320-08-00 .484 acres	5,216 sf	Own
6.	North Coast Clinic	721 River Drive			Lease
7.	Hospice Thrift Store	155 Boatyard			Lease

Notwithstanding the foregoing, the Premises shall not include those portions of 775 River Drive used by the Mendocino Coast Healthcare Foundation, a California nonprofit public benefit corporation, immediately prior to the Commencement Date. Landlord and Tenant agree that all maintenance, tax and utility costs associated with the operation of 775 River Drive shall be divided equally between Landlord and Tenant. [more detailed description of the space to be included/attached]

The leases described in rows six and seven of the table above will be assumed by Tenant as of the Commencement Date in connection with that certain Business Operations Transfer Agreement by and between Landlord and Tenant.

**EXHIBIT B**

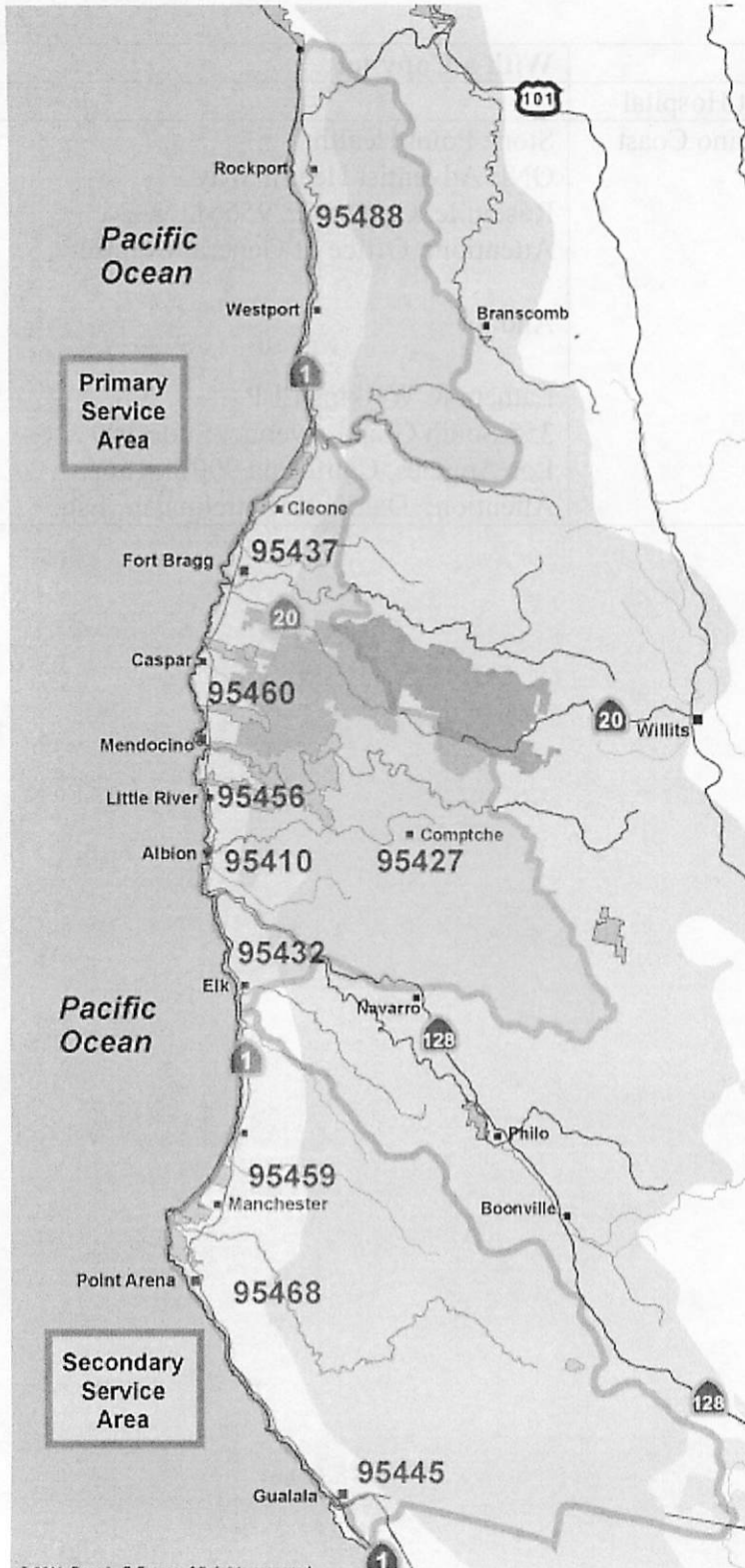
**NOTICE ADDRESSEES (INCLUDING REQUIRED COPY RECIPIENTS)**

<b>party:</b>	<b>Notice Address:</b>	<b>With a Copy to:</b>
Landlord	Mendocino Coast District Hospital	
Tenant	Adventist Health Mendocino Coast  Attention: President	Stone Point Health ONE Adventist Health Way Roseville, California 95661 Attention: Office of General Counsel  And to:  Latham & Watkins LLP 355 South Grand Avenue, Suite 100 Los Angeles, California 90071-1560 Attention: Daniel K. Settlemayer, Esq.

Exh. B

# EXHIBIT C

## SERVICE AREA



Exh. C

**EXHIBIT D**  
**RESTRICTED CAPITAL FUND FUNDING SCHEDULE**

Exh. D

## EXHIBIT E

### PURCHASE OPTION PARCELS

Bldg.	Address	APN/ Parcel Description
Acute Space (Includes ED& Lab Addition	700 River Drive	018--090-15-00 9.70 acres
Materials Handling Bldg.	700 River Drive	018--090-15-00 Same parcel as above
Patient Services Bldg.	775 River Drive	018--090-15-00 Same parcel as above
AJ Gray Bldg.	775 River Drive	018--090-15-00 Same parcel as above
Founders Bldg.	515 Cypress Street	018-320-08-00 .484 acres
Land*	NCFHC address- 721 River Drive	3.7 acres <sup>1</sup>
Land*	NIA- undeveloped property	2.41 acres

\*Subject to Landlord's compliance with the requirements of Law with respect to its disposition of Surplus Real Property.

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<sup>1</sup> NTD: It would be super helpful to have APNs for this and the parcel below. Otherwise the descriptions, particularly of the parcel below, are lacking.

**SCHEDULE 5.1**  
**LIST OF CONTINUED SERVICES**

Sch. 5.1-1



**SCHEDULE 14.2.2**  
**ENVIRONMENTAL PERMITS**

**SCHEDULE 14.3**  
**MATERIAL LITIGATION/PROCEEDINGS**

Sch. 15.11-1

**SCHEDULE 15.11**

**PERMITTED REAL PROPERTY ENCUMBRANCES**

**T**

**A**

**B**

**4**

**TRANSFER OF BUSINESS OPERATIONS AGREEMENT**

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("AH Mendocino")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

## TRANSFER OF BUSINESS OPERATIONS AGREEMENT

This TRANSFER OF BUSINESS OPERATIONS AGREEMENT (the “**Agreement**”) is made and entered into as of April \_\_, 2020 (“**Execution Date**”), by and among MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (the “**District**”), ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”), and STONE POINT HEALTH, a California nonprofit public benefit corporation (“**Stone Point Health**”), which is the sole corporate member of AH Mendocino and an affiliate of ADVENTIST HEALTH SYSTEM/WEST, d/b/a ADVENTIST HEALTH, a California nonprofit religious corporation. At times hereafter, AH Mendocino and District are referred to individually as a “**Party**” or collectively as the “**Parties**”.

### RECITALS

**A. WHEREAS**, District is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the “**Hospital**”);

**B. WHEREAS**, the Parties have entered into that lease agreement dated [ ● ] (“**Lease**”) under which AH Mendocino will lease from District all of the Premises and Existing FF&E (as defined in the Lease) to operate the Hospital upon satisfaction of the conditions described under the Lease;

**C. WHEREAS**, in connection with the Lease, the Parties are entering into this Agreement which sets forth the terms on which District will transfer and AH Mendocino will assume certain assets, liabilities, and other operational items from District to ensure continuous Hospital operations upon commencement of the Lease;

**D. WHEREAS**, the Board of Directors of the District has determined that the Lease and actions contemplated under this Agreement are desirable and in the best interest of the communities served by the District and has approved this Agreement; and

**E. WHEREAS**, on March 3, 2020, the terms of the Lease and this Agreement were approved by the residents of the District by a ballot initiative measure (the “**Electorate Approval**”). The District residents approved the ballot initiative measure by the margin required by the California Local Health Care District Law (California Health and Safety Code Sections 32000 *et seq.*).

**F. WHEREAS**, the purpose of this Agreement is to achieve the following:

1. Enhance the provision of quality health care to the communities served by the District;

2. Promote the development of new contracts for the benefit of the Hospital and other AH Mendocino providers, with a particular emphasis on developing systems that utilize the size and geographic scope arising from the resources of AH Mendocino and its affiliates to serve the general public residing in the communities served by the District;

3. Achieve efficiencies and economies of scale that cannot be obtained through the continued free-standing operation of the Hospital; and

4. Provide for integration of the Hospital into a regional health care system that will better serve the general public residing in the communities served by the District.

## AGREEMENT

NOW, THEREFORE, in consideration of the recitals, covenants, conditions and promises herein contained, the Parties hereby agree as follows:

### ARTICLE 1.

#### DEFINITIONS

1.1 **Defined Terms.** The defined terms of the Lease are incorporated by this reference as though the terms were fully set forth herein. In the event of a conflict of defined terms between the Lease and this Agreement, the defined terms set forth in this Agreement will prevail.

“**AH FF&E**” shall mean any and all FF&E acquired or leased by AH Mendocino during the term of the Lease using funds other than the Improvements Fund.

“**Ancillary District Operations**” shall mean the operations and businesses described on the attached **Schedule 1.1**.

“**Agency Settlements**” means the rights to settlements and retroactive adjustments, if any, whether arising under a cost report of District or otherwise, for cost reporting periods ending prior to the Closing Date, whether open or closed, arising from or against the United States government under the terms of the Medicare program, TRICARE or against the State of California under the Medi-Cal program, and against any third-party payor programs which settle upon a basis other than individual claims, for items and/or services rendered by Hospital and the Ancillary District Operations prior to the Closing Date.

“**Agreement**” means this Agreement and the Schedules and Exhibits hereto.

“**Books and Records**” means originals, or where not available, copies, of books and records maintained in connection with the Hospital, the Ancillary District Operations or the Transferred Assets, including books and records relating to books of account, ledgers and general financial accounting records, physician records, medical staff records (including peer review records), personnel records, machinery and equipment maintenance files, patient and customer lists, price lists, distribution lists, supplier and vendor lists, quality control records and procedures, customer and patient complaints and inquiry files, research and development files, records and data (including all correspondence with any Government Entity), sales material and records, all architectural plans or design specifications, strategic plans, marketing plans, internal financial statements and marketing and promotional surveys, pricing and cost information, material and research that relate to the Hospital and the Ancillary District Operations.

**“Closing”** means the consummation of the transactions contemplated by this Agreement.

**“Closing Date”** means the time [ ● ] on the Commencement Date as defined under the Lease.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

**“Contracts”** means all written commitments, contracts, leases, licenses, agreements and understandings relating to the Hospital or the Ancillary District Operations, including, without limitation, agreements with payors, physicians and other providers; agreements with health plans, health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems; joint venture and partnership agreements; management, employment, retention and severance agreements; vendor agreements; real and personal property leases and schedules; maintenance agreements and schedules; agreements with municipalities and labor organizations; and bonds, mortgages and other loan agreements.

**“District Bonds”** means [ ● ].

**“District Employee(s)”** shall refer to those individuals employed by the District in connection with its ownership or operation of the Hospital and/or the Ancillary District Operations.

**“District Employee Benefit Plans”** shall mean any Employee Benefit Plan (i) sponsored, maintained or contributed to, or required to be sponsored, maintained or contributed to by District, (ii) in which any District Employee participates, or (iii) with respect to which District has any actual or contingent liability.

**“Employment Loss”** means (i) an employment termination, other than a discharge for cause, voluntary departure or retirement, (ii) a layoff; or (iii) a reduction in customary hours of work of more than fifty percent (50%).

**“Encumbrances”** means all liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases, rights of first refusal, options to purchase, restrictions, purchase money indebtedness and other encumbrances, and agreements or commitments to create or suffer any of the foregoing.

**“Employee Welfare Benefit Plan”** shall have the meaning set forth in Section 3(1) of ERISA (whether or not subject to ERISA).

**“GASB”** shall mean Governmental Accounting Standards Board accounting principles consistently applied, as in effect from time to time.



**“Government Authorizations”** shall mean all Permits, no objection letters, variances, clearances and other authorizations, consents and approvals of any Government Entity that are required to conduct the Hospital and the Ancillary District Operations.

**“Government Entity”** shall mean any local, state or federal government, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts, instrumentalities or other subdivisions, including but not limited to the California Department of Public Health (“CDPH”), California Board of Pharmacy, the Centers for Medicare and Medicaid Services (“CMS”), Department of Health Care Services, TRICARE and Medicare Administrative Contractors.

**“Government Healthcare Program”** shall mean Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs, including any participation agreements required for any such program.

**“Government Fundings”** shall mean the Disproportionate Share Replacement Payments program, Hospital Quality Assurance Fee program, intergovernmental transfer payments and any other form of federal or state funding or revenues Hospital or any Ancillary District Operations may be entitled to or is eligible for to support Hospital in providing access to healthcare services for Medi-Cal, low-income, indigent and/or uninsured populations.

**“Healthcare Laws”** shall mean the Laws applicable to the operations of the Hospital and Ancillary District Operations, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, or “Stark Law,” 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute (the “Federal Anti-Kickback Statute”), 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended (the “False Claims Act”), 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; the Clinical Laboratory Improvement Amendments of 1988 (42 U.S.C. § 263a et seq.); HIPAA; any similar state and local Laws that address the subject matter of the foregoing; any state Law or precedent relating to the corporate practice of the learned or licensed healthcare professions; any state Law concerning the splitting of healthcare professional fees or kickbacks; any state Law concerning healthcare professional self-referrals; kickbacks or false claims; any state healthcare professional licensure Laws, qualifications or requirements for the practice of medicine or other learned healthcare profession; any applicable state requirements for business corporations or professional corporations or associations that provide medical services or practice medicine or related learned healthcare profession; workers compensation; any applicable state and federal controlled substance and drug diversion Laws, including, the Federal Controlled Substances Act (21 U.S.C. § 801, et seq.) and the regulations promulgated thereunder; and all applicable implementing regulations, rules, ordinances and Orders related to any of the foregoing.

**“HIPAA”** shall mean the Administrative Simplification provisions of title II, subtitle F, of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-

191) and all regulations promulgated thereunder, including the Privacy Standards (45 C.F.R. Parts 160 and 164, Subparts A and E), the Electronic Transactions Standards (45 C.F.R. Parts 160 and 162), and the Security Standards (45 C.F.R. Parts 160 and 164, Subparts A and C), the Enforcement Rule (45 C.F.R. Part 160, Subparts C-E), and the Breach Notification Rule (45 C.F.R. Part 164, Subpart D), as amended by the Health Information Technology for Economic and Clinical Health Act, Title XIII of division A and Title IV of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), as amended (“HITECH Act”), the final HIPAA/HITECH Omnibus Rules published by the U.S. Department of Health and Human Services on January 25, 2013, and as otherwise may be amended from time to time.

“**Intellectual Property Rights**” shall mean any of the following statutory and/or common law rights in, arising out of, or associated therewith (including variants of and applications for): (i) all patents and all reissues, divisions, extensions, provisionals, continuations and continuations in part thereof; (ii) all inventions (whether patentable or not), invention disclosures and improvements, all trade secrets, proprietary information, know-how and technology; (iii) all works of authorship, copyrights, copyright registrations and applications; (iv) all industrial designs and registered designs and any registrations and applications therefor; (v) all trade names, logos, trademarks, assumed and/or fictitious business names, and service marks; trademark and service mark registrations and applications; (vi) all databases and data collections (including knowledge databases); (vii) all rights in software; (viii) rights to uniform resource locations, web site address and domain names; (ix) any similar, corresponding or equivalent rights to any of the foregoing; and (x) any goodwill associated with any of the foregoing.

“**Law**” shall mean any applicable constitutional provision, statute, law, rule, regulation, code, ordinance, accreditation standard, resolution, Order, ruling, promulgation, policy, manual guidance, treaty directive, interpretation, or guideline adopted or issued by any Government Entity.

“**Lease**” shall mean that certain Lease dated [ ● ] by and between District, as landlord, and AH Mendocino, as tenant, pursuant to which District shall (i) lease to AH Mendocino the Premises and Existing FF&E; and (ii) grant to AH Mendocino an option to purchase the Premises and Existing FF&E in accordance with the terms and conditions thereunder.

“**Lease Termination**” shall mean the termination or expiration of the Lease, other than an expiration or termination resulting from AH Mendocino’s purchase of the Premises pursuant to Section 15 of the Lease.

“**Multiemployer Plan**” shall have the meaning set forth in Section 3(37) of ERISA or Section 4001(a)(3) of ERISA (whether or not subject to ERISA).

“**Order**” shall mean any judgment, order, writ, injunction, decree, determination, or award of any Government Entity.

“**Permit**” means any consent, ratification, registration, waiver, authorization, license, permit, grant, franchise, concession, exemption, order, notice, certificate or clearance

issued, granted, given, or otherwise made available by or under the authority of any Government Entity or pursuant to any Law.

## ARTICLE 2.

### TRANSFER OF ASSETS

**2.1 Transfer of Assets.** Upon the terms and subject to the conditions contained herein, effective as of the Closing Date, District shall sell, convey, transfer, assign and deliver to AH Mendocino, and AH Mendocino shall acquire from District, the following assets (collectively, the “**Transferred Assets**”):

2.1.1 Assumed Contracts. All right, title and interest of District in and to each Contract set forth in **Schedule 2.1.1**, and all deposits and prepayments made by District under all such Contracts (the “**Assumed Contracts**”). From the Execution Date until the Closing Date, District and AH Mendocino shall cooperate in determining which Contracts held by District for the Hospital and the Ancillary District Operations shall become Assumed Contracts hereunder. For all Assumed Contracts, District shall give all contractually required notices and District and AH Mendocino shall, in good faith, cooperate to obtain all necessary consents from the other party to the Contract to the assignment of the Assumed Contracts from District to AH Mendocino. AH Mendocino shall provide the information required for **Schedule 2.1.1** within five (5) business days of receipt of or access to all Contracts from District, provided that District provides copies of or access to all Contracts no later than [April 13, 2020].

2.1.2 Inventory. All of District’s inventories of supplies, raw materials, parts, merchandise, drugs, food, janitorial and office supplies, maintenance and shop supplies, and other disposables and consumables (collectively, the “**Inventory**”) located within the Premises or any location in which the Hospital and the Ancillary District Operations are conducted and used in connection with the Hospital and/or the Ancillary District Operations;

2.1.3 Prepays. All of District’s advance payments, prepayments, prepaid rentals, prepaid expenses and deposits (including any prepaid deposits for the Inventory) related to the Transferred Assets made by or on behalf of District in the ordinary course of business for goods and services [, including those set forth on **Schedule 2.1.3**], whether or not pursuant to an Assumed Contract, where such goods or services have not been received by District as of the Closing (the “**Prepays**”);

2.1.4 Claims. All claims, causes of action, rights of recovery and rights of setoff and recoupment of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations, and guarantees made by suppliers of services, products, materials, or equipment, or components thereof) that arise out of or inure to the benefit of the District with respect to the Transferred Assets (“**Claims**”);

2.1.5 Intangible Property. All of District’s intangible property (the “**Intangible Property**”) used in connection with the Hospital and the Ancillary District Operations, including the following:

1. all Government Authorizations, to the extent assignable or transferable, owned, utilized, licensed, or issued to District relating to the ownership, development and business or operation of the Hospital and the Ancillary District Operations or the Transferred Assets (including any pending Government Authorizations related to the Hospital and the Ancillary District Operations or the Transferred Assets);

2. all Intellectual Property Rights of District related to the Hospital and the Ancillary District Operations, licenses and sublicenses granted and obtained with respect thereto, copies of tangible embodiments thereof in whatever form or medium, all rights to sue and recover damages for infringement occurring on or after the Closing Date, misappropriation or breach thereof, rights to protection of interests therein under the Laws of all jurisdictions, and the goodwill associated therewith;

3. all goodwill associated with the Hospital and the Ancillary District Operations;

4. all warranties and guarantees of third parties relating to the Hospital and the Ancillary District Operations;

5. all Books and Records;

6. originals, or where not available, copies (including in electronic format), of all medical records, patient files, and other written accounts of the medical history of the Hospital's patients maintained in connection with the Hospital and the Ancillary District Operations, to the extent transferable by Law ("**Medical Records**");

7. all business phone numbers, advertising and all sales and promotional literature, samples, and catalogs used in the marketing of the Hospital and the Ancillary District Operations.

**2.2 Excluded Assets.** Notwithstanding any other provision of this Agreement, District shall retain all assets other than the Transferred Assets (the "**Excluded Assets**"), which shall not be transferred to AH Mendocino and include, but not be limited to, the following:

2.2.1 **District Real Property and FF&E.** All of the Fee Estate and Existing FF&E, each as defined in the Lease, including any other real property owned by District;

2.2.2 **Personal Property.** All of the District's personal property;

2.2.3 **Accounts Receivable.** All of the accounts, notes, interest and other receivables of District and all accounts receivable of District that have arisen, and not been collected, since prior to the Closing Date, in connection with the business and operation of the Hospital and Ancillary District Operations prior to the Closing Date, including: accounts, notes or other amounts receivable from a third-party, and all claims, rights, interests and proceeds related thereto; cost report settlements that relate to the period before the Closing Date; and any account receivable arising from Agency Settlements even if such adjustments occur after the Closing, for items and/or services rendered by District prior to the Closing Date while operator of Hospital and the Ancillary District Operations, whether payable by professional service

providers, private pay patients, private insurance, third-party payors, Government Healthcare Programs, or by any other source (collectively, the “**Accounts Receivable**”);

2.2.4 Government Fundings. All rights to receive payments from, or otherwise in connection with, the Government Fundings for any applicable period prior to the Closing Date;

2.2.5 Receivable Records. All documents, records, correspondence, work papers and other documents relating to the Accounts Receivable, the Agency Settlements or rights to settlements and retroactive adjustments on the District’s cost reports (the “**Receivable Records**”), for the period prior to the Closing Date;

2.2.6 District Corporate Records. All bylaws, minute books and other governance documents and records of District;

2.2.7 District Business Records. All business records of the District that do not relate to the Transferred Assets and or that do not pertain primarily to Hospital and the Ancillary District Operations;

2.2.8 District Confidential and Privileged Materials. All records that District is required by Law to retain in its possession and any confidential corporate and financial books and records, marketing materials, attorney-client privileged communications and other confidential records or correspondence of District related to the operations of the Hospital and the Ancillary District Operations;

2.2.9 District Tax Revenues. All tax accruals or tax revenues of District, including, without limitation, any unexpended funds maintained by District as of the Closing Date and such accruals or revenues as of the Closing Date which are received by District after the Closing Date;

2.2.10 District Restricted Funds. All funds or assets that are restricted or otherwise precluded by applicable Law or contract from assignment or transfer, including, without limitation, all funds held from time to time by any indenture trustee and/or paying agent under the documents that evidence, govern or otherwise secure District’s existing bonds; and any proceeds thereof;

2.2.11 Employee Benefit Plan Assets. All rights in connection with, and assets of, the District Employee Benefit Plans;

2.2.12 Certain Insurance Claims. All rights to claims under or proceeds of Insurance Policies pertaining to the Transferred Assets prior to Closing Date;

2.2.13 Other Assets. All other assets of District that are not expressly included herein as Transferred Assets.

## **2.3 Purchase Price.**

2.3.1 Purchase Price. In exchange for the sale, transfer, assignment, conveyance and delivery of the Inventory and the Prepaids by District to AH Mendocino, AH Mendocino shall, upon the terms and subject to the conditions set forth herein, pay the amount equal to the fair market value of the Prepaids and the Inventory (the “**Purchase Price**”), which shall be estimated for purposes of the Closing to be an aggregate of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_), which shall be adjusted in accordance with Section 2.3.3.

2.3.2 Payment of Purchase Price. AH Mendocino shall remit the Purchase Price to the District at the Closing, subject to adjustment set forth under Section 2.3.3.

2.3.3 Adjustment to Purchase Price. At least three (3) business days but no more than ten (10) business days prior to the Closing Date, District shall prepare and deliver to AH Mendocino proposed calculation for the value of the Prepaids and the Inventory and for the Transition Liabilities (as defined in Section 4.1.8). The parties will cooperate in good faith in the thirty (30) days following the Closing to validate the actual value of the Prepaids and the Inventory as of the Closing Date, and the Transition Liabilities and will adjust the Purchase Price accordingly. The Purchase Price shall be subject to offset by the Transferred PTO Value (as defined in Section 4.1.5), provided, that any portion of the Transferred PTO Value not offset against the Purchase Price shall be paid by District to AH Mendocino on a monthly basis, and shall be fully paid no later than six (6) months following the Closing Date.

## **2.4 Prorations.**

2.4.1 Prorations in General. All prorations shall be computed as of the Closing Date.

2.4.2 Assumed Contracts. The Parties shall prorate all rent and other payments payable by the District under all Assumed Contracts, including real estate and personal property taxes, assessments and other similar charges, for the calendar month during which the Closing Date occurs, as applicable.

2.4.3 Utilities. All utility costs and expenses related to Hospital and Ancillary District Operations shall be prorated between the Parties within thirty (30) days after the Closing Date, based upon the latest available information, such that the District shall be responsible for all utility costs and expenses relating to the period up to and including the day prior to the Closing Date, and AH Mendocino shall be responsible for all such costs and expenses relating to the period from and after the Closing Date pursuant to the terms of the Lease. District shall endeavor to have all meters read for all utilities servicing the Hospital and Ancillary District Operations including, without limitation, water, sewer, gas and electricity for or the period to and including the day promptly following the Closing Date, and shall pay all bills rendered on the basis of such readings (provided that AH Mendocino shall be responsible-for any and all fees and charges relating to the changeover of all such services and utilities into the name of AH Mendocino or its affiliates). If, on the Closing Date, District is unable to have any utility meters read, AH Mendocino and District shall estimate the amount of such bills based on the immediately preceding utility bills.

2.4.4 Other Prorations. To the extent not otherwise prorated pursuant to this Agreement, AH Mendocino and District shall prorate between them any periodic revenue or expense that is applicable to the time periods before and after the Closing Date.

2.4.5 Post-Closing Date Corrections. If any errors or omissions are made regarding adjustments and prorations as aforesaid, the Parties shall make the appropriate corrections promptly upon the discovery thereof. If any estimations are used to prepare the proration amounts used for the Closing Date, the Parties shall make the appropriate corrections promptly when accurate information becomes available. Any corrected adjustment or proration shall be paid in cash to the Party entitled thereto.

2.5 General Assignment of Rights. Concurrent with the execution and delivery of this Agreement, each Party shall deliver to the other Party an executed copy of the General Assignment of Rights (“**General Assignment of Rights**”), substantially in the form attached hereto as Exhibit A, and other written assignments or consents, in a form reasonably acceptable to AH Mendocino or to any designated assignee of AH Mendocino, including all obtained consents to said assignments of all of District’s right, title and interest in all Assumed Contracts and Assumed Liabilities assumed by and assigned to AH Mendocino pursuant to this Agreement. By the Closing Date, District shall have delivered or made available to AH Mendocino the true and correct originals, or true and correct photocopies of originals if such originals are not available to District after due inquiry, of all Assumed Contracts and other Assumed Liabilities, if applicable, and all amendments to such Assumed Contracts and other Assumed Liabilities, if applicable.

### ARTICLE 3.

#### ASSUMPTION OF LIABILITIES

3.1 Assignment of Liabilities. Effective as of the Closing Date, subject to and in accordance with the terms of this Agreement, AH Mendocino shall assume and agree to perform and discharge when due, the following liabilities and obligations (except to the extent that such liabilities constitute Excluded Liabilities) (collectively, the “**Assumed Liabilities**”):

3.1.1 Assumed Contracts. All liabilities and obligations of District arising on or after the Closing Date under any Assumed Contract other than liabilities or obligations arising in connection with the breach of any such arrangement on or prior to the Closing Date; and

3.1.2 Post-Closing Date Liabilities. All liabilities and obligations of District arising on or after the Closing Date under any Assumed Contract other than liabilities or obligations arising in connection with the breach of any such arrangement on or prior to the Closing Date; and

3.1.3 Government Healthcare Program and Related Participation Agreements. Subject to Section 3.2.6, all obligations and liabilities of District related to the operations of the Hospital and Ancillary District Operations under Government Healthcare Programs and related Participation Agreements that AH Mendocino agrees to take assignment of, but only to the extent any such program may require assumption of District’s obligations and liabilities as a



condition of participation or as otherwise required by any such program for approval of Hospital's change in ownership from District to AH Mendocino, that arise on or after the Closing Date.

**3.2 Excluded Liabilities.** Notwithstanding any other provision of this Agreement, AH Mendocino shall not assume, or otherwise be responsible for, any liabilities or obligations of District, whether actual or contingent, matured or unmatured, liquidated or unliquidated, or known or unknown, arising out of occurrences prior to the Closing Date and not expressly assumed hereunder as Assumed Liabilities, including, without limitation, the following (collectively, the "**Excluded Liabilities**"):

3.2.1 Professional and Comprehensive General Liability Claims. Professional liability or general liability that relates to incidents, actions or omissions occurring prior to the Closing Date with respect to the Hospital and the Ancillary District Operations.

3.2.2 Medical Staff Claims. Professional, general, or directors and officers liability claims that relate to incidents, actions or omissions of the medical staff or governing body prior to the Closing Date.

3.2.3 Employment Liabilities. Other than Transition Liabilities, any liability relating to, resulting from, or arising out of (and whether or not such liabilities arise prior to, on or following the Transition Date) (i) District's actual or prospective employment or engagement, retention and/or termination of any current or former employee or service provider of District or any affiliate of District (including liabilities for compensation, benefits, accrued paid time off or liabilities with respect to a claim of an unfair labor practice or under any employment Law or regulation), (ii) any District Employee Benefit Plan (including, without limitation, any liability to make any payment or payments to any third party as a result of the transactions contemplated by this Agreement or worker's compensation claims), and (iii) due to District's, or an affiliate of District's, status as an ERISA Affiliate of any other entity.

3.2.4 Tort and Contract Claims. Any other claim or liability (including litigation identified in Schedule 3.2.4), whether in contract or tort, which arises from the conduct of District or in the operation of the Hospital and the Ancillary District Operations prior to the Closing Date.

3.2.5 Liabilities under Laws and Government Healthcare Programs. Any debts, obligations or liabilities of District related to the Hospital and Ancillary District Operations (i) under applicable Laws, including Healthcare Laws (whether known or unknown to District as of the Closing Date, fixed, absolute, accrued, contingent or otherwise); (ii) in connection with the Government Healthcare Programs and related Participation Agreements as held by District prior to the Closing Date (subject to Section 3.1.3), specifically any Medicare, TRICARE and any Medi-Cal liabilities, including retroactive payment adjustments, refunds or overpayments, arising from District's acts or omissions prior to the Closing Date; or (iii) otherwise in connection with any other Government Entity arising from District's acts or omissions prior to the Closing Date, and (iv) including those set forth on Schedule 3.2.5.



3.2.6 Other Claims. Any other debts, obligations or liabilities of District that relate to incidents, actions or omissions of District or District's directors, officers, employees, contractors, agents or representatives occurring prior to the Closing Date that is not expressly assumed by AH Mendocino under the terms of this Agreement.

## ARTICLE 4.

### TRANSFER OF OTHER BUSINESS OPERATIONS

4.1 Employment Transition. It is the intent of the Parties to create an orderly employment transition of District's employees from District to AH Mendocino. The Parties recognize the inherent disruption this may cause the employees and have agreed on the following process with the following terms in order to minimize this disruption.

4.1.1 Termination of Employees. District shall terminate the employment of District Employees effective as of the end of the day immediately following the Closing Date or such later date mutually agreed in writing between the Parties (the "**Transition Date**" and the period between the Closing Date and the Transition Date, the "**Transition Period**"). Subject to this Section 4 and the terms of any collective bargaining agreement, District shall terminate the active participation of District's Employees in all of the District Employee Benefit Plans covering such employees effective as of the end of the day immediately prior to the Transition Date. District shall cause each District Employee Benefit Plan to comply with all applicable Laws and the terms and conditions of such District Employee Benefit Plans in connection with such termination of District's Employees.

4.1.2 WARN Notices. District shall take any and all action which may be necessary to comply with any WARN Act (as defined in Section 4.1.4) obligations as a result of the transactions contemplated by this Agreement.

4.1.3 Notice to AH Mendocino. District shall promptly provide AH Mendocino written notice (each, an "**Update**") of (a) any of District's Employees whose employment with District is terminated between the Execution Date and the Closing Date or who otherwise incurs an Employment Loss, indicating the nature and date of any such Employment Loss, as well as (b) any person who is hired by District between the Execution Date and the Closing Date, and the reason for such hire. AH Mendocino shall maintain employee information and Updates in strict confidence, shall not disclose any such employee information or Updates to any third person or entity, and shall not use any such employee information or Updates for any purpose other than in connection with the transactions contemplated herein, unless legally compelled by a court of competent jurisdiction to do so.

4.1.4 Continued Liability of District. Any liability relating to, resulting from, or arising out of (and whether or not such liabilities arise prior to, on or following the Transition Date) (i) District's actual or prospective employment or engagement, retention and/or termination of any current or former employee or service provider of District or any affiliate of District (including liabilities for compensation or benefits or liabilities with respect to a claim of an unfair labor practice, Union activities or under any employment Law or regulation), (ii) any District Employee Benefit Plan (including, without limitation, any liability to make any payment

or payments to any third party as a result of the transactions contemplated by this Agreement or worker's compensation claims), (iii) due to District's, or an affiliate of District's, status as an ERISA Affiliate of any other entity, (iv) District's compliance or failure to comply with the notification requirements under the Worker Adjustment and Retraining Notification Act 29 U.S.C. Section 2100 *et seq.* or any similar state Law, including California Labor Code Section 1400 *et seq.* (collectively, the "**WARN Act**") and any liability under the WARN Act related to AH Mendocino's not offering employment to or not hiring any of District's employees, shall remain that of District and AH Mendocino shall have no obligation with respect to any such liability. District will provide its employees and former employees with continuous coverage during the Transition Period in accordance with the terms of its Employee Welfare Benefit Plans, and District shall comply with the continuation coverage requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and any similar state laws.

4.1.5 AH Mendocino Offers of Employment. AH Mendocino shall provide an offer of employment to each "Active District Employees" no later than five (5) business days prior to the Closing Date, such offer to be effective as of the Transition Date and to include an annual base salary or base wage rate consistent with the annual base salary or base wage rate set forth in any governing collective bargaining agreement or, solely in respect of any Active District Employees not covered by a collective bargaining agreement, consistent with the annual base salary or base wage rate provided by AH Mendocino to similarly situated employees of AH Mendocino, subject to AH Mendocino's determination that such Active District Employees meet AH Mendocino's usual and customary hiring practices and policies. For purposes of this Agreement, "Active District Employees" shall mean District Employees who are actually providing services to District in connection with the operation of the Hospital or the Ancillary District Operations as of the Transition Date and who are in good standing, and shall exclude any District Employee (a) whose employment status has been suspended or restricted as a result of disciplinary or other action, (b) who is otherwise not providing services to District for any reason as of the Transition Date or (c) who is listed on Schedule 4.1.5 (the "**Excluded Employees**") (but "**Active District Employees**" shall include District Employees on ordinary course absences due to such events as vacation or illness or on any legally protected absence or leave of absence).

4.1.6 Employment Acceptance by District Employees. As of the Transition Date, AH Mendocino shall hire those District employees who notify AH Mendocino prior to the Transition Date of their acceptance of AH Mendocino's offer of employment and who successfully complete AH Mendocino's standard pre-employment processes, including background checks in accordance with AH Mendocino's policies and procedures (the "**Newly Hired Employees**"). Notwithstanding anything to the contrary in this Agreement, AH Mendocino covenants and agrees that it shall continue to employ in comparable positions (including the same or better job title and responsibilities and the better of the annual base salary or wage rate included in the applicable offer letter or the annual base salary or wage rate paid by District prior to the Transition Date) the Newly Hired Employees for a period of no less than ninety (90) days following the Transition Date, unless AH Mendocino sooner terminates the employment of any Newly Hired Employee for cause or in the event any Newly Hired Employee voluntarily resigns or retires.

4.1.7 Transfer of PTO. AH Mendocino shall provide each Active District Employee an opportunity to transfer the Active District Employee's accrued but unused paid

time off balance as of the Transition Date to AH Mendocino, and AH Mendocino shall permit any such Active District Employee who elects to transfer the Active District Employee's accrued but unused paid time off balance as of the Transition Date (the aggregate value (based on annual base salary and wage rates in effect as of immediately prior to the Transition Date) of such elected transfer balances, the "**Transferred PTO Value**") to use the transferred balance in accordance with AH Mendocino's standard paid time off policies. For the avoidance of doubt, District shall pay to any Active District Employee who, prior to the Transfer Date, does not elect to transfer the Active District Employee's accrued but unpaid paid time off balance as of the Transition Date the value of such Active District Employee's accrued but unpaid paid time off balance on the Transition Date.

4.1.8 Employee Transition Services. During the Transition Period, District shall continue to employ the Active District Employees on substantially the same terms and conditions as in effect as of immediately prior to the Closing Date, including the same job title, responsibilities, annual base salary or wage rate and eligibility to participate in District Employee Benefit Plans (the aggregate base salaries and wages incurred in respect of the Active District Employees during the Transition Period together with the prorated amount of the employer-portion of the premiums paid by the District in the month or pay period immediately preceding the Transition Date for each Active District Employee for participation in the District Employee Benefit Plans (other than premiums for coverage that AH Mendocino is financially responsible for under Section 4.1.11), the "**Transition Liabilities**").

4.1.9 AH Mendocino's Rights and Obligations. The understandings set forth in this Section 4 are solely for the purpose of defining the obligations between AH Mendocino and District and shall not be construed as creating any employment contract or other agreement between either AH Mendocino or District, on the one hand, and any District Employee, on the other hand. The terms and provisions of this Section 4 are intended solely for the benefit of District and AH Mendocino and their respective permitted successors or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other person, including any District Employee or Active District Employee. All District Employees or Active District Employees shall remain terminable "at-will" by AH Mendocino (or its designated affiliate) or District, as the case may be, except to the extent otherwise required by law or by any preexisting employment or other agreement which has been specifically assumed by AH Mendocino under this Agreement. Nothing in this Agreement shall modify or amend any District Employee Benefit Plan or other agreement, plan, program, or document unless this Agreement explicitly states that the provision "amends" such District Employee Benefit Plan or other agreement, plan, program, or document.

4.1.10 Credit for Service to District. AH Mendocino shall include, as part of each employment offer to an Active District Employee, credit for service rendered with District for purposes of determining vesting and participation in AH Mendocino retirement plans and other employee benefits. District shall calculate paid time accruals of all employees, which will carry over with their employment transition to AH Mendocino.

4.1.11 Ongoing Employee Health Costs at Closing Date. To the extent feasible, as determined by AH Mendocino, District and AH Mendocino shall work cooperatively with one another to continue the District provided employee health plan once AH Mendocino becomes the

employer of the District employees. District shall be responsible for employee health costs, including those costs that have been incurred but not yet reported, (to the extent of any District Employee Benefit Plan limitation) incurred by District's employees prior to the Closing Date. AH Mendocino shall be responsible for the health costs (to the extent of AH Mendocino's employee benefit plan limitations) of Newly Hired Employees incurred on and after the Closing Date. To the extent that a District employee who becomes a Newly Hired Employee is receiving ongoing health care services for a specific diagnosis made prior to the Closing Date, District and AH Mendocino shall allocate the health costs of treating such Newly Hired Employee between them based on whether the item or service generating a specific cost was provided to the Newly Hired Employee before or after the Closing Date, and each such Party shall pay that cost accordingly. District shall pay all costs of providing health care services to District employees who are inpatients and receiving health care services up to the Closing Date, but AH Mendocino shall be liable for all such costs on and after the Closing Date with respect to such persons who are Newly Hired Employees on and after the Closing Date and shall reimburse District for reasonable payments made by District pertaining to the charges for items and services provided on and after the Closing Date.

4.1.12 Unions. Except as set forth on Schedule 4.1.12, District has not been for the past three (3) years, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or other labor organization (collectively, "Union"), and there is not, and has not been for the past three (3) years, any Union representing, or purporting to represent any employee of District, and, to District's knowledge, no Union or group of employees is seeking or has sought to organize or represent employees for the purpose of collective bargaining. Except as set forth on Schedule 4.1.12, there has never been, nor has there been any threat of, any strike, slowdown, sick out, work stoppage, lockout, concerted refusal to work, or other similar labor disruption or dispute affecting District or any of its employees.

## ARTICLE 5.

### CLOSING

5.1 Closing. The Closing shall take place on the Closing Date.

5.2 Deliveries by District. At or before the Closing, District shall deliver to AH Mendocino the following (duly executed where appropriate):

5.2.1 District's Certificates. Certificates of District, executed by District's duly authorized officers, confirming the completeness and truthfulness in all material respects of the representations, warranties and covenants made herein, and incumbency certificates identifying the officers of District as of the Closing Date.

5.2.2 Certified Resolutions. A certified copy of the resolution of District's board of directors authorizing and approving the transactions contemplated by this Agreement, the execution and delivery of this Agreement and the consummation of transactions provided herein.

5.2.3 Bill of Sale. A Bill of Sale, substantially in the form attached hereto as **Exhibit B**.

5.2.4 Bondholders' Consent. Appropriate documentation evidencing consent of the bondholders of the District Bonds pursuant to Section 9.17, in a form reasonably acceptable to AH Mendocino.]

5.2.5 Evidence of Title. Appropriate documents evidencing District's title to the Transferred Assets, if applicable, subject only to the Assumed Liabilities assumed by and assigned to AH Mendocino pursuant to this Agreement. A copy of the original of such documents shall, if available and upon AH Mendocino's written request, be procured and delivered by District to AH Mendocino on or before the Closing Date.

5.2.6 Assignment of Contracts and Other Assumed Liabilities. A General Assignment of Rights, substantially in the form attached hereto as **Exhibit A**, and other written assignments or consents, in a form reasonably acceptable to AH Mendocino or to any designated assignee of AH Mendocino, including all obtained consents to said assignments of all of District's right, title and interest in all Assumed Contracts and other Assumed Liabilities assumed by and assigned to AH Mendocino. By the Closing Date, District shall have delivered to AH Mendocino the true and correct originals, or true and correct photocopies of originals if such originals are not available to AH Mendocino after due inquiry, of all Assumed Contracts and other Assumed Liabilities, if applicable, and all amendments to such Assumed Contracts and other Assumed Liabilities, if applicable.

5.2.7 Other Documents. Such other documents as (i) may be reasonably requested by AH Mendocino prior to the Closing Date to effect the closing of the transactions as they are herein contemplated, or (ii) are required to effect the closing of the transactions as they are herein contemplated, whether or not requested by AH Mendocino.

5.2.8 Certificate of Election. Certificate of Election from the office of the clerk of the County of Mendocino, California certifying the results of the Approval Election.

**5.3 Deliveries by AH Mendocino and Stone Point Health**. At or before the Closing, AH Mendocino and/or Stone Point Health shall deliver to District the following (duly executed where appropriate):

5.3.1 Purchase Price. Payment of the Purchase Price, offset against the Transferred PTO Value as described above in Section 2.3.3.

5.3.2 AH Mendocino and Stone Point Health Certificates. Certificates of AH Mendocino and Stone Point Health, executed by their respective duly authorized officers, confirming the completeness and truthfulness in all material respects of the representations, warranties and covenants made herein, and incumbency certificates identifying the respective officers of AH Mendocino and Stone Point Health as of the Closing Date.

5.3.3 Certified Resolutions. Certified copies of the resolutions board of directors of Stone Point Health and AH Mendocino authorizing and approving the transactions

contemplated by this Agreement, the execution and delivery of this Agreement and the consummation of transactions provided herein.

5.3.4 Assignment of Contracts and Other Assumed Liabilities. A General Assignment of Rights, substantially in the form attached hereto as Exhibit A.

5.3.5 Other Documents. Such other documents as (i) may be reasonably requested by District prior to the Closing Date to effect the Closing, or (ii) are required to effect the Closing whether or not requested by District.

#### **5.4 Tax Clearances, Closing Tax Returns, Notices and Reports.**

5.4.1 Tax Clearances and Releases. District shall secure and deliver to AH Mendocino, concurrently with the Closing, tax clearance certificates from the California Employment Development Department, the California Franchise Tax Board, the California Board of Equalization, the County of Mendocino, California, and the Internal Revenue Service, to the extent such certificates are applicable to District.

5.4.2 Returns, Notices and Reports. District shall promptly file all Closing returns, notices and reports of every kind and nature required by federal, state, county and municipal governments, or any subdivision thereof, with respect to the Transferred Assets, as applicable, and pay any and all sums payable in connection therewith.

5.5 Other Expenses. Except as otherwise provided herein, each of the Parties shall bear its own costs and expenses incurred in connection with the transactions described herein, including, without limitation, the fees and expenses of its respective counsel and accountants.

### **ARTICLE 6.**

#### **REPRESENTATIONS AND WARRANTIES OF DISTRICT**

The following representations, warranties and agreements are made by District for the purpose of inducing AH Mendocino to enter into this Agreement and consummate the transfer of the Transferred Assets. The representations based on the knowledge of District ("**District's Knowledge Representations**") shall be limited to the actual knowledge of Wayne Allen (Interim Chief Executive Officer & Chief Financial Officer), Judy Houglund (Controller), Dan Camp, Chief Human Resources Officer, and Jessica Grinberg (President, District Board of Directors) obtained within the ordinary course of such officer's position and role on behalf of the District. AH Mendocino acknowledges that District has not undertaken any investigation related to District's Knowledge Representations out of the ordinary course of business.

6.1 Organization and Standing. District is a political subdivision of the State of California, organized, existing and acting under and pursuant to the Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code. District possesses all requisite power and authority necessary to own and operate the Transferred Assets and carry on its business as the same is now being conducted.

**6.2 Authority, Validity and Binding Effect.** The execution and delivery of this Agreement, and each of the documents to be executed by or on behalf of the District pursuant to this Agreement, and the performance of the transactions contemplated hereby, have been duly authorized by the board of directors of the District. The District has all requisite power and authority to enter into, consummate and perform this Agreement and carry out all of the terms and provisions of this Agreement, subject to Electorate Approval, and receipt of consents which the Parties contemplate will be obtained prior to the Closing Date. This Agreement is a legal, valid and binding obligation of District, enforceable against the District in accordance with its terms.

**6.3 No Violation or Bar.**

6.3.1 Governing Documents. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby violates or conflicts with any material provision of the governing documents of the District.

6.3.2 Laws, Regulations, Orders and Decrees. Except for the Electorate Approval, neither the execution and the delivery of this Agreement by the District, nor the consummation of the transactions contemplated hereby violates or conflicts with any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or governmental authority or, to the knowledge of District, any material Government Authorization, or any applicable Law.

**6.4 Contracts and Other Obligations.** District is not a party to any material contract or agreement or subject to any restriction, respecting the Transferred Assets or otherwise, which would prevent or restrict the power or authority of District to enter into this Agreement and to consummate the transactions contemplated hereby, except for the Electorate Approval, and such contracts or agreements for which consent to the transfer of the Transferred Assets contemplated hereby is expected to be obtained prior to the Closing Date.

**6.5 Required Governmental Consents and Public Meetings.** Except for the Electorate Approval, approvals which may be required in connection with the transfer of Government Authorizations, the assumption and assignment of the Assumed Contracts, which the Parties contemplate will be obtained prior to the Closing Date, no consent, approval, authorization of or filing or registration with any Government Entity is required to be obtained or made by District in order for District to consummate the sale of the Transferred Assets to AH Mendocino pursuant to this Agreement.

**6.6 Changes to Operations.** Except as identified on Schedule 6.6, Since November 22, 2019, there has been no material adverse change that has occurred in the financial condition, results of operations, assets, liabilities, income or prospects of the Hospital, the Ancillary District Operations or Transferred Assets, and there has been no material change in any accounting method, policy or practice of District, with respect to the same.

**6.7 Title to Transferred Assets.** Except as specifically set forth in this Agreement, District has, or will have on the Closing Date, title to all of the Transferred Assets, free and clear of all liens, judgments, pledges, title defects, Encumbrances, leases, security interests, actions,

claims, charges, conditions or restrictions of any nature whatsoever. Notwithstanding the foregoing, title to the Transferred Assets shall be subject to all Assumed Liabilities assumed by AH Mendocino pursuant to Section 3.1. To the District's knowledge, District has not entered into any contract, commitment or arrangement that would cause any of the Transferred Assets to be subject to any security interest, claim, equity, pledge, mortgage, lien (including, without limitation, mechanics' and materialmen's liens) or Encumbrances whatsoever which will exist or come into existence after the Closing Date. Since November 22, 2019, District has not sold, assigned, transferred, distributed, disposed of any of the Transferred Assets outside of the ordinary course of business and no material damage, destruction or loss (whether or not covered by insurance) has occurred affecting the Transferred Assets.

## **6.8 Employees.**

6.8.1 Employee Status. District represents and warrants that District has provided AH Mendocino with a complete and accurate list of all District Employees as of [ ● ], 2020 and District shall promptly notify AH Mendocino of any update to such list until the Closing Date. District shall provide AH Mendocino with access to the District's files for the District Employees, which shall include for each such employee: (i) such employee's name, job title, department, and location; (ii) leave status (including type of leave), expected date of return for non-disability related leaves and expiration dates for disability-related leaves; (iii) whether such employee is classified as exempt from overtime requirements; and (iv) such employee's date of hire. Except as set forth in Schedule 6.8.1, since November 22, 2019, District has not increased or agreed to increase the compensation payable to any of the employees, contractors or service providers of District or made or agreed to make any bonus or severance payment to any of the employees, contractors or service providers of District and District has not employed any additional management personnel in respect of the Hospital or the Ancillary District Operations. On the Transition Date, District shall provide AH Mendocino in writing the annualized compensation and base salary as of the Transition Date, separately identifying any bonus payments and accrued paid time off. District has made available or delivered accurate and complete copies of all disclosure materials, policy statements and other materials relating to the employment of the current District Employees.

6.8.2 Employee Loss. District has made or, no later than ten (10) business days after the Execution Date, will make available to AH Mendocino the name, job title, job site and unit, date of Employment Loss (as defined below), and type of Employment Loss (e.g., termination, layoff or reduction in work hours) of each District Employee who has experienced an Employment Loss in the ninety (90) days preceding the Execution Date and describing the events giving rise to each such Employment Loss. Except as set forth in this Agreement, District does not currently intend to take any action that would result in an Employment Loss by any of its employees between the Execution Date and the Closing Date outside the ordinary course of business. At the Closing Date, District shall provide an update to such information that discloses all employees who have experienced an Employment Loss on or before the Closing Date.

6.8.3 Claims. There are either no claims pending or, to District's knowledge, threatened against District before the U.S. Equal Employment Opportunity Commission or any federal, foreign, state or local court or agency, or arbitrator, relating to any labor, safety, employee benefit, or employment matters or under any workers' compensation or long-term



disability plan or policy, or any such claims will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date. To District's knowledge, District either does not have any unsatisfied obligations to any employees or qualified beneficiaries pursuant to COBRA, HIPAA, or any state Law governing health care coverage extension or continuation other than the payment of benefits in the ordinary course of business, or any such obligations will not have material adverse effect on the Hospital or Ancillary District Operations on or after the Closing Date.

6.8.4 Compliance with Employment Laws. To District's knowledge, District is either in compliance in all material respects with all applicable Laws as of the date of this Agreement respecting terms and conditions of employment including, but not limited to, those relating to plant closure or mass layoff issues, affirmative action, wage and hour Law, or any noncompliance with a Law will not adversely affect the Hospital and the Ancillary District Operations on or after the Closing Date. To District's knowledge, District is either not liable for any arrearage of wages or any taxes or penalties for failure to comply with any of the foregoing, or such will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date. Since November 22, 2019, no labor dispute or to District's knowledge, enactment of state or local Law, promulgation of state or local regulation, or other event or condition has occurred that would have a material adverse effect on the Hospital, Ancillary District Operations or the Transferred Assets. District is not, and has never been, engaged in any unfair labor practice of any nature, or such labor practice will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date.

## 6.9 Employee Plans.

6.9.1 District Employee Benefit Plans. Schedule 6.9.1 contains a true and complete list of each District Employee Benefit Plans.

6.9.2 Compliance with District Employee Benefit Plans. To District's knowledge, District has complied, and currently is in compliance, both as to form and operation, in all material respects, with the terms of each District Employee Benefit Plan and all applicable provisions of each other Law or regulation imposed or administered by any Government Entity with respect to each of the District Employee Benefit Plans. There is, and in the future will be, no liability to AH Mendocino or any of its benefit plans with respect to the District Employee Benefit Plans.

6.9.3 Code Requirements. To District's knowledge, no District Employee Benefit Plan is, and none of District, any affiliate of District or any ERISA Affiliate thereof sponsors, maintains, contributes to, has within the past six years, sponsored, maintained, or contributed to or has any liability or obligation, whether fixed or contingent, with respect to (i) a Multiemployer Plan, (ii) a single employer plan or other pension plan that is subject to Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code, (iii) a "multiple employer plan" (within the meaning of Section 413(c) of the Code), or (iv) a multiple employer welfare arrangement (within the meaning of Section 3(40) of ERISA).

6.9.4 **Encumbrances.** With respect to each welfare plan, all claims incurred by District are insured pursuant to a contract of insurance whereby the insurance company bears any risk of loss with respect to such claims. No District Employee Benefit Plan provides medical, health, dental or life benefits (whether or not insured), after an employee's or other service provider's termination of employment or service other than COBRA coverage and other coverage required by applicable Law, the full cost of which is borne by the former employee of District and/or his or her qualified beneficiaries.

6.9.5 **Accelerated Payments.** Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) will (i) entitle any current or former employee or other service provider of District to any payment; (ii) increase the amount of compensation or benefits due to any such employee or other service provider or any such group of employees, consultants, directors or other service providers; (iii) accelerate the vesting, funding or time of payment of any compensation, equity award or other benefit; or (iv) result in any "parachute payment" under Section 280G of the Code (or any corresponding provision of state, local, or foreign tax Law).

6.10 **Licenses and Permits.** District has provided or made available to AH Mendocino a true, correct and complete list of all of District's Government Authorizations required for the Hospital and Ancillary District Operations. The Hospital is duly licensed as an acute care hospital and, to District's knowledge, holds in good standing all Government Authorizations required for the Ancillary District Operations by the appropriate Government Entities, such Government Authorizations are presently in full force and effect, and is in full compliance with the terms and conditions of the Government Authorizations District has knowledge of.

6.11 **Insurance.** Schedule 6.11 describes all insurance arrangements, including self-insurance, in place for the benefit of the Transferred Assets and the conduct of the Hospital and the Ancillary District Operations (collectively, the "**Insurance Policies**"). To District's knowledge, all Insurance Policies are in full force and effect and are issued by insurers of recognized responsibility. The insurance coverage provided by the Insurance Policies (a) is on such terms, (b) covers such categories of risk, (c) contains such deductibles and retentions, and (d) is in such amounts as, with respect to each of the criteria set forth in the foregoing clauses (a) through (d), as adequate and suitable for the Transferred Assets and the conduct of the Hospital and the Ancillary District Operations. With respect to each Insurance Policy, (i) there are no claims pending as to which coverage has been questioned, denied or disputed by the underwriter(s) of such Insurance Policy, (ii) all premiums due have been paid, (iii) no notice of cancellation or termination has been given and (iv) District has complied in all material respects with the terms and provisions of such Insurance Policy.

6.12 **Government Healthcare Programs.** Hospital is qualified for participation in Government Healthcare Programs. District receives payment under the Government Healthcare Programs for services rendered to qualified beneficiaries. Neither the District or Hospital's respective officers, directors, employees or, to District's knowledge, agents, are excluded from participation in any Government Healthcare Program or to District's knowledge, have engaged in any activities which are cause for civil penalties or mandatory or permissive exclusion from

any Government Healthcare Program. Neither Hospital nor District is a party to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements imposed by any Government Entity.

**6.13 Medical Staff; Physician Relations.** District has made available to AH Mendocino true, correct and complete copies of the bylaws, policies, rules and regulations of the medical staff and medical executive committee of the Hospital. No member of the medical staff of the Hospital are excluded from participation in any Government Healthcare Program. Except as set forth in **Schedule 6.13**, since November 22, 2019, District has not entered into any agreement by or on behalf of District with any physician.

**6.14 Material Contracts.** District has made available to AH Mendocino a true, correct and complete copy of each material Contract, together with all amendments, waivers or other changes or modifications thereto to which District is a party or to which the Transferred Assets are bound (collectively, the “**Material Contracts**”). The Material Contracts are valid, legally binding and enforceable as to District and, as to the other parties thereto, in accordance with their respective terms. Each Material Contract is currently and will be in full force and effect in accordance with its terms upon the Closing Date. None of the Material Contracts have been nor will they be prior to the Closing Date, modified, amended or assigned. District, and to the knowledge of District, each other party thereto, has performed all obligations required to be performed by it and is not in default under or in breach of, or in receipt of any claim of default or breach under, any Material Contract. There has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute a default by District, or to the knowledge of District, any of the other parties to such Material Contracts. District has not received written notice that any party to any Material Contract intends to cancel or terminate any such Material Contract or to exercise or not to exercise any option to renew thereunder. Except as set forth in Schedule 6.14, since November 22, 2019, District has not entered into or agreed to enter into any transaction outside the ordinary course of business of District which may cause a liability or obligation of District in excess of Seventy-Five Thousand Dollars (\$75,000). As of the Closing Date there will not exist any material Encumbrance on any Real Property governed by a Material Contract.

**6.15 Litigation, Claims and Proceedings.** District has not been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or to District’s knowledge, threatened, against District or affecting the Transferred Assets, the Hospital, the Ancillary District Operations or the business of District by or before any Government Entity, mediator, arbitrator or other person or instrumentality.

**6.16 Orders, Decrees and Rulings.** District is not a party to any order, decree or ruling of any Government Entity, nor has District any contracts, formal or informal, with any such Government Entity that could materially and adversely affect the ability of District to perform its obligations hereunder or conduct its business or the ability of AH Mendocino to own the Transferred Assets and to conduct its business as previously conducted by District.

**6.17 Compliance with Law.** To District’s knowledge, District is not in violation of any Laws, including Healthcare Laws, applicable to District, the operation of the Hospital, the

Ancillary District Operations or the Transferred Assets, which would materially and adversely affect District's ability to perform its obligations hereunder or AH Mendocino's operation of the Hospital, the Ancillary District Operations or the Transferred Assets on and after the Closing Date.

**6.18 Broker's and Finder's Fees.** District has had no dealing with any agent, broker, representative or other person so as to entitle such agent, broker, representative or other person to any commission or finder's fee in connection with the transactions described herein.

**6.19 Medical Records.** To District's knowledge, District has maintained the confidentiality of all Medical Records as required by and in material conformance with all applicable Laws, including HIPAA, and regulations. To District's knowledge, no Medical Records have been transferred to any individual or entity against the request of any patient prohibiting Hospital from transferring his or her patient information or records.

**6.20 Accuracy of Representations and Warranties.** No representation or warranty of District contained in this Agreement, or any statement, document or certificate furnished or to be furnished to AH Mendocino, or in connection with the transactions contemplated hereby, is or will be, as of the Closing, incomplete, inaccurate, or contain any untrue statement of any material fact known to District, or intentionally omit to state any material fact known to District necessary to make the statements contained therein not misleading.

**6.21 Survival of Representations and Warranties.** The representations and warranties by the District set forth under this Agreement are true and complete on the Execution Date and shall be true and complete on and as of the Closing Date as though said representations, warranties and agreements were made on the Closing Date and shall survive for the full period of the applicable statutes of limitations, giving effect to any waiver, mitigation or extension thereof.

**6.22 No Other Representations.** Except for the representations and warranties contained in this Article 6 (as modified by the Schedules) and in any certificate delivered by or on behalf of District hereunder, District makes no express or implied representation or warranty, and District hereby disclaims any such representation or warranty, with respect to the execution and delivery of this Agreement and the other transaction documents and the consummation of the transactions contemplated hereunder and thereunder. Notwithstanding anything herein to the contrary, AH Mendocino shall not be deemed to have waived the right to bring any claim or action based on actual fraud. Nothing contained in this Section 6.22 is intended to (i) negate or alter the indemnification obligations of any Party under this Agreement, or (ii) preclude any remedy for fraud or constitute an admission by any Party that any element of a claim for actual fraud cannot be established.

## ARTICLE 7.

### REPRESENTATIONS AND WARRANTIES OF AH MENDOCINO AND STONE POINT HEALTH

The following representations, warranties and agreements are made by AH Mendocino and Stone Point Health for the purpose of inducing District to enter into this Agreement and

consummate the transfer of the Transferred Assets. The representations based on the knowledge of AH Mendocino and Stone Point Health (“**AH Mendocino’s Knowledge Representations**”) and shall be limited to the actual knowledge of AH Mendocino, Stone Point Health and/or Adventist Health, as the case may be. District acknowledges that AH Mendocino, Stone Point Health and Adventist Health has not undertaken any investigation related to AH Mendocino’s Knowledge Representations out of the ordinary course of their business.

**7.1 Organization and Standing.** AH Mendocino and Stone Point Health are both California nonprofit public benefit corporations duly formed and in good standing under the Laws of the State of California. AH Mendocino possesses all requisite power and authority necessary to carry on the operations of the Hospital and the Ancillary District Operations as the same are now being conducted.

**7.2 Authority, Validity and Binding Effect.** The execution and delivery of this Agreement, and each of the documents to be executed by or on behalf of AH Mendocino and Stone Point Health pursuant to this Agreement, and the performance of the transactions contemplated hereby, have been duly authorized by the respective Boards of Directors by all other necessary corporate actions on the part of AH Mendocino and Stone Point Health. AH Mendocino and Stone Point Health have all requisite power and authority to enter into, consummate, perform and carry out all of the terms and provisions of this Agreement. This Agreement is a legal, valid and binding obligation of AH Mendocino and Stone Point Health, enforceable against AH Mendocino and Stone Point Health respectively in accordance with its terms, except insofar as enforcement thereof may be limited by bankruptcy, moratorium, insolvency or similar Laws affecting creditor’s rights, and all general equitable principles.

**7.3 No Violation or Bar.**

**7.3.1 Articles, Bylaws, and Corporate Documents.** Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby violates or conflicts with any material provision of the articles of incorporation or bylaws of AH Mendocino or Stone Point Health.

**7.3.2 Laws, Regulations, Orders and Decrees.** AH Mendocino and Stone Point Health represent and warrant that neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby: (a) to the knowledge of AH Mendocino and Stone Point Health, violates or conflicts with any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or Government Entity, or any Government Authorization; or (b) requires any Government Authorization which has not been obtained or will be obtained from any Government Entity.

**7.3.3 Contracts and Other Obligations.** Neither AH Mendocino or Stone Point Health is a party to any contract or agreement or subject to any restriction respecting the Transferred Assets or otherwise, including, without limitation any noncompetition or nonsolicitation covenants, which would prevent or restrict the power or authority of AH Mendocino or Stone Point Health to enter into this Agreement and to consummate the transactions contemplated hereby.



**7.4 Litigation, Claims and Proceedings.** Neither AH Mendocino or Stone Point Health has been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or threatened against AH Mendocino or Stone Point Health by or before any court, governmental department, commission, board, bureau, agency, mediator, arbitrator or other person or instrumentality, which would materially and adversely affect AH Mendocino or Stone Point Health's ability to perform its respective obligations hereunder and consummate the transactions contemplated by this Agreement.

**7.5 Broker's and Finder's Fees.** Neither AH Mendocino or Stone Point Health has had any dealing with any agent, broker, representative or other person so as to entitle such agent, broker, representative or other person to any commission or finder's fee in connection with the transactions described herein.

**7.6 Orders, Decrees and Rulings.** Neither AH Mendocino or Stone Point Health is a party to any order, decree or ruling of any court or administrative agency, federal, state or local, nor is either a party to any contracts, formal or informal, with any such agency that could materially and adversely affect the ability of AH Mendocino or Stone Point Health to perform its obligations hereunder.

**7.7 Compliance with Law.** To the knowledge of AH Mendocino and Stone Point Health, neither AH Mendocino nor Stone Point Health is in violation of any Laws, including Healthcare Laws, applicable to AH Mendocino or Stone Point Health that could materially and adversely affect the ability of AH Mendocino or Stone Point Health to perform its obligations hereunder.

**7.8 Accuracy of Representations and Warranties.** No representation or warranty of AH Mendocino or Stone Point Health contained in this Agreement, or any statement, document or certificate furnished or to be furnished to District, or in connection with the transactions contemplated hereby, is or will be, as of the Closing, incomplete, inaccurate, or contain any untrue statement of any material fact known to AH Mendocino or Stone Point Health, or intentionally omit to state any material fact known to AH Mendocino or Stone Point Health necessary to make the statements contained therein not misleading.

**7.9 Survival of Warranties, Representations and Agreements.** The warranties, representations and agreements by AH Mendocino and Stone Point Health set forth in this Article 7 are true and complete on the Execution Date and shall be true and complete on and as of the Closing Date as though said representations, warranties and agreements were made on and as of the Closing Date. Except as may be expressly noted otherwise herein, the representations and warranties set forth in this Article 7 shall expire and terminate as of the Closing.

**7.10 No Other Representations.** Except for the representations and warranties contained in this Article 7 (as modified by the Schedules) and in any certificate delivered by or on behalf of AH Mendocino hereunder, AH Mendocino makes no express or implied representation or warranty, and AH Mendocino hereby disclaims any such representation or warranty, with respect to the execution and delivery of this Agreement and the other transaction documents and the consummation of the transactions contemplated hereunder and thereunder.

Notwithstanding anything herein to the contrary, District shall not be deemed to have waived the right to bring any claim or action based on actual fraud. Nothing contained in this Section 7.10 is intended to (i) negate or alter the indemnification obligations of any Party under this Agreement, or (ii) preclude any remedy for fraud or constitute an admission by any Party that any element of a claim for actual fraud cannot be established.

## ARTICLE 8.

### PRE-CLOSING COVENANTS OF THE PARTIES

**8.1 Operation of the Hospital, Ancillary District Operations and Transferred Assets Pending Closing.** During the period from the Execution Date until the Closing Date, the board of directors of District has not and will not, without the consent of AH Mendocino (which consent may not be unreasonably withheld):

8.1.1 Sale or Transfer. Other than under the Lease, authorize or approve the transfer, sale or other disposition of any of the Transferred Assets or the Premises other than in the ordinary and usual course of business with an aggregate value of One Hundred Thousand Dollars (\$100,000) or less, as heretofore conducted, except for such items as are no longer useful, or obsolete, worn out or incapable of any further use, and as will be replaced in accordance with District's usual practice with other items of substantially the same value and utility as the items transferred, sold, exchanged or otherwise disposed of.

8.1.2 Liens. Authorize or approve the creation, participation in or agreement to the creation of any liens, encumbrances or hypothecations of any of the Transferred Assets or the Premises, except any liens for current taxes not yet due and payable and liens created in the ordinary and usual course of its business in the amount of One Hundred Thousand Dollars (\$100,000) or less, as heretofore conducted.

8.1.3 Leases and Contracts. Other than the Lease, authorize or approve the execution of any lease, contract or agreement of any kind or character with respect to the Hospital or the Ancillary District Operations, or incur any liabilities in connection therewith, save and except (a) those which will terminate or expire prior to the Closing Date; and (b) those to which it is presently committed or that arise in the ordinary and usual course of business that result in revenue or expenses of One Hundred Thousand Dollars (\$100,000) or less as heretofore conducted.

8.1.4 Termination of License. Authorize or approve the termination of any Government Authorization concerning the Hospital or the Ancillary District Operations.

8.1.5 Waiver of Right. Authorize or approve the waiver or release of any right or claim of District with respect to the Hospital or the Ancillary District Operations except in the ordinary course of business with a value of One Hundred Thousand Dollars (\$100,000) or less.

8.1.6 Employee Matters. Except in the ordinary and usual course of business as heretofore conducted, (i) hire or terminate any employee, (ii) pay, announce, promise or grant, whether orally or in writing, any increase in or establishment of (as applicable) any wages, base pay, fees, salaries, compensation, bonuses, incentives, deferred compensation, pensions,

severance or termination payments, retirement, profit sharing, fringe benefits, equity or equity-linked awards, employee benefit plans, or any other form of compensation or benefits payable by District, including, without limitation, any increase or change pursuant to any District Employee Benefit Plan (except as required by any applicable Law) that in the aggregate result in payment or payments of more than One Hundred Thousand Dollars (\$100,000) or (iii) enter into, adopt or materially amend any District Employee Benefit Plan.

## **8.2 Contracts and Process for Assumption.**

8.2.1 Modification of Assumed Contracts. AH Mendocino shall have the right to negotiate at any time after the Execution Date with any party to an Assumed Contract for modification of or an earlier termination of such Assumed Contract, provided that such modifications or terminations are effective only on or after the Closing Date and the Parties mutually agree to a resolution with respect to any material termination fees as applicable.

8.2.2 Third-Party Consents. Notwithstanding any provision to the contrary contained in this Agreement, District shall use its best efforts and work cooperatively with AH Mendocino to obtain any required consent for assignment of the Assumed Contracts prior to the Closing, and any and all liability resulting from the failure to obtain any required consent for assignment of the Assumed Contracts shall rest with District, subject to Section 8.2.1. Notwithstanding the foregoing, to the extent consent to assignment of any Assumed Contract is not obtained as of the Closing, District and AH Mendocino shall use their reasonable commercial good faith efforts to mitigate any costs, losses or damages associated with the failure to obtain such consents prior to the Closing.

8.3 Material Changes. During the period from the Execution Date to the Closing Date, District shall promptly notify AH Mendocino in writing of any event of which District obtains knowledge which has had or might reasonably be expected to cause any representation or warranty to be untrue or inaccurate in any material respect and of any event reasonably expected to have a material and adverse effect on the Transferred Assets, the Hospital, the Ancillary District Operations, the Assumed Liabilities or the Premises. From time to time prior to the Closing Date, District will promptly supplement or amend the Exhibits and Schedules hereto with respect to any matter hereafter arising or not known to District, which, if existing or occurring at or prior to the Execution Date of this Agreement would have been required to be set forth or described in an Exhibit or Schedule or in any representation or warranty of District which has been rendered inaccurate thereby.

## **8.4 Government Authorizations.**

8.4.1 Government Authorizations. The Parties shall promptly apply for and use commercially reasonable efforts to obtain, as promptly as practicable, all Government Authorizations required to carry out the transactions contemplated under this Agreement (including those of Government Entities) or which the Party reasonably deems necessary or appropriate.

8.4.2 Cooperation. Each Party shall reasonably cooperate with the other: (i) in the efforts to obtain all Government Authorizations in Section 8.4.1 and (ii) in the preparation of



any document or other material which may be required by any Government Entity as a predicate to or result of the transactions contemplated under this Agreement.

## **8.5 Exhibits and Schedules.**

8.5.1 Modification. From time to time prior to the Closing Date, District shall supplement or amend (in each case, a “**Modification**”) the Exhibits and Schedules hereto in order to keep the information therein timely, complete and accurate. Each Modification of the Exhibits and Schedules will be deemed to amend the Exhibits and Schedules as of that date. All Exhibits and Schedules attached to this Agreement shall be binding on the Parties unless and until amended or supplemented pursuant to this Section, if at all, or until termination of this Agreement. The ability to include a Modification to the Exhibits and Schedules shall continue until the Closing, at which time all Exhibits and Schedules must be final.

8.5.2 AH Mendocino Discretion. During the period from the Execution Date to the Closing Date, if District obtains knowledge of (i) any fact or condition that existed on the date hereof that causes or constitutes a material breach of District’s representations and warranties as of the Execution Date or (ii) any event reasonably expected to have a material and adverse effect on the Transferred Assets, the Hospital, the Ancillary District Operations, the Assumed Liabilities or the Premises, District shall promptly notify AH Mendocino in writing of such fact or condition and deliver to AH Mendocino a proposed Modification to any applicable Exhibit or Schedule, AH Mendocino may, at its sole discretion, add such Modification to the final Exhibit or Schedule or terminate this Agreement.

## **ARTICLE 9.**

### **CONDITIONS PRECEDENT TO CLOSING**

9.1 Conditions Precedent to AH Mendocino’s Obligations. AH Mendocino’s obligation to consummate the transactions contemplated hereby is conditioned and contingent upon each of the following:

9.1.1 Casualty to Transferred Assets. The absence of the occurrence, during the period from the Execution Date to the Closing Date, of any (a) loss or damage to the Transferred Assets (including, without limitation, by reason of casualty or condemnation) or the Premises which would materially impair, AH Mendocino’s ability to operate the Hospital and the Ancillary District Operations on and after the Closing Date, or (b) except as otherwise provided for in this Agreement, changes in the liabilities (contingent or otherwise), business, employee relations, or staff relations of District, other than changes which are in the aggregate not material and adverse to AH Mendocino. The foregoing condition shall be conclusively deemed satisfied unless AH Mendocino, prior to the Closing Date, gives District written notice of the failure of this condition.

9.1.2 Compliance with Agreement. District’s performance of and compliance with all covenants, agreements, conditions, terms and provisions required by this Agreement and the Lease to be performed or complied with by District prior to the Closing Date.

9.1.3 Accuracy of Representations and Warranties. The accuracy and completeness as of the Closing of all representations and warranties made by the District.

9.1.4 Approvals. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approvals of applicable Government Entities and the Approval Election necessary to legally consummate the transfer of the Transferred Assets and the effectiveness of the Lease as of the Closing Date.

9.1.5 Licensure. AH Mendocino shall have received reasonable assurances from CDPH, customary to such transactions, that a license will be issued to AH Mendocino to operate the Hospital and the Ancillary District Operations effective as of the Closing Date. Further, AH Mendocino shall have received reasonable assurances from any other Government Entities as may be necessary to own, operate and maintain the Transferred Assets as owned, operated and maintained by District prior to Closing.

9.1.6 Board Approval. Procurement, prior to the Closing, and without conditions that materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approval of the boards of directors of AH Mendocino and Stone Point Health.

9.1.7 [Bondholder Approvals. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approval of the bondholders of the District Bonds affirming that the transactions contemplated under the Agreement and by the Lease will not impair the tax-exempt status of the District Bonds or constitute an event of default under any of the District Bonds.]

9.1.8 Release of Liens. All Encumbrances against the Transferred Assets have been released or insured against such that AH Mendocino shall acquire the Transferred Assets free and clear of all Encumbrances.

**9.2 Conditions Precedent to District's Obligations.** The obligation of District to consummate the transaction contemplated by this Agreement is conditioned and contingent upon:

9.2.1 AH Mendocino's Performance. AH Mendocino's performance and compliance with all covenants, agreements, conditions, terms and provisions required by this Agreement and the Lease, to be performed or complied with prior to the Closing Date.

9.2.2 Accuracy of Representations and Warranties. The accuracy and completeness as of the Closing of all representations and warranties made by AH Mendocino and Stone Point Health in this Agreement.

9.2.3 Approvals. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of necessary approvals of applicable Government Entities necessary to consummate legally the transfer of the Transferred Assets and the effectiveness of the Lease as of the Closing Date.

9.2.4 **Board Approval.** Procurement, prior to the Closing, and without conditions that materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approval of the District board of directors.

9.3 **Waiver of Conditions.** The conditions set forth in section 9.1 are solely for the benefit of AH Mendocino and may be waived in writing by AH Mendocino at any time. The conditions set forth in Section 9.2 are solely for the benefit of District and may be waived in writing by District at any time.

9.4 **Electorate Approval.** The clerk of the County of Mendocino, California shall have certified the results of an election called by District in which the voters of the District shall have approved the proposed transfer of assets contemplated hereby.

9.5 **Change of Law.** No Law or Order shall have been enacted, promulgated or enforced by any Government Entity, nor shall any legal or regulatory action have been instituted and remain pending and threatened that prohibits or materially restricts the Agreement or the transactions contemplated hereby.

9.6 **Satisfaction of Conditions.** The Parties agree to use reasonable efforts and due diligence to satisfy in a timely manner all of the foregoing conditions and contingencies.

## ARTICLE 10.

### POST-CLOSING COVENANTS

10.1 **Restrictive Covenants.** During the term of the Lease, District's activities shall be subject to the restrictive covenants as set forth under the Lease.

10.2 **Severability of Provisions.** In the event that the provisions of this Section 10.2 should ever be adjudicated by a court of competent jurisdiction to exceed the time or geographic or other limitations permitted by applicable Law, then such provisions shall be deemed reformed to the maximum time or geographic or other limitations permitted by applicable Law, as determined by such court in such action. Each breach of the covenants set forth in Section 10.1 shall give rise to a separate and independent cause of action.

### 10.3 **Transition Services; Transition Patients.**

10.3.1 AH Mendocino acknowledges that there will be patients located in the Hospital and the Ancillary District Operations on the Closing Date. AH Mendocino shall accept such patients as patients of AH Mendocino, and AH Mendocino shall assume responsibility and liability for treating such patients on and after the Closing Date. All revenue, expenses and liabilities incurred on and after the Closing Date in connection with such patients shall become revenue, expenses and liabilities of AH Mendocino, and all liability arising from treatment and care rendered to such patients prior to the Closing Date shall be borne solely by District, regardless of whether a liability is asserted prior to, on or after the Closing Date. The services rendered and medicine, drugs and supplies provided to patients who were admitted to the Hospital prior to the Closing Date but who are not discharged until after the Closing Date shall be referred to as the "**Transition Services**" and such patients shall be referred to as the

**“Transition Patients.”** AH Mendocino shall be responsible for obtaining all necessary consents as required by Law from all Transition Patients.

10.3.2 The Parties shall document the transfer of all Transition Patients (**“Transferred Transition Patients”**) from District to AH Mendocino as of the Closing Date. District and AH Mendocino shall each bill the applicable payor, including Medicare and Medi-Cal, in accordance with applicable payor procedures for Transition Services provided by such party to each Transferred Transition Patient. AH Mendocino shall provide to District copies of all medical records and other information reasonably required by District in order for District to bill for Transition Services and both Parties shall reasonably cooperate with each other to facilitate billing activities with respect to items and services rendered to such Transferred Transition Patients.

10.3.3 In the event that either District or AH Mendocino is denied reimbursement in whole or in part as a result of any such Transition Patient transfer (including transfers of Medicare or Medi-Cal Transition Patients), the Parties shall apportion the aggregate reimbursement received by either or both District and AH Mendocino with respect to Transition Services provided to each such patient (**“Denied Transition Patient”**) as follows: (i) the amount due to District shall be determined based on the ratio of (A) the total charges for the Transition Services provided to the Denied Transition Patient by District prior to the Closing Date over (B) the sum of total charges for the Transition Services provided to the Denied Transition Patient by District prior to the Closing Date plus the total charges for the Transition Services provided to the Denied Transition Patient by AH Mendocino on and after the Closing Date, and (ii) the remaining portion of the aggregate reimbursement received by either or both District and AH Mendocino with respect to Transition Services provided to the Denied Transition Patient shall be due to AH Mendocino. In connection with any such allocation, each Party shall provide the other with copies of any applicable remittance advice and in cooperate good faith with respect to the calculation of the foregoing allocation.

10.3.4 In the event that following an allocation pursuant to Section 10.3.3 above, (i) any Party receives additional amounts following a successful appeal (which appeal, if any, would be undertaken in the discretion of the Party who is entitled to the greater share of the claimed reimbursement under the apportionment methodology described in Section 10.3.3 above, with the cost of such appeal apportioned between District and AH Mendocino in a like manner) or (ii) any payor reopens and adjusts such reimbursement determination, the Parties shall re-apportion the aggregate reimbursement received by District and AH Mendocino in the manner described in Section 10.3.3.

10.3.5 It is the intention of the Parties that payment for Transition Services shall be made in compliance with applicable Medicare, Medi-Cal or payor requirements, so that District and AH Mendocino each are appropriately paid in accordance with applicable payor rules. In the event that CMS, the Hospital’s Medicare administrative contractor, Medi-Cal or another payor requires a methodology that differs from that provided in this Section 10.3, the Parties will make payments for Transition Services in compliance with the methodology specified by the applicable payor.

10.3.6 From the Closing Date and through the date AH Mendocino receives written notification from the CMS fiscal intermediary issuing the “tie-in” notice for the approval of AH Mendocino’s CMS Form 855A change of ownership application, District agrees to cooperate in good faith with AH Mendocino so that AH Mendocino will be able to bill and collect for all services, goods and other items provided to Medicare beneficiaries under District’s existing Medicare provider number and District shall remit all reimbursement it receives related to services, goods and other items provided to Medicare beneficiaries on and after the Closing Date to AH Mendocino.

**10.4 Misdirected Payments.** To the extent there are any misdirected funds forwarded to District (or any of its affiliates, if any) by any third parties, which misdirected funds are paid in respect of the performance of services by or on behalf of the Hospital or any Ancillary District Operations from and after the Closing Date or with respect to the Transferred Assets, District shall remit such misdirected funds to AH Mendocino within ten (10) Business Days after receipt thereof, to an account designated by AH Mendocino.

**10.5 Withholds.** If and to the extent that Medicare or any other payor withholds funds from AH Mendocino due to claims which are attributable to District for any period prior to the Closing Date, or AH Mendocino is required to refund any payments because of claims which are attributable to District for any period prior to the Closing Date and which payment AH Mendocino did not receive and retain after the Closing Date, AH Mendocino shall notify District of any deficient payment and provide any supporting information as requested by District. District shall, within ten (10) Business Days, reimburse AH Mendocino for any uncontested deficient payment or refund payment made by AH Mendocino and take any such action as may be required to satisfy Medicare or any other payor with respect to that matter. In the event that District is successful in appealing any adverse decisions by Medicare or any other payor that caused the payments contemplated by this Section, AH Mendocino shall, within ten (10) Business Days, pay to District any amount received by AH Mendocino attributable to such appeal.

**10.6 Cooperation Related to Government Fundings.** The Parties shall cooperate and take all actions necessary to maximize and collect any Government Fundings, including notifying each other if one Party becomes aware of any such available Government Fundings program or receives notice of acceptance of any award or grant of any such Government Fundings for Hospital and any Ancillary District Operations and providing copies of all relevant information related to such Government Fundings. To the extent District receives any such Government Fundings related to periods in time on or after the Closing Date, District shall promptly remit such amounts to AH Mendocino. To the extent AH Mendocino receives any such Government Fundings related to periods in time prior to the Closing Date, AH Mendocino shall promptly remit such amounts to District.

**10.7 Indemnification of AH Mendocino.**

**10.7.1 General Indemnification.** Except for any Assumed Contracts and Assumed Liabilities assumed by AH Mendocino, District hereby agrees to protect, indemnify, defend and hold AH Mendocino and Stone Point Health, their respective members, officers, directors, trustees, agents, legal representatives, successors and assigns, and each of them, free



and harmless from and against any and all claims, debts, liabilities, obligations, losses, damages, fines, penalties, judgments, assessments, costs and expenses (including but not limited to reasonable attorneys' fees and expenses), liens and encumbrances accruing, based upon, resulting from or directly or indirectly arising out of (a) any breach or default hereunder by District or (b) District's operation of the Hospital and Ancillary District Operations prior to the Closing and (c) with respect to the liabilities retained by District under this Agreement. This indemnification shall include any and all liabilities and obligations of District. Nothing in this Section shall supersede the limitations on District's liability set forth elsewhere in this Agreement.

10.7.2 Remedies. Upon the occurrence of any event for which AH Mendocino or Stone Point Health is entitled to indemnification under this Agreement, AH Mendocino and/or Stone Point Health shall notify District of the type of damage and its amount, and District shall pay AH Mendocino and/or Stone Point Health, in a manner agreed upon by the Parties, the full amount of such damage. AH Mendocino and Stone Point Health shall have all of the rights and remedies available to it at law, in equity, in bankruptcy or otherwise and, in addition, shall have the right to offset the amount of any damage for which it is entitled to indemnification against all amounts which AH Mendocino and/or Stone Point Health may at any time owe District.

10.7.3 Third Party Claims. AH Mendocino and/or Stone Point Health shall give reasonable notice to District after AH Mendocino and/or Stone Point Health has knowledge of any third party claim or the commencement of any third party legal proceedings ("**Third Party Claim**"), arising after the date against AH Mendocino and/or Stone Point Health for which it is entitled to indemnification by District hereunder. Except as set forth in the immediately following sentence, District shall have the right to assume, at its expense, the defense of any Third Party Claim and to control the Third Party Claim and any settlement thereof, provided that it promptly assumes such defense and acknowledges in writing its obligation to indemnify AH Mendocino and/or Stone Point Health in accordance with the terms of this Agreement. Notwithstanding the foregoing, AH Mendocino and/or Stone Point Health, at their expense, may assume primary responsibility for, or participate with District in the defense of, any Third Party Claim which may have a material impact on the business of AH Mendocino, Stone Point Health, the Hospital, the Ancillary District Operations or any of the affiliates of AH Mendocino.

10.7.4 Failure by District to Defend. If District fails to assume promptly the defense of any Third Party Claim at its expense and acknowledge its obligation to indemnify AH Mendocino and Stone Point Health as provided herein within fifteen (15) days after written notice thereof, District shall nonetheless reasonably cooperate with AH Mendocino and Stone Point Health at District's expense, but such claim may be defended, paid, settled or otherwise disposed of in such manner as AH Mendocino and Stone Point Health shall, in their sole discretion, determine, in any manner without impairing the indemnification obligations of District arising under this Agreement. In the event of settlement, AH Mendocino shall provide notice of the terms thereof to District within ten (10) days after settlement, subject to AH Mendocino giving District not less than ten (10) business days prior written notice of the terms of the proposed settlement before it is executed.

10.7.5 Obligations of District in Defending Claims. If District assumes the defense of any such Third Party Claim, District shall take all reasonable steps necessary in the

defense or settlement of such Third Party Claim, and shall furnish to AH Mendocino, Stone Point Health and indenture trustee a copy of all written communications concerning such Third Party Claim, including, without limitation, a copy of all pleadings, motions, judgments and other documents filed in court. AH Mendocino and Stone Point Health agree to cooperate reasonably with District in such defense, at AH Mendocino's and/or Stone Point Health expense. District shall not, in the defense of such Third Party Claim, consent to the entry of any judgment (except with the prior written consent of AH Mendocino and/or Stone Point Health) or enter into any settlement (except with the prior written consent of AH Mendocino and/or Stone Point Health) which does not include as an unconditional term thereof the giving by any claimant a release from all liability in respect of such Third Party Claim to AH Mendocino and Stone Point Health.

**10.7.6 Insurance Coverage.** To be effective on the Closing Date, District shall for all claims made policies that is terminating obtain an extended reporting period endorsement (i.e., "tail" coverage) for the Insurance Policies listed in **Schedule 10.7.6**, all with limits not less than the applicable individual and aggregate coverage limits then in effect for such Insurance Policy for an unlimited reporting period (or if an unlimited reporting period is unavailable, then for the longest reporting period); provided that for the Hospital's Property Insurance, the Parties agree to the terms for coverage as described in the Lease.

## **10.8 Indemnification of District.**

**10.8.1 General Indemnification.** Except as specifically provided in this Agreement, AH Mendocino and Stone Point Health hereby agree to protect, indemnify, defend and hold District, its members, officers, directors, trustees, agents, legal representatives, successors and assigns, and each of them, free and harmless from and against any and all claims, debts, liabilities, obligations, losses, fines, penalties, judgments, assessments, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees and expenses), liens and encumbrances accruing, based upon, resulting from or directly or indirectly arising out of (a) any breach or default hereunder by AH Mendocino or Stone Point Health; (b) AH Mendocino's operation of the Hospital and the Ancillary District Operations after the Closing and (c) the Assumed Liabilities. This indemnification shall include any breach by AH Mendocino of any Assumed Contracts or Assumed Liabilities to the extent assumed by AH Mendocino; however, said indemnity shall not apply to any liability arising prior to the Closing Date in accordance with the terms of the Contracts and Assumed Liabilities assumed by AH Mendocino.

**10.8.2 Remedies.** Upon an occurrence of any event for which District is entitled to indemnification under this Agreement, District shall have all remedies and rights available to it as AH Mendocino or Stone Point Health has against District under the terms of Article 10 of this Agreement, subject to the same limitations and procedures set forth therein.

**10.9 Further Assurances.** Each of the Parties agrees that it will, at any time, and from time to time after the Execution Date, upon the request of the appropriate Party, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be required to complete the transactions contemplated by this Agreement, including, without limitation, prompt payment of any amounts due payable from one Party to another.



**10.10 Change of Ownership Applications.** AH Mendocino agrees to use reasonable efforts to obtain, as soon as possible following the Closing Date, any and all Government Authorizations required to operate the Hospital and the Ancillary District Operations, including but not limited to the issuance of a California general acute care hospital license in AH Mendocino's name. District agrees to cooperate with AH Mendocino in connection with these applications.

**10.11 AH Mendocino Services to District.** The Parties recognize that while the District is transferring control of substantially all of its current business operations and physical assets to AH Mendocino in connection with this Agreement and the Lease, for a transition period following the Closing Date the District will continue to require access to certain personnel and support services. AH Mendocino agrees to provide the District with access to those certain services described on the attached **Schedule 10.11** for a reasonable period of time following the Closing Date. Any services used by the District pursuant to this section shall be reimbursed at AH Mendocino's cost of providing such services, which will be calculated in the same manner as the Transition Liabilities in section 4.1.8. District shall provide AH Mendocino with a written request for services with sufficient information for AH Mendocino to determine the number of personnel and length of time the services will be needed. Upon receiving a request for services from the District, AH Mendocino shall provide an estimated cost for such services to ensure the rates are acceptable to the District. AH Mendocino shall invoice the District on a monthly basis and the District shall pay AH Mendocino on a net forty-five 45 basis.

## ARTICLE 11.

### DISPUTE RESOLUTION

**11.1 Dispute Resolution.** Except as otherwise provided in this Agreement, any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate (collectively, a "**Dispute**") shall be settled in accordance with the following procedures. Notwithstanding anything that may be construed to the contrary herein, each of the Parties expressly acknowledges that (i) it has an affirmative duty to expedite the process and procedures described below to the extent reasonably practical in order to facilitate a prompt resolution of any Dispute and (ii) each Party has a mission of serving their communities, and all communications and proposed resolutions of the Dispute shall take these missions into consideration.

**11.1.1 Dispute Notice.** Notice by either Party of the existence of a Dispute shall (i) be delivered in writing, (ii) specify what provision of the Agreement such Party believes is under Dispute and (iii) recommend a course of action to resolve the Dispute (the "**Dispute Notice**").

**11.1.2 Meet and Confer.** If, within fifteen (15) days after receipt by the applicable Party of a Dispute Notice, the Parties do not resolve such dispute, then the Dispute shall be referred to the designated senior executives with authority to resolve the Dispute from each Party for further negotiation (the "**Meet and Confer**"). The obligation to conduct a Meet and Confer pursuant to this Section 11.1.2 does not obligate any Party to agree to any



compromise or resolution of the Dispute that such Party does not determine, in its sole and absolute discretion, to be a satisfactory resolution of the Dispute. The Meet and Confer shall be considered a settlement negotiation for the purpose of all applicable laws protecting statements, disclosures, or conduct in such context, and any offer in compromise or other statements or conduct made at or in connection with any Meet and Confer shall be protected under such laws, including California Evidence Code Section 1152.

11.1.3 Arbitration. If any Dispute is not resolved to the mutual satisfaction of the Parties within thirty (30) days after delivery of the Dispute Notice (or such other period as may be mutually agreed upon by the Parties in writing), the Dispute shall be determined by arbitration in Mendocino County, California. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the award may be entered in any court having jurisdiction.

1. Either Party may commence arbitration by giving written notice to the other Party demanding arbitration (the “**Arbitration Notice**”). The Arbitration Notice shall specify the Dispute, the particular claims and/or causes of action alleged by the Party demanding arbitration, and the factual and legal basis in support of such claims and/or causes of action.

2. The parties shall cooperate in good faith to identify one person that is acceptable to both Parties to act as an arbitrator within fifteen (15) days after the commencement of arbitration. In the event the Parties are unable or fail to agree upon the arbitrator within the allotted time, the arbitrator shall be appointed by JAMS in accordance with its rules. All arbitrators shall serve as neutral, independent and impartial arbitrators, and they shall have the authority to grant any relief permitted by law, including equitable relief.

3. The Parties shall be entitled to reasonable production of relevant, non-privileged documents, carried out expeditiously. If the Parties are unable to agree upon same, the arbitrator shall have the power, upon application of any Party, to make all appropriate orders for production of documents by any Party. Depositions shall be permitted only upon a showing of substantial need.

4. The substantive internal law (and not the conflict of laws) of the State shall be applied by the arbitrator to the resolution of the Dispute.

5. The following time limits are to apply to any arbitration arising out of or related to this Agreement: The evidentiary hearing on the merits (“**Hearing**”) is to commence within six (6) months of the service of the arbitration demand. A brief, reasoned award is to be rendered within forty-five (45) days of the close of the Hearing or within forty-five (45) days of service of post-hearing briefs if the arbitrator directs the service of such briefs. The arbitrator must agree to the foregoing deadlines before accepting appointment. Failure to meet any of the foregoing deadlines will not render the award invalid, unenforceable or subject to being vacated.

6. The Parties shall maintain the confidential nature of the arbitration proceeding and the award, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a

court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision.

7. The award of the arbitrator shall be final and binding upon the Parties without appeal or review except as permitted by applicable law.

11.1.4 Provisional Measures. Nothing in this Agreement shall prevent either Party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

11.1.5 Attorneys' Fees and Costs. The arbitrator(s) shall award to the prevailing Party, if any, the costs and attorneys' fees reasonably incurred by the prevailing Party in connection with the arbitration. In addition, the prevailing Party shall be entitled to its reasonable attorneys' fees and other costs for any other action, including court proceedings for provisional measures or for the enforcement of any arbitral award.

## ARTICLE 12.

### TERMINATION

**12.1 Termination Prior to Closing**. This Agreement may be terminated and the transactions described herein abandoned at any time prior to the Closing in accordance with the following:

12.1.1 Mutual Written Consent. By the mutual written consent of the respective boards of directors of the Parties.

12.1.2 Condition Not Fulfilled. By either Party, if a condition to the performance of the other Party shall not be fulfilled or waived.

12.1.3 Default. A material default under or breach of this Agreement or of any representation, warranty or covenant of a party set forth in this Agreement shall have occurred and shall not have been cured prior to the Closing Date. A termination shall be effected by transmitting written notice of such occurrence to the other Party (in accordance with Section 14.5 below) in the form of a certified copy of resolutions of the board of directors of that Party.

12.1.4 Failure to Finalize Schedules. By either Party.

12.1.5 Failure of Condition. By either Party, if the Closing has not occurred within one hundred eighty (180) days of the Execution Date (the "**Drop Dead Date**"); provided, however, that (i) AH Mendocino shall not be permitted to terminate this Agreement if the Closing is delayed beyond the Drop Dead Date by the breach of a covenant by AH Mendocino or the failure of a condition which was AH Mendocino's responsibility to fulfill; and (ii) District shall not be permitted to terminate this Agreement if the Closing is delayed beyond the Drop Dead Date by the breach of a covenant by District or the failure of a condition which was District's responsibility to fulfill.

**12.2 Liability in Event of Termination.** In the event of a termination of this Agreement prior to the Closing, no Party or its board of directors shall be liable to the other or its board of directors. The sole and exclusive remedy under this Section shall be the termination of this Agreement prior to the Closing.

**12.3 Fees and Expenses in Event of Termination.** In the event of a termination of this Agreement or abandonment of the transfer of the Transferred Assets prior to the Closing, each Party shall pay the fees and expenses of its own advisors, including accountants and attorneys, in preparing and negotiating this Agreement.

**12.4 Extension, Waiver.** At any time prior to the Closing, AH Mendocino and Stone Point Health, on the one hand, and District, on the other, by action taken by their respective boards of directors, may (a) extend the time for the performance of any of the obligations or other acts of the other, (b) in whole or in part, waive any inaccuracy in or breach of the representations and warranties of the other contained herein or in any schedule hereto in any document delivered by the other pursuant hereto, and (c) in whole or in part, waive compliance with any of the agreements by the other or conditions contained herein. Any agreement on the part of the Parties hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed and delivered on behalf of such Party to the other Parties in accordance with this Agreement.

## ARTICLE 13.

### TRANSFER OF HOSPITAL ASSETS AND OPERATIONS AT END OF LEASE TERM

**13.1 Transfer of Hospital Assets and Operations.** AH Mendocino shall transfer the assets described in Article 2 and operations of the Hospital and the Ancillary District Operations back to the District and the District shall assume the liabilities described in Article 3 at the Lease Termination on the terms and conditions contained in this Agreement. AH Mendocino, Stone Point Health and District shall negotiate and execute a Transfer of Business Operations Agreement on substantially the same terms and conditions as this Agreement (the “**AHMC Business Transfer Agreement**”), except with respect to the specific items described in Section 13.2. AH Mendocino, Stone Point Health and District shall commence negotiations and drafting of the AHMC Business Transfer Agreement to reflect the then current circumstances applicable to the Parties, the Hospital, and Ancillary District Operations no later than ninety (90) days prior to the anticipated Lease Termination date. AH Mendocino, Stone Point Health and District shall execute and deliver the AHMC Business Transfer Agreement no later than sixty (60) days before the effective date of the Lease Termination. The AHMC Business Transfer Agreement closing date (the “**Transfer Back Closing Date**”) will be the Lease Termination date, unless otherwise agreed by the Parties.

### **13.2 Treatment of AH FF&E and Electronic Medical Records at End of Lease Term.**

**13.2.1 AH FF&E.** In anticipation of a Lease Termination, except for AH Mendocino’s electronic medical records system, AH Mendocino shall provide District the option to purchase the AH FF&E in its then existing condition at net book value. If District elects to

purchase the AH FF&E, the terms of such purchase shall be set forth in the AHMC Business Transfer Agreement, and District shall deliver the purchase price for the AH FF&E on the Transfer Back Closing Date.

13.2.2 **Electronic Medical Records System.** With respect to AH Mendocino's electronic medical record system, District may purchase the use of AH Mendocino's electronic medical record system used at the Hospital and the Ancillary District Operations as a service ("**EHR Shared Service**") from AH Mendocino, Stone Point Health or an Affiliate (the "**AH Shared Service Provider**") for the earlier of (a) a period of two (2) years after the Lease Termination date or (b) when AH Mendocino's electronic medical record system used at the Hospital and the Ancillary District Operations is no longer a product used by the AH Shared Service Provider. District shall notify AH Mendocino of its desire to purchase the EHR Shared Service no later than thirty (30) days before the Transfer Back Closing Date. The terms of the EHR Shared Service shall be set forth in a separate services agreement, and the cost of the EHR Shared Service shall be determined by the AH Shared Service Provider using its usual and customary methodology for determining the cost of shared services across its affiliated health system. At no time will the AH Shared Service Provider be required to provide the EHR Shared Service to District at a loss. District shall deliver the first payment of the EHR Shared Service to the AH Shared Service Provider in accordance with the terms of the services agreement, but no later than forty-five (45) days of District providing notice to AH Mendocino of its desire to purchase the EHR Shared Service.

**13.3 Transition of AH Mendocino Employees.** It is the intent of the Parties to create an orderly employment transition of AH Mendocino's employees from District to AH Mendocino at the Lease Termination. The Parties recognize the inherent disruption this may cause the employees and have agreed to cooperate in good faith to implement the same general process described in Article 4 of this Agreement to transfer the employees back to the District at the Lease Termination.

**13.4 Transition Period.** The Parties acknowledge District's need to take reasonable actions during the last year of AH Mendocino's tenancy of the Premises in the event of a Lease Termination to prepare to assume control and/or the operation of the Hospital Assets and the Ancillary District Operations (the "**Transition Period**"). During the Transition Period, AH Mendocino will cooperate on a commercially reasonable basis and to the extent allowed by law and AH Mendocino's contractual obligations, will provide the District with: (a) reasonable rights of entry to the Premises; (b) reasonable access to AH Mendocino's employees/personnel, the medical staff of the Hospital, and AH Mendocino's vendors and payers; (c) reasonable assistance with the orderly transition of all managed care/payor/ medical insurance contracts to District; (d) reasonable assistance with the orderly retention/transition of AH Mendocino's employees at the Premises to employment with District, including payroll, employee benefits and collective bargaining agreements; (e) reasonable assistance with the orderly transition to District of all business and accounting systems and services for the Hospital and Ancillary District Operations, including without limitation accounting, billing and collections, and information systems; (f) coordination of transition of insurance coverage, including "tail coverage" or similar arrangements for claims arising during AH Mendocino's operation of the Hospital and the Ancillary District Operations but not made until after the Transfer Back Closing Date; (g) assignment of business contracts; (h) proper allocation of responsibility for all litigation with

respect to the Hospital and the Ancillary District Operations; (i) ensuring that a proper level of inventory necessary for the operation of the Hospital is in place as of the Transfer Back Closing Date, and (j) without limiting any of the foregoing, the cooperation required for the orderly transition of the Hospital assets and operations and the Ancillary District Operations to District.

**13.5 Transition of Capitated Lives and Payor Contracts.** In anticipation of a Lease Termination, AH Mendocino shall cooperate in good faith with the District to transfer to District the capitated lives (i) of individuals who reside in zip codes that make up the District's then-current service area and (ii) attributed to AH Mendocino-affiliated primary care physicians under managed care risk contracts with commercial and government payors to which AH Mendocino or an Affiliate is a party to at the time of the anticipated Lease Termination, subject to the terms of such payor agreements, payor rules and policies, and applicable Law.

**13.6 Third-Party Operator.** To the extent a third-party will take over operations of the Hospital and the Ancillary District Operations upon a Lease Termination, AH Mendocino shall use commercially reasonable efforts to cooperate with District in the transition of Hospital and Ancillary District Operations assets and operations to such third-party operator, and to the extent AH Mendocino and such third-party operator will have to enter into a separate transfer and/or purchase agreement, AH Mendocino will not be required to use the same form, terms and conditions as this Agreement or the AHMC Business Transfer Agreement with respect to an agreement with such third-party operator.

## ARTICLE 14.

### MISCELLANEOUS PROVISIONS

**14.1 Waiver of Personal Liability.** No member, director, officer, agent, or employee of any of the Parties shall be individually or personally liable for the obligations of any such Party hereunder or subject to personal liability or accountability by reason of approval, execution or delivery of this Agreement or the performance of any of the obligations arising under or in connection herewith.

**14.2 Entire Agreement and Amendment.** This Agreement embodies the entire agreement and understanding of the Parties regarding its subject matter and supersedes all prior agreements, correspondence, arrangements and understandings relating to the subject matter herein. No representation, promise, inducement or statement of intention has been made by any Party which has not been embodied in this Agreement. This Agreement may be amended, modified, superseded, or canceled only by a written instrument signed by all of the Parties, and any of the terms, provisions, and conditions of this Agreement may be waived, only by a written instrument signed by the waiving Party. Failure of any Party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of such provision by any Party.

**14.3 Benefit and Assignment.**

14.3.1 Benefit. All the terms, provisions and conditions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Parties, as well as the successors and permitted assigns of AH Mendocino and District.

14.3.2 Assignment. No party shall have the power or authority to assign any of its rights or interests herein or delegate any duties or obligations hereunder without first procuring the written consent of the other Party. Notwithstanding the foregoing, however, AH Mendocino shall be allowed to assign any of its rights or interests herein or delegate any duties or obligations hereunder without the written consent of District if AH Mendocino assigns such rights or interests or delegates such duties or obligations to an entity that constitutes an affiliate of AH Mendocino with the financial and administrative capacity to perform such duties and obligations. The covenants, conditions and promises contained herein shall, subject to the foregoing limitations, inure to the benefit of and bind the legal representatives, successors and assigns of all of the Parties. Any purported assignment in violation of this provision shall be void and of no force and effect.

**14.4 No Third Party Interest**. This Agreement is entered into by and between the Parties signatories only for their benefit. The Parties hereby expressly agree that there is no intent by any party to create or establish third party beneficiary status rights or the equivalent in any other referenced individual, entity or third party, and no such individual, entity or third party shall have any right to enforce any right or enjoy any benefit created or established under this Agreement with respect to the rights and obligations of the Parties.

**14.5 Notices**. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been given (a) on the date of personal delivery or (b) provided that such notice, request, demand or communication is actually received by the party to which it is addressed in the ordinary course of delivery, one (1) Business Day after the date of deposit to a nationally recognized overnight courier service, in each case, addressed as follows, or to such other address, person or entity as either party shall designate by notice to the other in accordance herewith:

District: Mendocino Coast Health Care District

Attention:

With a copy to: Craig Cannizzo, Esq.  
101 Montgomery Street, 11th Floor  
San Francisco, CA 94104

AH Mendocino: Adventist Health Mendocino Coast  
[ ● ]  
[ ● ]  
Attention: President

Stone Point Health: Stone Point Health  
ONE Adventist Health Way

Roseville, California 95661  
Attention: Office of General Counsel

With a copy to:

Latham & Watkins LLP  
355 South Grand Avenue, Suite 100  
Los Angeles, California 90071-1560  
Attention: Daniel K. Settelmayer, Esq.

**14.6 Construction.**

14.6.1 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and be enforceable to the fullest extent permitted by Law, but only if and to the extent such enforcement would not materially and adversely frustrate the Parties' essential objectives as expressed herein.

14.6.2 Number and Gender. Unless the context clearly states otherwise, the use of the singular or plural in this Agreement shall include the other and the use of any gender shall include all others.

14.6.3 Captions. The captions in this Agreement are included for purposes of convenience only and shall not be considered a part of the Agreement in construing or interpreting any provision.

**14.7 Governing Law.** This Agreement shall be governed by, and shall be construed and enforced in accordance with, the internal Laws (not the choice of law) of the State of California. Any action or proceeding to enforce or interpret any provision of this Agreement shall be brought, commenced or prosecuted in the County of Mendocino, California.

**14.8 Public Announcements.** Neither Party shall issue any press release or make any public announcement of the transaction subject to this Agreement without the prior written consent of the other Party, provided that either Party may make any such announcement as may be required by Law.

**14.9 Attorneys' Fees.** Each Party shall be responsible for its respective attorneys' fees associated with this Agreement.

*[signature page follows]*

**IN WITNESS WHEREOF**, District, AH Mendocino and Stone Point Health have executed this Transfer of Business Operations Agreement on the Execution Date.

**Adventist Health Mendocino  
Coast**

**Mendocino Coast Health Care District**

**By:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Stone Point Health**

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_



## Exhibit A

### GENERAL ASSIGNMENT OF RIGHTS

THIS GENERAL ASSIGNMENT (this “Assignment”) is executed as of \_\_\_\_\_, 2020, by and between MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“Assignor”), and ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“Assignee”).

### RECITALS

A. Pursuant to and in accordance with that certain Lease dated as of \_\_\_\_\_, 2020 (the “Lease”), by and between Assignor as Landlord, and Assignee as Tenant, Assignee is leasing from Assignor the Premises and Existing FF&E of the Hospital as defined in the Lease.

B. In connection with the Lease, Assignor and Assignee have executed a Business Operations Transfer Agreement (the “Agreement”) whereby all of Assignor’s right, title and interest in certain operational assets are conveyed to Assignee.

### AGREEMENT

#### THE PARTIES AGREE AS FOLLOWS:

1. **Capitalized Terms.** All capitalized terms not otherwise defined in this Assignment shall have the same meaning given to such terms in the Agreement or the Lease. In the event of a conflict between terms, the definitions in the Agreement will prevail over the definitions in the Lease.

2. **Assignment.** On the Closing Date, Assignor hereby assigns to Assignee, its successors and assigns, free and clear of any and all adverse claims of right, title or interest, the following assets (collectively, the “Assigned Assets”):

(a) **Assumed Contracts.** All of Assignor’s right, title and interest in and to all of the Assumed Contracts;

(b) **Inventory.** All of Assignor’s right, title and interest in and to all of the Inventory;

(c) **Government Healthcare Programs Participation Agreements.** All of Assignor’s right, title and interest in and to all Participation Agreements for Government Healthcare Programs. Assignee agrees to take assignment of, but only to the extent any such program may require assumption of Assignor’s obligations and liabilities as a condition of participation or as otherwise required by any such program for approval of Hospital’s change in ownership from Assignor to Assignee;

(d) **Prepays.** All of Assignor’s right, title and interest in and to all of the Prepays;

(e) Claims. All of Assignor's right, title and interest in and to all of the Claims;

(f) Intangible Property. All of Assignor's right, title and interest in and to all of the Intangible Property.

**3. Acceptance and Assumption of Certain Liabilities.**

(a) Assignee hereby accepts the foregoing assignments and agrees to assume and keep, perform and fulfill all of the terms, covenants, conditions, duties and obligations which are required, from and after the Closing Date, to be kept, performed and fulfilled by the Assignee (as successor in interest to the Assignor) in connection with the Assigned Assets.

(b) Pursuant to the Agreement, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignee assumes the Assumed Liabilities as such term is defined in the Agreement. Except as expressly assumed in this Section 3 of this Assignment, Assignee does not assume and shall not in any manner be responsible for any liability (including any contingent liability), obligation, lien or encumbrance of Assignor.

**4. Indemnification.** Assignor and Assignee shall each indemnify, defend and hold the other harmless, upon the terms and conditions and to the extent provided in the Agreement. Assignor shall indemnify and hold harmless Assignee from and against damages that arise out of or result from Assignor's acts or omissions with respect to the Assigned Assets. Assignee shall indemnify and hold harmless Assignor from and against damages that arise out of or result from Assignee's acts or omissions with respect to the Assigned Assets.

**5. Miscellaneous.** Assignor and Assignee agree to execute such other documents and perform such other acts as may be necessary or desirable to effectuate this Assignment. If any action or suit by either Party to this Assignment against the other arises from or interprets this Assignment, the prevailing Party in such action or suit shall, in addition to such other relief as may be granted, be entitled to recover its costs of suit and actual attorneys' fees, whether or not the action or suit proceeds to final judgment. This Assignment shall be governed by and construed in accordance with the Laws of the State of California, and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns. This Assignment may be executed in multiple counterparts, all of which when duly delivered taken together, shall be binding on the Parties. Each of the schedules attached to this Assignment is incorporated by reference into this Assignment.

*[signature page follows]*

**IN WITNESS WHEREOF**, Assignor and Assignee have executed this General Assignment of Rights as of the date set forth above.

**Adventist Health Mendocino  
Coast**

**Mendocino Coast Health Care District**

**By:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Exhibit B**

**BILL OF SALE**

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“**District**”), does hereby grant, bargain, transfer, sell, assign, convey and deliver to ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”), all right, title and interest in and to the Inventory as such term is defined in the Transfer of Business Operations Agreement dated as of \_\_\_\_\_, 2020 by and between District and AH Mendocino (the “**Agreement**”). AH Mendocino acknowledges that District is making no representation or warranty with respect to the Inventory being conveyed by this Bill of Sale except as specifically set forth in the Agreement. District for itself, its successors and assigns covenants and agrees that, upon the written request of AH Mendocino, District will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, each and all of such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may reasonably be required by AH Mendocino in order to assign, transfer, set over, convey, assure and confirm unto and vest in AH Mendocino, its successors and assigns, title to the Inventory sold, conveyed, transferred and delivered by this Bill of Sale.

This Bill of Sale is executed at Mendocino, California, this \_\_\_\_ day of \_\_\_\_\_, 2020, and shall be effective as of 12:01 a.m. \_\_\_\_\_, 2020.

**DISTRICT**

MENDOCINO COAST HEALTH CARE  
DISTRICT, a local health care district of the State  
of California

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By:  
Its

**Schedule 1.1**

**ANCILLARY DISTRICT OPERATIONS**

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**Schedule 2.1.1**

**ASSUMED CONTRACTS<sup>1</sup>**

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**Schedule 2.1.3**

**PREPAIDS**

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**Schedule 3.2.4**

**LITIGATION, CLAIMS AND PROCEEDINGS**

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**Schedule 3.2.5**

**DEBTS, OBLIGATIONS OR LIABILITIES OF DISTRICT UNDER FEDERAL  
HEALTH CARE PROGRAMS**

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**Schedule 4.1.5**

**EXCLUDED EMPLOYEES**

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**Schedule 4.1.12**

**UNION CONTRACTS; UNION MATTERS**

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**Schedule 6.6**

**CHANGES TO OPERATIONS**

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**Schedule 6.8.1**

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**EMPLOYEES, CONTRACTORS AND SERVICE PROVIDERS WITH INCREASED  
COMPENSATION**

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**Schedule 6.9.1**

**DISTRICT EMPLOYEE BENEFIT PLANS**

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**Schedule 6.10**

**LIST OF GOVERNMENT AUTHORIZATIONS**

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**Schedule 6.11**

**INSURANCE POLICIES**

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**Schedule 6.13**

**PHYSICIAN AGREEMENTS**

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**Schedule 6.14**

**MATERIAL CONTRACTS**

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**Schedule 10.7.6**

**INSURANCE – “TAIL” COVERAGE**

1. Hospital Professional & General Liability
  2. Privacy (Cyber Risk) liability coverage (to the extent obtained by District)
  3. Pollution liability coverage (to the extent obtained by District)
  4. Employment Practices Liability
-

**Schedule 10.11**

**TRANSITION SERVICES**

- (1) Billing and collection services for patient services rendered prior to the Closing Date
- (2) General accounting services
- (3) Assistance with cost reports
- (4) Accounts payable services.

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**THIS DOCUMENT  
WILL BE SENT  
WHEN AT A LATER  
TIME**

**NOTICE AND AGENDA OF SPECIAL BOARD OF DIRECTORS MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**TUESDAY, APRIL 28, 2020  
6:00 P.M. Open Session  
Meeting Via Teleconference  
Dial In Number:  
CALL IN NUMBER:  
877-573-1973  
Passcode 9614637#**

PLEASE TAKE NOTICE a special Board of Directors meeting has been called for Tuesday, April 28, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided. The public may listen in and provide comments on the following number: 877-573-1973 passcode 9614637#

**CONDUCT OF BUSINESS:**

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

1. Call to Order

2. Roll Call

3. Comments from the Community

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

4. **ACTION/DISCUSSION: RESOLUTION No. 2020-02 APPROVING TERMINATION OF MENDOCINO COAST DISTRICT HOSPITAL 403(b) RETIREMENT SAVINGS PLAN: MR. WAYNE ALLEN, INTERIM CEO** **TAB 1**

5. **ACTION/INFORMATION: INTERIM MANAGEMENT SERVICES AGREEMENT** **TAB 2**

Mr. Craig Cannizzo, Attorney  
Hooper Lundy and Bookman

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("Manager")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

6. Comments from Community

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any



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**RESOLUTION NO. 2020-02**

**RESOLUTION OF THE MENDOCINO COAST HEALTH CARE DISTRICT BOARD OF DIRECTORS APPROVING TERMINATION OF MENDOCINO COAST DISTRICT HOSPITAL 403(b) RETIREMENT SAVINGS PLAN**

**WHEREAS:**

- A. Mendocino Coast Healthcare District (“District”), also known as Mendocino Coast District Hospital (“Hospital”), sponsors the Mendocino Coast District Hospital 403(b) Retirement Savings Plan (“Plan”) for the benefit of District employees.
- B. Pursuant to the transaction (“Transaction”) documented in a Transfer of Business Operations Agreement and a Hospital Lease (collectively referred to as the “Agreement”) between the District and Adventist Health Mendocino Coast (“AH Mendocino”), AH Mendocino will hire District employees and operate the Hospital.
- C. Immediately prior to the Closing Date (“Closing”) of the Agreement, District desires to terminate the Plan.

**NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:**

- 1. The Plan hereby is amended to cease all contributions to the Plan effective with respect to pay dates subsequent to the last pay date of District immediately prior to the Closing. Pursuant to this amendment, the Plan shall not accept contributions with respect to pay dates after the last pay date immediately prior to the Closing, other than corrective contributions (if any).
- 2. The Plan hereby is terminated effective as of the day immediately preceding the Closing (“Termination Date”).
- 3. As of the Termination Date, all participants with a benefit under the Plan on the Termination Date are 100% vested in that benefit.
- 4. As soon as administratively practicable after the Termination Date, provisions shall be made for the orderly winding down of the Plan, including, but not limited to preparation of notices, amendments, and filings with governmental entities.
- 5. Plan termination distributions shall be structured pursuant to Internal Revenue Service Revenue Ruling 2011-7, as that ruling has been modified and expanded by Section 110 (Treatment of Custodial Accounts on Termination of Section 403(b) Plans) of the Setting Every Community Up for Retirement Enhancement Act (“SECURE ACT”).

6. The appropriate officers and designated employees of the District (including, but not limited to Jessica Grinberg) and, after the Closing, the appropriate officers and designated employees of Adventist Health (including, but not limited to Nicole Black) be, and they hereby are, authorized, empowered and directed to take such further actions (including, but not limited to the execution and delivery of agreements, plan documents, certifications, and other documentation) and to do such further things they determine to be necessary or appropriate to give effect to and carry out the foregoing resolutions, and all such actions previously taken hereby are ratified and confirmed.

**IN WITNESS WHEREOF**, the undersigned hereby certifies that the foregoing Resolutions were duly adopted by the District's Board of Directors.

The foregoing Resolution was adopted by the Board of Directors of the Mendocino Coast Health Care District at a special meeting held on April 28, 2020 by the following vote:

**AYES:**

\_\_\_\_\_

Jessica Grinberg

**NOES:**

President, Board of Directors

Mendocino Coast Health Care District

**ABSTAIN:**

**ABSENT:**

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**INTERIM MANAGEMENT SERVICES AGREEMENT**

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("Manager")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**



## INTERIM MANAGEMENT SERVICES AGREEMENT

THIS INTERIM MANAGEMENT SERVICES AGREEMENT (“**Agreement**”) is entered into as of May 1, 2020 (the “**Execution Date**”), by and between MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“**District**”), on the one hand, and ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”) and STONE POINT HEALTH, a California nonprofit public benefit corporation (“**Stone Point Health**” and together with AH Mendocino, “**Manager**”). District and Manager are sometimes referred to in this Agreement as a “**Party**” or, collectively, as the “**Parties**.”

### RECITALS

- A. District is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the “**Hospital**”).
- B. Stone Point Health, a California nonprofit public benefit corporation and affiliate of Adventist Health System/West, a California nonprofit religious corporation, is the sole corporate member of AH Mendocino.
- C. AH Mendocino is a newly incorporated affiliate of Stone Point Health, formed for the purpose of becoming the successor operator of the Hospital, to effect the continued delivery of health care for the benefit of communities served by the District.
- D. Concurrent with this Agreement and in accordance with Section 32121(p) of the California Health and Safety Code, District and Manager are negotiating a certain Lease (“**Lease**”) and a Transfer of Business Operations Agreement (“**OTA**”), pursuant to which AH Mendocino shall lease real and personal property utilized in the Hospital’s operation and certain assets, including contracts, inventory, intangible property and District employees, shall transfer to AH Mendocino, for AH Mendocino’s operation of the Hospital effective upon the Lease commencement. Pursuant to terms of this Agreement, the Lease and the OTA, AH Mendocino shall submit a change of ownership (“**CHOW**”) application package to CDPH and to other regulatory agencies, including but not limited to the California Board of Pharmacy, CMS and the California Department of Health Care Services (“**DHCS**”), to effect a change in licensed operator of the Hospital from District to Manager (each an “**Application**”). The Lease shall commence upon AH Mendocino’s receipt of all necessary Applications approvals and other closing conditions as agreed upon by the Parties in the OTA, where such commencement date is further defined in the Lease (“**Lease Commencement Date**”).
- E. From the Effective Date of this Agreement (as defined in Section 7.1) until the Lease Commencement Date (the “**Transition Period**”), the Parties desire for Manager to provide District with certain management and administrative services in support of the District’s operation of the Hospital as identified in this Agreement. District and Manager believe that Manager’s provision of the services identified in this Agreement will enhance District’s ability to provide high quality, efficient health care services to the community served by the Hospital during the Transition Period.

F. To further memorialize the context in which this Agreement is entered into, the Parties acknowledge the following:

(i) On January 31, 2020, the Secretary of the U.S. Department of Health and Human Services declared a Public Health Emergency in response to the recent outbreak of the 2019 Novel Coronavirus world-wide pandemic (“**COVID-19 Emergency**”). Subsequently on March 4, 2020, the Governor of the State of California (“**Governor**”) declared a State of Emergency in an effort to make additional resources available and formalize emergency actions across multiple state agencies and departments in response to the COVID-19 Emergency in California. Various Federal and State guidance has been issued as a result of the COVID-19 Emergency, including the March 18, 2020 recommendation from the Centers for Medicare and Medicaid Services (“**CMS**”) to limit all non-essential planned surgeries and procedures (“**CMS Elective Procedure Guidance**”), and other State policies pertaining to health care providers issued through the Governor’s Executive Orders, including but not limited to Executive Order 39-20 issued on March 30, 2020 (“**Executive Orders**”). New guidance and policies relevant to health care facilities continue to be issued in response to changing circumstances of the COVID-19 Emergency, including the April 22, 2020 authorization from the Governor that certain non-emergency surgeries may resume in California hospitals (collectively with the COVID-19 Emergency, CMS Elective Procedure Guidance and Executive Orders, the “**COVID Pandemic Circumstances**”).

(ii) On February 4, 2020, the California Department of Public Health (“**CDPH**”), on behalf of CMS, completed a complaint validation survey during which it identified an immediate jeopardy (“**IJ**”) finding due to Hospital’s violation of the infection control condition of participation under 42 CFR s 482.42. The IJ was abated prior to survey completion, but the Hospital’s Medicare certification remains on a 90-day termination track, subject to termination on May 4, 2020, unless District is able to submit an acceptable plan of correction (the “**POC**”) to CMS and obtain subsequent verification of compliance through a recertification survey (“**Recertification Survey**”) conducted by CDPH. District submitted the POC to CMS on March 31, 2020, and submitted an amended POC on April \_\_, 2020 in response to CMS requested revisions. To date, District has not received confirmation that the POC, as amended, has been accepted and the Recertification Survey remains outstanding. As of [DATE], CMS and CDPH has provided [written] assurances that the Recertification Survey will occur after May 4, 2020 as a result of the COVID Pandemic Circumstances and the Hospital’s Medicare certification will not be terminated as a result of the Recertification Survey delay. Hereinafter, the foregoing events described in this Recital F(ii) shall be referred to collectively as the “**Jeopardy Circumstances**”.

## **AGREEMENT**

**THE PARTIES AGREE AS FOLLOWS:**

### **ARTICLE I. DUTIES OF MANAGER**

**1.1 Management.** Subject to those duties that shall remain the responsibility of District as set forth in Article II, Manager shall provide day-to-day management and operation services for the Hospital and certain ancillary services operated by the District as described on **Schedule 1.1** (collectively, “**Hospital Operations**”), assuming and discharging all usual and customary responsibilities, duties and obligations in connection with operating and maintaining the Hospital Operations in full compliance with all regulations and standards required of a general acute care hospital so licensed, including providing the items and services described in this Article I (collectively, the “**Management Services**”), and shall do so in a fiscally responsible manner seeking to provide high-quality services to the community. Manager shall have the exclusive authority to perform these functions, subject to District’s ultimate authority and control over the professional, administrative and other operations of the Hospital Operations as required under applicable conditions of participation (42 C.F.R. 482), California Health & Safety Code Section 1250 *et seq.*, and regulations thereunder.

**1.2 Management Team.** Manager shall employ a management team, including certain senior management personnel for Hospital as deemed necessary by Manager, including Jason Wells as Chief Executive Officer and Linda Givens as Chief Nursing Officer who shall be approved by the District’s board of directors (the “**Board**”), to carry out Manager’s duties under this Agreement. The management team shall consist of a sufficient number of individuals as determined by Manager and each team member will possess the skill and experience necessary to perform the functions and duties required of Manager under this Agreement. Manager shall also ensure that an appropriate level senior management personnel is physically present on-site at Hospital as necessary for Hospital Operations.

**1.3 Supervision of Personnel.** Manager shall manage and supervise any and all Hospital employed or contracted personnel (“**Personnel**”), in compliance with all applicable federal, state and local laws and ordinances, rules, regulations and orders. Manager shall analyze Hospital’s workforce and provide District a recommended staffing plan that would comply with all staffing requirements and all related obligations under California licensure, accreditation and certification and payor participation standards.

**1.4 Medical Staff.** Manager shall cooperate with the leadership of the medical staff of the Hospital (the “**Medical Staff**”) and shall advise and assist the Medical Staff and the Board in functioning in the manner provided by the standards and guidelines on accreditation promulgated by The Joint Commission (“**The Joint Commission**”) and in accordance with the Medical Staff bylaws. Matters with respect to professional competency of medical personnel shall be determined by the officers of the Medical Staff with the assistance of the appropriate Hospital or Medical Staff committees. Manager shall assist the Medical Staff in reviewing the Medical Staff bylaws, as modified from time to time, and shall advise the Medical Staff regarding procedural matters, but medical, ethical and professional matters shall be the responsibility of District, including control of and questions relating to the composition, qualifications and responsibilities of the Medical Staff.

**1.5 Revenue Cycle Management.**

(a) Manager shall oversee the billing and collection of charges for all services provided as part of the Hospital Operations in accordance with charge schedules and collection policies established and approved by District and in a manner that is in compliance with District's charity care policy. Manager shall be entitled to obtain on behalf of and at the expense of District the assistance of one or more collection agencies, including, without limitation, affiliates of Manager.

(b) Manager shall undertake, manage, and administer: (i) the timely payment of all Hospital Operations expenses, invoices, accounts payable and other obligations of District related to the Hospital Operations; (ii) the timely billing of fees for all services, goods and other items provided as part of the Hospital Operations; and (iii) the collection of accounts receivable pertaining to Hospital Operations services and items. Manager shall carry out District's written directives and exercise reasonable care in managing the accounts and available cash of District by maintaining accounts, certificates of deposit and other investments with one or more financial institutions. Manager shall take such actions on behalf of District and under District's provider numbers, including, without limitation, District's provider numbers issued by Medicare, Medi-Cal or their fiscal intermediaries or paying agents (the "Government Programs").

(c) District hereby appoints Manager as its agent for purposes of billing and collecting District's accounts receivable and District hereby agrees to execute any and all documents reasonably necessary to memorialize such appointments. District further appoints Manager to be its true and lawful attorney-in-fact during the term of this Agreement for purposes of (i) billing and collecting in the name of District, and (ii) receiving, taking possession of and endorsing in the name of District any notes, checks, money orders, insurance payments and other instruments received in payment of accounts receivable of District. District agrees to cooperate with Manager, and to execute such documents and take such other actions as may be reasonably necessary or desirable, in connection with the efficient day-to-day billing and collection of the fees and charges of District, including, without limitation, the addition of Manager and its designated agents as authorized signatories on District's bank accounts, and granting Manager the right to make withdrawals from such bank accounts when and as required to pay expenses pertaining to Hospital operations .

(d) In connection with its administration, management and payment of all District expenses and accounts payable, Manager shall have full and complete authority to draw, by check or other means, all available amounts in District's bank accounts to cover the payment of such fees and expenses. Notwithstanding the foregoing, all expenditures of [Two Hundred and Fifty Thousand Dollars (\$250,000)] or more shall require the approval of the District's Board.

**It is specifically agreed and understood that Manager's ability to make payments to third parties under this Agreement, including to affiliates, is subject to availability of funds. Nothing contained herein shall obligate Manager to make any such payments from its own funds or resources or to advance any of its own monies whatsoever to District. Unless otherwise specifically agreed to in writing by Manager, Manager shall not be liable either primarily or as guarantor for debts of District.**

#### **1.6 Finance and Accounting.**

(a) **Accounting.** Manager shall oversee District's accounting system and shall prepare monthly, quarterly and annual balance sheets and statements of income and loss, actual performance to budgets, and bookkeeping, as well as such other reports as may be reasonably requested by District. The selection of, and any fees charged by, the independent auditors for District shall be the responsibility of District.

(b) **Expenditures and Contracts.** Manager shall manage District's existing vendor agreements for supplies, goods and services that are currently in place for the operation of Hospital. Manager shall not negotiate, enter into or terminate contracts for supplies, goods and services on behalf of District that results in or reasonably could result in [Two Hundred and Fifty Thousand Dollars (\$250,000)] or greater in annual expenditures by, or revenues to, Hospital (each a "**Material Contract**") without the prior approval of the Board. For all non-Material Contracts that Manager determines are reasonably necessary for the operation of the Hospital in accordance with this Agreement, Manager shall have the right to negotiate, enter into and terminate such contracts without the Board's prior approval, provided that Manager shall provide information to the Board related to such contracts upon request. Manager must receive approval from the Board for all capital plan items. Manager agrees to implement those Hospital projects approved by District's Board that are in process as of the Effective Date.

(c) **Business Records.** Manager shall prepare and maintain all business records relating to the Hospital Operations, including, without limitation, financial and operational records and such other books and records customarily prepared and/or maintained by or with respect to a general acute care hospital (collectively, "**Business Records**"). Manager shall manage all Business Records in compliance with all applicable law and shall make such Business Records readily accessible to District.

## **1.7 Licensing; Accreditation.**

(a) The Parties acknowledge that Manager shall recommend and oversee all steps required to keep the Hospital fully licensed and certified for participation in Government Programs and other third party payor programs, and duly accredited by The Joint Commission and such state or other agencies, if applicable, and District shall cooperate fully in said endeavors including providing Manager access to previous licensure and certification processes and work product of the Hospital, including those involving third party professionals. Manager shall notify District immediately if Manager receives any written notice or communication from a Governmental Authority relating to revocation or threat of revocation of District's participation in any Government Program. Manager shall participate in any and all actions necessary, including survey preparation, so that Hospital is prepared to pass the forthcoming Recertification Survey necessary to restore its Medicare certification to good standing; provided, however, that **nothing in this Agreement shall be deemed to be a representation, or warranty of Manager regarding the ultimate outcome of the Recertification Survey; and Manager shall have no liability whatsoever resulting from any failure of Hospital to pass the forthcoming Recertification Survey.**

**1.8 Corporate Services.** If deemed necessary by Manager, Manager shall provide as part of the Management Services the administrative and corporate services that are necessary

and/or appropriate for Hospital Operations and that will provide an incremental benefit towards achieving improvement in Hospital Operations, as determined by Manager, during the Transition Period (the “**Corporate Services**”).

**1.9 Utilities and Supplies.** Manager shall oversee the ordering of all utilities, services, materials and supplies, consumable goods, and other items reasonably required in the proper day-to-day operations of the Hospital Operations, as required by all laws, regulations, certifications and payer requirements. Manager, on behalf of District, shall also arrange and manage the acquisition of all pharmaceutical items for the Hospital Operations, to the extent allowed by law, and in a manner that recognizes that District’s existing contractual commitments limiting the scope of Manager’s activities with respect to pharmaceutical items and services.

**1.10 District Access; Manager Liaison with District.** District shall at all times during the Transition Period have full and unrestricted access to the Hospital Operations, including all of its facilities, personnel, accounts, Business Records, contracts and otherwise, as the owner and operator of the Hospital Operations and in furtherance of District’s discharge of its duties thereby. Manager shall facilitate such access by the Board and its representatives. Manager also shall use its reasonable best efforts to ensure its attendance, through Manager’s representatives, at all meetings of the Board during the Transition Period, and provide reports or presentations to the Board with respect to Hospital Operations on at least a monthly basis.

**1.11 Information Systems.** Manager shall not change any application applicable to District’s current information system or information technology during the Transition Period without District’s consent.

**1.12 Government Reporting Requirement.**

(a) Manager shall oversee the preparation and timely filing of all reports for Hospital Operations required by any Governmental Authority, provided that such filing shall be provided to District for review and comment at least ten (10) days prior to its filing, unless waived by District. Manager agrees that it will keep, and will make available upon written request to the Secretary of Health and Human Services, or upon request, to the Comptroller General or any of their duly authorized representatives the contract and books, documents and records necessary to comply with the provisions of Section 1861(v)(1)(I) of the Social Security Act, which are in the possession of Manager, until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, subject to applicable privileges and immunities. This provision shall continue to be effective between the Parties notwithstanding the termination or rescission of all or part of the remainder of this Agreement.

(c) If Manager carries out any of the duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000.00) or more over a twelve (12) month period with a related organization, such subcontract shall contain a clause which is identical to paragraph 1.12(a) of this Section, but for the name of the subcontractor

**1.13 Manager’s Right to Subcontract; Limitations on Manager’s Duties.** Manager may subcontract with other persons or entities for any of the services that Manager is required to perform under this Agreement. Except as set forth herein and



absent a specific written agreement to the contrary, the Management Services shall not include audit services or outside counsel legal services. In consultation with Manager, District may enter into consulting services agreements it deems necessary to carry out its ongoing duties and responsibilities with respect to the Hospital.

**1.14 Provision of Management Services.** Notwithstanding anything to the contrary contained herein, Manager shall have the right to determine the specific method and timing of the provision of the Management Services in a manner that is consistent with its commitments contained in this Agreement. Manager shall not be deemed to be in breach of its obligations under this Agreement as a result of any failure or alleged failure to provide the described Management Services herein in a particular manner; provided that any decision regarding the manner of the provision of the Management Services is made in good faith and is in the best interest of the Hospital.

## **ARTICLE II. DUTIES OF OWNER**

**2.1 District's Board; Role and Responsibilities.** Without limiting (a) the responsibility of District and its Board concerning establishment of the mission and vision of the Hospital Operations and determination of appropriate strategic goals, objectives and relationships for the Hospital Operations, or (b) the duties of the Board as prescribed under applicable conditions of participation (42 C.F.R. 482) and by the California Health & Safety Code Sections 1250, *et seq.*, the Board, acting in its duly appointed role, shall:

(a) **Board Control.** Exercise ultimate control and responsibility over the assets, capital and operation of the Hospital Operations, except that Manager (as provided in Section 1.1) shall act as District's agent for the management of the Hospital Operations, and shall have the authority to supervise and manage its day-to-day operations in accordance with the policy directives, rules and regulations adopted by the Board and as otherwise expressly set forth herein. Notwithstanding the foregoing, District shall at all times during the term of this Agreement have full and unrestricted access to the Hospital Operations, including all of its facilities, personnel, accounts, Business Records, contracts and otherwise, as the owner and operator of the Hospital Operations; and

(b) **Medical Staff Appointments and Privileges.** Approve all Medical Staff appointments, as well as define, adjust, withhold, or withdraw any and all practice privileges in the Hospital. Such action will be based upon the recommendations of the Medical Staff within the provisions of the Bylaws of the Hospital. Manager shall designate an individual on its management team to serve as the liaison between the Medical Staff and the Board, and Manager shall have the responsibility to consult with the Board and/or the Medical Staff in regard to matters pertaining to appointments, the definition of privileges, and Medical Staff function within the Hospital.

**2.2 Licensure.** District shall use best efforts and Manager shall use reasonable efforts under the COVID Pandemic and Jeopardy Circumstances (hereinafter, "**the Party's Respective Contracted Standard of Care**") to keep in full force and effect all licenses, certifications, permits, Government Programs participation, and similar items necessary or

appropriate to the continued operation of the Hospital Operations and the Parties shall use the Party's Respective Contracted Standard of Care to not allow any of the same to become invalid, restricted, revoked or otherwise adversely affected by the acts or omissions of any of their officers, employees, agents or representatives. District, with assistance from Manager, shall perform those obligations and responsibilities that must be performed by District for the Hospital Operations to remain licensed and certified, but the Parties recognize that the Hospital will be managed and operated by Manager. Manager shall promptly notify District of any actions that must be affirmatively taken by District in order to maintain any of the above items during the term of this Agreement

(a) Neither District nor Manager shall take any action or fail to take any action inconsistent with the Party's Contracted Respective Standard of Care that could be reasonably anticipated to terminate or jeopardize the effectiveness of any licenses, certifications, approvals or participation in any Government Programs necessary for operation of the Hospital Operations. District shall not take any action or adopt any policy that would interfere with Manager's provision of the services described herein, except as allowed by this Agreement.

(b) District shall: (i) notify Manager immediately if District receives any written notice or communication from a Governmental Authority relating to the Hospital Operations; and (ii) execute and return, in a timely manner, all contracts and agreements (including extensions and renewals thereof) reasonably necessary to continue in effect the Hospital's participation in and eligibility for the Government Programs.

**2.3 Consent by District.** District shall not unreasonably withhold consent from any action requested by Manager hereunder and shall not unreasonably interfere with Manager's activities hereunder. District shall not unreasonably interfere with the day-to-day operations of the Hospital.

**2.4 Public Communications.** District and Manager shall make mutually agreed upon, joint public statements about the Hospital Operations.

**2.5 District Actions.** During the Transition Period, District shall not, without the consent of Manager:

(a) Authorize or approve the transfer, sale or other disposition of any of the Hospital's real or personal property other than in the ordinary and usual course of business as heretofore conducted, except for such items as are no longer useful, or obsolete, worn out or incapable of any further use, and as will be replaced in accordance with District's usual practice with other items of substantially the same value and utility as the items transferred, sold, exchanged or otherwise disposed of;

(b) Authorize or approve the creation, participation in or agreement to the creation of any liens, encumbrances or hypothecations of any of the Hospital's real or personal property, except any liens for current taxes not yet due and payable and liens created in the ordinary and usual course of its business as heretofore conducted;

(c) Authorize or approve the execution of any lease, contract or agreement of any kind or character with respect to the Hospital or its licensed operations, or incur any



liabilities in connection therewith, save and except (a) the Lease and OTA, (b) those which will terminate or expire prior to the Lease Commencement Date; and (c) those to which it is presently committed or that arise in the ordinary course of business as heretofore conducted;

(d) Authorize or approve the termination of any licenses, certifications, or permits concerning the Hospital Operations;

(e) Authorize or approve the waiver or release of any right or claim of District with respect to the Hospital Operations except in the ordinary course of business; or

(f) Take any action that in any way alters Manager's rights to access Hospital assets as set forth in this Agreement.

### **ARTICLE III. COMPLIANCE**

#### **3.1 Legal Compliance.**

(a) By entering into this Agreement, the Parties specifically intend to comply with, and cause their employees, contractors and agents to comply with, in all material respects, all applicable federal, state and local laws and ordinances, rules, regulations and orders.

(b) By executing this Agreement, each Party hereto hereby represents and warrants: (i) it shall participate in the corporate compliance program applicable to Hospital, or if approved and adopted by the Board, the corporate compliance program of Manager; and (ii) that it shall not, and Manager shall not on behalf of District, knowingly employ or contract with (with or without compensation) any individual or entity (singularly or collectively, "Agent") listed by a federal agency as debarred, excluded, suspended or otherwise determined to be ineligible to participate in any Government Program ("Debarred"). To comply with this provision, Manager shall make reasonable inquiry into the status of any Agent contracted or arranged by Manager or by the District (assuming District has informed Manager of the identity of any such Agent whom District employed or with whom District contracted without the knowledge of Manager) by reviewing, at a minimum, the Department of Health and Human Services, Office of Inspector General Cumulative Sanctions Report and the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs.

(c) Manager shall supervise the provision of patient care at the Hospital in compliance with all applicable federal, state and local laws and ordinances, rules, regulations and orders. Manager shall use all commercially reasonable efforts to manage the Hospital Operations (including, without limitation, its billing and collection activities) in a manner that (i) is intended to result in the delivery of quality medical care, and (ii) eliminates as reasonably practical, grounds for complaints, investigations or adverse action against the Hospital Operations' related license or permit (or against District, by virtue of District holding such license or permit) by any Governmental Authority or third party relating to patient care or the operation and maintenance of the Hospital Operations during the Transition Period.

#### **3.2 Patient Information.**

(a) Manager shall comply at all times, in all material respects, with the requirements of all applicable HIPAA Regulations (as defined in the BAA) and the business associate agreement by and between the Parties attached hereto as **Exhibit A** (the “BAA”) and incorporated herein by this reference.

(b) All patient records and information shall remain the property of District during the Transition Period. Manager shall properly and completely maintain all patient records of the Hospital Operations during the Transition Period. Manager shall have the right, to the extent permitted by applicable law, to analyze and obtain information from such records and report same to District. Nothing in this section constitutes the waiver of any attorney-client privilege or other privilege or confidentiality obligation and neither Party shall be required hereunder to give the other Party documents if, as a result, an existing attorney-client privilege or other privilege or confidentiality obligation would be waived. All records, files, proceedings and related information with respect to patients, and of District and of the Medical Staff and its committees pertaining to the evaluation and improvement of the quality of patient care at the Hospital Operations, shall be kept strictly confidential by Manager and its personnel according to any applicable federal and state laws and District policies. Manager shall take all steps necessary to assure that the confidentiality of medical records and health information of Hospital patients is preserved in accordance with HIPAA Regulations as defined in the BAA, and that all employees and agents of Manager shall use such information solely for the purposes necessary to perform Manager’s obligations under this Agreement. Neither Manager nor its personnel shall voluntarily disclose such records or information, either orally or in writing, except as expressly required by law.

### **3.3 Certain Representations of District Regarding Compliance.**

(a) **Government Program Participation.** Except as otherwise disclosed to Manager, Hospital is certified for participation in the Government Programs and has current and valid provider agreements with such Government Programs (the “Program Agreements”). Except for the matters described in **Schedule 3.3(a)**, Hospital is in compliance with the conditions of participation in the Government Programs and with the terms, conditions, and provisions of the Program Agreements. Except for the matters described in **Schedule 3.3(a)**, the Program Agreements are each in full force and effect, and no events or facts exist that would cause any Program Agreement to be suspended, terminated, restricted or withdrawn. District has received all permits and approvals necessary for reimbursement of the Hospital by the Government Programs.

#### **(b) Government Program Reimbursement.**

(i) For the past six (6) years, to the best of District’s knowledge, all billing practices of District to all third-party payors, including the Government Programs and commercial payors, have been conducted in material compliance with all applicable laws and regulations and the billing guidelines of such third-party payors in all material respects. To the best of District’s knowledge, neither District nor Hospital has billed or received any payment or reimbursement in excess of amounts allowed by law or the billing guidelines of any third-party payor, including the Government Programs and commercial payors. Except for the matters described in **Schedule 3.3(a)**, there is no proceeding, survey, or other action pending, or, to

District's knowledge, threatened, involving any of the Government Programs or any other third-party payor programs, including Hospital's participation in and the reimbursement received by District and Hospital from the Government Programs or any other third-party payor program, and District has no reason to believe that any such proceedings, surveys, or actions are pending, threatened or imminent. To District's knowledge, neither District nor, any of its employees, officers, or directors have committed a violation of any applicable law relating to payments and reimbursements under the Government Programs or any other third-party payor program.

(ii) Notwithstanding the generality of the foregoing, District specifically represents, warrants and covenants that, to the best of District's knowledge, at all times prior to the Effective Date, District has been, and, following the Effective Date (including following the termination date of this Agreement), District shall continue to be, in material compliance with its obligations with regard to Medicare and Medicaid overpayments ("**Overpayments**"), specifically including those set forth in 81 FR 7653 (the "**60-Day Overpayment Rule**"). As further set forth in Section 5.2 below, District shall fully indemnify Manager for any and all liability resulting from non-compliance with the 60-Day Overpayment Rule that relates to conduct or financial arrangements that existed prior to the Effective Date. Following the Effective Date, District shall defer to Manager's recommendations regarding any and all reporting and/or returning of Overpayments to ensure compliance with the 60-Day Overpayment Rule. In the event District and/or the Board chooses not to defer to Manager's recommendations with respect to reporting and/or returning an Overpayment (an "**Overpayment Reporting Disagreement**"), Manager shall have the option to terminate this Agreement for cause pursuant to Section 7.2(c).

(iii) Third-Party Payor Cost Reports. For the last six (6) years, District has timely filed all required Cost Reports for all fiscal years through and including the fiscal year ended June 30, 2019. All Cost Reports filed by or on behalf of District accurately reflect, in all material respects, the information required to be included therein, and such Cost Reports do not claim, and neither District nor Hospital have received, reimbursement in any amount in excess of the amounts allowed by law or any applicable agreement. To District's knowledge, there are no facts or circumstances that would give rise to any disallowance under any such Cost Reports. District has established adequate reserves to cover any potential reimbursement obligations that District may have in respect of such Cost Reports.

(c) Compliance with Healthcare Laws.

(i) Neither District nor Hospital, nor any of their respective officers, directors or employees, have been convicted of, charged with or, to District's knowledge, investigated for, or have engaged in conduct that would constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with or, to District's knowledge, investigated for, or engaged in conduct that would constitute a violation of any law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. None of District, Hospital, nor any officer, director, employee or independent contractor of District or Hospital (whether an individual or entity), has been Debarred from any Federal Health Care Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8

or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor, to District's knowledge, are any such exclusions, sanctions or charges threatened or pending.

(ii) Except for the matters described in **Schedule 3.3(c)**, to the best of District's knowledge, District and Hospital have been and are presently in compliance in all material respects with all applicable laws, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, or "Stark Law," 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA and all applicable implementing regulations, rules, ordinances and orders; and any similar state and local laws that address the subject matter of the foregoing.

(iii) Except for the matters described in **Schedule 3.3(c)**, neither District nor Hospital has received any communication from a Governmental Authority, third-party payor or patient that alleges Hospital Operations is not in compliance with any law, other than statements of deficiencies from a Governmental Authority received in the ordinary course of business. District has timely filed all material reports, data, and other information required to be filed with such commissions, boards, bureaus, and agencies regarding the Hospital.

(iv) All of District's contracts with physicians, other health care providers, or immediate family members of any physicians or other health care providers, or entities in which physicians, other health care providers, or immediate family members of any physicians or other health care providers are equity owners, involving services, supplies, payments, or any other type of remuneration, and all of District's leases of personal or real property with such physicians, health care providers, immediate family members or other Persons are in writing, are signed by the appropriate parties, set forth the services to be provided, provide for a fair market value compensation in exchange for such services, space, or goods and comply with all applicable laws.

(v) Except in compliance with applicable laws, neither District nor any of its officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to District or Hospital with any physician, immediate family member of a physician or other person that is in a position to make or influence referrals to or otherwise generate business for District with respect to the Hospital, to provide services, lease space, lease equipment or engage in any other venture or activity.

(vi) To District's knowledge, none of District's officers, directors or employees have engaged in any activities that are prohibited under 42 U.S.C. §§ 1320a-7 *et seq.*, or the regulations promulgated thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

**ARTICLE IV.  
COMPENSATION**

**4.1 Management Fee.** As compensation for providing the Management Services under this Agreement, District shall pay to Manager fifty thousand dollars (\$50,000.00) per month (the “Management Fee”). District shall pay the Management Fee within sixty (60) calendar days of the last day of each month Management Services are performed.

**4.2 District Right to Audit.** District shall have the right to audit all financial information and/or books with respect to Manager’s services and Hospital Operation’s performance under the terms of this Agreement. Manager agrees to reasonably cooperate with any such requests and to provide responses in a timely manner.

**ARTICLE V.  
INSURANCE AND INDEMNITY**

**5.1 Insurance.**

(a) **Coverage Requirements.** Each of the Parties during the term of this Agreement and any extensions or continuations, shall at their sole cost and expense, and as applicable, purchase or provide, keep and maintain, and require any agents or contractors providing services pursuant to this Agreement to do the same, insurance coverage as follows:

<b>Coverage Type</b>	<b>District</b>	<b>Manager</b>
Hospital Professional Liability	Primary	Additional Insured
General Liability	Primary	Additional Insured
Directors and Officers Liability	Yes	Yes
Property Insurance	Primary	Additional Insured
Automobile Liability	District-owned vehicles	Manager-owned / Manager employees-owned vehicles
Worker’s Compensation Liability (including Employer’s Liability)	Yes, covering District employees	Yes, covering Manager employees
Fiduciary and ERISA Liability	Yes, covering District employees	Yes, covering Manager employees
Privacy (Cyber Risk) Liability	Primary	Additional Insured for all coverage parts, excluding E&O coverage part
Pollution Liability	Primary	Additional Insured
Fidelity (Crime)	Yes, covering District employees	Yes, covering Manager employees
Peer Review (follows HPL coverage)	Primary	Additional Insured

<b>Coverage Type</b>	<b>District</b>	<b>Manager</b>
Employment Practices Liability	Yes, covering District employees	Yes, covering Manager employees (included in Manager's D&O coverage)

Such insurance shall be with carriers with a minimum Best rating (or equivalent) of A- VII, or through an acceptable program of self-insurance. District agrees that Manager shall be deemed to have satisfied any insurance requirements under the Agreement if (a) Manager participates in program(s) of self-insurance maintained by Manager and its affiliates; or (b) if Manager maintains program(s) of self-insurance, with blanket policies, high deductibles or other coverages consistent with those typically maintained by Manager. Such insurance shall be in amounts and in a form necessary to protect against loss from claims arising out of the Parties business activities. Reasonable changes in the amounts or types of coverage necessary to protect against loss will be made upon the mutual agreement of the Parties. Unless notified in writing within thirty (30) days thereafter the insurance coverages in place will be deemed reasonable as of the date of the Agreement. Changes can be requested by written notice of one Party to the other.

(b) **Evidence of Coverage.** The Parties shall provide to each other evidence of each coverage required in this Agreement on or as mutually agreed to after the Effective Date. To the extent possible under District's existing CHI policies, District agrees that the following policies will name Manager as Additional Insured during the term of this Agreement: Hospital Professional Liability, General Liability, Property Insurance, Privacy (Cyber Risk) Liability and Pollution Liability as respects the management and operations support of the Hospital.

(c) **Notice of Changes in Coverage; Tail Requirements.** Each of the Parties shall provide at least thirty (30) days' advance written notice to the other Party as to any material alteration or amendment of coverage including cancellation or other termination. If any policy is written on a "claims made" basis and is later converted to "occurrence" or canceled for any reason, "prior acts" or "tail" coverage shall be obtained in the amounts specified for an unlimited reporting period (except for D&O which tail coverage shall be as long as District deems appropriate).

## **5.2 District's Indemnification.**

(a) Except as and to the extent relating to Manager's or any of its affiliates' gross negligence, recklessness, willful misconduct, bad faith or fraud, District shall indemnify and hold harmless Manager, its affiliates, and its and their respective officers, directors, partners, managers, shareholders, members, principals, attorneys, agents, employees and other representatives (collectively, the "**Manager Indemnified Parties**") from and against any and all Losses (as defined below) that any such Manager Indemnified Party incurs as a result of, arising out of, relating to or in connection with: (i) any breach or nonfulfillment of any covenants or other agreements made by District in this Agreement; (ii) any breach or nonfulfillment of any covenants or other agreements made by District in this Agreement; (iii) any breach of or inaccuracy in any of the representations or warranties made by District in Section 3.3; (iv)

District's non-compliance with the 60-Day Overpayment Rule; (v) any fraud, gross negligence, recklessness, willful misconduct or criminal acts of District or its officers, directors, members, shareholders, employees, agents and/or independent contractors; and any matter relating to the employment of the District Senior Management Personnel and District Personnel (including claims arising out of tort, contract, equity, implied covenant, invasion of privacy, violation of any collective bargaining agreement, unfair labor practice charges, defamation, personal injury, wrongful discharge, emotional distress, discrimination (whether based on race, sex, age, color, national origin, religion, disability or any other class protected by law), harassment, retaliation, occupational safety and health claims, work related injuries, claims for workers' compensation benefits, claims for insurance or other employee benefits, claims for wages, any claim under the Age Discrimination in Employment Act (29 U.S.C. §621 et. seq.), the Civil Rights Act (42 U.S.C. §1981), Title VII of the Civil Rights Act of 1964 (42 U.S.C. §2000e et. seq.), the Civil Rights Act of 1991 (42 U.S.C. §1981(a) et. seq.), the Americans With Disabilities Act (42 U.S.C. §12101, et. seq.), ERISA or the Family Medical Leave Act (29 U.S.C. §2601 et. seq.), any claim under the Fair Labor Standards Act of 1938 (29 U.S.C. §201 et. seq.), the Rehabilitation Act of 1973 (29 U.S.C. §701 et. seq.), any claim under common law and any claim under any federal, state or local statute, regulation, constitution, order or executive order).

(b) Specifically with regard to District's indemnity obligations set forth under Section 5.2(a) above, District shall indemnify Manager for all Losses regardless of whether the non-compliance resulting in, arising out of, related to, or in connection with the Losses incurred before the Effective Date, during the term of this Agreement or following the termination of this Agreement.

(c) Except as described in this Agreement, in no event will District be liable for any special, incidental, exemplary, punitive, indirect or consequential damages (including without limitation any lost revenue or lost profits), even if District is advised of the possibility of such damages or such damages are foreseeable.

### **5.3 Manager's Indemnification.**

(a) Except as and to the extent relating to (a) District's or any of its affiliates' gross negligence, recklessness, willful misconduct, bad faith or fraud, or (b) the COVID Pandemic and Jeopardy Circumstances<sup>1</sup>, Manager shall indemnify and hold harmless District, its affiliates, and its and their respective officers, directors, partners, managers, shareholders, members, principals, attorneys, agents, employees and other representatives (collectively, the "**District Indemnified Parties**") from and against any and all Losses that any such District Indemnified Party incurs as a result of, or arising from: (i) any breach of or inaccuracy in any of the representations or warranties made by Manager in this Agreement; (ii) any breach or non-fulfillment of any of the covenants or other agreements made by Manager in this Agreement; and (iii) any fraud, gross negligence, recklessness, willful misconduct or criminal acts of Manager or its officers, directors, employees, agents and independent contractors; provided, however, that the fraud, willful misconduct, or criminal act of the District Senior Management Personnel

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<sup>1</sup> AH note proposed extraordinary limitation concerning indemnification.

and District Personnel shall not be deemed to be the fraud, willful misconduct, or criminal act of the Manager or any of its affiliates).

(b) Except as described in this Agreement, in no event will Manager be liable for any special, incidental, exemplary, punitive, indirect or consequential damages (including without limitation any lost revenue or lost profits), even if Manager is advised of the possibility of such damages or such damages are foreseeable.

(c) Notwithstanding anything to the contrary, Manager's aggregate liability in respect of claims for indemnification pursuant to Section 5.3(a) shall not exceed [2 months' Management Fee]<sup>2</sup> (the "Cap"); provided, however, that the foregoing limitation shall not apply with respect to any Losses as a result of, arising out of, related to or in connection with any claim for indemnification under Section 5.3(a)(ii) and Section 5.3(a)(iii), and none of such Losses shall count towards the satisfaction of the Cap. For any claim covered by, or required to be covered by, insurance as described in Section 5.1, the cap on liability for such claim shall be the applicable minimum insurance amount(s) required or the Cap in this Section 5.3(c), whichever is greater.

**5.4 Determination of Losses.** Subject to Section 5.3(c), the amount of any Losses shall be reduced or reimbursed, as the case may be, by any amount received by any Manager Indemnified Parties or any District Indemnified Parties, as applicable, with respect thereto under any insurance coverage provided by any third party or from any other party alleged to be responsible therefor, provided that such reduction or reimbursement shall be net of any (i) increase in premiums in any such insurance coverage or (ii) costs of collection. The Manager Indemnified Parties and the District Indemnified Parties, as applicable, shall use commercially reasonable efforts to collect any amounts available under such insurance coverage and from such other party alleged to have responsibility. If a Manager Indemnified Party or District Indemnified Party, as applicable, receives an amount under insurance coverage or from such other party with respect to Losses at any time subsequent to any indemnification provided by District pursuant to Section 5.2 or by Manager pursuant to Section 5.3, then such Manager Indemnified Party or District Indemnified Party, as applicable, shall promptly reimburse Manager or District, as applicable, for any payment made or out-of-pocket expense incurred by such Person in connection with providing such indemnification up to such amount received (less any costs or expenses incurred in recovering such amounts) by the Manager Indemnified Party or District Indemnified Party, as applicable. Notwithstanding the foregoing, nothing in this Section 5.4 shall be construed to relieve any insurance carrier of its obligations under any insurance coverage maintained by District, Manager or any affiliate of District or Manager, which in all cases shall be primary to the indemnification obligations hereunder.

**5.5 Notice of Third-Party Claims and Control of Litigation.**

(a) If a Governmental Authority or other third party asserts a claim or potential liability (a "Third Party Claim") against a Person entitled to indemnification under this Article V (the "Indemnified Party") that would give rise to a claim under this Article V, the Indemnified Party promptly shall provide written notice of the Third Party Claim (a "Claim

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<sup>2</sup> AH to confirm.



**Notice”)** to the Person providing indemnity hereunder (“**Indemnifying Party**”); provided, however, that the failure to provide such notice as so indicated shall not affect the Indemnifying Party’s obligation to indemnify the Indemnified Party unless such notice is not provided prior to the expiration of the Survival Period (as defined below in Section 5.8 for such Third Party Claim), and the Indemnifying Party shall have no remedy by reason of such failure except to the extent of any actual prejudice resulting from such delay. The Indemnifying Party, at its sole cost and expense, will be entitled to participate in the defense of any Third Party Claim and will have the right to defend the Indemnified Party against the Third Party Claim so long as (i) the Indemnifying Party gives written notice to the Indemnified Party within ten (10) business days after receipt of a Claim Notice that it will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, or in connection with the Third Party Claim described in such Claim Notice, (ii) the Third Party Claim involves only claims for monetary damages and does not seek an injunction or other equitable relief against the Indemnified Party, (iii) the Indemnified Party has not been advised by counsel that a conflict or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim, (iv) the Third Party Claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement action, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. If the Indemnifying Party, within ten (10) business days after receipt of a Claim Notice, fails to defend such Third Party Claim, the Indemnified Party will (upon further notice to the Indemnifying Party) have the right to undertake the defense, compromise or settlement of such Third Party Claim on behalf of and for the account and risk of the Indemnifying Party and seek indemnification therefor under Section 5.2 or Section 5.3, as applicable.

(b) If the Indemnifying Party assumes the defense of a Third Party Claim in accordance with Section 5.5(a), the Indemnified Party shall cooperate in all commercially reasonable respects with the Indemnifying Party in the investigation, trial and defense of any Proceeding relating to such Third Party Claim, including any appeal arising therefrom; provided, however, that the Indemnified Party may, at its own cost, participate in the investigation, trial and defense of such Proceeding or any appeal arising therefrom. The Parties shall cooperate with each other in any notifications to insurers. The Indemnified Party shall reasonably assist and cooperate, at the cost and expense of the Indemnifying Party, with the Indemnifying Party in the making of settlements and the enforcement of any right of contribution to which the Indemnified Party may be entitled from any Person or entity in connection with the subject matter of any litigation subject to indemnification hereunder.

**5.6 Notice of Non-Third-Party Claims.** If an Indemnified Party seeks indemnification under this Article V with respect to any matter which does not involve a Third-Party Claim, the Indemnified Party shall give written notice to the Indemnifying Party promptly after discovering the liability, obligation or facts giving rise to such claim for indemnification, describing the nature of the claim in reasonable detail, the amount thereof (if known and quantifiable), and the basis thereof (the “**Indemnity Notice**”); provided that any failure to so notify or any delay in notifying the Indemnifying Party shall not relieve the Indemnifying Party of its or his obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party in writing within thirty (30) days from its receipt of the Indemnity Notice that the Indemnifying Party

disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed to indemnify the Indemnified Party from and against the entirety of any Losses described in the Indemnity Notice, subject to the limitations on indemnification set forth in this Article V. If the Indemnifying Party delivers a notice disputing the indemnification claim to the Indemnified Party within thirty (30) days from its receipt of the Indemnity Notice, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution to such dispute. If the Indemnifying Party and the Indemnified Party cannot resolve such dispute within forty-five (45) days after delivery of the indemnity dispute notice, such dispute shall be resolved in accordance with Article VIII.

#### **5.7 Certain Definitions.**

(a) **“Losses”** means all losses, liabilities, claims, damages, penalties, fines, judgments, awards, settlements, costs, fees (including court costs and costs of appeal), disbursements and expenses (including reasonable costs of investigation and defense and reasonable attorneys’ fees) or diminution in value incurred or suffered by an indemnified Party, whether or not involving a third-party claim, including reasonably foreseeable lost profits and other similar economic losses or damages.

(b) **“Governmental Authority”** means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal, special district or other instrumentality of any government, whether federal, state or local, domestic or foreign, and any self-regulatory organization.

(c) **“Person”** means an individual, association, corporation, limited liability company, partnership, limited liability partnership, trust, Governmental Authority or any other entity or organization.

(d) **“Proceeding”** means any claim, action, arbitration, audit (including any Recovery Audit Contractor, Medicaid Integrity Contractor, Comprehensive Error Rate Testing, Zone Program Integrity Contractor or similar audits), hearing, investigation, litigation suit or other similar proceeding by or before a Governmental Authority.

**5.8 Survival.** The provisions in Section 5.2 through Section 5.6 shall survive any expiration or termination of this Agreement until the later of (i) ninety (90) days after the expiration of the applicable statute of limitations, including any applicable tolling period or (ii) fully performed or observed in accordance with its terms (each such period, a **“Survival Period”**).

### **ARTICLE VI. RELATIONSHIP BETWEEN THE PARTIES**

**6.1 Independent Contractor.** Manager is and shall at all times be an independent contractor with respect to District in meeting Manager’s responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Manager and District.

**6.2 Limitation on Control.** Manager shall neither have nor exercise any control or direction over the professional medical judgment of any professional provider contracted with District, or the methods by any professional provider contracted with District performs professional medical services; provided, however, that any professional provider contracted with District shall be subject to and shall at all times comply with the bylaws, guidelines, policies and rules of District. Neither Party shall have any right, power or authority to act for or enter into binding agreements on behalf of the other Party, except as specifically set forth in this Agreement.

**6.3 Referrals.** No term of this Agreement shall be construed as requiring or inducing District or any person employed or retained by District to refer patients to Manager or any Manager-affiliated entity. District's rights under this Agreement shall not be dependent in any way on the referral of patients to Manager or its affiliated organizations by District or any person employed or retained by District.

## **ARTICLE VII. TERM AND TERMINATION**

**7.1 Term.** This Agreement shall become effective on May 1, 2020 (the "**Effective Date**"), and shall continue until the Lease Commencement Date, subject to the termination provisions of this Agreement.

**7.2 Termination.**

(a) **Without Cause Termination.** Beginning on the Effective Date, Manager will have a recurring right to terminate this Agreement without cause by providing sixty (60) days' written notice to District.

(b) **Termination for Cause by District.** If Manager breaches any material provision of this Agreement, then District may, at its option, upon thirty (30) days written notice to Manager, unless Manager has cured said breach before said thirty (30) days have elapsed or immediately in the case of danger to patient care, (i) terminate this Agreement, or (ii) maintain this Agreement in full force and effect, and in either case seek damages or other relief appropriate thereto.

(c) **Termination for Cause by Manager.** If District breaches any material provision of this Agreement, then Manager may, at its option, upon thirty (30) days written notice to District (unless District has cured the material breach before said thirty (30) days have elapsed, if applicable), or immediately in the case of danger to patient care, (i) terminate this Agreement, or (ii) maintain this Agreement in full force and effect, and in either case seek damages or other relief appropriate thereto. Manager may terminate this Agreement immediately without notice if Hospital is unable to pass the Recertification Survey.

(d) This Agreement may be terminated upon mutual written agreement of the Parties.

**7.3 Effect of Termination or Expiration.** Upon any termination or expiration of this Agreement, the following shall apply:

(a) District shall pay Manager all Management Fees due Manager under the terms of this Agreement through the effective date of termination or expiration, as applicable. This obligation is unconditional and shall survive the termination or expiration without renewal of this Agreement (including all amounts owed to Manager that are not fully ascertainable as of the termination date).

(b) All rights and obligations of the Parties shall cease except those rights and obligations that have accrued or expressly survive such termination or expiration.

## **ARTICLE VIII. DISPUTE RESOLUTION**

**8.1 Dispute Resolution.** Except as otherwise provided in this Agreement, any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate or any claims for specific performance or injunctive relief (collectively, a “**Dispute**”) shall be settled in accordance with the following procedures. Notwithstanding anything that may be construed to the contrary herein, each of the Parties expressly acknowledges that (i) it has an affirmative duty to expedite the process and procedures described below to the extent reasonably practical in order to facilitate a prompt resolution of any Dispute and (ii) each Party has a mission of serving their communities, and all communications and proposed resolutions of the Dispute shall take these missions into consideration.

(a) **Dispute Notice.** Notice by either Party of the existence of a Dispute shall (i) be delivered in writing, (ii) specify what provision of the Agreement such Party believes is under Dispute and (iii) recommend a course of action to resolve the Dispute (the “**Dispute Notice**”).

(b) **Meet and Confer.** If, within fifteen (15) days after receipt by the applicable Party of a Dispute Notice, the Parties do not resolve such dispute, then the Dispute shall be referred to the designated senior executives with authority to resolve the Dispute from each Party for further negotiation (the “**Meet and Confer**”). The obligation to conduct a Meet and Confer pursuant to this Section 8.1(b) does not obligate any Party to agree to any compromise or resolution of the Dispute that such Party does not determine, in its sole and absolute discretion, to be a satisfactory resolution of the Dispute. The Meet and Confer shall be considered a settlement negotiation for the purpose of all applicable laws protecting statements, disclosures, or conduct in such context, and any offer in compromise or other statements or conduct made at or in connection with any Meet and Confer shall be protected under such laws, including California Evidence Code Section 1152.

(c) **Arbitration.** If any Dispute is not resolved to the mutual satisfaction of the Parties within thirty (30) days after delivery of the Dispute Notice (or such other period as

may be mutually agreed upon by the Parties in writing), the Dispute shall be determined by arbitration in Mendocino County, California. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction.

- (i) Either Party may commence arbitration by giving written notice to the other Party demanding arbitration (the “**Arbitration Notice**”). The Arbitration Notice shall specify the Dispute, the particular claims and/or causes of action alleged by the Party demanding arbitration, and the factual and legal basis in support of such claims and/or causes of action.
- (ii) The parties shall cooperate in good faith to identify one person that is acceptable to both Parties to act as an arbitrator within fifteen (15) days after the commencement of arbitration. In the event the Parties are unable or fail to agree upon the arbitrator within the allotted time, the arbitrator shall be appointed by JAMS in accordance with its rules. All arbitrators shall serve as neutral, independent and impartial arbitrators, and they shall have the authority to grant any relief permitted by law, including equitable relief.
- (iii) The Parties shall be entitled to reasonable production of relevant, non-privileged documents, carried out expeditiously. If the Parties are unable to agree upon same, the arbitrator shall have the power, upon application of any Party, to make all appropriate orders for production of documents by any Party. Depositions shall be permitted only upon a showing of substantial need.
- (iv) The substantive internal law (and not the conflict of laws) of the State shall be applied by the arbitrator to the resolution of the Dispute.
- (v) The following time limits are to apply to any arbitration arising out of or related to this Agreement: The evidentiary hearing on the merits (“**Hearing**”) is to commence within six (6) months of the service of the arbitration demand. A brief, reasoned award is to be rendered within forty-five (45) days of the close of the Hearing or within forty-five (45) days of service of post-hearing briefs if the arbitrator directs the service of such briefs. The arbitrator must agree to the foregoing deadlines before accepting appointment. Failure to meet any of the foregoing deadlines will not render the award invalid, unenforceable or subject to being vacated.
- (vi) The Parties shall maintain the confidential nature of the arbitration proceeding and the award, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the

merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision.

- (vii) The award of the arbitrator shall be final and binding upon the Parties without appeal or review except as permitted by applicable law.

**8.2 Provisional Measures.** Nothing in this Agreement shall prevent either Party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

**8.3 Attorneys' Fees and Costs.** The arbitrator(s) in the Sections 8.1(c) shall award to the prevailing Party, if any, the costs and attorneys' fees reasonably incurred by the prevailing Party in connection with the arbitration. In addition, the prevailing Party shall be entitled to its reasonable attorneys' fees and other costs for any other action, including court proceedings for provisional measures or for the enforcement of any arbitral award.

## **ARTICLE IX. GENERAL PROVISIONS**

**9.1 Amendment.** This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and attached to this Agreement.

**9.2 Assignment.** Except for assignment by Manager to an entity owned, controlled by, or under common control with Manager, neither Party may assign any interest or obligation under this Agreement without the other Party's prior written consent. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective successors and assigns.

**9.3 Authorized Persons.** Whenever any consent, approval or determination of a Party is required pursuant to this Agreement, the consent, approval or determination shall be rendered on behalf of the Party by the person or persons duly authorized to do so, which the other Party shall be justified in assuming means any officer of the Party rendering such consent, approval or determination, or the Party's board of directors.

**9.4 Choice of Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California, except choice of law rules that would require the application of the laws of any other jurisdiction.

**9.5 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

**9.6 Entire Agreement.** This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

**9.7 Schedules and Exhibits.** The attached schedules and exhibits, together with all documents incorporated by reference in the schedules and exhibits, form an integral part of this Agreement and are incorporated into this Agreement wherever reference is made to them to the same extent as if they were set out in full at the point at which such reference is made.

**9.8 Force Majeure.** Neither Party is liable for nonperformance or defective or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, strikes or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors.

**9.9 Further Assurances.** Each Party shall, at the reasonable request of the other Party, execute and deliver to the other party all further instruments, assignments, assurances and other documents, and take any actions as the other Party reasonably requests in connection with the carrying out of this Agreement.

**9.10 Headings.** The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

**9.11 Notices.** All notices or communications required or permitted under this Agreement shall be given in writing and delivered personally or sent by United States registered or certified mail with postage prepaid and return receipt requested or by overnight delivery service (e.g., Federal Express, DHL). Notice is deemed given when sent if sent as specified in this paragraph, or otherwise deemed given when received. In each case, notice shall be delivered or sent to:

OWNER:

Mendocino Coast Health Care District  
[ADDRESS]

With a copy to: Hooper Lundy and Bookman, P.C.  
101 Montgomery Street  
San Francisco, California 95661  
Attention: Craig Cannizzo

MANAGER: Adventist Health Mendocino Coast  
ONE Adventist Health Way  
Roseville, California 95661  
Attention: President

With copies to: Stone Point Health  
ONE Adventist Health Way  
Roseville, California 95661  
Attention: Office of General Counsel

Latham & Watkins LLP  
355 South Grand Avenue, Suite 100  
Los Angeles, California 90071-1560  
Attention: Daniel K. Settelmayer, Esq.

**9.12 Severability.** If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability of the remainder of this Agreement unless the purpose of this Agreement is thereby destroyed.

**9.13 No Third-Party Beneficiary Rights.** The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, owner, corporation or entity other than the Parties.

**9.14 Waiver.** No failure or delay by a Party to insist on the strict performance of any term of this Agreement, or to exercise any right or remedy consequent on a breach thereof, shall constitute a waiver of any breach or any subsequent breach of such term. Neither this Agreement nor any of its terms may be changed, waived, discharged or terminated except by an instrument in writing signed by the Party against whom the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Agreement, but each and every term of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach. The remedies provided in this Agreement are cumulative and not exclusive of the remedies provided by law or in equity.

*[Signature Page Follows]*



The Parties have executed this Agreement as of the date first above written. ,

**DISTRICT**

**MENDOCINO COAST HEALTH CARE DISTRICT,**  
a local health care district of the State of California

By: \_\_\_\_\_

**MANAGER**

**ADVENTIST HEALTH MENDOCINO COAST**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_

[ ● ]

President

**STONE POINT HEALTH**  
**STONE POINT HEALTH**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_

[ ● ]  
President

## Exhibit A

### BUSINESS ASSOCIATE AGREEMENT

This BUSINESS ASSOCIATE AGREEMENT (this “BAA”) is made by and between Mendocino Coast Health Care District (“Provider”) and Adventist Health Mendocino Coast (“Vendor”), and is effective as of [ ● ], 2020 (the “BAA Effective Date”).

#### RECITALS

- A. Vendor provides certain services for or on behalf of Provider (“Services”), pursuant to an agreement or arrangement (the “Underlying Agreement”), and, in the performance of the Services, Vendor may create, receive, maintain or transmit Protected Health Information on behalf of Provider (“Provider PHI”).
- B. Provider and Vendor intend to protect the privacy and provide for the security of the Provider PHI in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, as amended by the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (collectively, “HIPAA”), and the implementation regulations promulgated thereunder by the U.S. Department of Health and Human Services (the “HIPAA Regulations”) and other applicable laws.
- C. The HIPAA Regulations require Provider to enter into an agreement containing specific requirements with its business associates prior to the disclosure of Protected Health Information.

In consideration of the mutual promises below and the exchange of information pursuant to this BAA, the parties agree as follows:

#### 1. Definitions.

- a. **General Definitions.** Unless otherwise provided in this BAA, all capitalized terms that are used in this BAA will have the same meaning as defined under the HIPAA Regulations.
- b. “**Privacy Rule**” means the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E.
- c. “**Security Rule**” means the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C.

#### 2. Obligations of BA.

- a. **Permitted Uses.** Vendor may not use Provider PHI except for the purpose of performing the Services, or as otherwise explicitly permitted by this BAA or as Required By Law. Further, Vendor may not use Provider PHI in any manner that would constitute a violation of the Privacy Rule if so used by Provider, except as otherwise permitted by this BAA. Vendor may use Provider PHI: (i) for the proper management and administration of

Vendor; (ii) to carry out the legal responsibilities of Vendor; and (iii) for Data Aggregation purposes for the Health Care Operations of Provider. Vendor may also de-identify PHI in accordance with the standards set forth in 45 C.F.R. § 164.514(b) and may use or disclose such de-identified data for any purpose.

- b. **Permitted Disclosures.** Vendor may not disclose Provider PHI except for the purpose of performing the Services, or as otherwise permitted by this BAA or as Required By Law. Vendor may not disclose Provider PHI in any manner that would constitute a violation of the Privacy Rule if so disclosed by Provider, except as otherwise permitted by this BAA. Vendor may disclose Provider PHI: (i) for the proper management and administration of Vendor; (ii) to carry out the legal responsibilities of Vendor; or (iii) for Data Aggregation purposes for the Health Care Operations of Provider. If Vendor discloses Provider PHI to a third party for Vendor's proper management and administration or to carry out Vendor's legal responsibilities, the disclosure must be Required By Law, or prior to making any such disclosure, Vendor must obtain reasonable assurances from the person to whom the information is disclosed that it shall remain confidential and will be used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person (which purpose must be consistent with the limitations imposed upon Vendor pursuant to this BAA), and that the person agrees to notify Vendor of any instances of which it is aware in which the confidentiality of the information has been breached.
- c. **Appropriate Safeguards.** Vendor shall use appropriate safeguards and shall comply with the Security Rule with respect to Provider Electronic PHI, to prevent use or disclosure of such information other than as provided for by the Underlying Agreement and this BAA.
- d. **Mitigation.** Vendor agrees to mitigate, to the extent practicable, any harmful effect that is known to Vendor of a use or disclosure of Provider PHI in violation of this BAA.
- e. **Reporting of Improper Access, Use or Disclosure.** Vendor will notify Provider in writing of any use or disclosure of Provider PHI not permitted by this BAA, including any Breach of Unsecured Provider PHI and Security Incident, without unreasonable delay (and in no case later than sixty (60) days after discovery of any Breach of Unsecured Provider PHI).

Notwithstanding the foregoing, Provider and Vendor acknowledge the ongoing existence and occurrence of attempted but unsuccessful Security Incidents that are trivial in nature, such as pings and port scans, and Provider acknowledges and agrees that no additional notification to Provider of such unsuccessful Security Incidents is necessary. However, to the extent that Vendor becomes aware of an unusually high number of such unsuccessful Security Incidents due to the repeated acts of a single party, Vendor shall notify Provider of these attempts and provide the name, if available, of said party.

- f. **Vendor's Agents and Subcontractors.** Vendor will ensure that any Subcontractors that create, receive, maintain or transmit Provider PHI on behalf of Vendor agree in writing to restrictions and conditions no less stringent than those that apply to Vendor under this BAA (with respect to such Provider PHI).

- g. Access to Provider PHI.** Vendor will make Provider PHI it maintains in Designated Record Sets available to Provider for inspection and copying upon request by Provider in a manner that enables Provider to fulfill its obligations under 45 C.F.R. § 164.524, however, Vendor is not required to provide such access where the Provider PHI contained in a Designated Record Set is duplicative of the Provider PHI contained in a Designated Record Set possessed by Provider. If any Individual asks to inspect or access his or her Provider PHI directly from Vendor, Vendor will notify Provider in writing of the request. Any approval or denial of an Individual's request to access or inspect his or her Provider PHI is the responsibility of Provider.
- h. Amendment of Provider PHI.** Upon request from Provider for an amendment to Provider PHI that is maintained in a Designated Record Set by Vendor, Vendor will make the Provider PHI available to Provider for amendment in such a manner so as to enable Provider to fulfill its obligations under 45 C.F.R. § 164.526. If any Individual requests an amendment of Provider PHI directly from Vendor, Vendor will notify Provider in writing of the request. Any approval or denial of an amendment of Provider PHI is the responsibility of Provider.
- i. Accounting Rights.** Vendor will maintain a record of all disclosures of Provider PHI that Vendor makes, if Provider would be required to provide an accounting to an Individual of such Disclosures under 45 C.F.R. § 164.528. Upon request by Provider for an accounting of disclosures of Provider PHI, Vendor will make available to Provider all information related to disclosures by Vendor and its Subcontractors necessary for Provider to fulfill its obligations under 45 C.F.R. § 164.528. The information collected and maintained will include: (i) the date of disclosure; (ii) the name of the person who received the Provider PHI and, if known, the address of the person; (iii) a brief description of Provider PHI disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the Individual of the basis for the disclosure, or a copy of the Individual's authorization, or a copy of the written request for disclosure. In the event that the request for an accounting is delivered directly to Vendor, Vendor will forward it to Provider in writing. It is Provider's responsibility to prepare and deliver any such accounting requested, and Vendor will not provide an accounting directly to an Individual.
- j. Delegations of Obligations.** To the extent that Vendor contracts with Provider to carry out Provider's obligations under the Privacy Rule, Vendor shall comply with the requirements of the Privacy Rule that apply to Provider in the performance of such obligations.
- k. Access to Records.** Vendor will make its internal practices, books and records relating to the use and disclosure of Provider PHI available to the Secretary for purposes of determining Provider's and Vendor's compliance with the Privacy Rule and this BAA.
- l. Minimum Necessary.** Provider and Vendor will work together to ensure that only the minimum amount of Provider PHI necessary to accomplish the purpose of the Services will be disclosed by Provider to Vendor. The Parties understand and agree that the definition

of “minimum necessary” is in flux, and they will keep themselves informed of guidance issued by the Secretary with respect to what constitutes “minimum necessary.”

### 3. **Term and Termination.**

- a. **Term.** The Term of this BAA is concurrent with that of the Underlying Agreement.
- b. **Material Breach of Provisions Applicable to Provider PHI.** Any other provision of the Underlying Agreement notwithstanding, the Underlying Agreement and this BAA may be terminated by a party (the “**Non-Breaching Party**”) upon thirty (30) days written notice to the other party (the “**Breaching Party**”) in the event that the Breaching Party materially breaches any provision in this BAA applicable to Provider PHI in any material respect and such breach is not cured within such thirty (30) day period.
- c. **Effect of Termination.** Upon termination of this BAA for any reason, Vendor will return or destroy all Provider PHI that Vendor still maintains, and will not retain any copies of such Provider PHI. Notwithstanding the foregoing, if Vendor determines that returning or destroying such Provider PHI is infeasible, Vendor will continue to extend the protections of this BAA to such information and limit further use of such Provider PHI to those purposes that make the return or destruction of such Provider PHI infeasible. Vendor will be responsible for returning or destroying any Provider PHI in the possession of its Subcontractors consistent with the requirements of this Section related to return and destruction of Provider PHI.

4. **Amendment to Comply with Law.** The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of this BAA may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the HIPAA Regulations and other applicable laws relating to the security or confidentiality of Provider PHI. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this BAA embodying written assurances consistent with the standards and requirements of HIPAA, the HIPAA Regulations or other applicable laws.

5. **No Third-Party Beneficiaries.** Nothing express or implied in this BAA is intended to confer, nor shall anything herein confer, upon any person other than Provider, Vendor and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

6. **Interpretation.** The provisions of this BAA prevail over any provisions in the Underlying Agreement that may conflict or appear inconsistent with any provision in this BAA, provided that any terms in the Underlying Agreement that may provide greater protections to the privacy and security of Provider PHI than are set forth in this BAA govern. This BAA and the Underlying Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA and the HIPAA Regulations. The parties agree that any ambiguity in this BAA will be resolved in favor of a meaning that complies and is consistent with HIPAA and the HIPAA Regulations.

7. **Survival.** The rights and obligation under Sections 2.i. and 3.c. expressly survive termination of this BAA.

IN WITNESS WHEREOF, the parties hereto have duly executed this BAA as of the BAA Effective Date.

PROVIDER

VENDOR

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**Schedule 1.1**

**HOSPITAL OPERATIONS**

**Schedule 3.3(a)**

**GOVERNMENT PROGRAM PARTICIPATION**

- Medicare certification is not in good standing as described by the Jeopardy Circumstances

**Schedule 3.3(c)**

**COMPLIANCE WITH HEALTHCARE LAWS**

- Medicare certification is not in good standing as described by the Jeopardy Circumstances

**MENDOCINO COAST HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING**

**THURSDAY, APRIL 30, 2020  
6:00 p.m. Open Session**

**MENDOCINO COAST DISTRICT HOSPITAL  
Meeting via Teleconference  
Dial in Number:  
877-573-1973  
Passcode 9614637#**

**Mendocino Coast District Hospital Mission Statement**

**MISSION**

To make a positive difference in the health of our rural community.

**VISION**

MCDH will play a vital role in the overall health and well-being of the community, and will be the key element in the healthcare system serving the needs of our community. We will provide leadership to enhance the efficiency, coordination, quality and range of services provided within our rural healthcare system.

MCDH will be the healthcare provider and employer of choice within our community. We will continually address and keep up with technology and superior clinical skills

We will have a positive impact on health by encouraging personal and community responsibility for health and wellness. Our efforts will play a decisive role in people choosing to stay in our community or to locate here.

**VALUES**

MCDH is committed to providing excellent quality, patient centered, cost effective health care in a caring, safe and professional environment, and serving the community's healthcare needs with current technology and superior clinical skills. We believe in the right to local access to a wide range of excellent quality healthcare services in our rural community. We promote patient safety and satisfaction, and consistently work toward a high level of care with results in our patients recommending us to others and in their returning to us for needed health care.

Every member of our healthcare team will play an active, participative role that effectively utilizes the skills and talents of each. People are our most valuable resource. We encourage professional development that will achieve a level of competence and morale that will attract and maintain the highest quality staff. We strive to build partnership with our employees emphasizing mutual respect and mutual success.

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

**I. ROLL CALL**

**II. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on any requests during this comment period.

**III. REVIEW OF THE AGENDA**

*Action*

**IV. APPROVAL OF CONSENT CALENDAR**

*Action*

The following items are considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

1. Approval of Special Board of Directors meeting minutes of April 19, 2020 Tab 1

**V. NEW BUSINESS**

1. **ACTION/INFORMATION:** INTERIM MANAGEMENT SERVICES AGREEMENT Tab 2

MR. CRAIG CANNIZZO, ATTORNEY

HOOPER LUNDY AND BOOKMAN

MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")

AND

ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("Manager")

AND

STONE POINT HEALTH,  
California Nonprofit Public Benefit Corporation  
("Stone Point Health")

2. **ACTION/DISCUSSION: MOTION TO APPROVE CHIEF EXECUTIVE OFFICER (JASON WELLS) FOR MENDOCINO COAST DISTRICT HOSPITAL: MS. JESSICA GRINBERG, PRESIDENT**

**VI. REPORTS**

- **INFORMATION:** CEO Report: Mr. Wayne Allen, Interim CEO

- **ACTION:** Medical Staff Report: Dr. William Miller Chief of Staff

Tab 3

A. **Appointments to Medical Staff-Provisional Status**

1. Shah Khan, MD –Department of Medicine-Emergency Medicine
2. Russell Wong, MD –Department of Medicine-Hospitalist Medicine

B. **Temporary Privileges (As we await Board Meeting)**

1. Shah Khan, MD –Department of Medicine-Emergency Medicine (April 11-April 30, 2020)
2. Russell Wong, MD –Department of Medicine-Hospitalist Medicine (Mar 4-Mar 27, 2020 & Apr 12-15, 2020)

C. **Voluntary Relinquishing of Privileges**

1. Brent Wright, MD –Department of Surgery-Obstetrics Privileges effective 03/28/20

- **ACTION:** Finance Committee Report: Mr. John Redding

Tab 4

**VII. FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT**

*Information*

- Action Item List

**VIII. ASSOCIATION AND COMMUNITY SERVICE REPORTS**

*Information*

**IX. Public Comments**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes with a 20-minute total time limit for all comments. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

***BROWN ACT REQUIREMENTS:*** Pursuant to the Brown Act, the council cannot discuss issues or take action on any requests during this comment period.

**X. ADJOURNMENT**

***\* THIS DOCUMENT WILL BE PROVIDED AT THE MEETING.***

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437, no later than 72 hours prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the Public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

# **T A B 1**

**MENDOCINO HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL SESSION  
MINUTES  
SUNDAY, APRIL 19, 2020  
FORT BRAGG, CA 95437  
MEETING VIA TELECONFERENCE**

The Board of Directors of the Mendocino Coast Health Care District met in CLOSED session at 1:00 pm via Teleconference, Jessica Grinberg, Chair presiding

PRESENT: Mr. Redding, Ms. McColley, Mr. Lund, Ms. Arnold, Ms. Grinberg

Absent: None

Mr. Wayne Allen, Interim CEO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 1:00 p.m. via Teleconference, Ms. Jessica Grinberg, President presiding

**II. ROLL CALL VIA TELECONFERENCE:**

PRESENT: Ms. Jessica Grinberg, Ms. Amy McColley, Mr. John Redding, Ms. Karen Arnold, Mr. Steve Lund  
Board Members

BOARD MEMBERS ABSENT: None

ALSO PRESENT:

Mr. Wayne Allen, Interim CEO

**III. COMMENTS FROM THE COMMUNITY**

- A community member urged the Board to approve the Adventist Health Lease and Transfer Agreements.
- Carole White, a community member had concerns regarding:
  - ✓ The amount of funds set aside for expectant mothers in need being \$25,000 and not \$200,000.
  - ✓ Wanted to know the results of the Ellen Hardin case agreement.
  - ✓ Wanted to know what is happening with the revenue generated by the Hospice Thrift Store.
  - ✓ Concerned about the cash flow.
  - ✓ She tendered her resignation from the Planning Committee.

**IV. ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**

- Minutes: Regular Session February 27, 2020

**MOTION:** To approve the February 27, 2020 minutes

- Lund moved
- Arnold second
- Roll Call
  - Ayes: Arnold, Grinberg, Lund, Redding
  - Noes: None
  - Abstain: McColley
  - Absent: None
- Motion carried



**MOTION:** To approve the April 6, 2020 Board minutes

- McColley moved
- Lund second
- Roll Call
  - Ayes: Arnold, Grinberg, Redding, McColley, Lund
  - Noes: None
  - Abstain: None
  - Absent: None
- Motion carried

**V. ACTION/INFORMATION: LEASE**

***BETWEEN***

**MENDOCINO COAST HEALTH CARE DISTRICT, AS LANDLORD**

***AND***

**ADVENTIST HEALTH MENDOCINO COAST, AS TENANT**

- Mr. Craig Cannizzo, Attorney Hooper, Lundy & Bookman presented the Lease Agreement. Following are some changes that the Board request at the April 6 Board meeting:
  - **Section 3.2-Payment**
    - ✓ The rent will be paid in two (2) six (6) month installments; at the beginning and mid-way throughout each year of the term.
  - **Section 5.1-Permitted Use**
    - ✓ The tenant shall provide emergency services throughout the thirty (30) year term of the lease.
  - **Section 7.1-Obligation to Maintain**
    - ✓ Reiterated/Reclarified that the expenditure fund contribution of the District for improvement of the facility will have to comply with Measure C. The following sentence has been added:
      - ❖ Prior to undertaking any project described in the Improvements Schedule, Tenant will provide the Improvements Schedule to Landlord so that Landlord can determine whether the expenditures comply with Measure C.
    - ✓ Another clarification was that this contribution shall be made in two (2) annual installments each year.
  - **Section 7.2-Restricted Capital Fund**
    - ✓ The most significant aspect of this change is the labeling. It is no longer called the Seismic Fund; it is called a Restrained Restricted Capital Fund. The reason for this change is:
      - 1) to achieve seismic compliance of the Improvements as mandated by state and federal Laws ("Seismic Compliance")
      - 2) upon mutual agreement with Tenant, for (i) the development or modernization of Hospital outpatient facilities or (ii) the development or modernization of inpatient facilities
  - **Section 15.4-Special Operating Covenant**
    - ✓ The first sentence now makes clear that they must maintain a designation as a Critical Access Hospital under the CMS Program.
  - **Section 15.5-Tenant's Purchase Option**
    - ✓ The significance of this change is, at the request of the Tenant, there is an option, it was always a purchase option for the Hospital, and it now potentially includes the vacant land parcels that the District owns. Those vacant land parcels are subject to the surplus property requirements of the District that otherwise be obligated to follow, and

therefore the purchase option only becomes operative if the surplus property laws are otherwise complied with.

- **Section 15.5.7-Improvements Fund and Restricted Capital Fund**
  - ✓ The last sentence that was previously inserted in which the seismic funds would follow the property acquired by the Adventist pursuant to the purchase option. That sentence has been deleted as it no longer follows the property into the hands of the purchasing Tenant.
- **Section 19.2.2.1-Restricted Capital Fund**
  - ✓ This is just labeling changes, converting the reference from seismic funds to Restricted Capital Funds.
- **Exhibit A-Land Description**
  - ✓ This is a list of the premises being subject to the lease. This clarifies that all of the buildings that are currently being operated by the District are part of the transfer; however the NCFHC and the Hospice Thrift Store are leased and will not be part of the transfer.
- **Exhibit E-Purchase Option Parcels**
  - ✓ This is a reflection of the addition of the vacant land as something that could be theoretically subject to the purchase option.
- **Exhibit D-Restricted Capital Fund Funding Schedule**
  - ✓ This has been tweaked Pursuant to discussions between Mr. Allen and Mr. Beehler to accommodate several realities:
    - The current cash flow impact due to the Corona Virus, and also a more realistic assessment of the District's cash flow anticipated schedule.
- Discussion ensued.
  - Mr. Redding requested the agreement be amended to include an audit and some reports for the Improvement Fund which Adventist Health will be managing.
  - Mr. Cannizzo proposed a sentence be inserted into Section 7.1. If the sentence is satisfactory, the condition of approval to be based on Board approval of the Resolution. The sentence reads as follows:

"Tenant shall provide an accounting annually to Landlord of Measure C Funds for the purpose of the Oversight Committee's retrospective review and validation on the use of Measure C Funds."

Mr. Lund requested that language be added to the sentence to reflect that the annual report encompass the entire \$2,000,000 amount. Mr. Cannizzo recommended removing the reference to Measure C funds and just state Adventist Health provide an accounting of the entire amount. Mr. Cannizzo will change the sentence to read:

"Tenant shall provide an accounting annually to Landlord of the use of the Improvement Fund for the purpose of, among other things allowing the District to determine compliance with Measure C."
- The District Board will have their meetings in the Neva Cannon Room after the affiliation takes place.

**MOTION:** To approve the Lease as presented between the Mendocino Coast Healthcare District as Landlord and Adventist Health Mendocino Coast as Tenant with the suggestions and modifications that have been discussed with the understanding any further documentation that is required that is substantive or administrative will result in an additional Special Board Meeting

- Lund moved
- Arnold second

- Ms. McColley was concerned that some of the resolutions and exhibits are incomplete.
- Mr. Redding suggested Mr. Lund amend his motion to include that the Board instruct Mr. Allen and the attorneys to complete the documents faithfully in accordance with their understanding of the deal.
- Mr. Cannizzo stated that Mr. Lund will be the one helping to make a final decision that the documents have been completed in a correct manner. A former resolution empowers Board Officers to supervise and implement the Board’s resolution by ensuring that any further documentation in the form of these other schedules or any other changes are non-substantive and not ministerial. Mr. Cannizzo assured the Board that if they choose to approve this in its current form, it will be the current form, and any other things that are added into the innocuous schedules will only be signed if the Board Officers conclude they are not worthy of convening another Board meeting. The changes will be sent to the Board, and if any Board member feels it warrants another meeting, their input will be honored.
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Abstain: None
  - Absent: None
- Motion carried

**VI. INFORMATION/ACTION:**

**TRANSFER OF BUSINESS OPERATIONS AGREEMENT  
MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("AH Mendocino")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

- Mr. Ben Durie, Attorney Hooper, Lundy & Bookman presented the Transfer of Business operations Agreement.
  - Mr. Durie stated that there is a provision in the Transfer Agreement that states the District will clearly retain any money that relates in period in time prior to May 1<sup>st</sup> including any monies related to COVID 19 to the extent that they were provided before that date.
  - **Article 6-Representations and Warranties of District**
    - ✓ In paragraph one (1) the Controller and the Chief Human Resources Officer have been added in order to round out the representation. This represents to the Adventists that those certain facts are true of the individuals named in this Article.
  - **Article 10-Post-Closing Covenants**
    - ✓ Some language has been added in Section 10.11 which clarifies that for a reasonable period of time following the closing of this transaction following May 1, the District

will be able to purchase certain transition services from AH in order for the District to complete ordinary tasks that it needs to do in order to rack up its business with respect to the operation of the Hospital prior to May 1<sup>st</sup>.

- ✓ Section 3.2 addresses the purchase of certain personal property that the Adventists purchase not using the Improvement Fund during the term of the lease.
- ✓ Ms. McColley noted that on page 10 the purchase price is omitted. Mr. Durie stated that it is the value of the prepaid and the inventory currently held by the Hospital, and then it is offset by the PTO. The Pharmacy inventory was just done three (3) days ago and it is at the invoice price of what the Hospital paid for the drugs, so it is Fair Market Value. The PTO will probably be around \$1 million, and the inventory will be approximately \$1 million. Ms. McColley also noted that schedule of excluded employees and their positions are blank. These decisions are usually made within a few days of the close of the transaction. Ms. McColley asked about the changes to operations. The District is leaving this decision to Adventist Health.
- ✓ Mr. Redding asked that when the State of California declares a state of emergency, like we are currently under, are certain aspects of the Labor Laws relaxed that would allow workers to be laid off? He stated that he was just wondering. The employees will transition to Adventist Health on May 1<sup>st</sup>.

**MOTION:** To approve Transfer of Business Operations Agreement with Adventist Health Mendocino Coast, A California Nonprofit Public Benefit Corporation (“AH Mendocino”) and Stone Point Health, A California Nonprofit Public Benefit Corporation (“Stone Point Health”)

- McColley moved
- Redding second
- Roll Call
  - Ayes: Lund, Redding, Arnold, Grinberg, McColley
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**VII. ACTION/INFORMATION: BOARD RESOLUTION NO. 2020-01: AUTHORIZING DISTRICT OFFICERS TO ENTER INTO LEASE AND TRANSFER OF BUSINESS OPERATIONS AGREEMENT (Items 5 and 6)**

**MOTION:** To approve Board Resolution #2020-01; which is a Resolution of the Mendocino Coast Health Care District Board of Directors Approving Hospital Lease and Related Transaction Documents

- Lund moved
- McColley second
- Roll Call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**VIII. PUBLIC COMMENTS**

- There were no public comments

**IX. COMMENTS FROM BOARD OF DIRECTORS**

- Ms. McColley thanked Ms. Grinberg for running an efficient meeting. She is looking forward to collaborating with Stone Point Health and Adventist Health.
- Mr. Redding thanked everyone for all their hard work negotiating these agreements and bringing them to fruition.
- Mr. Lund thanked everyone, including the Board for all the efforts that have gone into negotiating and approving these agreements.
- Ms. Arnold thanked Ms. Grinberg for doing a fabulous job facilitating today's meeting.
- Ms. Grinberg thanked everyone for their hard work.

**XIII. ADJOURN:**

- The meeting adjourned at 3:25 pm

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors

# T A B 2

**INTERIM MANAGEMENT SERVICES AGREEMENT**

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("Manager")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

## INTERIM MANAGEMENT SERVICES AGREEMENT

THIS INTERIM MANAGEMENT SERVICES AGREEMENT (“**Agreement**”) is entered into as of May 1, 2020 (the “**Execution Date**”), by and between MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“**District**”), on the one hand, and ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”) and STONE POINT HEALTH, a California nonprofit public benefit corporation (“**Stone Point Health**” and together with AH Mendocino, “**Manager**”). District and Manager are sometimes referred to in this Agreement as a “**Party**” or, collectively, as the “**Parties**.”

### RECITALS

A. District is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the “**Hospital**”).

B. Stone Point Health, a California nonprofit public benefit corporation and affiliate of Adventist Health System/West, a California nonprofit religious corporation, is the sole corporate member of AH Mendocino.

C. AH Mendocino is a newly incorporated affiliate of Stone Point Health, formed for the purpose of becoming the successor operator of the Hospital, to effect the continued delivery of health care for the benefit of communities served by the District.

D. Concurrent with this Agreement and in accordance with Section 32121(p) of the California Health and Safety Code, District and Manager are negotiating a certain Lease (“**Lease**”) and a Transfer of Business Operations Agreement (“**OTA**”), pursuant to which AH Mendocino shall lease real and personal property utilized in the Hospital’s operation and certain assets, including contracts, inventory, intangible property and District employees, shall transfer to AH Mendocino, for AH Mendocino’s operation of the Hospital effective upon the Lease commencement. Pursuant to terms of this Agreement, the Lease and the OTA, AH Mendocino shall submit a change of ownership (“**CHOW**”) application package to CDPH and to other regulatory agencies, including but not limited to the California Board of Pharmacy, CMS and the California Department of Health Care Services (“**DHCS**”), to effect a change in licensed operator of the Hospital from District to Manager (each an “**Application**”). The Lease shall commence upon AH Mendocino’s receipt of all necessary Applications approvals and other closing conditions as agreed upon by the Parties in the OTA, where such commencement date is further defined in the Lease (“**Lease Commencement Date**”).

E. From the Effective Date of this Agreement (as defined in Section 7.1) until the Lease Commencement Date (the “**Transition Period**”), the Parties desire for Manager to provide District with certain management and administrative services in support of the District’s operation of the Hospital as identified in this Agreement. District and Manager believe that Manager’s provision of the services identified in this Agreement will enhance District’s ability to provide high quality, efficient health care services to the community served by the Hospital during the Transition Period.



F. To further memorialize the context in which this Agreement is entered into, the Parties acknowledge the following:

(i) On January 31, 2020, the Secretary of the U.S. Department of Health and Human Services declared a Public Health Emergency in response to the recent outbreak of the 2019 Novel Coronavirus world-wide pandemic ("**COVID-19 Emergency**"). Subsequently on March 4, 2020, the Governor of the State of California ("**Governor**") declared a State of Emergency in an effort to make additional resources available and formalize emergency actions across multiple state agencies and departments in response to the COVID-19 Emergency in California. Various Federal and State guidance has been issued as a result of the COVID-19 Emergency, including the March 18, 2020 recommendation from the Centers for Medicare and Medicaid Services ("**CMS**") to limit all non-essential planned surgeries and procedures ("**CMS Elective Procedure Guidance**"), and other State policies pertaining to health care providers issued through the Governor's Executive Orders, including but not limited to Executive Order 39-20 issued on March 30, 2020 ("**Executive Orders**"). New guidance and policies relevant to health care facilities continue to be issued in response to changing circumstances of the COVID-19 Emergency, including the April 22, 2020 authorization from the Governor that certain non-emergency surgeries may resume in California hospitals (collectively with the COVID-19 Emergency, CMS Elective Procedure Guidance and Executive Orders, the "**COVID Pandemic Circumstances**").

(ii) On February 4, 2020, the California Department of Public Health ("**CDPH**"), on behalf of CMS, completed a complaint validation survey during which it identified an immediate jeopardy ("**IJ**") finding due to Hospital's violation of the infection control condition of participation under 42 CFR s 482.42. The IJ was abated prior to survey completion, but the Hospital's Medicare certification remains on a 90-day termination track, subject to termination on May 4, 2020, unless District is able to submit an acceptable plan of correction (the "**POC**") to CMS and obtain subsequent verification of compliance through a recertification survey ("**Recertification Survey**") conducted by CDPH. District submitted the POC to CMS on March 31, 2020, and submitted an amended POC on April \_\_, 2020 in response to CMS requested revisions. To date, District has not received confirmation that the POC, as amended, has been accepted and the Recertification Survey remains outstanding. As of [DATE], CMS and CDPH has provided [written] assurances that the Recertification Survey will occur after May 4, 2020 as a result of the COVID Pandemic Circumstances and the Hospital's Medicare certification will not be terminated as a result of the Recertification Survey delay. Hereinafter, the foregoing events described in this Recital F(ii) shall be referred to collectively as the "**Jeopardy Circumstances**".

## AGREEMENT

**THE PARTIES AGREE AS FOLLOWS:**

### ARTICLE I. DUTIES OF MANAGER

**1.1 Management.** Subject to those duties that shall remain the responsibility of District as set forth in Article II, Manager shall provide day-to-day management and operation services for the Hospital and certain ancillary services operated by the District as described on **Schedule 1.1** (collectively, "**Hospital Operations**"), assuming and discharging all usual and customary responsibilities, duties and obligations in connection with operating and maintaining the Hospital Operations in full compliance with all regulations and standards required of a general acute care hospital so licensed, including providing the items and services described in this Article I (collectively, the "**Management Services**"), and shall do so in a fiscally responsible manner seeking to provide high-quality services to the community. Manager shall have the exclusive authority to perform these functions, subject to District's ultimate authority and control over the professional, administrative and other operations of the Hospital Operations as required under applicable conditions of participation (42 C.F.R. 482), California Health & Safety Code Section 1250 *et seq.*, and regulations thereunder.

**1.2 Management Team.** Manager shall employ a management team, including certain senior management personnel for Hospital as deemed necessary by Manager, including Jason Wells as Chief Executive Officer and Linda Givens as Chief Nursing Officer who shall be approved by the District's board of directors (the "**Board**"), to carry out Manager's duties under this Agreement. The management team shall consist of a sufficient number of individuals as determined by Manager and each team member will possess the skill and experience necessary to perform the functions and duties required of Manager under this Agreement. Manager shall also ensure that an appropriate level senior management personnel is physically present on-site at Hospital as necessary for Hospital Operations.

**1.3 Supervision of Personnel.** Manager shall manage and supervise any and all Hospital employed or contracted personnel ("**Personnel**"), in compliance with all applicable federal, state and local laws and ordinances, rules, regulations and orders. Manager shall analyze Hospital's workforce and provide District a recommended staffing plan that would comply with all staffing requirements and all related obligations under California licensure, accreditation and certification and payor participation standards.

**1.4 Medical Staff.** Manager shall cooperate with the leadership of the medical staff of the Hospital (the "**Medical Staff**") and shall advise and assist the Medical Staff and the Board in functioning in the manner provided by the standards and guidelines on accreditation promulgated by The Joint Commission ("**The Joint Commission**") and in accordance with the Medical Staff bylaws. Matters with respect to professional competency of medical personnel shall be determined by the officers of the Medical Staff with the assistance of the appropriate Hospital or Medical Staff committees. Manager shall assist the Medical Staff in reviewing the Medical Staff bylaws, as modified from time to time, and shall advise the Medical Staff regarding procedural matters, but medical, ethical and professional matters shall be the responsibility of District, including control of and questions relating to the composition, qualifications and responsibilities of the Medical Staff.

**1.5 Revenue Cycle Management.**

(a) Manager shall oversee the billing and collection of charges for all services provided as part of the Hospital Operations in accordance with charge schedules and collection policies established and approved by District and in a manner that is in compliance with District's charity care policy. Manager shall be entitled to obtain on behalf of and at the expense of District the assistance of one or more collection agencies, including, without limitation, affiliates of Manager.

(b) Manager shall undertake, manage, and administer: (i) the timely payment of all Hospital Operations expenses, invoices, accounts payable and other obligations of District related to the Hospital Operations; (ii) the timely billing of fees for all services, goods and other items provided as part of the Hospital Operations; and (iii) the collection of accounts receivable pertaining to Hospital Operations services and items. Manager shall carry out District's written directives and exercise reasonable care in managing the accounts and available cash of District by maintaining accounts, certificates of deposit and other investments with one or more financial institutions. Manager shall take such actions on behalf of District and under District's provider numbers, including, without limitation, District's provider numbers issued by Medicare, Medi-Cal or their fiscal intermediaries or paying agents (the "Government Programs").

(c) District hereby appoints Manager as its agent for purposes of billing and collecting District's accounts receivable and District hereby agrees to execute any and all documents reasonably necessary to memorialize such appointments. District further appoints Manager to be its true and lawful attorney-in-fact during the term of this Agreement for purposes of (i) billing and collecting in the name of District, and (ii) receiving, taking possession of and endorsing in the name of District any notes, checks, money orders, insurance payments and other instruments received in payment of accounts receivable of District. District agrees to cooperate with Manager, and to execute such documents and take such other actions as may be reasonably necessary or desirable, in connection with the efficient day-to-day billing and collection of the fees and charges of District, including, without limitation, the addition of Manager and its designated agents as authorized signatories on District's bank accounts, and granting Manager the right to make withdrawals from such bank accounts when and as required to pay expenses pertaining to Hospital operations .

(d) In connection with its administration, management and payment of all District expenses and accounts payable, Manager shall have full and complete authority to draw, by check or other means, all available amounts in District's bank accounts to cover the payment of such fees and expenses. Notwithstanding the foregoing, all expenditures of [Two Hundred and Fifty Thousand Dollars (\$250,000)] or more shall require the approval of the District's Board.

**It is specifically agreed and understood that Manager's ability to make payments to third parties under this Agreement, including to affiliates, is subject to availability of funds. Nothing contained herein shall obligate Manager to make any such payments from its own funds or resources or to advance any of its own monies whatsoever to District. Unless otherwise specifically agreed to in writing by Manager, Manager shall not be liable either primarily or as guarantor for debts of District.**

## **1.6 Finance and Accounting.**

(a) Accounting. Manager shall oversee District's accounting system and shall prepare monthly, quarterly and annual balance sheets and statements of income and loss, actual performance to budgets, and bookkeeping, as well as such other reports as may be reasonably requested by District. The selection of, and any fees charged by, the independent auditors for District shall be the responsibility of District.

(b) Expenditures and Contracts. Manager shall manage District's existing vendor agreements for supplies, goods and services that are currently in place for the operation of Hospital. Manager shall not negotiate, enter into or terminate contracts for supplies, goods and services on behalf of District that results in or reasonably could result in [Two Hundred and Fifty Thousand Dollars (\$250,000)] or greater in annual expenditures by, or revenues to, Hospital (each a "Material Contract") without the prior approval of the Board. For all non-Material Contracts that Manager determines are reasonably necessary for the operation of the Hospital in accordance with this Agreement, Manager shall have the right to negotiate, enter into and terminate such contracts without the Board's prior approval, provided that Manager shall provide information to the Board related to such contracts upon request. Manager must receive approval from the Board for all capital plan items. Manager agrees to implement those Hospital projects approved by District's Board that are in process as of the Effective Date.

(c) Business Records. Manager shall prepare and maintain all business records relating to the Hospital Operations, including, without limitation, financial and operational records and such other books and records customarily prepared and/or maintained by or with respect to a general acute care hospital (collectively, "Business Records"). Manager shall manage all Business Records in compliance with all applicable law and shall make such Business Records readily accessible to District.

## 1.7 Licensing; Accreditation.

(a) The Parties acknowledge that Manager shall recommend and oversee all steps required to keep the Hospital fully licensed and certified for participation in Government Programs and other third party payor programs, and duly accredited by The Joint Commission and such state or other agencies, if applicable, and District shall cooperate fully in said endeavors including providing Manager access to previous licensure and certification processes and work product of the Hospital, including those involving third party professionals. Manager shall notify District immediately if Manager receives any written notice or communication from a Governmental Authority relating to revocation or threat of revocation of District's participation in any Government Program. Manager shall participate in any and all actions necessary, including survey preparation, so that Hospital is prepared to pass the forthcoming Recertification Survey necessary to restore its Medicare certification to good standing; provided, however, that **nothing in this Agreement shall be deemed to be a representation, or warranty of Manager regarding the ultimate outcome of the Recertification Survey; and Manager shall have no liability whatsoever resulting from any failure of Hospital to pass the forthcoming Recertification Survey.**

1.8 Corporate Services. If deemed necessary by Manager, Manager shall provide as part of the Management Services the administrative and corporate services that are necessary

and/or appropriate for Hospital Operations and that will provide an incremental benefit towards achieving improvement in Hospital Operations, as determined by Manager, during the Transition Period (the "Corporate Services").

**1.9 Utilities and Supplies.** Manager shall oversee the ordering of all utilities, services, materials and supplies, consumable goods, and other items reasonably required in the proper day-to-day operations of the Hospital Operations, as required by all laws, regulations, certifications and payer requirements. Manager, on behalf of District, shall also arrange and manage the acquisition of all pharmaceutical items for the Hospital Operations, to the extent allowed by law, and in a manner that recognizes that District's existing contractual commitments limiting the scope of Manager's activities with respect to pharmaceutical items and services.

**1.10 District Access; Manager Liaison with District.** District shall at all times during the Transition Period have full and unrestricted access to the Hospital Operations, including all of its facilities, personnel, accounts, Business Records, contracts and otherwise, as the owner and operator of the Hospital Operations and in furtherance of District's discharge of its duties thereby. Manager shall facilitate such access by the Board and its representatives. Manager also shall use its reasonable best efforts to ensure its attendance, through Manager's representatives, at all meetings of the Board during the Transition Period, and provide reports or presentations to the Board with respect to Hospital Operations on at least a monthly basis.

**1.11 Information Systems.** Manager shall not change any application applicable to District's current information system or information technology during the Transition Period without District's consent.

**1.12 Government Reporting Requirement.**

(a) Manager shall oversee the preparation and timely filing of all reports for Hospital Operations required by any Governmental Authority, provided that such filing shall be provided to District for review and comment at least ten (10) days prior to its filing, unless waived by District. Manager agrees that it will keep, and will make available upon written request to the Secretary of Health and Human Services, or upon request, to the Comptroller General or any of their duly authorized representatives the contract and books, documents and records necessary to comply with the provisions of Section 1861(v)(1)(I) of the Social Security Act, which are in the possession of Manager, until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, subject to applicable privileges and immunities. This provision shall continue to be effective between the Parties notwithstanding the termination or rescission of all or part of the remainder of this Agreement.

(c) If Manager carries out any of the duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000.00) or more over a twelve (12) month period with a related organization, such subcontract shall contain a clause which is identical to paragraph 1.12(a) of this Section, but for the name of the subcontractor

**1.13 Manager's Right to Subcontract; Limitations on Manager's Duties.** Manager may subcontract with other persons or entities for any of the services that Manager is required to perform under this Agreement. Except as set forth herein and

absent a specific written agreement to the contrary, the Management Services shall not include audit services or outside counsel legal services. In consultation with Manager, District may enter into consulting services agreements it deems necessary to carry out its ongoing duties and responsibilities with respect to the Hospital.

**1.14 Provision of Management Services.** Notwithstanding anything to the contrary contained herein, Manager shall have the right to determine the specific method and timing of the provision of the Management Services in a manner that is consistent with its commitments contained in this Agreement. Manager shall not be deemed to be in breach of its obligations under this Agreement as a result of any failure or alleged failure to provide the described Management Services herein in a particular manner; provided that any decision regarding the manner of the provision of the Management Services is made in good faith and is in the best interest of the Hospital.

## **ARTICLE II. DUTIES OF OWNER**

**2.1 District's Board; Role and Responsibilities.** Without limiting (a) the responsibility of District and its Board concerning establishment of the mission and vision of the Hospital Operations and determination of appropriate strategic goals, objectives and relationships for the Hospital Operations, or (b) the duties of the Board as prescribed under applicable conditions of participation (42 C.F.R. 482) and by the California Health & Safety Code Sections 1250, *et seq.*, the Board, acting in its duly appointed role, shall:

(a) **Board Control.** Exercise ultimate control and responsibility over the assets, capital and operation of the Hospital Operations, except that Manager (as provided in Section 1.1) shall act as District's agent for the management of the Hospital Operations, and shall have the authority to supervise and manage its day-to-day operations in accordance with the policy directives, rules and regulations adopted by the Board and as otherwise expressly set forth herein. Notwithstanding the foregoing, District shall at all times during the term of this Agreement have full and unrestricted access to the Hospital Operations, including all of its facilities, personnel, accounts, Business Records, contracts and otherwise, as the owner and operator of the Hospital Operations; and

(b) **Medical Staff Appointments and Privileges.** Approve all Medical Staff appointments, as well as define, adjust, withhold, or withdraw any and all practice privileges in the Hospital. Such action will be based upon the recommendations of the Medical Staff within the provisions of the Bylaws of the Hospital. Manager shall designate an individual on its management team to serve as the liaison between the Medical Staff and the Board, and Manager shall have the responsibility to consult with the Board and/or the Medical Staff in regard to matters pertaining to appointments, the definition of privileges, and Medical Staff function within the Hospital.

**2.2 Licensure.** District shall use best efforts and Manager shall use reasonable efforts under the COVID Pandemic and Jeopardy Circumstances (hereinafter, "the Party's Respective Contracted Standard of Care") to keep in full force and effect all licenses, certifications, permits, Government Programs participation, and similar items necessary or

appropriate to the continued operation of the Hospital Operations and the Parties shall use the Party's Respective Contracted Standard of Care to not allow any of the same to become invalid, restricted, revoked or otherwise adversely affected by the acts or omissions of any of their officers, employees, agents or representatives. District, with assistance from Manager, shall perform those obligations and responsibilities that must be performed by District for the Hospital Operations to remain licensed and certified, but the Parties recognize that the Hospital will be managed and operated by Manager. Manager shall promptly notify District of any actions that must be affirmatively taken by District in order to maintain any of the above items during the term of this Agreement

(a) Neither District nor Manager shall take any action or fail to take any action inconsistent with the Party's Contracted Respective Standard of Care that could be reasonably anticipated to terminate or jeopardize the effectiveness of any licenses, certifications, approvals or participation in any Government Programs necessary for operation of the Hospital Operations. District shall not take any action or adopt any policy that would interfere with Manager's provision of the services described herein, except as allowed by this Agreement.

(b) District shall: (i) notify Manager immediately if District receives any written notice or communication from a Governmental Authority relating to the Hospital Operations; and (ii) execute and return, in a timely manner, all contracts and agreements (including extensions and renewals thereof) reasonably necessary to continue in effect the Hospital's participation in and eligibility for the Government Programs.

**2.3 Consent by District.** District shall not unreasonably withhold consent from any action requested by Manager hereunder and shall not unreasonably interfere with Manager's activities hereunder. District shall not unreasonably interfere with the day-to-day operations of the Hospital.

**2.4 Public Communications.** District and Manager shall make mutually agreed upon, joint public statements about the Hospital Operations.

**2.5 District Actions.** During the Transition Period, District shall not, without the consent of Manager:

(a) Authorize or approve the transfer, sale or other disposition of any of the Hospital's real or personal property other than in the ordinary and usual course of business as heretofore conducted, except for such items as are no longer useful, or obsolete, worn out or incapable of any further use, and as will be replaced in accordance with District's usual practice with other items of substantially the same value and utility as the items transferred, sold, exchanged or otherwise disposed of;

(b) Authorize or approve the creation, participation in or agreement to the creation of any liens, encumbrances or hypothecations of any of the Hospital's real or personal property, except any liens for current taxes not yet due and payable and liens created in the ordinary and usual course of its business as heretofore conducted;

(c) Authorize or approve the execution of any lease, contract or agreement of any kind or character with respect to the Hospital or its licensed operations, or incur any

liabilities in connection therewith, save and except (a) the Lease and OTA, (b) those which will terminate or expire prior to the Lease Commencement Date; and (c) those to which it is presently committed or that arise in the ordinary course of business as heretofore conducted;

(d) Authorize or approve the termination of any licenses, certifications, or permits concerning the Hospital Operations;

(e) Authorize or approve the waiver or release of any right or claim of District with respect to the Hospital Operations except in the ordinary course of business; or

(f) Take any action that in any way alters Manager's rights to access Hospital assets as set forth in this Agreement.

### **ARTICLE III. COMPLIANCE**

#### **3.1 Legal Compliance.**

(a) By entering into this Agreement, the Parties specifically intend to comply with, and cause their employees, contractors and agents to comply with, in all material respects, all applicable federal, state and local laws and ordinances, rules, regulations and orders.

(b) By executing this Agreement, each Party hereto hereby represents and warrants: (i) it shall participate in the corporate compliance program applicable to Hospital, or if approved and adopted by the Board, the corporate compliance program of Manager; and (ii) that it shall not, and Manager shall not on behalf of District, knowingly employ or contract with (with or without compensation) any individual or entity (singularly or collectively, "Agent") listed by a federal agency as debarred, excluded, suspended or otherwise determined to be ineligible to participate in any Government Program ("Debarred"). To comply with this provision, Manager shall make reasonable inquiry into the status of any Agent contracted or arranged by Manager or by the District (assuming District has informed Manager of the identity of any such Agent whom District employed or with whom District contracted without the knowledge of Manager) by reviewing, at a minimum, the Department of Health and Human Services, Office of Inspector General Cumulative Sanctions Report and the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs.

(c) Manager shall supervise the provision of patient care at the Hospital in compliance with all applicable federal, state and local laws and ordinances, rules, regulations and orders. Manager shall use all commercially reasonable efforts to manage the Hospital Operations (including, without limitation, its billing and collection activities) in a manner that (i) is intended to result in the delivery of quality medical care, and (ii) eliminates as reasonably practical, grounds for complaints, investigations or adverse action against the Hospital Operations' related license or permit (or against District, by virtue of District holding such license or permit) by any Governmental Authority or third party relating to patient care or the operation and maintenance of the Hospital Operations during the Transition Period.

#### **3.2 Patient Information.**



(a) Manager shall comply at all times, in all material respects, with the requirements of all applicable HIPAA Regulations (as defined in the BAA) and the business associate agreement by and between the Parties attached hereto as **Exhibit A** (the "BAA") and incorporated herein by this reference.

(b) All patient records and information shall remain the property of District during the Transition Period. Manager shall properly and completely maintain all patient records of the Hospital Operations during the Transition Period. Manager shall have the right, to the extent permitted by applicable law, to analyze and obtain information from such records and report same to District. Nothing in this section constitutes the waiver of any attorney-client privilege or other privilege or confidentiality obligation and neither Party shall be required hereunder to give the other Party documents if, as a result, an existing attorney-client privilege or other privilege or confidentiality obligation would be waived. All records, files, proceedings and related information with respect to patients, and of District and of the Medical Staff and its committees pertaining to the evaluation and improvement of the quality of patient care at the Hospital Operations, shall be kept strictly confidential by Manager and its personnel according to any applicable federal and state laws and District policies. Manager shall take all steps necessary to assure that the confidentiality of medical records and health information of Hospital patients is preserved in accordance with HIPAA Regulations as defined in the BAA, and that all employees and agents of Manager shall use such information solely for the purposes necessary to perform Manager's obligations under this Agreement. Neither Manager nor its personnel shall voluntarily disclose such records or information, either orally or in writing, except as expressly required by law.

### **3.3 Certain Representations of District Regarding Compliance.**

(a) **Government Program Participation.** Except as otherwise disclosed to Manager, Hospital is certified for participation in the Government Programs and has current and valid provider agreements with such Government Programs (the "Program Agreements"). Except for the matters described in **Schedule 3.3(a)**, Hospital is in compliance with the conditions of participation in the Government Programs and with the terms, conditions, and provisions of the Program Agreements. Except for the matters described in **Schedule 3.3(a)**, the Program Agreements are each in full force and effect, and no events or facts exist that would cause any Program Agreement to be suspended, terminated, restricted or withdrawn. District has received all permits and approvals necessary for reimbursement of the Hospital by the Government Programs.

(b) **Government Program Reimbursement.**

(i) For the past six (6) years, to the best of District's knowledge, all billing practices of District to all third-party payors, including the Government Programs and commercial payors, have been conducted in material compliance with all applicable laws and regulations and the billing guidelines of such third-party payors in all material respects. To the best of District's knowledge, neither District nor Hospital has billed or received any payment or reimbursement in excess of amounts allowed by law or the billing guidelines of any third-party payor, including the Government Programs and commercial payors. Except for the matters described in **Schedule 3.3(a)**, there is no proceeding, survey, or other action pending, or, to

District's knowledge, threatened, involving any of the Government Programs or any other third-party payor programs, including Hospital's participation in and the reimbursement received by District and Hospital from the Government Programs or any other third-party payor program, and District has no reason to believe that any such proceedings, surveys, or actions are pending, threatened or imminent. To District's knowledge, neither District nor, any of its employees, officers, or directors have committed a violation of any applicable law relating to payments and reimbursements under the Government Programs or any other third-party payor program.

(ii) Notwithstanding the generality of the foregoing, District specifically represents, warrants and covenants that, to the best of District's knowledge, at all times prior to the Effective Date, District has been, and, following the Effective Date (including following the termination date of this Agreement), District shall continue to be, in material compliance with its obligations with regard to Medicare and Medicaid overpayments ("**Overpayments**"), specifically including those set forth in 81 FR 7653 (the "**60-Day Overpayment Rule**"). As further set forth in Section 5.2 below, District shall fully indemnify Manager for any and all liability resulting from non-compliance with the 60-Day Overpayment Rule that relates to conduct or financial arrangements that existed prior to the Effective Date. Following the Effective Date, District shall defer to Manager's recommendations regarding any and all reporting and/or returning of Overpayments to ensure compliance with the 60-Day Overpayment Rule. In the event District and/or the Board chooses not to defer to Manager's recommendations with respect to reporting and/or returning an Overpayment (an "**Overpayment Reporting Disagreement**"), Manager shall have the option to terminate this Agreement for cause pursuant to Section 7.2(c).

(iii) Third-Party Payor Cost Reports. For the last six (6) years, District has timely filed all required Cost Reports for all fiscal years through and including the fiscal year ended June 30, 2019. All Cost Reports filed by or on behalf of District accurately reflect, in all material respects, the information required to be included therein, and such Cost Reports do not claim, and neither District nor Hospital have received, reimbursement in any amount in excess of the amounts allowed by law or any applicable agreement. To District's knowledge, there are no facts or circumstances that would give rise to any disallowance under any such Cost Reports. District has established adequate reserves to cover any potential reimbursement obligations that District may have in respect of such Cost Reports.

(c) Compliance with Healthcare Laws.

(i) Neither District nor Hospital, nor any of their respective officers, directors or employees, have been convicted of, charged with or, to District's knowledge, investigated for, or have engaged in conduct that would constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with or, to District's knowledge, investigated for, or engaged in conduct that would constitute a violation of any law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. None of District, Hospital, nor any officer, director, employee or independent contractor of District or Hospital (whether an individual or entity), has been Debarred from any Federal Health Care Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8

or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor, to District's knowledge, are any such exclusions, sanctions or charges threatened or pending.

(ii) Except for the matters described in **Schedule 3.3(c)**, to the best of District's knowledge, District and Hospital have been and are presently in compliance in all material respects with all applicable laws, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, or "Stark Law," 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA and all applicable implementing regulations, rules, ordinances and orders; and any similar state and local laws that address the subject matter of the foregoing.

(iii) Except for the matters described in **Schedule 3.3(c)**, neither District nor Hospital has received any communication from a Governmental Authority, third-party payor or patient that alleges Hospital Operations is not in compliance with any law, other than statements of deficiencies from a Governmental Authority received in the ordinary course of business. District has timely filed all material reports, data, and other information required to be filed with such commissions, boards, bureaus, and agencies regarding the Hospital.

(iv) All of District's contracts with physicians, other health care providers, or immediate family members of any physicians or other health care providers, or entities in which physicians, other health care providers, or immediate family members of any physicians or other health care providers are equity owners, involving services, supplies, payments, or any other type of remuneration, and all of District's leases of personal or real property with such physicians, health care providers, immediate family members or other Persons are in writing, are signed by the appropriate parties, set forth the services to be provided, provide for a fair market value compensation in exchange for such services, space, or goods and comply with all applicable laws.

(v) Except in compliance with applicable laws, neither District nor any of its officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to District or Hospital with any physician, immediate family member of a physician or other person that is in a position to make or influence referrals to or otherwise generate business for District with respect to the Hospital, to provide services, lease space, lease equipment or engage in any other venture or activity.

(vi) To District's knowledge, none of District's officers, directors or employees have engaged in any activities that are prohibited under 42 U.S.C. §§ 1320a-7 *et seq.*, or the regulations promulgated thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

**ARTICLE IV.  
COMPENSATION**

**4.1 Management Fee.** As compensation for providing the Management Services under this Agreement, District shall pay to Manager fifty thousand dollars (\$50,000.00) per month (the "Management Fee"). District shall pay the Management Fee within sixty (60) calendar days of the last day of each month Management Services are performed.

**4.2 District Right to Audit.** District shall have the right to audit all financial information and/or books with respect to Manager's services and Hospital Operation's performance under the terms of this Agreement. Manager agrees to reasonably cooperate with any such requests and to provide responses in a timely manner.

**ARTICLE V.  
INSURANCE AND INDEMNITY**

**5.1 Insurance.**

(a) **Coverage Requirements.** Each of the Parties during the term of this Agreement and any extensions or continuations, shall at their sole cost and expense, and as applicable, purchase or provide, keep and maintain, and require any agents or contractors providing services pursuant to this Agreement to do the same, insurance coverage as follows:

<b>Coverage Type</b>	<b>District</b>	<b>Manager</b>
Hospital Professional Liability	Primary	Additional Insured
General Liability	Primary	Additional Insured
Directors and Officers Liability	Yes	Yes
Property Insurance	Primary	Additional Insured
Automobile Liability	District-owned vehicles	Manager-owned / Manager employees-owned vehicles
Worker's Compensation Liability (including Employer's Liability)	Yes, covering District employees	Yes, covering Manager employees
Fiduciary and ERISA Liability	Yes, covering District employees	Yes, covering Manager employees
Privacy (Cyber Risk) Liability	Primary	Additional Insured for all coverage parts, excluding E&O coverage part
Pollution Liability	Primary	Additional Insured
Fidelity (Crime)	Yes, covering District employees	Yes, covering Manager employees
Peer Review (follows HPL coverage)	Primary	Additional Insured

Coverage Type	District	Manager
Employment Practices Liability	Yes, covering District employees	Yes, covering Manager employees (included in Manager's D&O coverage)

Such insurance shall be with carriers with a minimum Best rating (or equivalent) of A- VII, or through an acceptable program of self-insurance. District agrees that Manager shall be deemed to have satisfied any insurance requirements under the Agreement if (a) Manager participates in program(s) of self-insurance maintained by Manager and its affiliates; or (b) if Manager maintains program(s) of self-insurance, with blanket policies, high deductibles or other coverages consistent with those typically maintained by Manager. Such insurance shall be in amounts and in a form necessary to protect against loss from claims arising out of the Parties business activities. Reasonable changes in the amounts or types of coverage necessary to protect against loss will be made upon the mutual agreement of the Parties. Unless notified in writing within thirty (30) days thereafter the insurance coverages in place will be deemed reasonable as of the date of the Agreement. Changes can be requested by written notice of one Party to the other.

(b) **Evidence of Coverage.** The Parties shall provide to each other evidence of each coverage required in this Agreement on or as mutually agreed to after the Effective Date. To the extent possible under District's existing CHI policies, District agrees that the following policies will name Manager as Additional Insured during the term of this Agreement: Hospital Professional Liability, General Liability, Property Insurance, Privacy (Cyber Risk) Liability and Pollution Liability as respects the management and operations support of the Hospital.

(c) **Notice of Changes in Coverage; Tail Requirements.** Each of the Parties shall provide at least thirty (30) days' advance written notice to the other Party as to any material alteration or amendment of coverage including cancellation or other termination. If any policy is written on a "claims made" basis and is later converted to "occurrence" or canceled for any reason, "prior acts" or "tail" coverage shall be obtained in the amounts specified for an unlimited reporting period (except for D&O which tail coverage shall be as long as District deems appropriate).

## 5.2 **District's Indemnification.**

(a) Except as and to the extent relating to Manager's or any of its affiliates' gross negligence, recklessness, willful misconduct, bad faith or fraud, District shall indemnify and hold harmless Manager, its affiliates, and its and their respective officers, directors, partners, managers, shareholders, members, principals, attorneys, agents, employees and other representatives (collectively, the "**Manager Indemnified Parties**") from and against any and all Losses (as defined below) that any such Manager Indemnified Party incurs as a result of, arising out of, relating to or in connection with: (i) any breach or nonfulfillment of any covenants or other agreements made by District in this Agreement; (ii) any breach or nonfulfillment of any covenants or other agreements made by District in this Agreement; (iii) any breach of or inaccuracy in any of the representations or warranties made by District in Section 3.3; (iv)

District's non-compliance with the 60-Day Overpayment Rule; (v) any fraud, gross negligence, recklessness, willful misconduct or criminal acts of District or its officers, directors, members, shareholders, employees, agents and/or independent contractors; and any matter relating to the employment of the District Senior Management Personnel and District Personnel (including claims arising out of tort, contract, equity, implied covenant, invasion of privacy, violation of any collective bargaining agreement, unfair labor practice charges, defamation, personal injury, wrongful discharge, emotional distress, discrimination (whether based on race, sex, age, color, national origin, religion, disability or any other class protected by law), harassment, retaliation, occupational safety and health claims, work related injuries, claims for workers' compensation benefits, claims for insurance or other employee benefits, claims for wages, any claim under the Age Discrimination in Employment Act (29 U.S.C. §621 et. seq.), the Civil Rights Act (42 U.S.C. §1981), Title VII of the Civil Rights Act of 1964 (42 U.S.C. §2000e et. seq.), the Civil Rights Act of 1991 (42 U.S.C. §1981(a) et. seq.), the Americans With Disabilities Act (42 U.S.C. §12101, et. seq.), ERISA or the Family Medical Leave Act (29 U.S.C. §2601 et. seq.), any claim under the Fair Labor Standards Act of 1938 (29 U.S.C. §201 et. seq.), the Rehabilitation Act of 1973 (29 U.S.C. §701 et. seq.), any claim under common law and any claim under any federal, state or local statute, regulation, constitution, order or executive order).

(b) Specifically with regard to District's indemnity obligations set forth under Section 5.2(a) above, District shall indemnify Manager for all Losses regardless of whether the non-compliance resulting in, arising out of, related to, or in connection with the Losses incurred before the Effective Date, during the term of this Agreement or following the termination of this Agreement.

(c) Except as described in this Agreement, in no event will District be liable for any special, incidental, exemplary, punitive, indirect or consequential damages (including without limitation any lost revenue or lost profits), even if District is advised of the possibility of such damages or such damages are foreseeable.

### **5.3 Manager's Indemnification.**

(a) Except as and to the extent relating to (a) District's or any of its affiliates' gross negligence, recklessness, willful misconduct, bad faith or fraud, or (b) the COVID Pandemic and Jeopardy Circumstances<sup>1</sup>, Manager shall indemnify and hold harmless District, its affiliates, and its and their respective officers, directors, partners, managers, shareholders, members, principals, attorneys, agents, employees and other representatives (collectively, the "**District Indemnified Parties**") from and against any and all Losses that any such District Indemnified Party incurs as a result of, or arising from: (i) any breach of or inaccuracy in any of the representations or warranties made by Manager in this Agreement; (ii) any breach or non-fulfillment of any of the covenants or other agreements made by Manager in this Agreement; and (iii) any fraud, gross negligence, recklessness, willful misconduct or criminal acts of Manager or its officers, directors, employees, agents and independent contractors; provided, however, that the fraud, willful misconduct, or criminal act of the District Senior Management Personnel

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<sup>1</sup> AH note proposed extraordinary limitation concerning indemnification.

and District Personnel shall not be deemed to be the fraud, willful misconduct, or criminal act of the Manager or any of its affiliates).

(b) Except as described in this Agreement, in no event will Manager be liable for any special, incidental, exemplary, punitive, indirect or consequential damages (including without limitation any lost revenue or lost profits), even if Manager is advised of the possibility of such damages or such damages are foreseeable.

(c) Notwithstanding anything to the contrary, Manager's aggregate liability in respect of claims for indemnification pursuant to Section 5.3(a) shall not exceed [2 months' Management Fee]<sup>2</sup> (the "Cap"); provided, however, that the foregoing limitation shall not apply with respect to any Losses as a result of, arising out of, related to or in connection with any claim for indemnification under Section 5.3(a)(ii) and Section 5.3(a)(iii), and none of such Losses shall count towards the satisfaction of the Cap. For any claim covered by, or required to be covered by, insurance as described in Section 5.1, the cap on liability for such claim shall be the applicable minimum insurance amount(s) required or the Cap in this Section 5.3(c), whichever is greater.

**5.4 Determination of Losses.** Subject to Section 5.3(c), the amount of any Losses shall be reduced or reimbursed, as the case may be, by any amount received by any Manager Indemnified Parties or any District Indemnified Parties, as applicable, with respect thereto under any insurance coverage provided by any third party or from any other party alleged to be responsible therefor, provided that such reduction or reimbursement shall be net of any (i) increase in premiums in any such insurance coverage or (ii) costs of collection. The Manager Indemnified Parties and the District Indemnified Parties, as applicable, shall use commercially reasonable efforts to collect any amounts available under such insurance coverage and from such other party alleged to have responsibility. If a Manager Indemnified Party or District Indemnified Party, as applicable, receives an amount under insurance coverage or from such other party with respect to Losses at any time subsequent to any indemnification provided by District pursuant to Section 5.2 or by Manager pursuant to Section 5.3, then such Manager Indemnified Party or District Indemnified Party, as applicable, shall promptly reimburse Manager or District, as applicable, for any payment made or out-of-pocket expense incurred by such Person in connection with providing such indemnification up to such amount received (less any costs or expenses incurred in recovering such amounts) by the Manager Indemnified Party or District Indemnified Party, as applicable. Notwithstanding the foregoing, nothing in this Section 5.4 shall be construed to relieve any insurance carrier of its obligations under any insurance coverage maintained by District, Manager or any affiliate of District or Manager, which in all cases shall be primary to the indemnification obligations hereunder.

**5.5 Notice of Third-Party Claims and Control of Litigation.**

(a) If a Governmental Authority or other third party asserts a claim or potential liability (a "Third Party Claim") against a Person entitled to indemnification under this Article V (the "Indemnified Party") that would give rise to a claim under this Article V, the Indemnified Party promptly shall provide written notice of the Third Party Claim (a "Claim

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<sup>2</sup> AH to confirm.

Notice”) to the Person providing indemnity hereunder (“**Indemnifying Party**”); provided, however, that the failure to provide such notice as so indicated shall not affect the Indemnifying Party’s obligation to indemnify the Indemnified Party unless such notice is not provided prior to the expiration of the Survival Period (as defined below in Section 5.8 for such Third Party Claim), and the Indemnifying Party shall have no remedy by reason of such failure except to the extent of any actual prejudice resulting from such delay. The Indemnifying Party, at its sole cost and expense, will be entitled to participate in the defense of any Third Party Claim and will have the right to defend the Indemnified Party against the Third Party Claim so long as (i) the Indemnifying Party gives written notice to the Indemnified Party within ten (10) business days after receipt of a Claim Notice that it will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, or in connection with the Third Party Claim described in such Claim Notice, (ii) the Third Party Claim involves only claims for monetary damages and does not seek an injunction or other equitable relief against the Indemnified Party, (iii) the Indemnified Party has not been advised by counsel that a conflict or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim, (iv) the Third Party Claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement action, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. If the Indemnifying Party, within ten (10) business days after receipt of a Claim Notice, fails to defend such Third Party Claim, the Indemnified Party will (upon further notice to the Indemnifying Party) have the right to undertake the defense, compromise or settlement of such Third Party Claim on behalf of and for the account and risk of the Indemnifying Party and seek indemnification therefor under Section 5.2 or Section 5.3, as applicable.

(b) If the Indemnifying Party assumes the defense of a Third Party Claim in accordance with Section 5.5(a), the Indemnified Party shall cooperate in all commercially reasonable respects with the Indemnifying Party in the investigation, trial and defense of any Proceeding relating to such Third Party Claim, including any appeal arising therefrom; provided, however, that the Indemnified Party may, at its own cost, participate in the investigation, trial and defense of such Proceeding or any appeal arising therefrom. The Parties shall cooperate with each other in any notifications to insurers. The Indemnified Party shall reasonably assist and cooperate, at the cost and expense of the Indemnifying Party, with the Indemnifying Party in the making of settlements and the enforcement of any right of contribution to which the Indemnified Party may be entitled from any Person or entity in connection with the subject matter of any litigation subject to indemnification hereunder.

**5.6 Notice of Non-Third-Party Claims.** If an Indemnified Party seeks indemnification under this Article V with respect to any matter which does not involve a Third-Party Claim, the Indemnified Party shall give written notice to the Indemnifying Party promptly after discovering the liability, obligation or facts giving rise to such claim for indemnification, describing the nature of the claim in reasonable detail, the amount thereof (if known and quantifiable), and the basis thereof (the “**Indemnity Notice**”); provided that any failure to so notify or any delay in notifying the Indemnifying Party shall not relieve the Indemnifying Party of its or his obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party in writing within thirty (30) days from its receipt of the Indemnity Notice that the Indemnifying Party



disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed to indemnify the Indemnified Party from and against the entirety of any Losses described in the Indemnity Notice, subject to the limitations on indemnification set forth in this Article V. If the Indemnifying Party delivers a notice disputing the indemnification claim to the Indemnified Party within thirty (30) days from its receipt of the Indemnity Notice, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution to such dispute. If the Indemnifying Party and the Indemnified Party cannot resolve such dispute within forty-five (45) days after delivery of the indemnity dispute notice, such dispute shall be resolved in accordance with Article VIII.

#### **5.7 Certain Definitions.**

(a) **“Losses”** means all losses, liabilities, claims, damages, penalties, fines, judgments, awards, settlements, costs, fees (including court costs and costs of appeal), disbursements and expenses (including reasonable costs of investigation and defense and reasonable attorneys’ fees) or diminution in value incurred or suffered by an indemnified Party, whether or not involving a third-party claim, including reasonably foreseeable lost profits and other similar economic losses or damages.

(b) **“Governmental Authority”** means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal, special district or other instrumentality of any government, whether federal, state or local, domestic or foreign, and any self-regulatory organization.

(c) **“Person”** means an individual, association, corporation, limited liability company, partnership, limited liability partnership, trust, Governmental Authority or any other entity or organization.

(d) **“Proceeding”** means any claim, action, arbitration, audit (including any Recovery Audit Contractor, Medicaid Integrity Contractor, Comprehensive Error Rate Testing, Zone Program Integrity Contractor or similar audits), hearing, investigation, litigation suit or other similar proceeding by or before a Governmental Authority.

**5.8 Survival.** The provisions in Section 5.2 through Section 5.6 shall survive any expiration or termination of this Agreement until the later of (i) ninety (90) days after the expiration of the applicable statute of limitations, including any applicable tolling period or (ii) fully performed or observed in accordance with its terms (each such period, a **“Survival Period”**).

### **ARTICLE VI. RELATIONSHIP BETWEEN THE PARTIES**

**6.1 Independent Contractor.** Manager is and shall at all times be an independent contractor with respect to District in meeting Manager’s responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Manager and District.

**6.2 Limitation on Control.** Manager shall neither have nor exercise any control or direction over the professional medical judgment of any professional provider contracted with District, or the methods by any professional provider contracted with District performs professional medical services; provided, however, that any professional provider contracted with District shall be subject to and shall at all times comply with the bylaws, guidelines, policies and rules of District. Neither Party shall have any right, power or authority to act for or enter into binding agreements on behalf of the other Party, except as specifically set forth in this Agreement.

**6.3 Referrals.** No term of this Agreement shall be construed as requiring or inducing District or any person employed or retained by District to refer patients to Manager or any Manager-affiliated entity. District's rights under this Agreement shall not be dependent in any way on the referral of patients to Manager or its affiliated organizations by District or any person employed or retained by District.

## ARTICLE VII. TERM AND TERMINATION

**7.1 Term.** This Agreement shall become effective on May 1, 2020 (the "Effective Date"), and shall continue until the Lease Commencement Date, subject to the termination provisions of this Agreement.

### **7.2 Termination.**

(a) **Without Cause Termination.** Beginning on the Effective Date, Manager will have a recurring right to terminate this Agreement without cause by providing sixty (60) days' written notice to District.

(b) **Termination for Cause by District.** If Manager breaches any material provision of this Agreement, then District may, at its option, upon thirty (30) days written notice to Manager, unless Manager has cured said breach before said thirty (30) days have elapsed or immediately in the case of danger to patient care, (i) terminate this Agreement, or (ii) maintain this Agreement in full force and effect, and in either case seek damages or other relief appropriate thereto.

(c) **Termination for Cause by Manager.** If District breaches any material provision of this Agreement, then Manager may, at its option, upon thirty (30) days written notice to District (unless District has cured the material breach before said thirty (30) days have elapsed, if applicable), or immediately in the case of danger to patient care, (i) terminate this Agreement, or (ii) maintain this Agreement in full force and effect, and in either case seek damages or other relief appropriate thereto. Manager may terminate this Agreement immediately without notice if Hospital is unable to pass the Recertification Survey.

(d) This Agreement may be terminated upon mutual written agreement of the Parties.

**7.3 Effect of Termination or Expiration.** Upon any termination or expiration of this Agreement, the following shall apply:

(a) District shall pay Manager all Management Fees due Manager under the terms of this Agreement through the effective date of termination or expiration, as applicable. This obligation is unconditional and shall survive the termination or expiration without renewal of this Agreement (including all amounts owed to Manager that are not fully ascertainable as of the termination date).

(b) All rights and obligations of the Parties shall cease except those rights and obligations that have accrued or expressly survive such termination or expiration.

## **ARTICLE VIII. DISPUTE RESOLUTION**

**8.1 Dispute Resolution.** Except as otherwise provided in this Agreement, any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate or any claims for specific performance or injunctive relief (collectively, a “**Dispute**”) shall be settled in accordance with the following procedures. Notwithstanding anything that may be construed to the contrary herein, each of the Parties expressly acknowledges that (i) it has an affirmative duty to expedite the process and procedures described below to the extent reasonably practical in order to facilitate a prompt resolution of any Dispute and (ii) each Party has a mission of serving their communities, and all communications and proposed resolutions of the Dispute shall take these missions into consideration.

(a) **Dispute Notice.** Notice by either Party of the existence of a Dispute shall (i) be delivered in writing, (ii) specify what provision of the Agreement such Party believes is under Dispute and (iii) recommend a course of action to resolve the Dispute (the “**Dispute Notice**”).

(b) **Meet and Confer.** If, within fifteen (15) days after receipt by the applicable Party of a Dispute Notice, the Parties do not resolve such dispute, then the Dispute shall be referred to the designated senior executives with authority to resolve the Dispute from each Party for further negotiation (the “**Meet and Confer**”). The obligation to conduct a Meet and Confer pursuant to this Section 8.1(b) does not obligate any Party to agree to any compromise or resolution of the Dispute that such Party does not determine, in its sole and absolute discretion, to be a satisfactory resolution of the Dispute. The Meet and Confer shall be considered a settlement negotiation for the purpose of all applicable laws protecting statements, disclosures, or conduct in such context, and any offer in compromise or other statements or conduct made at or in connection with any Meet and Confer shall be protected under such laws, including California Evidence Code Section 1152.

(c) **Arbitration.** If any Dispute is not resolved to the mutual satisfaction of the Parties within thirty (30) days after delivery of the Dispute Notice (or such other period as

may be mutually agreed upon by the Parties in writing), the Dispute shall be determined by arbitration in Mendocino County, California. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction.

- (i) Either Party may commence arbitration by giving written notice to the other Party demanding arbitration (the “**Arbitration Notice**”). The Arbitration Notice shall specify the Dispute, the particular claims and/or causes of action alleged by the Party demanding arbitration, and the factual and legal basis in support of such claims and/or causes of action.
- (ii) The parties shall cooperate in good faith to identify one person that is acceptable to both Parties to act as an arbitrator within fifteen (15) days after the commencement of arbitration. In the event the Parties are unable or fail to agree upon the arbitrator within the allotted time, the arbitrator shall be appointed by JAMS in accordance with its rules. All arbitrators shall serve as neutral, independent and impartial arbitrators, and they shall have the authority to grant any relief permitted by law, including equitable relief.
- (iii) The Parties shall be entitled to reasonable production of relevant, non-privileged documents, carried out expeditiously. If the Parties are unable to agree upon same, the arbitrator shall have the power, upon application of any Party, to make all appropriate orders for production of documents by any Party. Depositions shall be permitted only upon a showing of substantial need.
- (iv) The substantive internal law (and not the conflict of laws) of the State shall be applied by the arbitrator to the resolution of the Dispute.
- (v) The following time limits are to apply to any arbitration arising out of or related to this Agreement: The evidentiary hearing on the merits (“**Hearing**”) is to commence within six (6) months of the service of the arbitration demand. A brief, reasoned award is to be rendered within forty-five (45) days of the close of the Hearing or within forty-five (45) days of service of post-hearing briefs if the arbitrator directs the service of such briefs. The arbitrator must agree to the foregoing deadlines before accepting appointment. Failure to meet any of the foregoing deadlines will not render the award invalid, unenforceable or subject to being vacated.
- (vi) The Parties shall maintain the confidential nature of the arbitration proceeding and the award, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the

merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision.

- (vii) The award of the arbitrator shall be final and binding upon the Parties without appeal or review except as permitted by applicable law.

**8.2 Provisional Measures.** Nothing in this Agreement shall prevent either Party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

**8.3 Attorneys' Fees and Costs.** The arbitrator(s) in the Sections 8.1(c) shall award to the prevailing Party, if any, the costs and attorneys' fees reasonably incurred by the prevailing Party in connection with the arbitration. In addition, the prevailing Party shall be entitled to its reasonable attorneys' fees and other costs for any other action, including court proceedings for provisional measures or for the enforcement of any arbitral award.

## ARTICLE IX. GENERAL PROVISIONS

**9.1 Amendment.** This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and attached to this Agreement.

**9.2 Assignment.** Except for assignment by Manager to an entity owned, controlled by, or under common control with Manager, neither Party may assign any interest or obligation under this Agreement without the other Party's prior written consent. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective successors and assigns.

**9.3 Authorized Persons.** Whenever any consent, approval or determination of a Party is required pursuant to this Agreement, the consent, approval or determination shall be rendered on behalf of the Party by the person or persons duly authorized to do so, which the other Party shall be justified in assuming means any officer of the Party rendering such consent, approval or determination, or the Party's board of directors.

**9.4 Choice of Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California, except choice of law rules that would require the application of the laws of any other jurisdiction.

**9.5 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

**9.6 Entire Agreement.** This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

**9.7 Schedules and Exhibits.** The attached schedules and exhibits, together with all documents incorporated by reference in the schedules and exhibits, form an integral part of this Agreement and are incorporated into this Agreement wherever reference is made to them to the same extent as if they were set out in full at the point at which such reference is made.

**9.8 Force Majeure.** Neither Party is liable for nonperformance or defective or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, strikes or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors.

**9.9 Further Assurances.** Each Party shall, at the reasonable request of the other Party, execute and deliver to the other party all further instruments, assignments, assurances and other documents, and take any actions as the other Party reasonably requests in connection with the carrying out of this Agreement.

**9.10 Headings.** The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

**9.11 Notices.** All notices or communications required or permitted under this Agreement shall be given in writing and delivered personally or sent by United States registered or certified mail with postage prepaid and return receipt requested or by overnight delivery service (e.g., Federal Express, DHL). Notice is deemed given when sent if sent as specified in this paragraph, or otherwise deemed given when received. In each case, notice shall be delivered or sent to:

OWNER:

Mendocino Coast Health Care District  
[ADDRESS]

With a copy to: Hooper Lundy and Bookman, P.C.  
101 Montgomery Street  
San Francisco, California 95661  
Attention: Craig Cannizzo

MANAGER: Adventist Health Mendocino Coast  
ONE Adventist Health Way  
Roseville, California 95661  
Attention: President

With copies to: Stone Point Health  
ONE Adventist Health Way  
Roseville, California 95661  
Attention: Office of General Counsel

Latham & Watkins LLP  
355 South Grand Avenue, Suite 100  
Los Angeles, California 90071-1560  
Attention: Daniel K. Settelmayer, Esq.

**9.12 Severability.** If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability of the remainder of this Agreement unless the purpose of this Agreement is thereby destroyed.

**9.13 No Third-Party Beneficiary Rights.** The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, owner, corporation or entity other than the Parties.

**9.14 Waiver.** No failure or delay by a Party to insist on the strict performance of any term of this Agreement, or to exercise any right or remedy consequent on a breach thereof, shall constitute a waiver of any breach or any subsequent breach of such term. Neither this Agreement nor any of its terms may be changed, waived, discharged or terminated except by an instrument in writing signed by the Party against whom the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Agreement, but each and every term of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach. The remedies provided in this Agreement are cumulative and not exclusive of the remedies provided by law or in equity.

*[Signature Page Follows]*

The Parties have executed this Agreement as of the date first above written.

**DISTRICT**

**MENDOCINO COAST HEALTH CARE DISTRICT,**  
a local health care district of the State of California

By: \_\_\_\_\_



**MANAGER**

**ADVENTIST HEALTH MENDOCINO COAST**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_

[ ● ]

President

**STONE POINT HEALTH**  
**STONE POINT HEALTH**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
[ ● ]  
President

## Exhibit A

### BUSINESS ASSOCIATE AGREEMENT

This BUSINESS ASSOCIATE AGREEMENT (this "BAA") is made by and between Mendocino Coast Health Care District ("Provider") and Adventist Health Mendocino Coast ("Vendor"), and is effective as of [ ● ], 2020 (the "BAA Effective Date").

#### RECITALS

- A. Vendor provides certain services for or on behalf of Provider ("Services"), pursuant to an agreement or arrangement (the "Underlying Agreement"), and, in the performance of the Services, Vendor may create, receive, maintain or transmit Protected Health Information on behalf of Provider ("Provider PHI").
- B. Provider and Vendor intend to protect the privacy and provide for the security of the Provider PHI in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, as amended by the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (collectively, "HIPAA"), and the implementation regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "HIPAA Regulations") and other applicable laws.
- C. The HIPAA Regulations require Provider to enter into an agreement containing specific requirements with its business associates prior to the disclosure of Protected Health Information.

In consideration of the mutual promises below and the exchange of information pursuant to this BAA, the parties agree as follows:

#### 1. Definitions.

- a. **General Definitions.** Unless otherwise provided in this BAA, all capitalized terms that are used in this BAA will have the same meaning as defined under the HIPAA Regulations.
- b. **"Privacy Rule"** means the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E.
- c. **"Security Rule"** means the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C.

#### 2. Obligations of BA.

- a. **Permitted Uses.** Vendor may not use Provider PHI except for the purpose of performing the Services, or as otherwise explicitly permitted by this BAA or as Required By Law. Further, Vendor may not use Provider PHI in any manner that would constitute a violation of the Privacy Rule if so used by Provider, except as otherwise permitted by this BAA. Vendor may use Provider PHI: (i) for the proper management and administration of

Vendor; (ii) to carry out the legal responsibilities of Vendor; and (iii) for Data Aggregation purposes for the Health Care Operations of Provider. Vendor may also de-identify PHI in accordance with the standards set forth in 45 C.F.R. § 164.514(b) and may use or disclose such de-identified data for any purpose.

- b. **Permitted Disclosures.** Vendor may not disclose Provider PHI except for the purpose of performing the Services, or as otherwise permitted by this BAA or as Required By Law. Vendor may not disclose Provider PHI in any manner that would constitute a violation of the Privacy Rule if so disclosed by Provider, except as otherwise permitted by this BAA. Vendor may disclose Provider PHI: (i) for the proper management and administration of Vendor; (ii) to carry out the legal responsibilities of Vendor; or (iii) for Data Aggregation purposes for the Health Care Operations of Provider. If Vendor discloses Provider PHI to a third party for Vendor's proper management and administration or to carry out Vendor's legal responsibilities, the disclosure must be Required By Law, or prior to making any such disclosure, Vendor must obtain reasonable assurances from the person to whom the information is disclosed that it shall remain confidential and will be used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person (which purpose must be consistent with the limitations imposed upon Vendor pursuant to this BAA), and that the person agrees to notify Vendor of any instances of which it is aware in which the confidentiality of the information has been breached.
- c. **Appropriate Safeguards.** Vendor shall use appropriate safeguards and shall comply with the Security Rule with respect to Provider Electronic PHI, to prevent use or disclosure of such information other than as provided for by the Underlying Agreement and this BAA.
- d. **Mitigation.** Vendor agrees to mitigate, to the extent practicable, any harmful effect that is known to Vendor of a use or disclosure of Provider PHI in violation of this BAA.
- e. **Reporting of Improper Access, Use or Disclosure.** Vendor will notify Provider in writing of any use or disclosure of Provider PHI not permitted by this BAA, including any Breach of Unsecured Provider PHI and Security Incident, without unreasonable delay (and in no case later than sixty (60) days after discovery of any Breach of Unsecured Provider PHI).

Notwithstanding the foregoing, Provider and Vendor acknowledge the ongoing existence and occurrence of attempted but unsuccessful Security Incidents that are trivial in nature, such as pings and port scans, and Provider acknowledges and agrees that no additional notification to Provider of such unsuccessful Security Incidents is necessary. However, to the extent that Vendor becomes aware of an unusually high number of such unsuccessful Security Incidents due to the repeated acts of a single party, Vendor shall notify Provider of these attempts and provide the name, if available, of said party.

- f. **Vendor's Agents and Subcontractors.** Vendor will ensure that any Subcontractors that create, receive, maintain or transmit Provider PHI on behalf of Vendor agree in writing to restrictions and conditions no less stringent than those that apply to Vendor under this BAA (with respect to such Provider PHI).

- g. **Access to Provider PHI.** Vendor will make Provider PHI it maintains in Designated Record Sets available to Provider for inspection and copying upon request by Provider in a manner that enables Provider to fulfill its obligations under 45 C.F.R. § 164.524, however, Vendor is not required to provide such access where the Provider PHI contained in a Designated Record Set is duplicative of the Provider PHI contained in a Designated Record Set possessed by Provider. If any Individual asks to inspect or access his or her Provider PHI directly from Vendor, Vendor will notify Provider in writing of the request. Any approval or denial of an Individual's request to access or inspect his or her Provider PHI is the responsibility of Provider.
- h. **Amendment of Provider PHI.** Upon request from Provider for an amendment to Provider PHI that is maintained in a Designated Record Set by Vendor, Vendor will make the Provider PHI available to Provider for amendment in such a manner so as to enable Provider to fulfill its obligations under 45 C.F.R. § 164.526. If any Individual requests an amendment of Provider PHI directly from Vendor, Vendor will notify Provider in writing of the request. Any approval or denial of an amendment of Provider PHI is the responsibility of Provider.
- i. **Accounting Rights.** Vendor will maintain a record of all disclosures of Provider PHI that Vendor makes, if Provider would be required to provide an accounting to an Individual of such Disclosures under 45 C.F.R. § 164.528. Upon request by Provider for an accounting of disclosures of Provider PHI, Vendor will make available to Provider all information related to disclosures by Vendor and its Subcontractors necessary for Provider to fulfill its obligations under 45 C.F.R. § 164.528. The information collected and maintained will include: (i) the date of disclosure; (ii) the name of the person who received the Provider PHI and, if known, the address of the person; (iii) a brief description of Provider PHI disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the Individual of the basis for the disclosure, or a copy of the Individual's authorization, or a copy of the written request for disclosure. In the event that the request for an accounting is delivered directly to Vendor, Vendor will forward it to Provider in writing. It is Provider's responsibility to prepare and deliver any such accounting requested, and Vendor will not provide an accounting directly to an Individual.
- j. **Delegations of Obligations.** To the extent that Vendor contracts with Provider to carry out Provider's obligations under the Privacy Rule, Vendor shall comply with the requirements of the Privacy Rule that apply to Provider in the performance of such obligations.
- k. **Access to Records.** Vendor will make its internal practices, books and records relating to the use and disclosure of Provider PHI available to the Secretary for purposes of determining Provider's and Vendor's compliance with the Privacy Rule and this BAA.
- l. **Minimum Necessary.** Provider and Vendor will work together to ensure that only the minimum amount of Provider PHI necessary to accomplish the purpose of the Services will be disclosed by Provider to Vendor. The Parties understand and agree that the definition

of “minimum necessary” is in flux, and they will keep themselves informed of guidance issued by the Secretary with respect to what constitutes “minimum necessary.”

**3. Term and Termination.**

- a. **Term.** The Term of this BAA is concurrent with that of the Underlying Agreement.
- b. **Material Breach of Provisions Applicable to Provider PHI.** Any other provision of the Underlying Agreement notwithstanding, the Underlying Agreement and this BAA may be terminated by a party (the “**Non-Breaching Party**”) upon thirty (30) days written notice to the other party (the “**Breaching Party**”) in the event that the Breaching Party materially breaches any provision in this BAA applicable to Provider PHI in any material respect and such breach is not cured within such thirty (30) day period.
- c. **Effect of Termination.** Upon termination of this BAA for any reason, Vendor will return or destroy all Provider PHI that Vendor still maintains, and will not retain any copies of such Provider PHI. Notwithstanding the foregoing, if Vendor determines that returning or destroying such Provider PHI is infeasible, Vendor will continue to extend the protections of this BAA to such information and limit further use of such Provider PHI to those purposes that make the return or destruction of such Provider PHI infeasible. Vendor will be responsible for returning or destroying any Provider PHI in the possession of its Subcontractors consistent with the requirements of this Section related to return and destruction of Provider PHI.

4. **Amendment to Comply with Law.** The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of this BAA may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the HIPAA Regulations and other applicable laws relating to the security or confidentiality of Provider PHI. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this BAA embodying written assurances consistent with the standards and requirements of HIPAA, the HIPAA Regulations or other applicable laws.
5. **No Third-Party Beneficiaries.** Nothing express or implied in this BAA is intended to confer, nor shall anything herein confer, upon any person other than Provider, Vendor and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.
6. **Interpretation.** The provisions of this BAA prevail over any provisions in the Underlying Agreement that may conflict or appear inconsistent with any provision in this BAA, provided that any terms in the Underlying Agreement that may provide greater protections to the privacy and security of Provider PHI than are set forth in this BAA govern. This BAA and the Underlying Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA and the HIPAA Regulations. The parties agree that any ambiguity in this BAA will be resolved in favor of a meaning that complies and is consistent with HIPAA and the HIPAA Regulations.

7. **Survival.** The rights and obligation under Sections 2.i. and 3.c. expressly survive termination of this BAA.

IN WITNESS WHEREOF, the parties hereto have duly executed this BAA as of the BAA Effective Date.

PROVIDER

VENDOR

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule 1.1**

**HOSPITAL OPERATIONS**



**Schedule 3.3(a)**

**GOVERNMENT PROGRAM PARTICIPATION**

- Medicare certification is not in good standing as described by the Jeopardy Circumstances

**Schedule 3.3(c)**

**COMPLIANCE WITH HEALTHCARE LAWS**

- Medicare certification is not in good standing as described by the Jeopardy Circumstances

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# MENDOCINO COAST DISTRICT HOSPITAL

DATE: March 18, 2020  
TO: BOARD OF DIRECTORS  
FROM: WILLIAM MILLER, MD  
CHIEF OF STAFF

## SUBJECT: MEDICAL EXECUTIVE COMMITTEE RECOMMENDATIONS

The Medical Executive Committee considered and approved the following medical staff privileges and appointments and recommends these to the Board of Directors for approval:

### Appointments to Medical Staff -Provisional Status

- Shah Khan, MD- Department of Medicine-Emergency Medicine
- Russell Wong, MD- Department of Medicine-Hospitalist Medicine

### Temporary Privileges (As we await Board Meeting)

- Shah Khan, MD- Department of Medicine-Emergency Medicine  
*(April 11-April 30, 2020)*
- Russell Wong, MD- Department of Medicine-Hospitalist Medicine  
*(March 4, 2020-March 27, 2020 and April 12-15, 2020)*

### Voluntary Relinquishing of Privileges

- Brent Wright, MD- Department of Surgery-Obstetrics Privileges effective  
03/28/20

Department of Medical Staff Services  
William Lee, CPCS, CPMSM~ Director  
700 River Drive • Fort Bragg, California 95437  
Phone: (707) 961-4740 • Fax: (707) 961-4786

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**MCDH**

**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended March 31, 2020**

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**MENDOCINO COAST HEALTHCARE DISTRICT**

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**FORT BRAGG, CA**

**For the month ended March 31, 2020**

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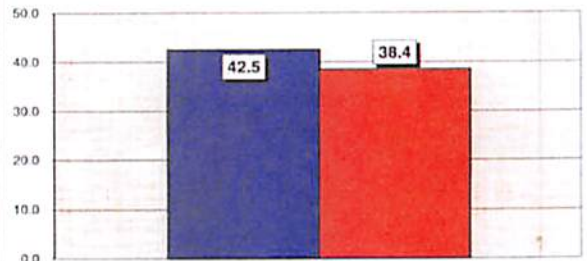
EXECUTIVE FINANCIAL SUMMARY

For the month ended March 31, 2020

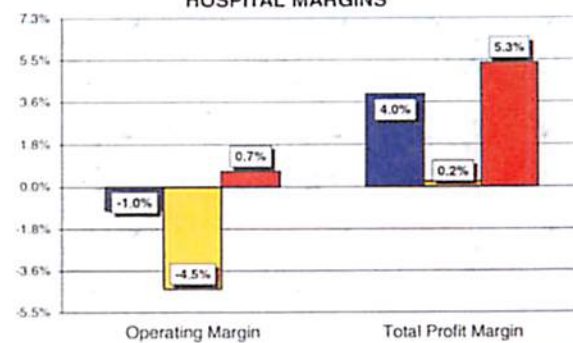
**BALANCE SHEET**

	3/31/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$16,314,733	\$14,710,373
Assets Whose Use is Limited	4,393,880	5,608,305
Property, Plant and Equipment (Net)	14,306,098	14,554,636
<b>Total Unrestricted Assets</b>	<b>35,014,711</b>	<b>34,873,313</b>
<b>Total Assets</b>	<b>\$35,014,711</b>	<b>\$34,873,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$10,430,555	\$11,157,552
Long-Term Debt	12,068,908	12,979,083
<b>Total Liabilities</b>	<b>22,499,463</b>	<b>24,136,635</b>
Net Assets	12,515,247	10,736,679
<b>Total Liabilities and Net Assets</b>	<b>\$35,014,711</b>	<b>\$34,873,313</b>

NET DAYS IN ACCOUNTS RECEIVABLE



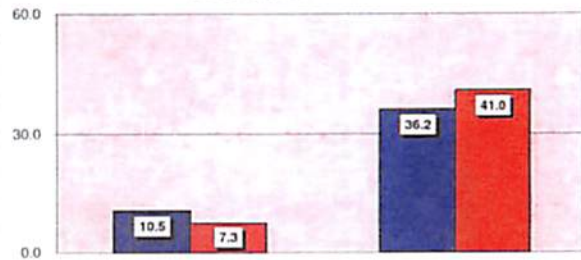
HOSPITAL MARGINS



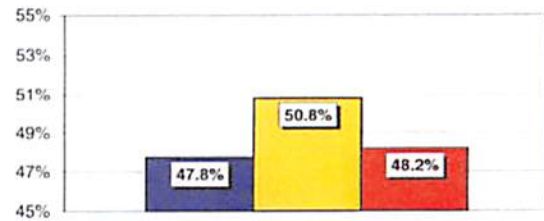
**STATEMENT OF REVENUE AND EXPENSES - YTD**

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$85,207,535	\$88,036,225
Deductions From Revenue	(42,398,782)	(48,007,958)
Net Patient Revenues	42,808,752	40,028,267
Other Operating Revenue	1,795,449	2,116,380
<b>Total Operating Revenues</b>	<b>44,604,201</b>	<b>42,144,647</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	25,753,993	25,279,176
Purchased Services & Physician Fees	8,290,255	6,940,126
Supply Expenses	6,531,044	7,204,420
Interest Expense	0	0
Depreciation Expense	975,899	1,122,413
Other Operating Expenses	3,506,530	3,476,361
<b>Total Expenses</b>	<b>45,057,717</b>	<b>44,022,496</b>
<b>NET OPERATING SURPLUS</b>	<b>(453,517)</b>	<b>(1,877,849)</b>
Non-Operating Revenue/(Expenses)	2,232,090	1,971,546
<b>TOTAL NET SURPLUS</b>	<b>\$1,778,569</b>	<b>\$93,697</b>

DAYS CASH ON HAND



SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



**BOND COVENANTS**

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	4.35
CURRENT RATIO	1.00	1.56
DAYS CASH ON HAND	30.0	36.2

MENDOCINO COAST HEALTHCARE DIST	3/31/2020
Budget	3/31/2020
Prior Fiscal Year End	6/30/2019



Balance Sheet - Assets

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended March 31, 2020

PAGE 3

	Current Month <u>3/31/2020</u>	Prior Year End <u>6/30/2019</u>
CURRENT ASSETS		
CASH	\$ 1,705,863	\$ 1,145,996
PARCEL TAX REVENUE ACCT	710,727	872,982
PATIENT RECEIVABLES	17,486,728	18,226,405
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>(10,482,658)</u>	<u>(12,555,953)</u>
NET PATIENT ACCOUNTS RECEIVABLES	7,004,070	5,670,452
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	4,101,221	4,570,009
OTHER RECEIVABLES	1,359,781	1,141,535
INVENTORIES	800,677	839,076
PREPAID EXPENSES	<u>632,395</u>	<u>470,323</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 16,314,733</u></b>	<b><u>\$ 14,710,373</u></b>
ASSETS WHOSE USE IS LIMITED		
BOARD DESIGNATED FUNDS	\$ 3,442,554	4,376,979
PLAN FUND	\$ 13,774	13,774
SPECIFIC PURPOSE FUND	\$ -	0
BONDS	\$ 502,864	746,302
BOND COSTS	<u>\$ 434,688</u>	<u>471,250</u>
<b>TOTAL LIMITED USE ASSETS</b>	<b><u>\$ 4,393,880</u></b>	<b><u>\$ 5,608,305</u></b>
PROPERTY, PLANT, & EQUIPMENT		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	\$ 805,398	805,398
BUILDINGS & IMPROVEMENTS	\$ 24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	\$ 546,439	546,439
EQUIPMENT	\$ 20,902,409	20,430,219
CONSTRUCTION-IN-PROGRESS	<u>\$ 1,857,859</u>	<u>1,602,686</u>
GROSS PROPERTY, PLANT, & EQUIPMENT	\$ 48,834,059	\$ 48,106,696
LESS: ACCUMULATED DEPRECIATION	<u>(34,527,960)</u>	<u>(33,552,060)</u>
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b><u>\$ 14,306,098</u></b>	<b><u>\$ 14,554,636</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 35,014,711</u></b>	<b><u>\$ 34,873,313</u></b>

Balance Sheet - Liabilities and Net Assets

MENDOCINO COAST HEALTHCARE DISTRICT

PAGE 4

FORT BRAGG, CA

For the month ended March 31, 2020

	<u>Current Month 3/31/2020</u>	<u>Prior Year End 6/30/2019</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 3,845,949	\$ 4,416,725
ACCRUED PAYROLL	\$ 559,567	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,057,960	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 34,962	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 2,195,614	\$ 1,868,522
OTHER CURRENT LIABILITIES	\$ 674,673	\$ 911,488
INTEREST PAYABLE	\$ 893,741	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 50,000	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 240,119	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 10,430,555</u></b>	<b><u>\$ 11,157,552</u></b>
LONG TERM LIABILITIES		
BONDS PAYABLE	\$ 8,913,279	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 720,912	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,068,908</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,499,463</u></b>	<b><u>\$ 24,136,635</u></b>
FUND BALANCE		
UNRESTRICTED FUND BALANCE	\$ 10,736,679	\$ 7,591,991
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	<u>\$ 1,778,569</u>	<u>\$ 3,144,687</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 12,515,247</u></b>	<b><u>\$ 10,736,679</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 35,014,711</u></b>	<b><u>\$ 34,873,313</u></b>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT

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FORT BRAGG, CA

For the month ended March 31, 2020

	CURRENT MONTH				
	Actual 03/31/20	Budget 03/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 03/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,186,536	\$ 1,842,443	\$ (655,907)	-36%	\$ 2,323,912
SWING BED	\$ 561,574	\$ 386,177	\$ 175,397	45%	\$ 732,395
OUTPATIENT	\$ 6,319,433	\$ 7,121,146	\$ (801,713)	-11%	\$ 6,991,396
NORTH COAST FAMILY HEALTH CENTER	\$ 411,891	\$ 451,124	\$ (39,233)	-9%	\$ 440,820
HOME HEALTH	\$ 96,944	\$ 123,173	\$ (26,229)	-21%	\$ 124,983
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 8,576,378</b>	<b>\$ 9,924,063</b>	<b>\$ (1,347,685)</b>	<b>-14%</b>	<b>\$ 10,613,506</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (5,465,807)	\$ (5,429,112)	\$ (36,695)	-1%	\$ (5,526,455)
POLICY DISCOUNTS	\$ (13,958)	\$ (8,605)	\$ (5,353)	-62%	\$ (13,405)
STATE PROGRAMS	\$ 1,580,308	\$ 162,376	\$ 1,417,932	873%	\$ 157,500
BAD DEBT	\$ -	\$ (105,933)	\$ 105,933	100%	\$ -
CHARITY	\$ (16,288)	\$ (29,126)	\$ 12,838	44%	\$ (39,882)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (3,915,746)</b>	<b>\$ (5,410,400)</b>	<b>\$ 1,494,655</b>	<b>28%</b>	<b>\$ (5,422,242)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 4,660,632</b>	<b>\$ 4,513,663</b>	<b>\$ 146,970</b>	<b>3%</b>	<b>\$ 5,191,264</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 342,173</b>	<b>\$ 263,503</b>	<b>\$ 78,670</b>	<b>30%</b>	<b>\$ 179,877</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 5,002,805</b>	<b>\$ 4,777,166</b>	<b>\$ 225,639</b>	<b>5%</b>	<b>\$ 5,371,141</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,609,815	\$ 1,545,354	\$ (64,461)	-4%	\$ 2,004,021
EMPLOYEE BENEFITS	\$ 814,148	\$ 748,263	\$ (65,885)	-9%	\$ 762,127
PROFESSIONAL FEES - PHYSICIAN	\$ 682,158	\$ 539,061	\$ (143,097)	-27%	\$ 456,645
OTHER PROFESSIONAL FEES - REGISTRY	\$ 528,232	\$ 556,365	\$ 28,133	5%	\$ 579,522
OTHER PROFESSIONAL FEES - OTHER	\$ 63,583	\$ 126,047	\$ 62,464	50%	\$ 232,597
SUPPLIES - DRUGS	\$ 433,765	\$ 490,816	\$ 57,051	12%	\$ 431,693
SUPPLIES - MEDICAL	\$ 202,219	\$ 245,246	\$ 43,027	18%	\$ 225,148
SUPPLIES - OTHER	\$ 64,172	\$ 88,429	\$ 24,257	27%	\$ 91,307
PURCHASED SERVICES	\$ 210,942	\$ 117,713	\$ (93,229)	-79%	\$ 117,892
REPAIRS & MAINTENANCE	\$ 57,295	\$ 70,047	\$ 12,752	18%	\$ 71,321
UTILITIES	\$ 66,432	\$ 74,630	\$ 8,198	11%	\$ 66,061
INSURANCE	\$ 50,589	\$ 53,376	\$ 2,787	5%	\$ 42,782
DEPRECIATION & AMORTIZATION	\$ 98,255	\$ 125,576	\$ 27,321	22%	\$ 100,746
RENTAL/LEASE	\$ 82,376	\$ 55,135	\$ (27,241)	-49%	\$ 59,316
OTHER EXPENSE	\$ 116,352	\$ 124,588	\$ 8,236	7%	\$ 127,813
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,080,331</b>	<b>\$ 4,960,646</b>	<b>\$ (119,685)</b>	<b>-2%</b>	<b>\$ 5,368,992</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (77,527)</b>	<b>\$ (183,480)</b>	<b>\$ 105,953</b>	<b>58%</b>	<b>\$ 2,149</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 66,726	\$ 3,274	5%	\$ 65,000
INVESTMENT INCOME	\$ 5,000	\$ 6,605	\$ (1,605)	-24%	\$ 4,000
DONATIONS	\$ 165,600	\$ 27,457	\$ 138,143	503%	\$ -
INTEREST EXPENSE (ALL)	\$ (37,841)	\$ (43,240)	\$ 5,399	-12%	\$ (41,028)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 216	\$ (216)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,131	\$ (19)	-2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 28,170	\$ (454)	-2%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 135,180	\$ (2,180)	-2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 364,587</b>	<b>\$ 222,245</b>	<b>\$ 142,342</b>	<b>64%</b>	<b>\$ 189,800</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 287,061</b>	<b>\$ 38,765</b>	<b>\$ 248,296</b>	<b>641%</b>	<b>\$ 191,950</b>
<b>Operating Margin</b>	<b>-1.5%</b>	<b>-3.8%</b>			<b>0.0%</b>
<b>Total Profit Margin</b>	<b>5.7%</b>	<b>0.8%</b>			<b>3.6%</b>
<b>EBIDA</b>	<b>0.4%</b>	<b>-1.2%</b>			<b>1.9%</b>
<b>Cash Flow Margin</b>	<b>7.1%</b>	<b>2.9%</b>			<b>4.9%</b>



Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA

For the month ended March 31, 2020

	YEAR-TO-DATE				
	Actual 03/31/20	Budget 03/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 03/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 14,639,574	\$ 16,344,291	\$ (1,704,717)	-10%	\$ 16,686,032
SWING BED	\$ 4,848,608	\$ 3,425,769	\$ 1,422,839	42%	\$ 3,059,009
OUTPATIENT	\$ 60,802,576	\$ 63,171,605	\$ (2,369,029)	-4%	\$ 62,565,623
NORTH COAST FAMILY HEALTH CENTER	\$ 3,848,569	\$ 4,001,912	\$ (153,343)	-4%	\$ 4,024,807
HOME HEALTH	\$ 1,068,207	\$ 1,092,648	\$ (24,441)	-2%	\$ 1,082,388
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 85,207,535</b>	<b>\$ 88,036,225</b>	<b>\$ (2,828,690)</b>	<b>-3%</b>	<b>\$ 87,417,857</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (44,281,884)	\$ (48,173,959)	\$ 3,892,075	8%	\$ (47,779,218)
POLICY DISCOUNTS	\$ (85,380)	\$ (76,333)	\$ (9,047)	-12%	\$ (74,927)
STATE PROGRAMS	\$ 3,048,204	\$ 1,440,438	\$ 1,607,766	112%	\$ 1,041,329
BAD DEBT	\$ (910,808)	\$ (939,731)	\$ 28,923	3%	\$ (894,460)
CHARITY	\$ (168,915)	\$ (258,373)	\$ 89,458	35%	\$ (249,947)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (42,398,782)</b>	<b>\$ (48,007,958)</b>	<b>\$ 5,609,175</b>	<b>12%</b>	<b>\$ (47,957,224)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 42,808,752</b>	<b>\$ 40,028,267</b>	<b>\$ 2,780,485</b>	<b>7%</b>	<b>\$ 39,460,633</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 1,795,449</b>	<b>\$ 2,116,380</b>	<b>\$ (320,931)</b>	<b>-15%</b>	<b>\$ 1,500,176</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 44,604,201</b>	<b>\$ 42,144,647</b>	<b>\$ 2,459,554</b>	<b>6%</b>	<b>\$ 40,960,810</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 13,757,279	\$ 13,712,268	\$ (45,011)	0%	\$ 13,835,871
EMPLOYEE BENEFITS	\$ 6,689,277	\$ 6,631,409	\$ (57,868)	-1%	\$ 6,652,482
PROFESSIONAL FEES - PHYSICIAN	\$ 5,698,892	\$ 4,782,490	\$ (916,402)	-19%	\$ 4,523,599
OTHER PROFESSIONAL FEES - REGISTRY	\$ 5,307,437	\$ 4,935,499	\$ (371,938)	-8%	\$ 4,682,337
OTHER PROFESSIONAL FEES - OTHER	\$ 1,448,572	\$ 1,118,460	\$ (330,112)	-30%	\$ 1,311,370
SUPPLIES - DRUGS	\$ 4,047,248	\$ 4,244,361	\$ 197,113	5%	\$ 3,918,932
SUPPLIES - MEDICAL	\$ 1,823,336	\$ 2,175,563	\$ 352,227	16%	\$ 2,159,772
SUPPLIES - OTHER	\$ 660,460	\$ 784,496	\$ 124,036	16%	\$ 733,803
PURCHASED SERVICES	\$ 1,142,791	\$ 1,039,176	\$ (103,615)	-10%	\$ 970,859
REPAIRS & MAINTENANCE	\$ 575,268	\$ 621,403	\$ 46,135	7%	\$ 631,278
UTILITIES	\$ 667,188	\$ 662,024	\$ (5,164)	-1%	\$ 658,568
INSURANCE	\$ 472,141	\$ 473,499	\$ 1,358	0%	\$ 418,787
DEPRECIATION & AMORTIZATION	\$ 975,899	\$ 1,122,413	\$ 146,514	13%	\$ 1,120,504
RENTAL/LEASE	\$ 554,432	\$ 489,108	\$ (65,324)	-13%	\$ 484,086
OTHER EXPENSE	\$ 1,237,501	\$ 1,230,327	\$ (7,174)	-1%	\$ 1,085,003
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 45,057,718</b>	<b>\$ 44,022,496</b>	<b>\$ (1,035,224)</b>	<b>-2%</b>	<b>\$ 43,187,251</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (453,517)</b>	<b>\$ (1,877,849)</b>	<b>\$ 1,424,332</b>	<b>-76%</b>	<b>\$ (2,226,441)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 630,000	\$ 591,926	\$ 38,074	6%	\$ 585,000
INVESTMENT INCOME	\$ 65,575	\$ 58,589	\$ 6,986	12%	\$ 60,338
DONATIONS	\$ 444,665	\$ 243,570	\$ 201,095	83%	\$ 20,141
INTEREST EXPENSE (ALL)	\$ (357,496)	\$ (383,580)	\$ 26,084	-7%	\$ (383,583)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 1,933	\$ (1,933)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 10,011	\$ 10,030	\$ 19	0%	\$ 10,011
TAX SUBSIDIES FOR GO BONDS	\$ 249,444	\$ 249,898	\$ (454)	0%	\$ 249,444
PARCEL TAX REVENUES	\$ 1,189,887	\$ 1,199,180	\$ (9,293)	-1%	\$ 1,197,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 2,232,086</b>	<b>\$ 1,971,546</b>	<b>\$ 260,577</b>	<b>13%</b>	<b>\$ 1,740,469</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 1,778,569</b>	<b>\$ 93,697</b>	<b>\$ 1,684,909</b>	<b>1798%</b>	<b>\$ (485,972)</b>
<b>Operating Margin</b>	<b>-1.0%</b>	<b>-4.5%</b>			<b>-5.4%</b>
<b>Total Profit Margin</b>	<b>4.0%</b>	<b>0.2%</b>			<b>-1.2%</b>
<b>EBIDA</b>	<b>1.2%</b>	<b>-1.8%</b>			<b>-2.7%</b>
<b>Cash Flow Margin</b>	<b>5.6%</b>	<b>2.3%</b>			<b>0.9%</b>

# Statement of Cash Flows

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**for the 9 months ended 3/31/20**

**PAGE 7**

	<u>3/31/2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income (Loss)	\$1,778,569
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	975,899
(Increase)/Decrease in Net Patient Accounts Receivable	(1,333,618)
(Increase)/Decrease in Other Receivables	(218,246)
(Increase)/Decrease in Inventories	38,399
(Increase)/Decrease in Pre-Paid Expenses	(162,072)
(Increase)/Decrease in Third Party Receivables	468,788
Increase/(Decrease) in Accounts Payable	(570,776)
Increase/(Decrease) in Notes and Loans Payable	170,130
Increase/(Decrease) in Accrued Payroll and Benefits	(416,629)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	327,092
Increase/(Decrease) in Other Current Liabilities	(236,815)
<b>Net Cash Provided by Operating Activities:</b>	<u>820,721</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property, Plant and Equipment	(727,361)
(Increase)/Decrease in Limited Use Cash and Investments	934,425
(Increase)/Decrease in Other Limited Use Assets	280,000
<b>Net Cash Used by Investing Activities</b>	<u>487,064</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase/(Decrease) in Bond/Mortgage Debt	(897,345)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	(12,829)
<b>Net Cash Used for Financing Activities</b>	<u>(910,174)</u>
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	
<b>Net Increase/(Decrease) in Cash</b>	397,611
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u>\$2,416,590</u>



Current Month				Year-To-Date				
Actual 03/31/20	Budget 03/31/20	Positive/ (Negative) Variance	Prior Year 03/31/19	STATISTICS	Actual 03/31/20	Budget 03/31/20	Positive/ (Negative) Variance	Prior Year 03/31/19
<b>Admissions</b>								
13	12	8%	13	Critical Care Services	102	107	(5%)	112
35	50	(30%)	47	General	384	442	(13%)	445
48	62	(23%)	60	Subtotal Medical & Surgical Admissions	486	549	(11%)	557
1	8	(88%)	4	OB	45	71	(37%)	72
49	70	(30%)	64	<b>Total Admissions</b>	531	620	(14%)	629
8	11	(27%)	6	Swing Bed	115	98	17%	101
1	8	(88%)	3	<b>Total Deliveries</b>	43	71	(39%)	66
<b>Inpatient Days</b>								
32	42	(24%)	71	Critical Care Services	288	375	(23%)	389
133	175	(24%)	202	General	1496	1549	(3%)	1610
165	217	(24%)	273	Subtotal Medical & Surgical Inpatient Days	1784	1924	(7%)	1999
2	18	(89%)	9	OB	111	160	(31%)	175
167	235	(29%)	282	<b>Total Inpatient Days</b>	1895	2084	(9%)	2174
162	99	64%	82	Swing Bed	1312	882	49%	884
2	16	(88%)	7	<b>Total Newborn Days</b>	90	142	(37%)	148
<b>Average Length of Stay</b>								
2.5	3.5	(30%)	5.5	Critical Care Services	2.82	3.50	(19%)	3.47
3.8	3.5	9%	4.3	General	3.90	3.50	11%	3.62
3.4	3.5	(2%)	4.6	Subtotal Medical & Surgical	3.67	3.50	5%	3.59
2.0	2.3	(11%)	2.3	OB	2.47	2.25	9%	2.43
3.4	3.4	2%	4.4	<b>Total Inpatient (CAH)</b>	3.57	3.36	6%	3.46
20.3	9.0	125%	13.7	Swing Bed	11.41	9.00	27%	8.75
<b>Avg Daily Census - Hospital</b>								
1.0	1.4	(24%)	2.3	Critical Care Services (4 Beds)	1.0	1.4	(24%)	1.4
4.3	5.6	(24%)	6.5	General (8 Beds)	5.4	5.7	(4%)	5.9
5.3	7.0	(24%)	8.8	Subtotal Medical & Surgical (12 Beds)	6.5	7.0	(8%)	7.3
0.1	0.6	(89%)	0.3	OB (3 Beds)	0.4	0.6	(31%)	0.6
5.4	7.6	(29%)	9.1	<b>Subtotal Acute (15 Beds)</b>	6.9	7.6	(10%)	8.0
5.2	3.2	64%	2.6	Swing Care (10 Beds)	4.8	3.2	48%	3.2
10.6	10.8	(1%)	11.7	<b>Total Hospital (25 Beds Available)</b>	11.7	10.9	7%	11.2
<b>Emergency Department</b>								
647	803	(19%)	783	Outpatients Treated in ED - Emergent	6763	7065	(4%)	7,103
26	49	(47%)	48	Patients Admitted from ED	390	433	(10%)	444
673	852	(21%)	831	<b>Total Patients treated in ED</b>	7,153	7498	(5%)	7,547
<b>Ambulance Service</b>								
163	169	(4%)	146	911 - Transports	1290	1490	(13%)	1353
1	1	0%	1	Transfer - Transports	15	9	67%	9
164	170	(4%)	147	<b>Total Ambulance Transports</b>	1305	1499	(13%)	1362
<b>Surgery - Cases</b>								
6	18	(67%)	20	Inpatient Cases	108	159	(32%)	153
0	7	(100%)	9	Total Implant Cases	16	55	(71%)	46
94	192	(51%)	187	Outpatient Cases	1313	1730	(24%)	1693
100	217	(54%)	216	<b>Total Surgery Cases</b>	1437	1944	(26%)	1892
2,059	2,656	(22%)	2,654	<b>North Coast Family Health Center Visits</b>	21,476	23,905	(10%)	23,523
387	523	(26%)	538	<b>Home Health Visits</b>	4,405	4,707	(6%)	4,700
3,692	5,146	(28%)	5,403	<b>Outpatient Encounters</b>	39,770	46,314	(14%)	45,118

**Key Financial Ratios****MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA****PAGE 9**

	<b>Year to Date 3/31/2020</b>	<b>BUDGET</b>	<b>Prior Fiscal Year End 06/30/19</b>
<b>Profitability:</b>			
Operating Margin	-1.0%	-4.3%	0.7%
Total Profit Margin	4.0%	0.4%	5.3%
EBIDA	1.2%	-1.7%	1.0%
Contractual Allowance % To Gross Charges	55.3%	58.2%	57.4%
Inpatient Gross Revenue Percentage (Hospital)	24.3%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	75.7%	76.2%	76.2%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	10.5		7.3
Days Cash, All Sources	36.2		41.0
Net Days in Accounts Receivable	42.5		38.4
Hospital Gross Days in AR	61.9		53.6
Cash Flow Margin	5.6%		7.0%
Days in Accounts Payable	45		49.0
Current Ratio	1.6		1.3
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	29.3		21.8
Capital Costs as a % of Total Exp.	1.6%		2.6%
Capital Spend as a % of Annual Depreciation	74.5%		102.0%
Long Term Debt to Net Position	49.1%		54.7%
Debt Service Coverage Ratio	4.35		2.98
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$184,124	\$177,583	\$183,185
Salary & Benefits Expense per Paid FTE	(\$110,770)	(\$112,151)	(\$108,875)
Salary & Benefits as a % of Total Expenses	45.4%	46.2%	46.6%
Salary and Benefits as a % of Net Pat Rev.	47.8%	50.8%	48.2%
Employee Benefits as a % of Salaries	48.6%	48.4%	47.4%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	240.3		241.1
FTE - NON-PRODUCTIVE	36.8		35.7
FTE - REGISTRY/CONTRACT	38.3		32.4
FTE - TOTAL PAID	315.4	300.0	309.2
Cost To Charge Ratio	52.9%	50.0%	49.5%
Medicare Revenue as a % of Total Revenue	63%	60%	61%
Medi-cal Revenue as a % of Total Revenue	20%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	11%	13%	13%
Other Ins Revenue as a % of Total Revenue	5%	5%	4%
Self-Pay Revenue as a % of Total Revenue	1%	2%	1%

**NOTICE AND AGENDA OF SPECIAL BOARD OF DIRECTORS MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**SUNDAY, APRIL 19, 2020  
1:00 P.M. Open Session  
Meeting Via Teleconference  
Dial In Number:  
CALL IN NUMBER:  
877-573-1973  
Passcode 9614637#**

PLEASE TAKE NOTICE a special Board of Directors meeting has been called for Sunday, April 19, 2020 at 1:00 pm. **This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor’s Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided. The public may listen in and provide comments on the following number: 877-573-1973 passcode 9614637#

**CONDUCT OF BUSINESS:**

**OPEN SESSION: MS. JESSICA GRINBERG, PRESIDENT**

1. Call to Order

2. Roll Call

3. Comments from the Community

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

4. **ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**

- 1. Minutes: Regular Session February 27, 2020
- 2. Minutes: Special Session April 6, 2020

**TAB 1  
TAB 2  
TAB 3**

5. ***Action/Information:* LEASE**

*BETWEEN*

**MENDOCINO COAST HEALTH CARE DISTRICT, AS LANDLORD**

*AND*

**ADVENTIST HEALTH MENDOCINO COAST, AS TENANT**

6. ***Action/Information:* TRANSFER OF BUSINESS OPERATIONS AGREEMENT**

**TAB 4**

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("AH Mendocino")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

7. ***Action/Information:* BOARD RESOLUTION NO. 2020-01: Authorizing District Officers to Enter into Lease and Transfer of Business Operations Agreement (Items No. 5 and 6)**

**TAB 5**



**8. Comments from Community**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You must state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**9. Comments from Board of Directors**

**10. Adjourn**

Dated: April 16, 2020

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO) §

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on April 16, 2020

\_\_\_\_\_  
Gayl Moon  
Secretary to the Board of Directors

\_\_\_\_\_  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Gayl Moon, Secretary to the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working days prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

Board Packets will be made available for pick up at the Patient Registration area until 5:00 pm on Friday, April 17, 2020: **700 RIVER DR. FORT BRAGG, CA 95437**

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, MAY 28, 2020  
5:00 P.M. Closed Session  
6:00 P.M. Open Session  
Meeting Via Teleconference  
Dial IN Number:  
CALL IN NUMBER:  
877-573-1973  
Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, May 28, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided. The public may listen in and provide comments on the following number: 877-573-1973 passcode 9614637#

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**CLOSED SESSION:**

4. **INFORMATION/ACTION:** Association of California Healthcare Districts' Survey of January, 2014 required by The Joint Commission (TJC). Exempt from public disclosure pursuant to Government Code §6254(s); Evidence Code §1157; and Health & Safety Code §32,155
5. **INFORMATION/ACTION:** Conference with Legal Counsel regarding Existing Litigation pursuant to Government Code 54956.9(d)(1) UFCW v. MCDH

**REGULAR SESSION:**

**6. RECONVENTION OF OPEN SESSION: CALL TO ORDER-MS. JESSICA GRINBERG, PRESIDENT**

- Roll call

**7. REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

**8. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**9. APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

**10. ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Special Session April 28, 2020

**TAB 1**

B. Minutes: Regular Session April 30, 2020

**TAB 2**

**NEW BUSINESS:**

**11. INFORMATION/ACTION:** BOARD RESOLUTION NO. 2020-02: Resolution approving reissuance of Tax-Exempt Revenue and General Obligation Bonds: Mr. Craig Cannizzo, Attorney with Hooper Lundy and Bookman **TAB 3**

**12. INFORMATION/ACTION:** Financial Adviser Consulting Agreement with Mr. Wayne Allen: Ms. Jessica Grinberg, President **TAB 4**

**13. INFORMATION/ACTION:** Appointment of Jean Ra as Antibiotic Stewardship Lead: William Miller, M.D. **TAB 5**

**14. INFORMATION/ACTION:** Review of Capital Improvements regarding regulatory compliance and deferred maintenance: Ms. Judy Leach and Mr. Jason Wells

**15. INFORMATION/ACTION:** Post Affiliation Structure: Mr. Steve Lund **TAB 6**  
A. By Laws- First Read  
B. Employees  
C. Office Space

**REPORTS:**

**16. INFORMATION/ACTION:** Administration Update: Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spencer and Mr. Jason Wells

**17. INFORMATION/ACTION:** Medical Staff Report: William Miller M.D., Chief of Staff **TAB 7**

**18. INFORMATION/ACTION:** Finance Committee Report- Mr. John Redding and Mr. Judson Howe **TAB 8**

**19. FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

**20. ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President

**21. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**22. COMMENTS FROM BOARD OF DIRECTORS**

**23. ADJOURNMENT**

Dated: May 25, 2020

  
\_\_\_\_\_  
Karen Arnold  
Secretary of the Board of Directors

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on May 25, 2020

  
\_\_\_\_\_  
Karen Arnold  
Secretary of the Board of Directors

5/25/20  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**MENDOCINO HEALTH CARE DISTRICT  
BOARD OF DIRECTORS  
SPECIAL SESSION  
MINUTES  
TUESDAY, APRIL 28, 2020  
FORT BRAGG, CA 95437  
MEETING VIA TELECONFERENCE**

The Board of Directors of the Mendocino Coast Health Care District met in Open Session at 6:00 pm via Teleconference, Jessica Grinberg, Chair presiding

**PRESENT:** Mr. Lund, Ms. Grinberg, Ms. Arnold, Ms. McColley, Mr. Redding

**Absent:** None

Mr. Wayne Allen, Interim CEO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. via Teleconference, Ms. Jessica Grinberg, President presiding

**II. ROLL CALL VIA TELECONFERENCE:**

**PRESENT:** Ms. Jessica Grinberg, Ms. Amy McColley, Mr. John Redding, Ms. Karen Arnold, Mr. Steve Lund  
Board Members

**BOARD MEMBERS ABSENT:** None

**ALSO PRESENT:**

Mr. Wayne Allen, Interim CEO

**III. COMMENTS FROM THE COMMUNITY**

- There were no community comments.

**IV. ACTION/INFORMATION: RESOLUTION No. 2020-02 APPROVING TERMINATION OF MENDOCINO COAST DISTRICT HOSPITAL 403(b) RETIREMENT SAVINGS PLAN: MR. WAYNE ALLEN, INTERIM CEO**

**MOTION:** To approve Resolution No. 2020-02 Approving Termination of Mendocino Coast District Hospital 403(b) Retirement Savings Plan

- Lund moved
- Arnold second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**V. ACTION/INFORMATION: INTERIM MANAGEMENT SERVICES AGREEMENT**

Mr. Craig Cannizzo, Attorney

Hooper, Lundy & Bookman

**MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,**

**A California Nonprofit Public Benefit Corporation  
("Manager")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

- Mr. Craig Cannizzo, and Mr. Ben Durie, Attorneys Hooper, Lundy & Bookman presented the Interim Management Services Agreement.
- Mr. Durie gave an overview of the agreement.

**MOTION:** To approve Interim Management Agreement with Adventist Health Mendocino and Stone Point Health

- Lune moved
- Arnold second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Abstain: None
  - Absent: None
- Motion carried

**VI. INFORMATION/ACTION:**

**TRANSFER OF BUSINESS OPERATIONS AGREEMENT  
MENDOCINO COAST HEALTH CARE DISTRICT,  
A Local Health Care District of the State of California  
("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,  
A California Nonprofit Public Benefit Corporation  
("AH Mendocino")**

**AND**

**STONE POINT HEALTH,  
A California Nonprofit Public Benefit Corporation  
("Stone Point Health")**

- Mr. Ben Durie, Attorney Hooper, Lundy & Bookman presented the Transfer of Business operations Agreement.
  - Mr. Durie stated that this is a short-term Management Agreement. Agreement. The purpose of this document is for Stone Point Health and Adventist Health Mendocino Coast to provide management services to the District on a short term basis pending the finalization of the Lease and the Operating Transfer Agreement. This Management Agreement is not meant to last more than a month or two with a provision in the agreement that it will be a six (6) month maximum. The agreement states that Adventist Health will take over day to day operations at the Hospital effective May 1, 2020. Adventist Health will be paid \$50,000 per month.
  - One small change was made from the draft that was sent to the Board previously. An end date from six (6) months from now has been inserted.

- Mr. Jason Wells stated Advent Health will provide a CEO, CFO, President/Administrator, COO and CNO. Mr. Wells stated that his pay will not increase.
- The C Suite is a permanent President/Administrator, the CFO, CNO & COO will be over both Willits and Mendocino Coast Hospitals.

**MOTION:** To approve the Interim Management Services Agreement Mendocino Coast Health Care District and Adventist Health and Stone Point

- Lund moved
- McColley second
- Planning and Finance Committee meetings will still be needed in the month of May.
- Roll Call
  - Ayes: Lund, McColley, Arnold, Grinberg, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**VII. COMMENTS FROM THE COMMUNITY**

- Dr. Kreger wanted to know at what point the public can hear more about "fourth hospital".

**IX. COMMENTS FROM BOARD OF DIRECTORS**

- Ms. Arnold is really looking forward to Adventist managing the Hospital.
- Mr. Redding offered his help in any capacity that may be needed in order to make this joint venture a success.
- Ms. McColley is excited for the joint venture. She commended Ms. Grinberg on running the telephonic meetings so effectively.
- Mr. Lund is looking to the partnership.
- Ms. Grinberg thanked everyone.

**XIII. ADJOURN:**

- The meeting adjourned at 6:35 pm

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Karen Arnold, Secretary  
Board of Directors

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Gayl Moon, Secretary to the  
Board of Directors



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**BOARD OF DIRECTORS MEETING  
REDWOODS ROOM  
THURSDAY, APRIL 30, 2020  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in OPEN session at 6:00 pm in the Redwoods Room, Jessica Grinberg, Chair presiding

**PRESENT:** Mr. Lund, Mr. Redding, Ms. Arnold, Ms. Grinberg, Ms. McColley

**Absent:** None

Mr. Wayne Allen, Interim CEO

**I. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 p.m. in the Redwoods Room, Ms. Jessica Grinberg, President presiding

**II. ROLL CALL:**

**PRESENT:** Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley  
Board Members

**BOARD MEMBERS ABSENT:** None

**ALSO PRESENT:**

Mr. Wayne Allen, Interim CEO

**III. PUBLIC COMMENTS**

- There were no public comments.

**IV. ACTION: REVIEW OF THE AGENDA**

**MOTION:** To revise the agenda: Remove from the agenda Action Item #1 under New Business; add an agenda item "Appointment of Emmet O'Connell as Infection Preventionist" as an Action Item; add an agenda item "Appointment of Anne Sansom as Food & Dietetics Service Director" as an Action Item

- McColley moved
- Lund second
- Roll call
  - Ayes: Grinberg, Lund, McColley Redding, Arnold
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**V. ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**

1. Minutes: Special Session, April 19, 2020

**MOTION:** To approve the Consent Calendar as presented

- Lund moved
- McColley second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None

- Abstain: None
- Motion carried

VI. **ACTION/INFORMATION:**  
**MR. CRAIG CANNIZZO, ATTORNEY**  
**HOOPER LUNDY AND BOOKMAN**

**INTERIM MANAGEMENT SERVICES AGREEMENT**

**MENDOCINO COAST HEALTH CARE DISTRICT,**  
**A Local Health Care District of the State of California**

**("District")**

**AND**

**ADVENTIST HEALTH MENDOCINO COAST,**  
**A California Nonprofit Public Benefit Corporation**

**("Manager")**

**AND**

**STONE POINT HEALTH,**  
**California Nonprofit Public Benefit Corporation**  
**("Stone Point Health")**

- This item was pulled from the agenda.

VII. **ACTION/DISCUSSION: MOTION TO APPROVE CHIEF EXECUTIVE OFFICER**  
**(JASON WELLS) FOR MENDOCINO COAST DISTRICT HOSPITAL: MS. JESSICA GRINBERG, PRESIDENT**

**MOTION:** To approve Chief Executive Officer Jason Wells for the Mendocino Coast District Hospital per the Interim Management Agreement terms

- Lund moved
- McColley second
- Roll call
  - Ayes: Lund, McColley, Arnold, Grinberg, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

VIII. **ACTION/DISCUSSION: APPOINTMENT OF MR. EMMET O'CONNELL AS INFECTION PREVENTIONIST**  
**FOR MCDH: DR. WILLIAM MILLER, CHIEF OF MEDICAL STAFF**

**MOTION:** To appoint Mr. Emmet O'Connell as Infection Preventionist for MCDH

- McColley moved
- Arnold second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**IX. ACTION/DISCUSSION: APPOINTMENT OF MS. ANNE SANSOM AS FOOD & DIETETICS SERVICES DIRECTOR FOR MCDH: DR. WILLIAM MILLER, CHIEF OF MEDICAL STAFF**

**MOTION:** To Appoint Ms. Anne Sansom as Food & Dietetics Services Director for MCDH under a new Management Agreement with Stone Point Health

- McColley moved
- Lund second
- Roll call
  - Ayes: McColley, Arnold, Grinberg, Lund, Redding
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**X. INFORMATION: CEO REPORT: MR. WAYNE ALLEN, INTERIM CEO**

- Mr. Allen thanked the Board for their patience and encouragement of him over the last year as MCDH set out on this affiliation journey.

**XI. ACTION: MEDICAL STAFF REPORT: DR. WILLIAM MILLER, CHIEF OF STAFF**

**A. Appointments to Medical Staff-Provisional Status**

1. Shah Khan, MD –Department of Medicine-Emergency Medicine
2. Russell Wong, MD –Department of Medicine-Hospitalist Medicine

**B. Temporary Privileges (As we await Board Meeting)**

1. Shah Khan, MD –Department of Medicine-Emergency Medicine (April 11-April 30, 2020)
2. Russell Wong, MD –Department of Medicine-Hospitalist Medicine (Mar 4-Mar 27, 2020 & Apr 12-15, 2020)

**C. Voluntary Relinquishing of Privileges**

1. Brent Wright, MD –Department of Surgery-Obstetrics Privileges effective 03/28/20

**MOTION:** To approve to the Appointments to the Medical Staff-Provisional Status, Temporary Privileges, and Voluntary Relinquishing of Privileges

- Lund moved
- McColley second
- Roll call
  - Ayes: Arnold, Grinberg, Redding, McColley, Lund
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried

**XII. ACTION: Finance Committee Report: Mr. John Redding**

- Mr. Redding stated that he will focus on the next 6 or 7 months through the end of the year, and then will look forward for 10 years.
- Mr. Redding presented the March 2020 Financial Statements.
- A Budget will be prepared for the next few months. Mr. Bill Knapp, a member of the Finance Committee has agreed to help Mr. Redding & Ms. McColley with the Budget. They will explore the benefits of shared services with other organizations. This will be presented next month.
- Dr. Miller reported that MCDH is examining when to begin doing elective surgeries again. Working to prepare for the upcoming state resurvey. The Adventist Health Accreditation Surveyor came to MCDH to do a mock survey. The results confirmed that the Hospital is not yet

- ready, but the surveyor showed the Hospital were to focus on exactly what to do.
- Adventist Health will not be on sight until Monday, May 4. Mr. Allen will cover through the week-end.

**MOTION:** To approve the Unaudited Financial Statements for the month ending March 31, 2020

- Lund moved
- Redding second
- Roll call
  - Ayes: Redding, McColley, Lund, Arnold, Grinberg
  - Noes: None
  - Absent: None
  - Abstain: None
- Motion carried
- A budget will be done for the District post affiliation. The District hopes to begin post affiliation with \$5 million in cash; however it is still to be determined how the month of April will go.
- Per the lease agreement, the District has \$250,000 set aside for Board use, which won't even pay for the insurance, and this is why the District needs to know the budget, and sources and uses of income will be. Mr. Redding stated that hopefully the District will be able to negotiate with the Adventists to have the District's costs as they pertain to being the landlord, to be included in the \$2 million per year as a legitimate overhead expense which is not in the lease agreement. Mr. Allen presented documents that show projected sources and uses of cash through the end of the year. They are attached as part of these minutes. Mr. Allen did not attach any cash to the federal stimulus funds in the receipt area; however if \$1 million or \$1.5 million are received that will help a great deal.
- Mr. Jason Wells stated there will be a ceremony at 8:30 am on Monday, May 4 in front of the Hospital.

**XIII. INFORMATION: FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT**

- Mr. Lund and Ms. Arnold will work on revising the Bylaws. There will be a Planning Committee meeting on Tuesday May 19 at which time he will present the revised bylaws as well as an update on the Hubs & Routes Project.
- Communications with the Foundation. John Redding and Steve Lund will be the communication liaisons with the Foundation.
- Ms. McColley will work into seismic upgrades or other options.

**XIV. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- There were no reports

**XV. INFORMATION: ASSOCIATION AND COMMUNITY SERVICE REPORTS**

- The Board members all thanked Wayne Allen for his exceptional leadership and the tremendous job he has done over the past year and for giving the Hospital a great future.

**XVI. PUBLIC COMMENTS:**

- Lucresha Renteria welcomed Jason Wells and Adventist Health to the coast, and thanked Wayne Allen for everything he has done over the past year.

**XIX. ADJOURN:**

The meeting adjourned at 6:57 p.m.

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**Karen Arnold, Secretary  
Board of Directors**

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**Gayl Moon, Secretary to the  
Board of Directors**

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**RESOLUTION NO. 2020-02**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MENDOCINO COAST HEALTH CARE DISTRICT APPROVING THE DEEMED "REISSUANCE" FOR CERTAIN FEDERAL INCOME TAX PURPOSES OF CERTAIN TAX-EXEMPT BONDS THAT WERE ORIGINALLY ISSUED TO FINANCE AND REFINANCE CAPITAL IMPROVEMENTS WITH RESPECT TO CERTAIN HEALTH CARE FACILITIES**

**WHEREAS**, the Mendocino Coast Health Care District (the "District") previously issued its (i) \$5,745,000 Insured Health Facility Refunding Revenue Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$4,105,000 (the "Revenue Bonds"), and (ii) \$4,125,000 Election of 2000 General Obligation Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$3,990,000 (the "General Obligation Bonds," and, together with the Revenue Bonds, the "Bonds"), the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes and is exempt from personal income taxes of the State of California;

**WHEREAS**, the Bonds were originally issued to finance and refinance [capital improvements made with respect to the District's health care facilities, located at the following street addresses, all in Fort Bragg, California 95437: (i) 700 River Drive, (ii) 775 River Drive, (iii) 721 River Drive, (iv) 515 Cypress Street, and (v) 155 Boatyard Drive(collectively, the "Project");

**WHEREAS**, the District intends to enter into a lease for the operation of various of its health care facilities including the Project (the "Lease") with Stone Point Health, a nonprofit public benefit corporation, or an affiliated entity in which Stone Point Health or Adventist Health has a direct or indirect controlling interest (the "Lessee").

**WHEREAS**, the Lessee is or will be at the time of the Lease an organization described in Section 501(c)(3) of the Code;

**WHEREAS**, the Project is, and upon execution of the Lease will continue to be, owned by the District;

**WHEREAS**, pursuant to the Lease, the Project will be principally used by the Lessee and, as a result, the Bonds will be deemed to be "reissued" (hereinafter referred to as the "Reissued Bonds") for certain federal income tax purposes, and the Project will be deemed to be refinanced by the Reissued Bonds;

**WHEREAS**, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder, the reissuance of the Reissued Bonds by the District must be approved by the District because the Reissued Bonds are deemed to be reissued by the District, which is a local governmental unit within the meaning



of Section 1.103-1 of the Treasury Regulations (“issuer approval”), and because the Project is located within the geographic jurisdiction of the District (“host approval”); and

**WHEREAS**, the Board of Directors of the District (the “Board”) is the elected legislative body of the District and is therefore an “applicable elected representative” of the District, which is required to approve the reissuance of the Reissued Bonds under Section 147(f) of the Code and the Treasury Regulations promulgated thereunder;

**WHEREAS**, pursuant to Section 147(f) of the Code, and the Treasury Regulations promulgated thereunder, the Board has, following notice duly given, caused to be held a public hearing regarding the reissuance of the Reissued Bonds, has received a summary of any views expressed by interested persons at the public hearing and now desires to approve the reissuance of the Reissued Bonds by the District;

**NOW, THEREFORE, BE IT RESOLVED** by the Board, as follows:

Section 1. The Board, as an applicable elected representative of the District, hereby approves the reissuance of the Reissued Bonds by the District for the purpose of refinancing the Project. It is the purpose and intent of the Board that this Resolution constitute both issuer approval and host approval of the reissuance of the Reissued Bonds by the District as the District is the governmental unit reissuing the Reissued Bonds and having jurisdiction over the area in which the Project is located, in accordance with Section 147(f) of the Code and the Treasury Regulations promulgated thereunder.

Section 2. The President and Vice President of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the refinancing transaction approved hereby.

Section 3. This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Board of Directors of the Mendocino Coast Health Care District, County of Mendocino, this 28<sup>th</sup> day of May, 2020, by the following vote:

**AYES:** \_\_\_\_\_

**NAYS:** \_\_\_\_\_

**ABSENT:** \_\_\_\_\_

**ABSTENTIONS:** \_\_\_\_\_

By: \_\_\_\_\_  
President  
Mendocino Coast Health Care District

Attest: \_\_\_\_\_  
Vice President  
Mendocino Coast Health Care District

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FINANCIAL ADVISER CONSULTING AGREEMENT

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THIS CONSULTING AGREEMENT (the "Agreement") is entered into to be effective as of May 15, 2020 (the "Effective Date"), by and between MENDOCINO COAST DISTRICT HOSPITAL, a California Health Care District ("MCDH"), and SILVERTON MANAGEMENT COMPANY, a Nevada LLC business entity (the "Consultant"). MCDH and the Consultant are sometimes collectively referred to herein as the "Parties" or singularly by their individual names or as a "Party."

BACKGROUND:

- A. MCDH is presently in need of certain administrative and professional services on an interim basis.
- B. Consultant has the expertise and knowledge to provide certain consulting services required by MCDH as more specifically described on Exhibit A attached hereto and made a part hereof (the "Services"). MCDH hereby engages Mr. Wayne Allen, Managing Member of Consultant to perform the interim consulting duties.
- B. MCDH desires to contract with Consultant to assist in providing the Services pursuant to the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

- 1. **Provision of Services.** MCDH hereby contracts with Consultant, and Consultant hereby agrees to assist in providing the Services, pursuant to the terms and subject to the conditions set forth in this Agreement.
- 2. **Independent Contractor.** In the performance of the Services provided pursuant to this Agreement, the Parties agree and acknowledge that the Consultant shall at all times be deemed to be an independent contractor of MCDH. For purposes of this Agreement, no deductions shall be made from the payments made by MCDH to Consultant, including, but not limited to, withholding or other employment taxes, social security, state and federal unemployment contributions, or state or federal income tax or disability insurance contributions. Consultant hereby agrees to indemnify, defend and hold MCDH free and harmless from any and all liabilities, fees, interest, penalties or taxes arising out of Consultant's failure to withhold and pay over to the appropriate taxing authorities such employment- related taxes.
- 3. **Term of Service.** The term of this Agreement shall commence on the Effective Date and shall continue thereafter for a period of six (6) months; subject, however, to prior termination as provided below (the "Initial Term").
- 4. **Duties.** During the Term hereof, the Consultant shall have the duty to render the Services as directed by MCDH on the schedule mutually agreed upon between MCDH and Consultant, to the best of Consultant's ability and capacity.

5. **Availability.** Consultant shall be available to provide the Services for MCDH, on the schedule mutually agreed upon between the Parties.
6. **Services Compensation.** MCDH agrees to pay Consultant for providing the Services, as set forth on Exhibit B attached hereto and incorporated herein by this reference.
7. **Automobile and Telephones.** It is a condition of this Agreement and for the purpose of discharging Consultant's duties hereunder that the Consultant: (i) own or lease and maintain, at all times, a properly functioning automobile; and (ii) have a properly functioning telephone at Consultant's residence, and a cellular telephone with text messaging capabilities on Consultant's person. All expenses relating to any of the foregoing shall be the responsibility of the Consultant.
8. **Travel Costs.** Out-of-pocket travel costs for on-site services at MCDH will be reimbursed to Consultant as set forth on Exhibit B. The travel costs are limited to: (i) auto mileage at IRS prevailing rate; (ii) meals at GSA prevailing per diem and (iii) lodging at actual invoice amount.
9. **Benefits.** MCDH is under no duty or obligation to provide any fringe benefits for Consultant. Consultant hereby indemnifies and holds MCDH free and harmless from any and all claims by Consultant for damages, interest, penalties or the like (including legal fees and costs) relating to benefits, including, but not limited to, sick time, vacation pay, retirement plan participation, fringe benefits or the like.
10. **Termination.** MCDH shall have the right, in its sole and absolute discretion, to immediately terminate this Agreement by written notice to Consultant, upon the occurrence of any of the following:
  - 10.1 Consultant becomes permanently disabled. For purposes of this Section, the term "permanent disability" shall be defined as the inability of Consultant, as a result of sickness or injury, to perform his duties under this Agreement for a period of more than thirty (30) days in the aggregate during any ninety (90) day period. MCDH shall not be required to purchase disability insurance for the Consultant; payment for any such disability insurance shall be at the sole cost and responsibility of Consultant;
  - 10.2 Death of the Consultant;
  - 10.3 Consultant is convicted of a crime involving moral turpitude or professional misconduct;
  - 10.4 Consultant continuously fails or refuses to comply with the policies, standards and regulations of MCDH; provided that MCDH shall give the Consultant written notice of any such breach and shall be provided ten (10) days within which to cure such breach. The Consultant shall be provided with only one (1) opportunity to cure a noticed breach of a policy, standard, or regulation of MCDH and any subsequent failure or refusal to comply with a policy, standard or regulation of MCDH shall result in termination effective upon written notice to Consultant;
  - 10.5 If any state or federal agency assumes control of the District;
  - 10.6 A governmental agency, including, without limitation, the Internal Revenue Service, Employment Development Department or the Workers Compensation Appeals Board,

determines (or is likely to determine in the sole opinion of MCDH) that the performance of the Services by Consultant in accordance with this Agreement creates a relationship whereby the Consultant is the employee of MCDH;

10.7 Consultant gives ten (10) days prior written notice of termination to MCDH, without cause;

10.8 MCDH gives ten (10) days prior written notice of termination to Consultant, without cause.

11. **Notification of Certain Events.** Consultant shall notify MCDH in writing within twenty-four (24) hours of the occurrence of any of the following:

11.1 Consultant becomes the subject of, or is otherwise materially involved in, any government investigation regarding business practices, the provision of Services under this Agreement or the provision of any other services to any person, including, without limitation, being served with a search warrant in connection with such activities;

11.2 Consultant becomes the subject of any suit, action or other legal proceeding arising out of Services;

11.3 Consultant is required to pay damages or any other amount in any action by way of judgment or settlement related in any way to MCDH;

11.4 Consultant becomes incapacitated or disabled from providing Services;

11.5 Consultant is convicted of a crime. For purposes of this Agreement, the term "crime" shall mean a felony as defined by the laws of the State of California or the United States of America punishable by imprisonment for a term of at least one (1) year;

11.6 Any event or occurrence which has a material adverse effect on Consultant's ability to perform any or all of the Services under this Agreement; or

11.7 Consultant is debarred, suspended or otherwise ineligible to participate in any federal or state health care program.

12. **Responsibility for Acts and Omissions/Indemnity.** Consultant and MCDH are each responsible for their own acts and/or omissions, and are not responsible for the acts and/or omissions of the other. Consultant indemnifies and holds MCDH and all the partners thereof individually, free and harmless from any and all liability (including legal fees and costs) from claims, damages and the like, for all acts and omissions of Consultant, its employees, representatives and agents, committed within the scope of this Agreement. MCDH indemnifies and holds Consultant individually, free and harmless from any and all liability (including legal fees and costs) for claims, damages and the like, for all acts and omissions of MCDH, committed within the scope of this Agreement.

13. **Confidential Information.**

- 13.1 Consultant hereby expressly acknowledges, understands and agrees that all documents, records, charts, files and other information (collectively referred to in this paragraph as the “trade secrets”), relating to MCDH, including, without limitation, patient volumes, market share, the names and addresses of MCDH patients, all patient records, charts, files and other patient information, and all business and financial information relating to the business of MCDH (including, without limitation, business plans, expansion plans, marketing plans, the substance of any and all strategic planning, or other business meetings, MCDH fees and nature and terms of any contracts to which MCDH is a party), whether they are prepared in whole or in part by Consultant or by any other person, are and shall remain the exclusive property of MCDH, and that all such trade secrets are confidential, material and important to the business and financial success of MCDH, and that their disclosure or unauthorized use would seriously and adversely affect the business of MCDH. Consultant hereby expressly covenants and agrees that Consultant will not, either directly or indirectly, whether on behalf of Consultant or others, do any of the following either during the term of this Agreement or at any time thereafter (or for such shorter period as may be specified below), except as is necessary to perform its obligations in the course of this Agreement:
- 13.1.1 Divulge, disclose or communicate to any person, firm or entity any of MCDH’s trade secrets except as may be required by law;
  - 13.1.2 For a period of two (2) years following termination: (a) solicit, induce or attempt to influence any employee or contractor of MCDH to terminate his or her relationship with MCDH; (b) solicit, induce or attempt to influence any health plans, or any hospital or any other health care facility, clinic or other contracting third party with a relationship with MCDH to terminate that relationship; (c) induce or attempt to influence any physician or any other professional with a referring relationship with MCDH to terminate that relationship; or (d) solicit any patient/service contractual arrangement of MCDH;
  - 13.1.3 Otherwise engage in unfair competition with MCDH.
- 13.2 Consultant acknowledges, understands and agrees that Consultant’s continuing breach of this provision would cause substantial and irreparable harm to MCDH. Accordingly, in the event Consultant breaches this provision, MCDH shall be entitled to preliminary and permanent injunctive relief preventing any further breaches by Consultant and enforcing this provision and Consultant hereby consents to the issuance of such relief and hereby waives any requirements that MCDH secure or post a bond in connection with MCDH obtaining any injunctive or other equitable relief. In addition, MCDH shall be entitled to such damages from Consultant as MCDH can demonstrate it suffered by reason of Consultant’s breaches prior to the issuance of injunctive relief.

14. **Compliance.**

- 14.1 **Compliance with Applicable Laws.** To the best of the Consultant's knowledge and belief, Consultant has operated in compliance with all federal, state, county and municipal laws, ordinances and regulations applicable thereto and Consultant represents that he/she has not received payment or any remuneration whatsoever to induce or encourage the referral of patients or the purchase of goods and/or services as prohibited under 42 U.S.C. Section 1320a-7b(b), or otherwise perpetrated any Medicare or Medicaid fraud or abuse, nor has any fraud or abuse been alleged within the last five (5) years by any Governmental Authority, a carrier or a third party payor.
- 14.2 **Fraud and Abuse.** Consultant shall not engage in any activities which are prohibited by or are in violation of the rules, regulations, policies, contracts or laws pertaining to any third party and/or governmental payor programs, or which are prohibited by rules of professional conduct ("**Governmental Rules and Regulations**"), including but not limited to the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment; (iii) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on Consultant's own behalf or on behalf of another, with intent to fraudulently secure such benefit or payment; or (iv) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay or receive such remuneration (1) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (2) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service or item for which payment may be made in whole or in part by Medicare or Medicaid. Consultant acknowledges that this list is not an exhaustive or complete list of all governmental requirements and Consultant represents and warrants to MCDH that Consultant will endeavor, to the best of his/her knowledge, to educate, to seek information, and/or to make themselves aware of these governmental requirements.
- 14.3 **Changes in The Law.** In the event of any changes in law or regulations implementing or interpreting any Federal or State law relating to the subject matter of fraud and abuse or to payment for patient referral, including the laws referenced above, the parties shall use all reasonable efforts to revise this Agreement to conform and comply with such changes. In the event that the Parties cannot revise this Agreement in a manner which will conform and comply with such changes and preserve to the extent possible the intent of the Parties in entering into this Agreement, then either Party may terminate those portions of the Agreement which cannot be revised to conform and comply with such changes and the intent of the Parties.
- 14.4 **Books and Records.** To the extent required by law, upon written request of the Secretary of Health and Human Service, the Comptroller General or any of their duly authorized representatives, Consultant, shall make available those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing



Services to MCDH. Such inspection shall be available for up to four (4) years after the rendering of such services. If Consultant carries out any of the duties of this Agreement through a subcontract with a value of ten thousand dollars (\$10,000.00) or more over a twelve (12) month period with a related individual or organization, Consultant shall include this requirement in any such subcontract. This Section is included pursuant to and is governed by the requirements of 42 C.F.R. §§300-304, and notwithstanding any reference in this Section to "subcontract," Consultant shall not assign, delegate or subcontract its obligations under this Agreement to any other person or entity except with the express written consent of MCDH. No attorney-client, accountant-client or other legal privilege shall be deemed waived by Consultant or District by virtue of this Agreement.

15. **Conflict of Interest.** Consultant shall inform MCDH of any other arrangements which may enter which presents a conflict of interest or materially interfere in the performance of Consultant's duties under this Agreement. If Consultant pursues conduct which in fact does constitute a conflict of interest or which materially interferes with or is reasonably anticipated to interfere with Consultant's performance under this Agreement, MCDH has the right to terminate this Agreement immediately.
16. **Waiver.** A waiver of any of the terms and conditions hereof shall not be construed as a general waiver by MCDH or Consultant.
17. **Partial Invalidity.** Should any portion of this Agreement be held unenforceable or inoperative for any reason, such shall not affect any other portion of this Agreement, but the remainder shall be as effective as though such ineffective portion had not been contained herein.
18. **Gender.** Words used in the masculine shall apply to the feminine where applicable, and vice versa. Any personal pronoun shall include any gender or number according to the context.
19. **Law Governing Agreement.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.
20. **Entire Agreement and Modification.** The Parties hereby agree and acknowledge that this Agreement and the Exhibits incorporated herein constitute the complete agreement between the Parties with regard to the subject matter contained herein. This Agreement may only be modified by an agreement in writing executed by the Parties.
21. **Notices.** All notices, offers, elections, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the Party to whom notice is to be given, or within forty-eight (48) hours after mailing, if mailed to the Party to whom notice is to be given by first class mail, registered or certified, postage prepaid, and properly addressed to the Party at the Party's last known address, or any other address that any Party may designate by written notice to the other Party.

**IN WITNESS WHEREOF, the Parties hereof have executed and delivered this Agreement as of the day and year first above written.**

**“MCDH”**

**MENDOCINO COAST DISTRICT HOSPITAL  
a California Health Care District**

**By: \_\_\_\_\_  
Jessica Grinberg, Board President**

**“Consultant”**

**SILVERTON MANAGEMENT COMPANY  
LLC, a Nevada business entity**

**Wayne C. Allen, Managing Member**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Signature**

**EXHIBIT A**

**The Services**

- **Perform duties to assist with the transition wind down of day-to-day operations of MCDH**
- **Perform duties to assist with the final documents to facilitate the partnership arrangement between MCDH and Adventist Health**
- **Perform other duties as directed by the Board of Directors of MCDH**

**EXHIBIT B**

**The Services Compensation**

- **Compensation shall be actual hours billed and paid at One Hundred and Fifty Dollars (\$150.00) per hour. Total billings per month will not exceed Three Thousand Dollars (\$3,000.00) and will be payable monthly within ten days of the invoice date.**
- **Out-of-pocket reimbursable travel costs will be billed monthly and payable within ten days of the invoice date.**

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MENDOCINO COAST DISTRICT HOSPITAL

Board of Directors  
Mendocino Coast District Hospital  
700 River Drive  
Fort Bragg, CA 95437

May 26, 2020

Re.: Appointment of Antimicrobial Stewardship Committee – Lead Pharmacist

Dear Directors:

I am writing to recommend Jean Ra to be appointed as Lead Pharmacist for MCDH's Antimicrobial Stewardship Committee. This Board appointment is to comply with the CMS guideline attached to this letter.

Jean has been serving in this role now for the past 9 months and has been doing a fine job. She clearly meets the educational requirement, including taking the special course to be certified by the Society of Infectious Diseases Pharmacist Antimicrobial Stewardship Program.

In addition to the CMS guidelines, I have attached a cover letter from Jean Ra, her resume and a letter of recommendation from Lois Leister, our Pharmacy Director.

Signed,

William A. Miller, MD, FACP  
Chief of the Medical Staff

## Attachment A - CMS Guidelines

**"09. For hospitals that use Joint Commission accreditation for deemed status purposes: An individual(s) who is qualified through education, training, or experience in infectious diseases and/or antibiotic stewardship, is appointed by the governing body as the leader(s) of the antibiotic stewardship program. The appointment is based on recommendations of medical staff leadership and pharmacy leadership."**

**The Federal Register published on September 2019 cites for hospitals to refer to the CDC Core Elements of Hospital Antimicrobial Stewardship Programs when appointing a leader. Page 7 cites, "Accountability: Appoint a leader or co-leaders, such as a physician and pharmacist, responsible for program management and outcomes." Page 8 cites, "Pharmacy Expertise (previously "Drug Expertise"):** Appoint a pharmacist, ideally as the co-leader of the stewardship program, to lead implementation efforts to improve antibiotic use."

**<https://www.cdc.gov/antibiotic-use/healthcare/pdfs/hospital-core-elements-H.pdf>**

**Attachment B Jean Ra Cover Letter**

**May 21, 2020**

**Jean Ra, PharmD**

**ASP Lead Clinical Pharmacist**

**Mendocino Coast District Hospital**

**700 River Drive**

**Fort Bragg, CA 95437**

**jeanra@mcdh.net**

**Dear Members of the Board at Adventist Health Mendocino Coast,**

**My name is Jean Ra, PharmD, the current ASP Lead of MCDH. I am writing to introduce myself and to apply for re-appointment as ASP Lead for Adventist Health Mendocino Coast.**

**My short tenure here so far has allowed me to gain valuable first-hand experience that speaks louder than other training and education combined. Not only am I familiar with the practices of our institution, our local policies and protocols are second nature, a critical fund of knowledge when managing procedures dedicated to achieving stewardship goals.**

**Under only a year of my leadership, MCDH's Antimicrobial Stewardship Program successfully passed our thorough CMS review with no citations. During this extensive survey spanning two days, I was asked to testify for my position and work. I affirmed my early professional history including deemed qualifications as well as program progress to the CDPH auditor, John Christenson, widely known to be meticulous with his observations. To my delight, he endorsed proof of my clear and successful organizational efforts as he signed us off for another three years.**

**Here are a couple of things we are also proud of: sustained improvements on antibiotic prescribing of vancomycin, eight new and/or revised clinical protocols, and the launch of academic detailing through medical staff education. Top that off with an increase in quality compliance from 75.6% before my leadership to 94.5%! We are well on our way to 100% performance by the end of 2020.**

**It was through my rigorous doctoral education in pharmacy, clinical abilities, and progress towards advanced certifications (i.e. SIDP, MAD-ID) that I secured an effective system devoted to improving antimicrobial decision-making. Add to that my passion and relentless drive for patient care – I am confident I will be a strong candidate for consideration.**

**Sincerely,**

**Jean Ra, PharmD**



# Jean Ra, PharmD

240-593-6443 | [jeanra@mcdh.net](mailto:jeanra@mcdh.net) | [linkedin.com/in/jeanra](https://www.linkedin.com/in/jeanra)

## EDUCATION

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**Doctor of Pharmacy** **May 2017**  
University of Maryland, Baltimore School of Pharmacy

**Bachelor of Arts, Chemistry; Minor in Biology** **Dec 2012**  
University of North Carolina at Chapel Hill

## PROFESSIONAL EXPERIENCE

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### *Careers*

**Antimicrobial Stewardship Lead Clinical Pharmacist | 40 hours/week** **Jul 2019 – Now**  
Adventist Health Mendocino Coast - Fort Bragg, California

*Director: Lois Leister, MS, MBA*

- Antimicrobial Stewardship Program (ASP)
  - Lead the ASP and report to P&T and the Infection Control committees
  - Develop, enforce and maintain policies and procedures that enhance patient outcomes through safe, effective, cost-efficient and appropriate medication therapy use
  - Oversee all departments involved in antimicrobial ordering, assist in the development and maintenance of the antimicrobial formulary
  - Educate medical staff on updated clinical guidelines regarding anti-infective therapy
  - Serve as the primary pharmacy consultant for antimicrobial prescribing
- Staffing
  - Complete daily inpatient pharmacy staffing needs including verification and/or preparation of IV admixtures, chemotherapy and non-sterile products
  - Respond to consults from clinicians residing in ICU, Med Surg, ED, OB/Peds, Ophthalmology, Orthopedics, Surgery, and outpatient clinics
  - Continuous improvement and maintenance of our accredited USP 797 and USP 800 areas
  - On-call, clinical rounding and code participation duties
- Leadership, administration
  - Train nurses on dangerous drug administration and/or handling
  - Supervise and delegate responsibilities to a team of 4 pharmacy technicians
  - Create and update pharmacy policies and procedures i.e. facility-wide anticoagulation protocol
  - Fix drug billing issues i.e. 340B, premier

**Floater Pharmacist Part Time Hourly | 0-24 hours/month**

**Jul 2019 – Dec 2019**

**Specialty Pharmacist Full Time Hourly | 48 hours/week**

**Oct 2017 – Jul 2019**

**Walgreens Pharmacy - San Francisco, California**

*Manager: Helen Wan, PharmD*

**Graduate Intern Pharmacist**

**Jun 2017 – Oct 2017**

- Provide excellent patient care by guaranteeing timely outcomes to 200-450 patients daily
- Prescribe and/or dispense 200-450 prescription and non-prescription drugs according to SOPs & GLPs
- Discharge counseling and medication reconciliation at 3 HIV Centers of Excellence specialty clinics
- Comply with the CQI (continuous quality improvement) program and other quality assurance measures
- Model patient-practitioner experience by identifying needs, offering recommendations & consulting other medical providers
- Exercise clinical knowledge through daily MTM, DUR, consultations, & prescription verification
- Lead by managing 7 pharmacy technicians and 2 junior pharmacists, promoting teamwork & efficient workflow
- Precept pharmacy students and offer academic, professional growth and career mentorship

**Intern Pharmacist/Corporate Trainer/EPS Consultant | 40 hours/week**

**Aug 2014 – May 2017**

**Shoppers Pharmacy – Catonsville, Maryland**

*District Manager: Matthew Shimoda, PharmD*

- Floated to 13 Shoppers Pharmacies within Maryland to assist with the pharmacy system conversion period
- Delivered technical knowledge of Enterprise Pharmacy System (EPS) to pharmacy managers
- Participated in the closing and opening processes of 2 new Shoppers Pharmacies
- Managed seasonal marketing for the pharmacy by utilizing strategic planning, promotion & advertisement
- Interacted with providers regarding therapy on pharmacists' behalf

**Intern Pharmacist | 10 hours/week**

**Mar 2014 – Aug 2014**

**MedStar Health – Elkridge, Maryland**

*Manager: Diane Chmel, BS Pharmacy*

- Assisted with daily IV preparations & shipping to 6 MedStar inpatient pharmacies in Maryland & D.C.

## **RESEARCH**

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**Research Associate**

**Jan 2012 – Dec 2012**

**Eshelman School of Pharmacy – Chapel Hill, NC**

*Principal Investigator: Scott Singleton, PhD*

**Division of Chemical Biology and Medicinal Chemistry, Recombination Activity**

**Summer Undergraduate Research Fellow**

**May 2011 – Sep 2011**

**The Scripps Research Institute – La Jolla, CA**

*Principal Investigator: Julius Rebek, PhD*

**Skaggs Institute for Chemical Biology, Synthesis of Organic Capsules**

**Student Research Intern**

**May 2007 – Aug 2009**

**Howard Hughes Medical Institute/National Institutes of Health – Chevy Chase, MD**

*Principal Investigator: Jeffrey Green, MD (National Cancer Institute)*

**Laboratory of Cancer Biology & Genetics, Analysis of Oncogenes**

## LICENSURE AND CERTIFICATIONS

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<b>SIDP Acute Care Certification</b>	<b>In progress</b>
<b>ACLS Certification</b>	<b>Delayed (COVID)</b>
<b>ASHP Pain Management Certificate</b>	<b>2020</b>
<b>Advarra Institutional Biosafety Committee Member</b>	<b>2019 – 2021</b>
<b>APhA New Practitioner Member #000000630721</b>	<b>2018 – present</b>
<b>ASHP Member #07316540</b>	<b>2018 – present</b>
<b>Registered Pharmacist #77874, California Board of Pharmacy</b>	<b>2017 – present</b>
<b>National Provider Identifier #1528570124</b>	<b>2017</b>
<b>APhA Immunization Certification</b>	<b>2015</b>
<b>Basic Life Support #1609AV, American Heart Association/American Stroke Association</b>	<b>2013 – present</b>

Attachment D – Letter of Recommendation



**MEMO**

**DATE:** May 26<sup>th</sup>, 2020  
**TO:** MCDH Board of Directors  
**FROM:** Lois Leister - Pharmacy Director  
**SUBJECT:** Antimicrobial Stewardship Committee – Lead Pharmacist

Our hospital has had an Antibiotic Stewardship program (ASP) in place since 2015 and we have completed several successful surveys with the Joint Commission and the CDPH and CMS with our program.

In July of 2019 we had the privilege of hiring Jean Ra, Pharm D. to assume the leadership of this committee when Margaret Bradshaw retired.

Jean Ra came to MCDH as a recent graduate of University of Maryland with her Doctor in Pharmacy and has an undergraduate degree in Chemistry and Biology.

During the past 10 months Jean has successfully lead this committee and is in the process of completing her Society of Infectious Diseases Pharmacists Antimicrobial Stewardship Certification program. The CMS guidelines pertaining to the ASP program read:

**MM 09.01.01** The hospital has an antimicrobial stewardship program based on current scientific literature.

**09.** For hospitals that use Joint Commission accreditation for deemed status purposes: An individual(s) who is qualified through education, training, or experience in infectious diseases and/or antibiotic stewardship, is appointed by the governing body as the leader(s) of the antibiotic stewardship program. The appointment is based on recommendations of medical staff leadership and pharmacy leadership.

We are fortunate to have Jean Ra as a member of our pharmacy team and also leading this essential hospital program. I strongly recommend your appointment of Jean Ra.

Thank you

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**DRAFT 1.0**  
**BYLAWS OF THE**  
**BOARD OF DIRECTORS OF**  
**MENDOCINO COAST HEALTHCARE DISTRICT**

**Adopted: TBD**

## ARTICLE I. GENERAL

### Section 1. Title.

These Bylaws shall be known as the "Bylaws of the Board of Directors of Mendocino Coast Healthcare District," and may be referenced as the "Bylaws."

### Section 2. The District.

(a) Mendocino Coast Healthcare District (the "District") is a local healthcare district organized on March 6, 1967, under the provisions of the Local Healthcare District Law, Health & Safety Code section 32000, et seq., (the "District Law"). Under the terms of the District Law, as amended from time to time, the District owns and leases a hospital (the "Hospital") and rural health clinics (collectively, "District Facilities").

(b) The District is governed by an elected five-member Board of Directors (the "Board"). The Board is responsible for oversight of all District Facilities, and shall make all rules and regulations necessary for the administration of the District Facilities.

### Section 3. Bylaws and Policy Manual.

These Bylaws govern the conduct of the Board and implementation and compliance with the District Law and other applicable federal and state statutes and regulations. In addition to the Bylaws, the Board shall adopt a policy manual governing specific matters of the Board to augment the Bylaws (the "Policy Manual"), including, at a minimum, a Conflict of Interest Code and policies for ethics standards, Board and committee meetings, investments, legal claims, contracts and purchasing, environmental review of District projects and public records and retention.

### Section 4. Effect of Bylaws on Past Actions and Obligations.

The adoption of these Bylaws or the repeal of a resolution by the Bylaws shall not affect:

- (1) Vested rights and obligations pertaining to any prior resolution; or
- (2) Other matters of record referring to resolutions and not included within the Bylaws.

### Section 5. Maintenance of Bylaws.

(a) At least three certified copies of the Bylaws shall be maintained on file in the District offices as the official copies of the Bylaws. Each director shall be given a copy of the Board Bylaws and Policy Manual. Additional copies of the Bylaws shall be distributed as directed by the President.

(b) Each resolution making a change in the Bylaws shall be filed by the Secretary in books for such purpose, properly indexed for ready reference.

## ARTICLE II. BOARD OF DIRECTORS

### Section 1. Mission of Board of Directors.

The mission of the Board is to ensure operation of its health care facilities and programs in the best interests of the public health; establish rules, regulations and policies for the administration, governance, protection and maintenance of the District; establish standards of operation; operate the District on a self-supporting basis; and, where applicable, establish reasonable rates for services.

### Section 2. Membership.

(a) Assuming office. A person may assume the office of Director by election or appointment.

(b) Election. Directors shall be elected in accordance with the District Law, except the date of election shall be the same date as the statewide general election. The dates of any notices, canvass of

voters, certification of election, and all other procedural requirements shall comply with those for the statewide general election. Directors shall take office at noon on the first Friday in December following an election, as provided by Elections Code section 10554.

(c) **Appointment.**

- (1) The office of director may become vacant before the end of the term because of death, resignation or other event causing vacancy. A resignation is effective when accepted by the Board and is irrevocable.
- (2) A notice of intention to fill the vacancy by appointment shall be posted by the Secretary immediately when a vacancy on the Board occurs. At least fifteen days after the notice is posted and within 60 days after the effective date of the vacancy, the remaining Directors may fill such vacancy by appointment or by calling an election. The Board of Supervisors may fill the vacancy if the Board fails to act within sixty days of the effective date of the vacancy.
- (3) If a vacancy is not filled by appointment, an election shall be held at the next regular election date at least 130 days after the effective date of the vacancy.
- (4) A person appointed or elected to fill an unexpired term shall hold office until the next regular district election held at least 130 days after the effective date of the vacancy.

(d) **Oath of Office.** Persons elected or appointed to the Board shall take the oath of office prior to assuming office in the manner and at the time prescribed by law. The Secretary or other person authorized by law shall administer the oath.

**Section 3. Ethics and Conflict of Interest Code.**

It is the intent of the Board to act in the highest ethical standard in carrying out its duties to the public, its patients, and employees, and in the operation of its health care services and facilities. It is also the intent of the Board to protect the District's interests when entering in to a transaction or agreement, and not the private interests of any director, officer, or employee. To that end, the Board has adopted an "Ethics Policy" and a "Conflict of Interest Code" contained in the Board Policy Manual.

**Section 4. Organization.**

(a) **Officers of the board.** The officers of the Board shall be President, Vice-President, Treasurer, and Secretary. Officers shall be elected at the Board's regular December meeting for the next calendar year, and shall serve for one year, or until their successors assume office.

(b) **President.** The President shall:

- (1) Preside over all the meetings of the Board.
- (2) Be responsible for coordination and liaison with community groups, public agencies, and residents served by the District.
- (3) Be responsible for the ongoing administrative affairs of the Board, including without limitation, supervision of financial matters, correspondence, and administrative activities of the Board.
- (4) Sign as President: contracts, conveyances, and other instruments in writing, and checks on the funds of the District as the Board shall authorize or direct the President to sign.
- (5) Be responsible for coordination and liaison with District legal counsel, auditors, and consultants.
- (6) Designate members of the Board to undertake special responsibilities and to report to the President on those activities.
- (7) Coordinate with the District's legal counsel:
  - a. Receive all requests from Board members for the preparation of legal opinions, legal memoranda, contracts, corporate documents, or other legal



- work for legal counsel so as to eliminate duplication of same before submitting to legal counsel;
- b. Prepare Board agendas with the assistance of the ~~(District Manager and)~~ and legal counsel, and if necessary, instruct legal counsel to prepare memoranda which are necessary to hold closed session meetings, Board Resolutions, and other material pertinent to Board meetings as required;
- c. Serve as an alternate at committee meetings, if able, upon the excused absence of a Committee member, and
- d. Invite legal counsel to attend Committee meetings, as desired.
- (8) Perform other duties as pertain to the office as prescribed by the Board.
- (9) Appoint, with the concurrence of the Board, members of standing and ad hoc committees.
- (10) Represent the Board at official functions when necessary, serve as a spokesperson for the Board regarding board actions, and keep the Board promptly informed of these occasions.

(c) Vice-President. In the absence or inability of the President to serve, the Vice-President shall perform the duties of the President, and shall perform other duties as are prescribed by the Board.

(d) Treasurer. The Treasurer or designee shall:

- (1) , Ensure correct and accurate accounts of the properties and financial transactions of the District;
- (2) Present an annual budget to the Board;
- (3) Cause an annual independent audit of the District to be performed in accordance with law; and
- (4) Perform all duties incident to the office and such other duties as prescribed by the Board.

(e) Secretary. The Secretary or designee shall:

- (1) Keep minutes of all meetings of the Board, and assure such minutes are filed in the official records of the District;
- (2) Maintain the official record of resolutions, actions and orders passed or adopted by the Board;
- (3) Keep all correspondence, financial records and reports in the records of the District;
- (4) Give, or cause to be given, appropriate notices in accordance with these Bylaws or as required by law;
- (5) Act as custodian of records of the District's records;
- (6) Certify the official status, capacity and signature of directors, officers and employees;
- (7) Assure the District Seal is affixed, when required by law, to documents executed on behalf of the District; and
- (8) Perform all duties incident to the office and such other duties as prescribed by the Board.

## **Section 5. Powers.**

The powers of the District are set forth in the District Law and other applicable law. The powers of the District are vested in the Board, which may delegate one or more of its powers in its sole discretion. Specifically, the Board shall:

- (1) Establish by Resolution substantive and procedural policies regarding the affairs of the District in accordance with the best interests of the communities served by the District.
- (2) Monitor the activities of the District Manager (or other designee) as administrator of the

District.

(3) Enter into contracts and agreements with respect to the affairs of the District, including contracts for management services and for other activities approved by the Board.

(4) Effectuate the purpose of the District to enhance the provision of quality healthcare in the communities served by the District by, among other efforts, working with public and private entities (including the provision of financial assistance where feasible).

(5) Identify and seek to respond to healthcare needs and enhance service quality in communities served by the District, and where feasible, respond to substantive needs by advocating for their support or remediation by healthcare providers and agencies.

(6) Monitor and guard the integrity and quality of healthcare services provided at the Hospital.

(7) Exercise all other powers now or hereinafter set forth in and given to it by the District Law and other public agency laws applicable to the District.

(8) Seek legislative, agency and consumer support for Hospitals, enhanced public accountability requirements for all hospitals, and better defined and professional requirements for hospital Quality Assurance Review Board panels.

(9) Maintain the Hospital facilities and ensure that improvements occur as necessary and with agreement of the lessor

#### **Section 6. Meetings.**

(a) The Board shall conduct meetings as established in the Board's Policy Manual. All meetings of the Board and its committees shall be conducted in accordance with the Ralph M. Brown Act, Government Code section 54950, et seq. (the "Brown Act"), and any other applicable law or regulation. Regular meetings of the Board shall be held on the last Thursday of the month at 6:00 p.m. at the District's administrative office.

(b) Meetings of the Board shall be open and public, except as allowed by law. Persons shall be permitted to attend any portion of a meeting, except a closed session.

(c) A quorum of the Board shall not discuss the business of the District directly, serially or through an intermediary, except at a properly noticed public meeting. A quorum of the Board may discuss the time, place and agenda for a meeting at any time. Less than a quorum of the Board (but not a standing committee) may discuss District business at any time.

#### **Section 7. Compensation, Benefits and Expenses.**

(a) Compensation.

(1) The members of the Board of Directors shall serve without compensation.

(b) Benefits.

Directors are entitled to the following benefits on the same terms as other officers:

(1) Group medical, vision and dental plan coverage at the District's cost for active directors, but not their dependents.

(c) Expenses.

(1) If previously approved by the Board, a Director shall receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on District business. The rate for reimbursement shall not exceed the rate published by the IRS for deduction from taxes. However, if the

expenses are incurred in connection with a trade conference, the reimbursement

rates shall not exceed the posted rates for the conference and if the posted rates are not available, the reimbursement rate shall be comparable to the IRS rates.

- (2) Directors must be authorized in advance to incur expenses for District purposes, and shall submit a written request with supporting documents for reimbursement.
- (3) During July of each year the District Manager shall prepare a list of amounts paid during the prior fiscal year to reimburse a director or employee for individual expenses of \$100.00 or more. To determine the value of an item, the total charges for the item for the day shall be considered. For example, several transportation bills each less than \$100.00, but totaling more than \$100, requires a report. During August of each year, each person receiving expense reimbursement shall review the list. The District Manager shall consider suggested corrections and post the final list at the District by September.

**Section 8. Appointment of District Manager**

(a) The Board shall be solely responsible for selecting a District Manager, who shall be responsible for managing the District's operations, facilities, and property. The Board shall adopt a written statement setting forth the qualifications, authority, and duties of the District Manager. The Board shall set the District Manager compensation.

(b) The Board shall at least annually conduct a review of the performance and compensation of the District Manager

(c) The District Manager may recommend and shall implement policies adopted by the Board. The Board is not responsible for day-to-day management or operations of the District.

(d) The Board and individual Directors may question the District Manager with respect to the development and implementation of District policy. The Board, but not the individual Directors, may direct the District Manager with respect to the development and implementation of District policy.

(e) Individual Directors shall not direct employees in the performance of their duties. Any such direction shall be reported to the Board and District Manager

(f) The District Manager may discuss District business with Directors outside a public meeting, but the District Manager shall not communicate the views of Directors to one another, except at a Board meeting. The Board shall not discuss or act on the District Manager's recommendations, except at a public meeting.

**Section 9. Duties of the District Manager**

The District Manager shall have full charge and control of the affairs of the District consistent with the policies established by the Board. The District Manager shall work with the Board, Board and joint committees to provide services of high quality and reasonable cost. The District Manager also shall:

- (1) Present to, and upon Board approval, implement a District strategic plan.
- (2) Plan, administer, operate and maintain facilities and equipment adequate to meet the needs of the District.
- (3) Serve as liaison between the Board and District employees.

- (4) If an emergency arises and there is insufficient time to notify the Board, the District Manager may take appropriate and reasonable action otherwise within the Board's jurisdiction. The District Manager shall report such action to the Board as soon as possible.
- (5) The District Manager shall hire, with the concurrence of the Board, other District employees as the District may require, each of whom shall perform such duties as the Board may determine from time-to-time. Officers shall serve at-will.
- (6) The District Manager may engage professional consultants to provide specialized service with the approval of the Board.
- (7) The District Manager may engage an engineer to assist in the planning and design of District facilities with the approval of the Board.

**Section 10. Other Officers.**

(a) In addition to the District Manager, the other officer of the District is the Chief Financial Officer ("CFO").

(b) Other officers and employees shall assist the District Manager in the implementation of policy.

(c) Directors may discuss District business with employees. The employees shall, if possible, supply information requested by Directors in writing, and shall inform the District Manager when information is supplied.

**Section 11. Officer Compensation.**

(a) Employees shall be paid amounts determined by the Board by resolution or minute order. Employees will be exempt and salaried..

(b) Full-time employees receive the same benefits as full-time, regular employees.

(c) Part-time employees, other than directors, receive compensation and benefits established by the Board.

(d) Except as provided herein, officers shall be reimbursed for reasonable and necessary expenses incurred on District business in the same manner as employees.

**Section 12. Employees.**

The District Manager shall serve as head of Human Resources. Directors are not encouraged to discuss District business with employees. If a Director inquires of an employee about District business, the employee shall respond to the Director and inform the District Manager

**Section 13. Legal Counsel.**

(a) An attorney shall be appointed by the Board to act as General Counsel. The Board may appoint special counsel. The Board will set the compensation of General Counsel and Special Counsel. General and Special Counsel serve at the pleasure of the Board.

(b) The General Counsel is directly accountable to the Board. General Counsel shall provide legal advice and services as requested by the Board, and shall work with the District Manager on the District's legal matters.

(c) General Counsel represents the District. General Counsel shall not represent individual directors, officers or employees, unless authorized in writing by the Board.

(d) General Counsel will recommend appointment of special counsel when conflicts arise or if necessary to deal with matters requiring specialized knowledge.

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### ARTICLE III. BOARD COMMITTEES

#### Section 1. General.

(a) Committees of the Board shall be standing or ad hoc. The committee members shall be appointed by the President at the January regular Board meeting and as otherwise needed. The President's action shall be final unless a majority of directors object. Two directors shall be appointed to each committee, one of whom shall be the committee chair, and both of whom shall be voting members. Any director not appointed to a committee may serve as an alternate to that committee. Regular meetings of committees shall be set at the same time at which committee members are appointed.

(b) All committees shall be advisory to the Board, except as otherwise expressly specified by the Board.

#### Section 2. Standing Committees.

(a) The standing committees of the Board are Planning and Finance.

(b) Each standing committee shall determine the time and place for its meetings; provided, each committee shall meet in January to evaluate its performance over the prior year, and whether its duties and responsibilities are appropriate or need to be revised.

c Standing committees will be chaired and vice chaired by a member of the Board of Directors. Other members will be appointed as necessary or appropriate for the business of the committee. Standing committees will have no less than three (3) members or no more than five (5) members.

#### Section 3. Planning Committee

(a) The committee members shall be two directors and the District Manager and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing Human Resources policies and procedures;
- (2) Reviewing and recommending employee compensation and benefits;
- (3) Quality control and performance improvement; and
- (4) Overseeing short and long term facility planning and maintenance

(b) A quorum on the committee consists of a majority of its members. The two directors and are entitled to vote on matters before the committee.

#### Section 4. Finance.

(a) In addition to the Board Treasurer and one other director, the members of the Finance Committee include the District Manager and CFO and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing fiscal and business policies and procedures;
- (2) Overseeing financial management and budgeting;
- (3) Recommending and overseeing fiscal controls;
- (4) Recommending and overseeing Investments;
- (5) Overseeing internal audits and ensuring an annual independent audit; and
- (6) Reviewing and presenting to the Board financial statements and reports.

(b) A quorum on the committee consists of a majority of its members. The two directors and District Manager are entitled to vote on matters before the committee.

**Section 5. Ad Hoc Committees.**

Ad hoc committees, including not more than two directors, may be established by the President, subject to approval of the Board, for defined tasks of a limited duration (for instance, not to exceed six months). An ad hoc committee shall only perform those duties assigned by the President, and upon their completion be discharged. The President, in consultation with the Board, shall determine the members of the committee.

**ARTICLE IV. MISCELLANEOUS**

**Section 1. Review of Bylaws.**

At least annually the Board shall review these Bylaws and the Policy Manual to ensure they comply with the District Law and all other applicable federal and state laws and regulations in keeping with the functions of the Board.

**Section 2. Amendment of Bylaws.**

These Bylaws may be amended by a majority of the Board at a duly noticed Board meeting, provided a full statement of each proposed amendment has been sent to each director along with the meeting agenda and packet.

**Section 3. Indemnification.**

(a) Civil proceedings. The District shall, to the full extent of the law, defend and indemnify each of its employees against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any civil claim arising out of the scope of his or her employment for the District. For purposes of this section, the term "employee" shall have the same meaning set for in Government Code section 810.2, or any successor statute thereof, and includes without limitation any person who was or is a director, officer, employee or servant of the District.

(b) Criminal and administrative proceedings. The District may but is not obligated to defend and indemnify its employees (as defined above). If an employee seeks defense and indemnification in any such proceeding he or she shall submit a written request to the Board, which shall conduct a review of the request in accordance with Government Code sections 995.6 and 995.8, or any successor statutes.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Mendocino Coast Healthcare District; and
2. That the foregoing Bylaws comprised of nine (9) pages constitute the Bylaws, as amended, of the District as duly adopted at a meeting of the Board of Directors thereof duly held on \_\_\_\_\_, 20 . .

IN WITNESS WHEREOF, I have hereunto subscribed my name on this \_\_\_day of \_\_\_\_\_, 20 . .

\_\_\_\_\_  
Secretary  
Mendocino Coast Healthcare District

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# MENDOCINO COAST DISTRICT HOSPITAL

DATE: May 20, 2020  
TO: BOARD OF DIRECTORS  
FROM: WILLIAM MILLER, MD  
CHIEF OF STAFF

## SUBJECT: MEDICAL EXECUTIVE COMMITTEE RECOMMENDATIONS

The Medical Executive Committee considered and approved the following medical staff privileges and appointments and recommends these to the Board of Directors for approval:

### Appointments to Medical Staff -Provisional Status

- Elizabeth Levine, MD- Department of Medicine-Internal Medicine NCFHC

### Re-Appointments to Medical Staff/Allied Health Professional Staff

- Phillip Conwell, CRNA- Department of Surgery-Anesthesiology
- John Kermen, DO- Department of Surgery-Anesthesiology
- Hong Luo, MD- Department of Surgery-Pathology
- Steve Mertens, MD- Department of Surgery-Pathology
- Tracy Riddle, CRNA- Department of Surgery-Anesthesiology
- Russell Perry, MD- Department of Medicine-Radiology
- Christopher Robshaw, MD- Department of Medicine-Pediatrics
- Evan Wythe, MD- MD-Department of Medicine-Emergency Medicine

### Temporary Privileges (As we await Board Meeting)

- Elizabeth Levine, MD- Department of Medicine-Internal Medicine NCFHC  
(May 1-May 28, 2020)

### Release From Proctoring/Advance to Active Status

- Veer Babu, MD- Department of Medicine-Emergency Medicine
- Leslie Brooks, PA- Department of Medicine-Family Practice NCFHC
- Akbar Khan, DO- Department of Surgery-Interventional Pain Medicine
- Patrick Lenaghan, MD- Department of Medicine-Emergency Medicine
- Joseph Martin, PA-C- Department of Surgery-Interventional Pain Medicine
- Nguyen Pham, MD- Department of Medicine- Hospitalist Service
- Ethan Ross, MD- Department of Medicine-Emergency Medicine
- Christina Tsao, MD- Department of Medicine- Hospitalist Service
- I-Wen Tseng, MD- Department of Medicine-Emergency Medicine

### Voluntary Relinquishing of Privileges/Resignations

- Lynette Chevalier-Paris, MD- Department of Medicine- Pediatrics
- John Delgado, MD- Department of Medicine- Immediate Care
- Mark Garfinkle, MD- Department of Medicine- Hospitalist Service
- Scott Fisher, MD- Department of Medicine- Pediatrics
- Victoria Mohr, MD- Department of Surgery-Obstetrics-Gynecology
- Leslie Wilkoff, MD- Department of Surgery-Obstetrics-Gynecology

Department of Medical Staff Services  
William Lee, CPCS, CPMSM~ Director  
700 River Drive • Fort Bragg, California 95437  
Phone: (707) 961-4740 • Fax: (707) 961-4786

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**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended April 30, 2020**

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MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA  
For the month ended April 30, 2020

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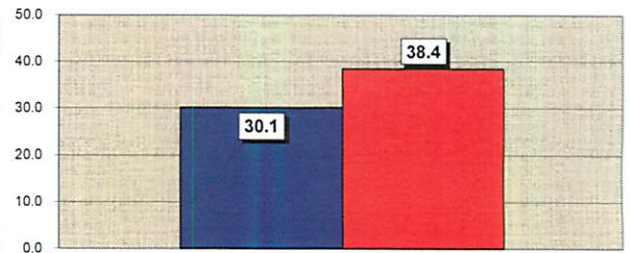
EXECUTIVE FINANCIAL SUMMARY

For the month ended April 30, 2020

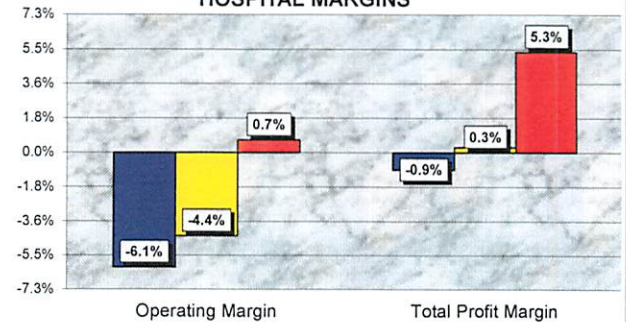
**BALANCE SHEET**

	4/30/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$12,857,246	\$14,710,373
Assets Whose Use is Limited	4,491,218	5,608,305
Property, Plant and Equipment (Net)	14,409,662	14,554,636
<b>Total Unrestricted Assets</b>	<b>31,758,125</b>	<b>34,873,313</b>
<b>Total Assets</b>	<b>\$31,758,125</b>	<b>\$34,873,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$9,331,825	\$11,157,552
Long-Term Debt	12,119,888	12,979,083
<b>Total Liabilities</b>	<b>21,451,713</b>	<b>24,136,635</b>
Net Assets	10,306,413	10,736,679
<b>Total Liabilities and Net Assets</b>	<b>\$31,758,125</b>	<b>\$34,873,313</b>

NET DAYS IN ACCOUNTS RECEIVABLE



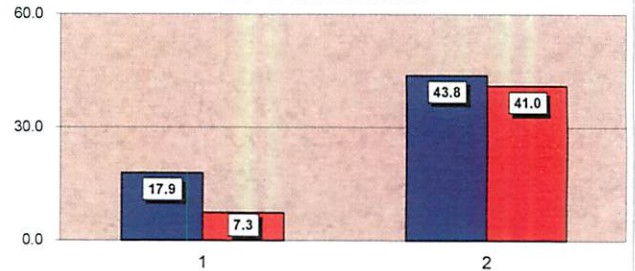
HOSPITAL MARGINS



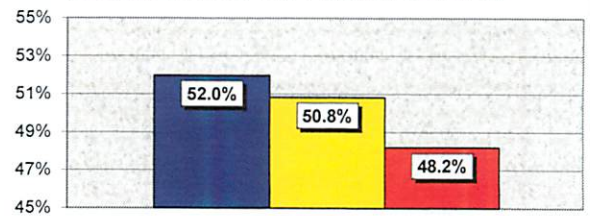
**STATEMENT OF REVENUE AND EXPENSES - YTD**

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$91,428,630	\$97,640,160
Deductions From Revenue	(47,731,896)	(53,248,530)
Net Patient Revenues	43,696,735	44,391,630
Other Operating Revenue	3,403,330	2,372,998
<b>Total Operating Revenues</b>	<b>47,100,064</b>	<b>46,764,628</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	28,506,481	28,037,213
Purchased Services & Physician Fees	9,166,528	7,698,276
Supply Expenses	7,318,042	8,003,244
Interest Expense	0	0
Depreciation Expense	1,075,155	1,246,046
Other Operating Expenses	3,911,470	3,843,225
<b>Total Expenses</b>	<b>49,977,673</b>	<b>48,828,004</b>
<b>NET OPERATING SURPLUS</b>	<b>(2,877,608)</b>	<b>(2,063,376)</b>
Non-Operating Revenue/(Expenses)	2,447,345	2,186,623
<b>TOTAL NET SURPLUS</b>	<b>(\$430,267)</b>	<b>\$123,247</b>

DAYS CASH ON HAND



SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



**BOND COVENANTS**

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	2.97
CURRENT RATIO	1.00	1.38
DAYS CASH ON HAND	30.0	43.8

MENDOCINO COAST HEALTHCARE DIST	4/30/2020
Budget	4/30/2020
Prior Fiscal Year End	6/30/2019



**Balance Sheet - Assets**

**MENDOCINO COAST HEALTHCARE DISTRICT**

**FORT BRAGG, CA**

**For the month ended April 30, 2020**

	<u>Current Month 4/30/2020</u>	<u>Prior Year End 6/30/2019</u>
<b>CURRENT ASSETS</b>		
CASH	\$ 2,894,314	\$ 1,145,996
PARCEL TAX REVENUE ACCT	\$ 710,208	872,982
PATIENT RECEIVABLES	\$ 14,189,839	18,226,405
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>\$ (10,506,257)</u>	<u>(12,555,953)</u>
NET PATIENT ACCOUNTS RECEIVABLES	3,683,581	5,670,452
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	2,548,139	4,570,009
OTHER RECEIVABLES	1,269,084	1,141,535
INVENTORIES	807,239	839,076
PREPAID EXPENSES	944,681	470,323
<b>TOTAL CURRENT ASSETS</b>	<u><b>\$ 12,857,246</b></u>	<u><b>\$ 14,710,373</b></u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
BOARD DESIGNATED FUNDS	\$ 3,449,371	4,376,979
PLAN FUND	\$ 13,774	13,774
SPECIFIC PURPOSE FUND	\$ -	0
BONDS	\$ 597,448	746,302
BOND COSTS	\$ 430,625	471,250
<b>TOTAL LIMITED USE ASSETS</b>	<u><b>\$ 4,491,218</b></u>	<u><b>\$ 5,608,305</b></u>
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	\$ 805,398	805,398
BUILDINGS & IMPROVEMENTS	\$ 24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	\$ 546,439	546,439
EQUIPMENT	\$ 21,089,604	20,430,219
CONSTRUCTION-IN-PROGRESS	<u>\$ 1,873,483</u>	<u>1,602,686</u>
GROSS PROPERTY, PLANT, & EQUIPMENT	\$ 49,036,878	\$ 48,106,696
LESS: ACCUMULATED DEPRECIATION	<u>(34,627,215)</u>	<u>(33,552,060)</u>
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<u><b>\$ 14,409,662</b></u>	<u><b>\$ 14,554,636</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 31,758,125</b></u>	<u><b>\$ 34,873,313</b></u>

**Balance Sheet - Liabilities and Net Assets****MENDOCINO COAST HEALTHCARE DISTRICT****PAGE 4****FORT BRAGG, CA****For the month ended April 30, 2020**

	<b>Current Month 4/30/2020</b>	<b>Prior Year End 6/30/2019</b>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 2,963,669	\$ 4,416,725
ACCRUED PAYROLL	\$ 627,072	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,079,979	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 73,945	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 2,018,876	\$ 1,868,522
OTHER CURRENT LIABILITIES	\$ 772,703	\$ 911,488
INTEREST PAYABLE	\$ 865,847	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 33,333	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 18,432	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 9,331,825</u></b>	<b><u>\$ 11,157,552</u></b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	\$ 8,897,278	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 787,892	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,119,888</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 21,451,713</u></b>	<b><u>\$ 24,136,635</u></b>
<b>FUND BALANCE</b>		
UNRESTRICTED FUND BALANCE	\$ 10,736,679	\$ 7,591,991
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ (430,266)	\$ 3,144,687
<b>TOTAL NET ASSETS</b>	<b><u>\$ 10,306,413</u></b>	<b><u>\$ 10,736,679</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 31,758,125</u></b>	<b><u>\$ 34,873,313</u></b>



Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended April 30, 2020

	CURRENT MONTH				Prior Year 04/30/19
	Actual 04/30/20	Budget 04/30/20	Positive (Negative) Variance	Percentage Variance	
GROSS PATIENT SERVICE REVENUES					
INPATIENT	\$ 1,221,581	\$ 1,783,013	\$ (561,432)	-31%	\$ 1,449,258
SWING BED	\$ 134,798	\$ 373,725	\$ (238,927)	-64%	\$ 740,806
OUTPATIENT	\$ 4,647,691	\$ 6,891,425	\$ (2,243,734)	-33%	\$ 7,489,072
NORTH COAST FAMILY HEALTH CENTER	\$ 121,295	\$ 436,572	\$ (315,277)	-72%	\$ 413,678
HOME HEALTH	\$ 95,732	\$ 119,200	\$ (23,468)	-20%	\$ 129,461
TOTAL PATIENT SERVICE REVENUES	\$ 6,221,097	\$ 9,603,935	\$ (3,382,838)	-35%	\$ 10,222,275
DEDUCTIONS FROM REVENUE					
CONTRACTUAL ALLOWANCES	\$ (5,402,710)	\$ (5,258,680)	\$ (144,030)	-3%	\$ (5,634,202)
POLICY DISCOUNTS	\$ (39,479)	\$ (8,328)	\$ (31,151)	-374%	\$ (9,735)
STATE PROGRAMS	\$ 111,816	\$ 157,138	\$ (45,322)	-29%	\$ 556,246
BAD DEBT	\$ -	\$ (102,516)	\$ 102,516	100%	\$ (147,787)
CHARITY	\$ (2,740)	\$ (28,186)	\$ 25,446	90%	\$ (36,612)
TOTAL DEDUCTIONS FROM REVENUES	\$ (5,333,113)	\$ (5,240,572)	\$ (92,541)	-2%	\$ (5,272,090)
NET PATIENT SERVICE REVENUES	\$ 887,984	\$ 4,363,363	\$ (3,475,379)	-80%	\$ 4,950,185
OTHER OPERATING REVENUES	\$ 1,607,881	\$ 256,618	\$ 1,351,263	527%	\$ 181,589
TOTAL OPERATING REVENUES	\$ 2,495,864	\$ 4,619,981	\$ (2,124,117)	-46%	\$ 5,131,774
OPERATING EXPENSES					
SALARIES & WAGES - STAFF	\$ 1,506,669	\$ 1,495,498	\$ (11,171)	-1%	\$ 1,556,058
EMPLOYEE BENEFITS	\$ 758,373	\$ 724,120	\$ (34,253)	-5%	\$ 728,459
PROFESSIONAL FEES - PHYSICIAN	\$ 645,242	\$ 521,673	\$ (123,569)	-24%	\$ 727,967
OTHER PROFESSIONAL FEES - REGISTRY	\$ 487,446	\$ 538,419	\$ 50,973	9%	\$ 580,617
OTHER PROFESSIONAL FEES - OTHER	\$ 104,165	\$ 122,463	\$ 18,298	15%	\$ 329,581
SUPPLIES - DRUGS	\$ 513,159	\$ 475,917	\$ (37,242)	-8%	\$ 424,393
SUPPLIES - MEDICAL	\$ 197,255	\$ 237,335	\$ 40,080	17%	\$ 251,183
SUPPLIES - OTHER	\$ 76,584	\$ 85,572	\$ 8,988	11%	\$ 99,137
PURCHASED SERVICES	\$ 126,866	\$ 114,014	\$ (12,852)	-11%	\$ 121,611
REPAIRS & MAINTENANCE	\$ 45,152	\$ 67,789	\$ 22,637	33%	\$ 51,088
UTILITIES	\$ 59,147	\$ 72,220	\$ 13,073	18%	\$ 68,408
INSURANCE	\$ 47,350	\$ 51,653	\$ 4,303	8%	\$ 37,864
DEPRECIATION & AMORTIZATION	\$ 99,255	\$ 123,633	\$ 24,378	20%	\$ 113,204
RENTAL/LEASE	\$ 88,393	\$ 53,357	\$ (35,036)	-66%	\$ 53,005
OTHER EXPENSE	\$ 164,898	\$ 121,845	\$ (43,053)	-35%	\$ 201,695
TOTAL OPERATING EXPENSES	\$ 4,919,955	\$ 4,805,508	\$ (114,444)	-2%	\$ 5,344,271
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (2,424,090)</b>	<b>\$ (185,527)</b>	<b>\$ (2,238,563)</b>	<b>-1207%</b>	<b>\$ (212,497)</b>
NON-OPERATING REVENUES (EXPENSES)					
OPERATING TAX REVENUES	\$ 70,000	\$ 64,574	\$ 5,426	8%	\$ 65,000
INVESTMENT INCOME	\$ 7,320	\$ 6,392	\$ 928	15%	\$ 4,000
DONATIONS	\$ 14,675	\$ 26,571	\$ (11,896)	-45%	\$ -
INTEREST EXPENSE (ALL)	\$ (38,049)	\$ (41,845)	\$ 3,796	-9%	\$ (41,841)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 209	\$ (209)	-100%	\$ -
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,094	\$ 18	2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 27,262	\$ 454	2%	\$ 27,716
PARCEL TAX REVENUES	\$ 132,481	\$ 130,820	\$ 1,661	1%	\$ 133,000
TOTAL NON OPERATING INCOME (LOSS)	\$ 215,255	\$ 215,077	\$ 178	0%	\$ 188,987
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ (2,208,835)</b>	<b>\$ 29,550</b>	<b>\$ (2,238,384)</b>	<b>-7575%</b>	<b>\$ (23,509)</b>
Operating Margin	-97.1%	-4.0%			-4.1%
Total Profit Margin	-88.5%	0.6%			-0.5%
EBIDA	-93.1%	-1.3%			-1.9%
Cash Flow Margin	-85.6%	2.7%			1.2%



Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended April 30, 2020

	YEAR-TO-DATE				Prior Year 04/30/19
	Actual 04/30/20	Budget 04/30/20	Positive (Negative) Variance	Percentage Variance	
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 15,861,155	\$ 18,127,304	\$ (2,266,149)	-13%	\$ 18,135,290
SWING BED	\$ 4,983,406	\$ 3,799,494	\$ 1,183,912	31%	\$ 3,799,815
OUTPATIENT	\$ 65,450,267	\$ 70,063,030	\$ (4,612,763)	-7%	\$ 70,054,695
NORTH COAST FAMILY HEALTH CENTER	\$ 3,969,864	\$ 4,438,484	\$ (468,620)	-11%	\$ 4,438,485
HOME HEALTH	\$ 1,163,939	\$ 1,211,848	\$ (47,909)	-4%	\$ 1,211,849
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 91,428,631</b>	<b>\$ 97,640,160</b>	<b>\$ (6,211,528)</b>	<b>-6%</b>	<b>\$ 97,640,132</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (49,684,594)	\$ (53,432,639)	\$ 3,748,045	7%	\$ (53,413,420)
POLICY DISCOUNTS	\$ (124,859)	\$ (84,661)	\$ (40,198)	-47%	\$ (84,662)
STATE PROGRAMS	\$ 3,160,020	\$ 1,597,576	\$ 1,562,444	98%	\$ 1,597,575
BAD DEBT	\$ (910,808)	\$ (1,042,247)	\$ 131,439	13%	\$ (1,042,247)
CHARITY	\$ (171,655)	\$ (286,559)	\$ 114,904	40%	\$ (286,559)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (47,731,896)</b>	<b>\$ (53,248,530)</b>	<b>\$ 5,516,634</b>	<b>10%</b>	<b>\$ (53,229,314)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 43,696,735</b>	<b>\$ 44,391,630</b>	<b>\$ (694,894)</b>	<b>-2%</b>	<b>\$ 44,410,818</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 3,403,330</b>	<b>\$ 2,372,998</b>	<b>\$ 1,030,332</b>	<b>43%</b>	<b>\$ 1,681,765</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 47,100,065</b>	<b>\$ 46,764,628</b>	<b>\$ 335,437</b>	<b>1%</b>	<b>\$ 46,092,584</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 15,263,948	\$ 15,207,766	\$ (56,182)	0%	\$ 15,391,929
EMPLOYEE BENEFITS	\$ 7,447,650	\$ 7,355,529	\$ (92,121)	-1%	\$ 7,380,941
PROFESSIONAL FEES - PHYSICIAN	\$ 6,344,134	\$ 5,304,163	\$ (1,039,971)	-20%	\$ 5,251,566
OTHER PROFESSIONAL FEES - REGISTRY	\$ 5,794,883	\$ 5,473,918	\$ (320,965)	-6%	\$ 5,262,954
OTHER PROFESSIONAL FEES - OTHER	\$ 1,552,737	\$ 1,240,923	\$ (311,814)	-25%	\$ 1,640,951
SUPPLIES - DRUGS	\$ 4,560,407	\$ 4,720,278	\$ 159,871	3%	\$ 4,343,325
SUPPLIES - MEDICAL	\$ 2,020,591	\$ 2,412,898	\$ 392,307	16%	\$ 2,410,955
SUPPLIES - OTHER	\$ 737,044	\$ 870,068	\$ 133,024	15%	\$ 832,940
PURCHASED SERVICES	\$ 1,269,657	\$ 1,153,190	\$ (116,467)	-10%	\$ 1,092,470
REPAIRS & MAINTENANCE	\$ 620,420	\$ 689,192	\$ 68,772	10%	\$ 682,366
UTILITIES	\$ 726,335	\$ 734,244	\$ 7,909	1%	\$ 726,976
INSURANCE	\$ 519,491	\$ 525,152	\$ 5,661	1%	\$ 456,651
DEPRECIATION & AMORTIZATION	\$ 1,075,154	\$ 1,246,046	\$ 170,892	14%	\$ 1,233,708
RENTAL/LEASE	\$ 642,825	\$ 542,465	\$ (100,360)	-19%	\$ 537,091
OTHER EXPENSE	\$ 1,402,399	\$ 1,352,172	\$ (50,227)	-4%	\$ 1,286,698
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 49,977,673</b>	<b>\$ 48,828,004</b>	<b>\$ (1,149,670)</b>	<b>-2%</b>	<b>\$ 48,531,521</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ (2,877,608)</b>	<b>\$ (2,063,376)</b>	<b>\$ (814,232)</b>	<b>39%</b>	<b>\$ (2,438,937)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 700,000	\$ 656,500	\$ 43,500	7%	\$ 650,000
INVESTMENT INCOME	\$ 72,895	\$ 64,981	\$ 7,914	12%	\$ 64,338
DONATIONS	\$ 459,340	\$ 270,141	\$ 189,199	70%	\$ 20,141
INTEREST EXPENSE (ALL)	\$ (395,545)	\$ (425,425)	\$ 29,880	-7%	\$ (425,424)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 2,142	\$ (2,142)	-100%	\$ 2,118
BOND EXPENSE (ALL)	\$ 11,123	\$ 11,124	\$ 1	0%	\$ 11,123
TAX SUBSIDIES FOR GO BONDS	\$ 277,160	\$ 277,160	\$ -	0%	\$ 277,160
PARCEL TAX REVENUES	\$ 1,322,368	\$ 1,330,000	\$ (7,632)	-1%	\$ 1,330,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 2,447,341</b>	<b>\$ 2,186,623</b>	<b>\$ 260,719</b>	<b>12%</b>	<b>\$ 1,929,456</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ (430,266)</b>	<b>\$ 123,247</b>	<b>\$ (553,513)</b>	<b>-449%</b>	<b>\$ (509,481)</b>
<b>Operating Margin</b>	<b>-6.1%</b>	<b>-4.4%</b>			<b>-5.3%</b>
<b>Total Profit Margin</b>	<b>-0.9%</b>	<b>0.3%</b>			<b>-1.1%</b>
<b>EBIDA</b>	<b>-3.8%</b>	<b>-1.7%</b>			<b>-2.6%</b>
<b>Cash Flow Margin</b>	<b>0.8%</b>	<b>2.3%</b>			<b>1.0%</b>

# Statement of Cash Flows

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**for the 10 months ended 4/30/20**

**PAGE 7**

	<u>4/30/2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income (Loss)	(\$430,266)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	1,075,154
(Increase)/Decrease in Net Patient Accounts Receivable	1,986,871
(Increase)/Decrease in Other Receivables	(127,549)
(Increase)/Decrease in Inventories	31,837
(Increase)/Decrease in Pre-Paid Expenses	(474,358)
(Increase)/Decrease in Third Party Receivables	2,021,870
Increase/(Decrease) in Accounts Payable	(1,453,056)
Increase/(Decrease) in Notes and Loans Payable	(96,118)
Increase/(Decrease) in Accrued Payroll and Benefits	(288,122)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	150,354
Increase/(Decrease) in Other Current Liabilities	(138,785)
<b>Net Cash Provided by Operating Activities:</b>	<u>2,257,832</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property, Plant and Equipment	(930,180)
(Increase)/Decrease in Limited Use Cash and Investments	927,608
(Increase)/Decrease in Other Limited Use Assets	189,479
<b>Net Cash Used by Investing Activities</b>	<u>186,907</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase/(Decrease) in Bond/Mortgage Debt	(913,346)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	54,151
<b>Net Cash Used for Financing Activities</b>	<u>(859,195)</u>
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	
<b>Net Increase/(Decrease) in Cash</b>	1,585,544
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u><u>\$3,604,523</u></u>

FORT BRAGG, CA

For the month ended April 30, 2020

Current Month				Year-To-Date				
Actual 04/30/20	Budget 04/30/20	Positive/ (Negative) Variance	Prior Year 04/30/19	STATISTICS	Actual 04/30/20	Budget 04/30/20	Positive/ (Negative) Variance	Prior Year 04/30/19
<b>Admissions</b>								
5	12	(58%)	7	Critical Care Services	107	119	(10%)	119
39	49	(20%)	48	General	423	491	(14%)	493
44	61	(28%)	55	Subtotal Medical & Surgical Admissions	530	610	(13%)	612
0	8	(100%)	12	OB	45	79	(43%)	84
44	69	(36%)	67	<b>Total Admissions</b>	575	689	(17%)	696
8	11	(27%)	11	Swing Bed	123	109	13%	112
0	8	(100%)	9	<b>Total Deliveries</b>	43	79	(46%)	75
<b>Inpatient Days</b>								
7	42	(83%)	26	Critical Care Services	295	417	(29%)	415
166	172	(3%)	169	General	1662	1721	(3%)	1779
173	214	(19%)	195	Subtotal Medical & Surgical Inpatient Days	1957	2138	(8%)	2194
0	18	(100%)	20	OB	111	178	(38%)	195
173	232	(25%)	215	<b>Total Inpatient Days</b>	2068	2316	(11%)	2389
41	99	(59%)	131	Swing Bed	1353	981	38%	1015
0	16	(100%)	18	<b>Total Newborn Days</b>	90	158	(43%)	166
<b>Average Length of Stay</b>								
1.4	3.5	(60%)	3.7	Critical Care Services	2.76	3.50	(21%)	3.49
4.3	3.5	21%	3.5	General	3.93	3.51	12%	3.61
3.9	3.5	12%	3.5	Subtotal Medical & Surgical	3.69	3.50	5%	3.58
0.0	2.3	(100%)	1.7	OB	2.47	2.25	9%	2.32
3.9	3.4	17%	3.2	<b>Total Inpatient (CAH)</b>	3.60	3.36	7%	3.43
5.1	9.0	(43%)	11.9	Swing Bed	11.00	9.00	22%	9.06
<b>Avg Daily Census - Hospital</b>								
0.2	1.4	(83%)	0.8	Critical Care Services (4 Beds)	1.0	1.4	(30%)	1.4
5.5	5.7	(3%)	5.5	General (8 Beds)	5.4	5.7	(4%)	5.9
5.8	7.1	(19%)	6.3	Subtotal Medical & Surgical (12 Beds)	6.4	7.1	(9%)	7.2
0.0	0.6	(100%)	0.6	OB (3 Beds)	0.4	0.6	(38%)	0.6
5.8	7.7	(25%)	6.9	Subtotal Acute (15 Beds)	6.8	7.6	(11%)	7.9
1.4	3.3	(59%)	4.2	Swing Care (10 Beds)	4.4	3.2	37%	3.3
7.1	11.0	(35%)	11.2	<b>Total Hospital (25 Beds Available)</b>	11.2	10.9	3%	11.2
<b>Emergency Department</b>								
425	777	(45%)	750	Outpatients Treated in ED - Emergent	7188	7842	(8%)	7,853
40	48	(17%)	37	Patients Admitted from ED	430	481	(11%)	481
465	825	(44%)	787	<b>Total Patients treated in ED</b>	7,618	8323	(8%)	8,334
<b>Ambulance Service</b>								
94	164	(43%)	140	911 - Transports	1384	1654	(16%)	1493
1	1	0%	0	Transfer - Transports	16	10	60%	9
95	165	(42%)	140	<b>Total Ambulance Transports</b>	1400	1664	(16%)	1502
<b>Surgery - Cases</b>								
11	18	(39%)	26	Inpatient Cases	119	177	(33%)	179
0	7	(100%)	14	Total Implant Cases	16	62	(74%)	60
16	201	(92%)	164	Outpatient Cases	1329	1931	(31%)	1857
27	226	(88%)	204	<b>Total Surgery Cases</b>	1464	2170	(33%)	2096
<b>North Coast Family Health Center</b>								
1,737	2,783	(38%)	2,581	Visits	23,213	26,688	(13%)	26,104
<b>Home Health</b>								
380	548	(31%)	507	Visits	4,785	5,255	(9%)	5,207
<b>Outpatient Encounters</b>								
2,665	5,391	(51%)	5,025	Encounters	42,435	51,705	(18%)	50,143

# Key Financial Ratios

## MENDOCINO COAST HEALTHCARE DISTRICT FORT BRAGG, CA

	Year to Date 4/30/2020	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	-6.1%	-4.3%	0.7%
Total Profit Margin	-0.9%	0.4%	5.3%
EBIDA	-3.8%	-1.7%	1.0%
Contractual Allowance % To Gross Charges	57.7%	58.2%	57.4%
Inpatient Gross Revenue Percentage (Hospital)	24.2%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	75.8%	76.2%	76.2%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	17.9		7.3
Days Cash, All Sources	43.8		41.0
Net Days in Accounts Receivable	30.1		38.4
Hospital Gross Days in AR	58.2		53.6
Cash Flow Margin	0.8%		7.0%
Days in Accounts Payable	36		49.0
Current Ratio	1.4		1.3
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	29.1		21.8
Capital Costs as a % of Total Exp.	1.9%		2.6%
Capital Spend as a % of Annual Depreciation	86.5%		102.0%
Long Term Debt to Net Position	54.0%		54.7%
Debt Service Coverage Ratio	2.97		2.98
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$169,149	\$177,583	\$183,185
Salary & Benefits Expense per Paid FTE	(\$110,348)	(\$112,151)	(\$108,875)
Salary & Benefits as a % of Total Expenses	45.4%	46.2%	46.6%
Salary and Benefits as a % of Net Pat Rev.	52.0%	50.8%	48.2%
Employee Benefits as a % of Salaries	48.8%	48.4%	47.4%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	239.7		241.1
FTE - NON-PRODUCTIVE	36.1		35.7
FTE - REGISTRY/CONTRACT	37.5		32.4
FTE - TOTAL PAID	313.2	300.0	309.2
Cost To Charge Ratio	54.7%	50.0%	49.5%
Medicare Revenue as a % of Total Revenue	63%	60%	61%
Medi-cal Revenue as a % of Total Revenue	20%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	11%	13%	13%
Other Ins Revenue as a % of Total Revenue	5%	5%	4%
Self-Pay Revenue as a % of Total Revenue	1%	2%	1%

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, JUNE 25, 2020**

**5:00 P.M. Closed Session**

**6:00 P.M. Open Session**

**Meeting via Teleconference**

**Dial In Number:**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, June 25, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**CLOSED SESSION:**

4. **INFORMATION/ACTION:** Conference with Legal Counsel- Existing Litigation pursuant to Government Code 54956.9(d)(1) UFCW v. MCDH
5. **INFORMATION/ACTION:** Pursuant to §32155 of the Health and Safety Code: May 2020 Quality Management and Improvement Council Reports
6. **INFORMATION/ACTION:** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code: Medical Staff Credentials and Privileges Review and Medical Staff Report



**REGULAR SESSION:**

**7. RECONVENTION OF OPEN SESSION: CALL TO ORDER-MS. JESSICA GRINBERG, PRESIDENT**

➤ Roll call

**8. REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

**9. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**10. APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

**11. ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Regular Session May 28, 2020

**TAB 1**

**NEW BUSINESS:**

**12. INFORMATION/ACTION:** Resolution (revised) approving reissuance of Tax-Exempt Revenue and General Obligation Bonds

**13. INFORMATION/ACTION:** IT Transition and MCDH Email system: Mr. Scott Mix

**14. INFORMATION/ACTION:** Post Affiliation Structure: Mr. Steve Lund

A. By Laws- Second Read

B. Employees

C. Office Space

**15. INFORMATION/ACTION:** Resignation of Mr. Steve Lund from the Mendocino Coast Health Care District Board of Directors

**REPORTS:**

**16. INFORMATION/ACTION:** Administration Update: Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spencer and Mr. Jason Wells

**17. INFORMATION/ACTION:** Medical Staff Report: William Miller M.D., Chief of Staff

**18. INFORMATION/ACTION:** Finance Committee Report- Mr. John Redding and Mr. Judson Howe

**TAB 2**

19. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

20. **ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President

21. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

22. **COMMENTS FROM BOARD OF DIRECTORS**

23. **ADJOURNMENT**

Dated: June 22, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on June 22, 2020

Karen Arnold  
Karen Arnold  
Secretary of the Board of Directors

6/22/20  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**BOARD OF DIRECTORS MEETING  
MEETING VIA TELECONFERENCE  
THURSDAY, MAY 28, 2020  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in OPEN session at 6:00 pm via teleconference. Jessica Grinberg, Chair presiding

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Grinberg, Ms. McColley

Absent: None

Ms. Judy, Leach, Hospital President

**CONDUCT OF BUSINESS**

**1. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 PM via teleconference, Ms. Jessica Grinberg, President presiding

**2. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

BOARD MEMBERS ABSENT: None

ALSO, PRESENT:

Judy Leach, Hospital President

Jason Wells, Adventist Health President

Wayne Allen, Former Interim CEO

**3. PUBLIC COMMENTS**

John Alison commented on the Finance Committee May 26, 2020 Agenda under New Business / Report by John Redding regarding a proposed micro-grid and felt it was outside the scope of the Finance Committee mission. He reported the supporting documents are referred to in Tab 3 but were not posted on the MCDH website. The micro-grid project is known as the Fort Bragg Critical Loads Micro-grid Project and is a project of Mr. Redding's corporation. He will email a copy of that corporations org. chart to Ms. Arnold, Board Secretary and ask that it be included in the minutes of this meeting. For the reason of conflict of interest Mr. Redding is requested to resign from the MCDH Board. A verbal public records request is made to MCDH for documents relating to the Micro-grid project that were included in Tab 3 to the Agenda of May 26, 2020 Finance Committee Meeting, and the proposal of UniGen Resources, Inc. submitted for the Fort Bragg Critical Loads Micro-grid project.

**4. REGULAR SESSION:**

**5. RECONVENTION OF OPEN SESSION: CALL TO ORDER – MS. JESSICA GRINBERG, PRESIDENT**

- **ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

6. **REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**  
There was no report regarding closed session.

7. **PUBLIC COMMENT**

8. **ACTION: REVIEW OF THE AGENDA: MS. JESSICA GRINBERG, PRESIDENT**

**MOTION:** To approve the Agenda as presented.

- Lund moved
- Arnold second
- Roll call
  - Ayes:
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

9. **ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**

A. Minutes Special Session April 28, 2020

B. Minutes: Regular Session April 30, 2020

**MOTION:** To approve the consent Calendar as presented.

- Lund moved
- McColley second
- Roll call
  - Ayes: Redding, McColley, Lund, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**NEW BUSINESS:**

10. **INFORMATION/ACTION: BOARD RESOLUTION NO. 2020-02: Resolution approving reissuance of Tax-Exempt Revenue and General Obligation Bonds: Mr. Craig Cannizzo, Attorney with Hooper Lundy and Bookman**

**Board President, Jessica Grinberg opened the public hearing at 6:13 PM**

Mr. Craig Cannizzo spoke to this agenda item about the need for the public hearing as required by IRS Section 147(f) (under TEFRA) for the reissuance of three bonds.

**Public Comment:** Jacob Patterson recommends approving the resolution as presented

**Board President, Jessica Grinberg closed the public hearing at 6:14 PM**

**MOTION:** To approve the Resolution 2020-20 Approving Reissuance of tax-Exempt Revenue and General Obligations Bonds be approved as presented.

- Lund moved
- Redding second
- Roll call
  - Ayes: Grinberg, McColley, Redding, Lund, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**11. INFORMATION/ACTION: Financial Adviser Consulting Agreement with Mr. Wayne Allen**

Wayne Allen proposed to offer financial adviser services of up to six months at \$3,000.00 per month. Board discussion about Mr. Allen's involvement in affiliation before and after the management agreement took effect, additional work ahead and need for Mr. Allen's continued expertise.

Public Comment: None

**MOTION:** To approve Financial Advisor Consulting Agreement between Mr. Allen and the Health Care District

- Steve Lund moved
- Amy McColley second
- Roll call
  - Ayes: Lund, Grinberg, Redding, McColley, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**12. INFORMATION/ACTION: Appointment of Jean Ra as Antibiotic Stewardship Lead: William Miller, MD**

Dr. Miller reports the appointment was a requirement by CMS and recommends approving the appointment.

**MOTION:** To appoint and approve Jean Ra as the Antibiotic Steward Lead as presented.

- Lund moved
- Arnold second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**13. INFORMATION/ACTION: Review of Capital Improvements regarding regulatory compliance and deferred maintenance: Judy Leach and Jason Wells**

Jason provided an update on the virtual hospital, preparation for COVID -19 surge, census and announcement of Judy Leach joining the coast team. Judy Leach expressed appreciation for her new role and joy in the community and staff. She reported meeting with managers and listening sessions within the community.

Jason reported on three open OSHPD projects and is asking to approve 1.8 million. The projects include OR HVAC \$373,658; automatic transfer switch \$436,726; and water heater \$5,589 - with contingencies for overruns, the cost is just under 1 million that would be finished inside of 90 days. In addition, Jason reported regulatory deferred maintenance costs estimated at \$235,000 for tests and inspections (HVAC, Electrical, Med Air/Vacuum Systems, Generator, Boiler, Fire Suppression, Staff Fire Training, Hazardous Waste, Life Safety Drawings). An added 12 million has been found in deferred maintenance and facility refresh – a detailed report will follow to prioritize spending. Opportunities include ER (Emergency Room) Floor, Antennae Removal, Med Surg Refresh, Surgery / OR refresh, HVAC replacement, Roof Repair, and window replacement.

Jason reported capital equipment needs are 1.1 million. The most critical is a Glidescope that is needed for surgery, which also is part of being COVID compliant. Jason asked for support for completing the open projects for \$948, authorizing the regulatory investigation work \$235 and \$12,000 Glidescope.

Discussion followed on financing, survey readiness priorities, timeline for payment of the repairs/refresh, and total sum of the specific ask (\$ 1,195,719.00). Further discussion about the \$57,000 in HELP loan, capital equipment needs and supplying a detailed spreadsheet for future discussion.

**MOTION:** To cap out at \$2,000,000 to complete the two open OSHPD projects, that involve the ATS switch system, the HVAC system and improvements to our facilities that include but are not limited to the water heater, and supplies associated in the surgical procedure area.

- Grinberg moved
- Steve second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**14. INFORMATION/ACTION: Post Affiliation Structure: Mr. Steve Lund**

- A. By Laws – First Read
- B. Employees
- C. Office Space

**DISCUSSION:** Mr. Lund reported on the by-laws, proposed frequency of meetings and process for providing input into the by-laws. Discussion followed for tracked changes for a second read of the by-laws. Mr. Lund spoke to the number of employees the district may need and thanked the Foundation for providing office and storage space.

**REPORTS:**

15. **INFORMATION/ACTION: Administration Up Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spence and Mr. Jason Wells**

Mr. Wells welcomed Judy to her new position as hospital president and reported she is entering her 4<sup>th</sup> week on the job. Mr. Wells spoke about the virtual hospital, increased census on the coast (about 30%), and that both Howard and Ukiah are full. Ms. Leach commented on the remarkable work that has occurred in the last 30 days and gives credit to Dr. Miller and the incredible MCDH team. She reports meeting daily with managers and looking forward to meeting all employees. Under Dr. Miller's leadership, MCDH passed the CDPH survey with zero deficiencies in the process of dealing with COVID patients. Ms. Leach is focused on celebrating quality, sustainability, growing volumes, and new branding to ensure that the patient is at the center of every decision that is made. Mr. Wells and Ms. Leach discuss a marketing campaign aimed at getting the word out to the community that the MCDH ED is open for business. A discussion followed about budgeting priorities of marketing and OSHPOD repairs, an outline detailing the elements of the marketing campaign, and measuring effectiveness of marketing.

**PUBLIC COMMENT:** None

**MOTION:** To split the cost of the campaign up to \$50,000.00 with the provision to include an outline of the details of the campaign.

- Arnold moved
- Lund second
- Roll call
  - Ayes: Lund, Redding, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: McColley
- Motion carried

16. **INFORMATION/ACTION: Medical staff Report: William Miller M.D., Chief of Staff**

Dr. Miller expressed his pleasure with the transition to the management agreement and staffs' heightened enthusiasm and moral. He reported the success of the COVID readiness survey, and efforts to expand testing. MCDH is working diligently to resume elective surgeries.

Dr. Miller updates the Board with a privileging report for the appointment of Dr. Lavine, primary care provided and recommends approval.

**MOTION:** To approve the full slate of appointments. As submitted to the Board by the Executive Medical Committee.

- Lund moved
- Arnold second
- Roll call
  - Ayes: McColley, Redding, Lund, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

17. **INFORMATION/ACTION: Finance Committee Report – John Redding and Mr. Judson Howe**  
Mr. Redding reported on the unaudited financial report, and Mr. Howe indicated volumes were off. Mr. Redding shared the first look at the budget post affiliation and reported on assumptions, the new role as property manager, frequency of meetings, estimated annual budget of \$400,000, and anticipated staffing needs of a part time administrative assistant, bookkeeper, and financial manager.

**MOTION:** To accept Financial Report for April

- McColley moved
- Lund second
- Roll call
  - Ayes: Lund, Grinberg, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

18. **FUTURE AGENDA ITEMS: Ms. Jessica Grinberg, President**

1. By Laws
2. Annual expenses

19. **ASSOCIATION AND COMMUNITY SERVICE REPORTS: Ms. Jessica Grinberg, President**

No report

20. **PUBLIC COMMENTS**

Ms. Michelle Roberts, Executive Director, Mendocino Coast Health Care Foundation thanked the Health Care District for continued use of the AJ Gray building and expressed appreciation to Mr. Lund and Mr. Redding for initiating a discussion about supporting the district moving forward. She welcomed Advantest and is looking forward to getting to know the entire AH Team.

21. **COMMENTS FROM THE BOARD**

Mr. Redding provided an update to mitigate PSPS shutdowns and discussed micro-grids, and the installation of generators in key locations around Fort Bragg, including the hospital. He remarked that neither he nor his wife will receive any payment from the project.

Ms. McColley commented on celebrating the new norm and thanked everyone for keeping us safe.

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**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended May 31, 2020**



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**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended May 31, 2020**

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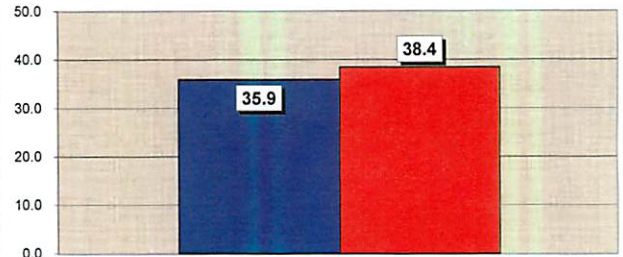
EXECUTIVE FINANCIAL SUMMARY

For the month ended May 31, 2020

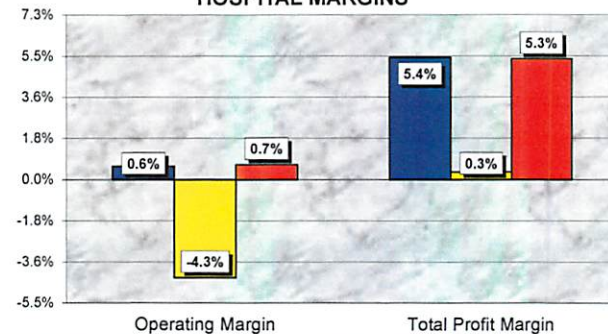
**BALANCE SHEET**

	5/31/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$17,204,986	\$14,710,373
Assets Whose Use is Limited	4,539,447	5,608,305
Property, Plant and Equipment (Net)	14,305,963	14,554,636
<b>Total Unrestricted Assets</b>	<b>36,050,396</b>	<b>34,873,313</b>
<b>Total Assets</b>	<b>\$36,050,396</b>	<b>\$34,873,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$10,152,723	\$11,157,552
Long-Term Debt	12,190,894	12,979,083
<b>Total Liabilities</b>	<b>22,343,617</b>	<b>24,136,635</b>
Net Assets	13,706,779	10,736,679
<b>Total Liabilities and Net Assets</b>	<b>\$36,050,396</b>	<b>\$34,873,313</b>

**NET DAYS IN ACCOUNTS RECEIVABLE**



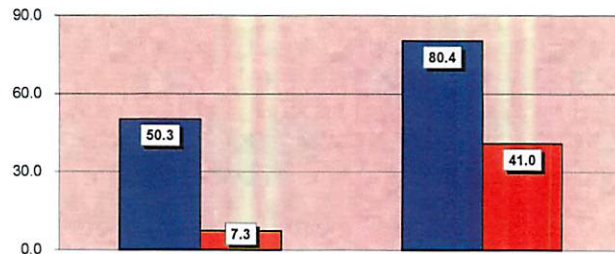
**HOSPITAL MARGINS**



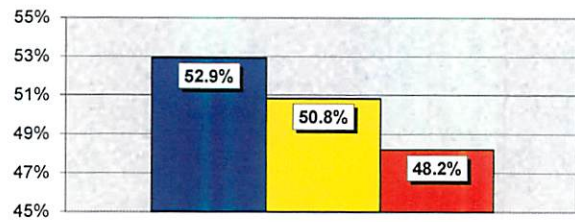
**STATEMENT OF REVENUE AND EXPENSES - YTD**

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$98,466,850	\$107,564,223
Deductions From Revenue	(51,398,777)	(58,652,612)
Net Patient Revenues	47,068,074	48,911,611
Other Operating Revenue	7,907,071	2,636,501
<b>Total Operating Revenues</b>	<b>54,975,144</b>	<b>51,548,112</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	31,152,601	30,887,194
Purchased Services & Physician Fees	10,071,410	8,481,096
Supply Expenses	7,929,962	8,827,860
Interest Expense	0	0
Depreciation Expense	1,178,854	1,371,622
Other Operating Expenses	4,319,505	4,221,002
<b>Total Expenses</b>	<b>54,652,329</b>	<b>53,788,774</b>
<b>NET OPERATING SURPLUS</b>	<b>322,817</b>	<b>(2,240,662)</b>
Non-Operating Revenue/(Expenses)	2,647,287	2,408,868
<b>TOTAL NET SURPLUS</b>	<b>\$2,970,099</b>	<b>\$168,206</b>

**DAYS CASH ON HAND**



**SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE**



**BOND COVENANTS**

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	4.93
CURRENT RATIO	1.00	1.69
DAYS CASH ON HAND	30.0	80.4

■ MENDOCINO COAST HEALTHCARE DISTF	5/31/2020
■ Budget	5/31/2020
■ Prior Fiscal Year End	6/30/2019



Balance Sheet - Assets

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended May 31, 2020**

	<u>Current Month 5/31/2020</u>	<u>Prior Year End 6/30/2019</u>
<b>CURRENT ASSETS</b>		
CASH	\$ 8,009,041	\$ 1,145,996
PARCEL TAX REVENUE ACCT	\$ 1,322,934	872,982
PATIENT RECEIVABLES	\$ 14,037,512	18,226,405
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	<u>\$ (10,558,147)</u>	<u>(12,555,953)</u>
NET PATIENT ACCOUNTS RECEIVABLES	3,479,364	5,670,452
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	2,677,223	4,570,009
OTHER RECEIVABLES	466,360	1,141,535
INVENTORIES	800,859	839,076
PREPAID EXPENSES	449,203	470,323
<b>TOTAL CURRENT ASSETS</b>	<u><b>\$ 17,204,986</b></u>	<u><b>\$ 14,710,373</b></u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
BOARD DESIGNATED FUNDS	\$ 3,454,371	4,376,979
PLAN FUND	\$ 13,774	13,774
SPECIFIC PURPOSE FUND	\$ -	0
BONDS	\$ 644,739	746,302
BOND COSTS	\$ 426,563	471,250
<b>TOTAL LIMITED USE ASSETS</b>	<u><b>\$ 4,539,447</b></u>	<u><b>\$ 5,608,305</b></u>
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	\$ 805,398	805,398
BUILDINGS & IMPROVEMENTS	\$ 24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	\$ 546,439	546,439
EQUIPMENT	\$ 21,089,604	20,430,219
CONSTRUCTION-IN-PROGRESS	<u>\$ 1,873,483</u>	<u>1,602,686</u>
GROSS PROPERTY, PLANT, & EQUIPMENT	\$ 49,036,877	\$ 48,106,696
LESS: ACCUMULATED DEPRECIATION	<u>(34,730,914)</u>	<u>(33,552,060)</u>
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<u><b>\$ 14,305,963</b></u>	<u><b>\$ 14,554,636</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 36,050,396</b></u>	<u><b>\$ 34,873,313</b></u>

**Balance Sheet - Liabilities and Net Assets****MENDOCINO COAST HEALTHCARE DISTRICT****PAGE 4****FORT BRAGG, CA****For the month ended May 31, 2020**

	<b>Current Month 5/31/2020</b>	<b>Prior Year End 6/30/2019</b>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 3,670,422	\$ 4,416,725
ACCRUED PAYROLL	\$ 776,244	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,080,188	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 56,685	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 2,018,876	\$ 1,868,522
OTHER CURRENT LIABILITIES	\$ 777,437	\$ 911,488
INTEREST PAYABLE	\$ 871,510	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 16,667	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 6,726	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 10,152,723</u></b>	<b><u>\$ 11,157,552</u></b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	\$ 8,881,278	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 874,899	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,190,894</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,343,617</u></b>	<b><u>\$ 24,136,635</u></b>
<b>FUND BALANCE</b>		
UNRESTRICTED FUND BALANCE	\$ 10,736,679	\$ 7,591,991
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	\$ 2,970,100	\$ 3,144,687
<b>TOTAL NET ASSETS</b>	<b><u>\$ 13,706,779</u></b>	<b><u>\$ 10,736,679</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 36,050,396</u></b>	<b><u>\$ 34,873,313</u></b>



Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended May 31, 2020

	CURRENT MONTH				Prior Year 05/31/19
	Actual 05/31/20	Budget 05/31/20	Positive (Negative) Variance	Percentage Variance	
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,191,635	\$ 1,842,443	\$ (650,808)	-35%	\$ 1,296,892
SWING BED	\$ 491,462	\$ 386,177	\$ 105,285	27%	\$ 608,924
OUTPATIENT	\$ 5,091,132	\$ 7,121,146	\$ (2,030,014)	-29%	\$ 7,648,177
NORTH COAST FAMILY HEALTH CENTER	\$ 170,505	\$ 451,124	\$ (280,619)	-62%	\$ 355,621
HOME HEALTH	\$ 93,485	\$ 123,173	\$ (29,688)	-24%	\$ 119,334
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 7,038,219</b>	<b>\$ 9,924,063</b>	<b>\$ (2,885,844)</b>	<b>-29%</b>	<b>\$ 10,028,946</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (3,855,278)	\$ (5,422,794)	\$ 1,567,516	29%	\$ (5,810,269)
POLICY DISCOUNTS	\$ (2,990)	\$ (8,605)	\$ 5,615	65%	\$ (41,405)
STATE PROGRAMS	\$ 208,282	\$ 162,376	\$ 45,906	28%	\$ 552,945
BAD DEBT	\$ (1,639)	\$ (105,933)	\$ 104,294	98%	\$ (254,225)
CHARITY	\$ (15,257)	\$ (29,126)	\$ 13,869	48%	\$ (33,772)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (3,666,881)</b>	<b>\$ (5,404,082)</b>	<b>\$ 1,737,201</b>	<b>32%</b>	<b>\$ (5,586,726)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 3,371,338</b>	<b>\$ 4,519,981</b>	<b>\$ (1,148,643)</b>	<b>-25%</b>	<b>\$ 4,442,220</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 4,503,742</b>	<b>\$ 263,503</b>	<b>\$ 4,240,239</b>	<b>1609%</b>	<b>\$ 235,212</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 7,875,080</b>	<b>\$ 4,783,484</b>	<b>\$ 3,091,596</b>	<b>65%</b>	<b>\$ 4,677,432</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,485,203	\$ 1,545,353	\$ 60,150	4%	\$ 1,472,457
EMPLOYEE BENEFITS	\$ 712,787	\$ 748,263	\$ 35,476	5%	\$ 742,661
PROFESSIONAL FEES - PHYSICIAN	\$ 552,915	\$ 539,061	\$ (13,854)	-3%	\$ 485,547
OTHER PROFESSIONAL FEES - REGISTRY	\$ 448,130	\$ 556,365	\$ 108,235	19%	\$ 605,856
OTHER PROFESSIONAL FEES - OTHER	\$ 201,244	\$ 126,046	\$ (75,198)	-60%	\$ 336,996
SUPPLIES - DRUGS	\$ 423,704	\$ 490,941	\$ 67,237	14%	\$ 500,098
SUPPLIES - MEDICAL	\$ 140,255	\$ 245,246	\$ 104,991	43%	\$ 169,002
SUPPLIES - OTHER	\$ 47,961	\$ 88,429	\$ 40,468	46%	\$ 85,876
PURCHASED SERVICES	\$ 150,723	\$ 117,713	\$ (33,010)	-28%	\$ 113,222
REPAIRS & MAINTENANCE	\$ 62,099	\$ 70,047	\$ 7,948	11%	\$ 56,884
UTILITIES	\$ 72,040	\$ 74,630	\$ 2,590	3%	\$ 80,245
INSURANCE	\$ 44,873	\$ 53,376	\$ 8,503	16%	\$ 36,013
DEPRECIATION & AMORTIZATION	\$ 103,699	\$ 125,576	\$ 21,877	17%	\$ 135,663
RENTAL/LEASE	\$ 87,105	\$ 55,135	\$ (31,970)	-58%	\$ 56,991
OTHER EXPENSE	\$ 141,918	\$ 124,589	\$ (17,329)	-14%	\$ 141,698
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,674,657</b>	<b>\$ 4,960,770</b>	<b>\$ 286,114</b>	<b>6%</b>	<b>\$ 5,019,207</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 3,200,424</b>	<b>\$ (177,286)</b>	<b>\$ 3,377,710</b>	<b>1905%</b>	<b>\$ (341,775)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 66,726	\$ 3,274	5%	\$ 65,000
INVESTMENT INCOME	\$ 5,000	\$ 6,605	\$ (1,605)	-24%	\$ 18,572
DONATIONS	\$ -	\$ 27,457	\$ (27,457)	-100%	\$ 37,547
INTEREST EXPENSE (ALL)	\$ (36,887)	\$ (43,240)	\$ 6,353	-15%	\$ (41,464)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 216	\$ (216)	-100%	\$ (34,262)
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,131	\$ (19)	-2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 28,170	\$ (454)	-2%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 135,180	\$ (2,180)	-2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 199,941</b>	<b>\$ 222,245</b>	<b>\$ (22,304)</b>	<b>-10%</b>	<b>\$ 207,221</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 3,400,366</b>	<b>\$ 44,959</b>	<b>\$ 3,355,407</b>	<b>7463%</b>	<b>\$ (134,554)</b>
<b>Operating Margin</b>	<b>40.6%</b>	<b>-3.7%</b>			<b>-7.3%</b>
<b>Total Profit Margin</b>	<b>43.2%</b>	<b>0.9%</b>			<b>-2.9%</b>
<b>EBIDA</b>	<b>42.0%</b>	<b>-1.1%</b>			<b>-4.4%</b>
<b>Cash Flow Margin</b>	<b>44.1%</b>	<b>3.0%</b>			<b>-0.6%</b>

Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended May 31, 2020

	YEAR-TO-DATE				
	Actual 05/31/20	Budget 05/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 05/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 17,052,790	\$ 19,969,747	\$ (2,916,957)	-15%	\$ 19,432,182
SWING BED	\$ 5,474,868	\$ 4,185,671	\$ 1,289,197	31%	\$ 4,408,739
OUTPATIENT	\$ 70,541,399	\$ 77,184,176	\$ (6,642,777)	-9%	\$ 77,702,872
NORTH COAST FAMILY HEALTH CENTER	\$ 4,140,369	\$ 4,889,608	\$ (749,239)	-15%	\$ 4,794,106
HOME HEALTH	\$ 1,257,424	\$ 1,335,021	\$ (77,597)	-6%	\$ 1,331,183
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 98,466,851</b>	<b>\$ 107,564,223</b>	<b>\$ (9,097,372)</b>	<b>-8%</b>	<b>\$ 107,669,080</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (53,539,872)	\$ (58,855,433)	\$ 5,315,561	9%	\$ (59,223,689)
POLICY DISCOUNTS	\$ (127,849)	\$ (93,266)	\$ (34,583)	-37%	\$ (126,067)
STATE PROGRAMS	\$ 3,368,302	\$ 1,759,952	\$ 1,608,350	91%	\$ 2,150,520
BAD DEBT	\$ (912,447)	\$ (1,148,180)	\$ 235,733	21%	\$ (1,296,472)
CHARITY	\$ (186,912)	\$ (315,685)	\$ 128,773	41%	\$ (320,331)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (51,398,777)</b>	<b>\$ (58,652,612)</b>	<b>\$ 7,253,834</b>	<b>12%</b>	<b>\$ (58,816,040)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 47,068,074</b>	<b>\$ 48,911,611</b>	<b>\$ (1,843,538)</b>	<b>-4%</b>	<b>\$ 48,853,040</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 7,907,071</b>	<b>\$ 2,636,501</b>	<b>\$ 5,270,570</b>	<b>200%</b>	<b>\$ 1,916,977</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 54,975,145</b>	<b>\$ 51,548,112</b>	<b>\$ 3,427,033</b>	<b>7%</b>	<b>\$ 50,770,018</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 16,749,151	\$ 16,753,119	\$ 3,968	0%	\$ 16,864,386
EMPLOYEE BENEFITS	\$ 8,160,437	\$ 8,103,792	\$ (56,645)	-1%	\$ 8,123,602
PROFESSIONAL FEES - PHYSICIAN	\$ 6,897,049	\$ 5,843,224	\$ (1,053,825)	-18%	\$ 5,737,113
OTHER PROFESSIONAL FEES - REGISTRY	\$ 6,243,013	\$ 6,030,283	\$ (212,730)	-4%	\$ 5,868,810
OTHER PROFESSIONAL FEES - OTHER	\$ 1,753,981	\$ 1,366,969	\$ (387,012)	-28%	\$ 1,977,947
SUPPLIES - DRUGS	\$ 4,984,111	\$ 5,211,219	\$ 227,108	4%	\$ 4,843,423
SUPPLIES - MEDICAL	\$ 2,160,846	\$ 2,658,144	\$ 497,298	19%	\$ 2,579,957
SUPPLIES - OTHER	\$ 785,005	\$ 958,497	\$ 173,492	18%	\$ 918,816
PURCHASED SERVICES	\$ 1,420,380	\$ 1,270,903	\$ (149,477)	-12%	\$ 1,205,692
REPAIRS & MAINTENANCE	\$ 682,519	\$ 759,239	\$ 76,720	10%	\$ 739,250
UTILITIES	\$ 798,375	\$ 808,874	\$ 10,499	1%	\$ 807,221
INSURANCE	\$ 564,364	\$ 578,528	\$ 14,164	2%	\$ 492,664
DEPRECIATION & AMORTIZATION	\$ 1,178,853	\$ 1,371,622	\$ 192,769	14%	\$ 1,369,371
RENTAL/LEASE	\$ 729,930	\$ 597,600	\$ (132,330)	-22%	\$ 594,082
OTHER EXPENSE	\$ 1,544,317	\$ 1,476,761	\$ (67,556)	-5%	\$ 1,428,396
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 54,652,329</b>	<b>\$ 53,788,774</b>	<b>\$ (863,556)</b>	<b>-2%</b>	<b>\$ 53,550,730</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 322,817</b>	<b>\$ (2,240,662)</b>	<b>\$ 2,563,479</b>	<b>-114%</b>	<b>\$ (2,780,712)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 770,000	\$ 723,226	\$ 46,774	6%	\$ 715,000
INVESTMENT INCOME	\$ 77,895	\$ 71,586	\$ 6,309	9%	\$ 82,910
DONATIONS	\$ 459,340	\$ 297,598	\$ 161,742	54%	\$ 57,688
INTEREST EXPENSE (ALL)	\$ (432,432)	\$ (468,665)	\$ 36,233	-8%	\$ (466,888)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 2,358	\$ (2,358)	-100%	\$ (32,144)
BOND EXPENSE (ALL)	\$ 12,236	\$ 12,255	\$ 19	0%	\$ 12,235
TAX SUBSIDIES FOR GO BONDS	\$ 304,876	\$ 305,330	\$ (454)	0%	\$ 304,876
PARCEL TAX REVENUES	\$ 1,455,368	\$ 1,465,180	\$ (9,812)	-1%	\$ 1,463,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 2,647,283</b>	<b>\$ 2,408,868</b>	<b>\$ 238,415</b>	<b>10%</b>	<b>\$ 2,136,677</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 2,970,100</b>	<b>\$ 168,206</b>	<b>\$ 2,801,931</b>	<b>1666%</b>	<b>\$ (644,035)</b>
<b>Operating Margin</b>	<b>0.6%</b>	<b>-4.3%</b>			<b>-5.5%</b>
<b>Total Profit Margin</b>	<b>5.4%</b>	<b>0.3%</b>			<b>-1.3%</b>
<b>EBIDA</b>	<b>2.7%</b>	<b>-1.7%</b>			<b>-2.8%</b>
<b>Cash Flow Margin</b>	<b>7.0%</b>	<b>2.4%</b>			<b>0.8%</b>



## Statement of Cash Flows

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**for the 11 months ended 5/31/20**

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	<u>5/31/2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income (Loss)	\$2,970,100
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	1,178,853
(Increase)/Decrease in Net Patient Accounts Receivable	2,191,088
(Increase)/Decrease in Other Receivables	675,175
(Increase)/Decrease in Inventories	38,217
(Increase)/Decrease in Pre-Paid Expenses	21,120
(Increase)/Decrease in Third Party Receivables	1,892,786
Increase/(Decrease) in Accounts Payable	(746,303)
Increase/(Decrease) in Notes and Loans Payable	(118,827)
Increase/(Decrease) in Accrued Payroll and Benefits	(156,001)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	150,354
Increase/(Decrease) in Other Current Liabilities	(134,051)
<b>Net Cash Provided by Operating Activities:</b>	<u>7,962,511</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property, Plant and Equipment	(930,179)
(Increase)/Decrease in Limited Use Cash and Investments	922,608
(Increase)/Decrease in Other Limited Use Assets	146,250
<b>Net Cash Used by Investing Activities</b>	<u>138,679</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase/(Decrease) in Bond/Mortgage Debt	(929,346)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	141,158
<b>Net Cash Used for Financing Activities</b>	<u>(788,188)</u>
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	
<b>Net Increase/(Decrease) in Cash</b>	7,313,002
Cash, Beginning of Period	<u>2,018,978</u>
<b>Cash, End of Period</b>	<u><u>\$9,331,981</u></u>

Current Month				Year-To-Date				
Actual 05/31/20	Budget 05/31/20	Positive/ (Negative) Variance	Prior Year 05/31/19	STATISTICS	Actual 05/31/20	Budget 05/31/20	Positive/ (Negative) Variance	Prior Year 05/31/19
				<b>Admissions</b>				
5	12	(58%)	16	Critical Care Services	112	131	(15%)	135
49	50	(2%)	50	General	472	541	(13%)	543
54	62	(13%)	66	Subtotal Medical & Surgical Admissions	584	672	(13%)	678
0	8	(100%)	4	OB	45	87	(48%)	88
<b>54</b>	<b>70</b>	<b>(23%)</b>	<b>70</b>	<b>Total Admissions</b>	<b>629</b>	<b>759</b>	<b>(17%)</b>	<b>766</b>
15	11	36%	8	Swing Bed	138	120	15%	120
0	8	(100%)	5	Total Deliveries	43	87	(51%)	80
				<b>Inpatient Days</b>				
18	42	(57%)	52	Critical Care Services	313	459	(32%)	467
166	175	(5%)	167	General	1828	1896	(4%)	1946
184	217	(15%)	219	Subtotal Medical & Surgical Inpatient Days	2141	2355	(9%)	2413
0	18	(100%)	10	OB	111	196	(43%)	205
<b>184</b>	<b>235</b>	<b>(22%)</b>	<b>229</b>	<b>Total Inpatient Days</b>	<b>2252</b>	<b>2551</b>	<b>(12%)</b>	<b>2618</b>
143	99	44%	93	Swing Bed	1496	1080	39%	1108
0	16	(100%)	10	Total Newborn Days	90	174	(48%)	176
				<b>Average Length of Stay</b>				
3.6	3.5	3%	3.3	Critical Care Services	2.79	3.50	(20%)	3.46
3.4	3.5	(3%)	3.3	General	3.87	3.50	11%	3.58
3.4	3.5	(3%)	3.3	Subtotal Medical & Surgical	3.67	3.50	5%	3.56
0.0	2.3	(100%)	2.5	OB	2.47	2.25	9%	2.33
<b>3.4</b>	<b>3.4</b>	<b>1%</b>	<b>3.3</b>	<b>Total Inpatient (CAH)</b>	<b>3.58</b>	<b>3.36</b>	<b>7%</b>	<b>3.42</b>
9.5	9.0	6%	11.6	Swing Bed	10.84	9.00	20%	9.23
				<b>Avg Daily Census - Hospital</b>				
0.6	1.4	(57%)	1.7	Critical Care Services (4 Beds)	0.9	1.4	(32%)	1.4
5.4	5.6	(5%)	5.4	General (8 Beds)	5.4	5.7	(4%)	5.8
5.9	7.0	(15%)	7.1	Subtotal Medical & Surgical (12 Beds)	6.4	7.1	(10%)	7.2
0.0	0.6	(100%)	0.3	OB (3 Beds)	0.3	0.6	(44%)	0.6
<b>5.9</b>	<b>7.6</b>	<b>(22%)</b>	<b>7.4</b>	<b>Subtotal Acute (15 Beds)</b>	<b>6.7</b>	<b>7.6</b>	<b>(12%)</b>	<b>7.8</b>
4.6	3.2	44%	3.0	Swing Care (10 Beds)	4.5	3.2	38%	3.3
<b>10.5</b>	<b>10.8</b>	<b>(2%)</b>	<b>10.4</b>	<b>Total Hospital (25 Beds Available)</b>	<b>11.2</b>	<b>10.9</b>	<b>3%</b>	<b>11.2</b>
				<b>Emergency Department</b>				
526	803	(34%)	784	Outpatients Treated in ED - Emergent	7714	8645	(11%)	8,637
42	49	(14%)	60	Patients Admitted from ED	472	530	(11%)	541
<b>568</b>	<b>852</b>	<b>(33%)</b>	<b>844</b>	<b>Total Patients treated in ED</b>	<b>8,186</b>	<b>9175</b>	<b>(11%)</b>	<b>9,178</b>
				<b>Ambulance Service</b>				
130	169	(23%)	121	911 - Transports	1514	1823	(17%)	1614
2	1	100%	0	Transfer - Transports	18	11	64%	9
<b>132</b>	<b>170</b>	<b>(22%)</b>	<b>121</b>	<b>Total Ambulance Transports</b>	<b>1532</b>	<b>1834</b>	<b>(16%)</b>	<b>1623</b>
				<b>Surgery - Cases</b>				
6	18	(67%)	15	Inpatient Cases	125	195	(36%)	194
0	7	(100%)	7	Total Implant Cases	16	69	(77%)	67
12	201	(94%)	210	Outpatient Cases	1341	2132	(37%)	2067
<b>18</b>	<b>226</b>	<b>(92%)</b>	<b>232</b>	<b>Total Surgery Cases</b>	<b>1482</b>	<b>2396</b>	<b>(38%)</b>	<b>2328</b>
				<b>North Coast Family Health Center</b>				
1,834	2,783	(34%)	2,841	Visits	25,047	29,471	(15%)	28,945
				<b>Home Health</b>				
358	548	(35%)	570	Visits	5,143	5,803	(11%)	5,777
				<b>Outpatient</b>				
3,289	5,391	(39%)	5,650	Encounters	45,724	57,096	(20%)	55,793



## Key Financial Ratios

### MENDOCINO COAST HEALTHCARE DISTRICT FORT BRAGG, CA

PAGE 9

	Year to Date 5/31/2020	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	0.6%	-4.3%	0.7%
Total Profit Margin	5.4%	0.4%	5.3%
EBIDA	2.7%	-1.7%	1.0%
Contractual Allowance % To Gross Charges	57.7%	58.2%	57.4%
Inpatient Gross Revenue Percentage (Hospital)	24.2%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	75.8%	76.2%	76.2%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	50.3		7.3
Days Cash, All Sources	80.4		41.0
Net Days in Accounts Receivable	35.9		38.4
Hospital Gross Days in AR	63.9		53.6
Cash Flow Margin	7.0%		7.0%
Days in Accounts Payable	45		49.0
Current Ratio	1.69		1.3
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	27.9		21.8
Capital Costs as a % of Total Exp.	1.7%		2.6%
Capital Spend as a % of Annual Depreciation	78.9%		102.0%
Long Term Debt to Net Position	47.1%		54.7%
Debt Service Coverage Ratio	4.93		2.98
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$165,635	\$177,583	\$183,185
Salary & Benefits Expense per Paid FTE	(\$109,628)	(\$112,151)	(\$108,875)
Salary & Benefits as a % of Total Expenses	45.6%	46.2%	46.6%
Salary and Benefits as a % of Net Pat Rev.	52.9%	50.8%	48.2%
Employee Benefits as a % of Salaries	48.7%	48.4%	47.4%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	237.8		241.1
FTE - NON-PRODUCTIVE	35.3		35.7
FTE - REGISTRY/CONTRACT	27.2		32.4
FTE - TOTAL PAID	300.3	300.0	309.2
Cost To Charge Ratio	55.5%	50.0%	49.5%
Medicare Revenue as a % of Total Revenue	63%	60%	61%
Medi-cal Revenue as a % of Total Revenue	19%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	11%	13%	13%
Other Ins Revenue as a % of Total Revenue	6%	5%	4%
Self-Pay Revenue as a % of Total Revenue	1%	2%	1%

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, JUNE 25, 2020  
5:00 P.M. Closed Session  
6:00 P.M. Open Session**

**Meeting via Teleconference**

**Dial In Number:**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, June 25, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**CLOSED SESSION:**

4. **INFORMATION/ACTION:** Conference with Legal Counsel- Existing Litigation pursuant to Government Code 54956.9(d)(1) UFCW v. MCDH
5. **INFORMATION/ACTION:** Pursuant to §32155 of the Health and Safety Code: May 2020 Quality Management and Improvement Council Reports
6. **INFORMATION/ACTION:** Pursuant to California Government Code §54954.5 and §32155 of the Health and Safety Code: Medical Staff Credentials and Privileges Review and Medical Staff Report

**REGULAR SESSION:**

**7. RECONVENTION OF OPEN SESSION: CALL TO ORDER-MS. JESSICA GRINBERG, PRESIDENT**

➤ Roll call

**8. REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

**9. PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

**10. APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

**11. ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Regular Session May 28, 2020

**TAB 1**

**NEW BUSINESS:**

**12. INFORMATION/ACTION:** IT Transition and MCDH Email system: Mr. Scott Mix

**13. INFORMATION/ACTION:** Post Affiliation Structure: Mr. Steve Lund

A. By Laws- Second Read

B. Employees

C. Office Space

**14. INFORMATION/ACTION:** Resignation of Mr. Steve Lund from the Mendocino Coast Health Care District Board of Directors

**REPORTS:**

**15. INFORMATION/ACTION:** Administration Update: Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spencer and Mr. Jason Wells

**16. INFORMATION/ACTION:** Medical Staff Report: William Miller M.D., Chief of Staff

**17. INFORMATION/ACTION:** Finance Committee Report- Mr. John Redding and Mr. Judson Howe

**TAB 2**

**18. FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

19. **ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President

20. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

21. **COMMENTS FROM BOARD OF DIRECTORS**

22. **ADJOURNMENT**

Dated: June 22, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on June 22, 2020

Karen Arnold  
Karen Arnold  
Secretary of the Board of Directors

6/22/20  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**BOARD OF DIRECTORS MEETING  
MEETING VIA TELECONFERENCE  
THURSDAY, MAY 28, 2020  
MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in OPEN session at 6:00 pm via teleconference. Jessica Grinberg, Chair presiding

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Grinberg, Ms. McColley

Absent: None

Ms. Judy, Leach, Hospital President

**CONDUCT OF BUSINESS**

**1. CALL TO ORDER:**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 PM via teleconference, Ms. Jessica Grinberg, President presiding

**2. ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

BOARD MEMBERS ABSENT: None

ALSO, PRESENT:

Judy Leach, Hospital President

Jason Wells, Adventist Health President

Wayne Allen, Former Interim CEO

**3. PUBLIC COMMENTS**

John Alison commented on the Finance Committee May 26, 2020 Agenda under New Business / Report by John Redding regarding a proposed micro-grid and felt it was outside the scope of the Finance Committee mission. He reported the supporting documents are referred to in Tab 3 but were not posted on the MCDH website. The micro-grid project is known as the Fort Bragg Critical Loads Micro-grid Project and is a project of Mr. Redding's corporation. He will email a copy of that corporations org. chart to Ms. Arnold, Board Secretary and ask that it be included in the minutes of this meeting. For the reason of conflict of interest Mr. Redding is requested to resign from the MCDH Board. A verbal public records request is made to MCDH for documents relating to the Micro-grid project that were included in Tab 3 to the Agenda of May 26, 2020 Finance Committee Meeting, and the proposal of UniGen Resources, Inc. submitted for the Fort Bragg Critical Loads Micro-grid project.

**4. REGULAR SESSION:**

**5. RECONVENTION OF OPEN SESSION: CALL TO ORDER – MS. JESSICA GRINBERG, PRESIDENT**

- **ROLL CALL:**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

6. **REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**  
There was no report regarding closed session.

7. **PUBLIC COMMENT**

8. **ACTION: REVIEW OF THE AGENDA: MS. JESSICA GRINBERG, PRESIDENT**

**MOTION:** To approve the Agenda as presented.

- Lund moved
- Arnold second
- Roll call
  - Ayes:
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

9. **ACTION: APPROVAL OF CONSENT CALENDAR: MS. JESSICA GRINBERG, PRESIDENT**

- A. Minutes Special Session April 28, 2020
- B. Minutes: Regular Session April 30, 2020

**MOTION:** To approve the consent Calendar as presented.

- Lund moved
- McColley second
- Roll call
  - Ayes: Redding, McColley, Lund, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**NEW BUSINESS:**

10. **INFORMATION/ACTION: BOARD RESOLUTION NO. 2020-02: Resolution approving reissuance of Tax-Exempt Revenue and General Obligation Bonds: Mr. Craig Cannizzo, Attorney with Hooper Lundy and Bookman**

**Board President, Jessica Grinberg opened the public hearing at 6:13 PM**

Mr. Craig Cannizzo spoke to this agenda item about the need for the public hearing as required by IRS Section 147(f) (under TEFRA) for the reissuance of three bonds.

**Public Comment:** Jacob Patterson recommends approving the resolution as presented

**Board President, Jessica Grinberg closed the public hearing at 6:14 PM**

**MOTION:** To approve the Resolution 2020-20 Approving Reissuance of tax-Exempt Revenue and General Obligations Bonds be approved as presented.

- Lund moved
- Redding second
- Roll call
  - Ayes: Grinberg, McColley, Redding, Lund, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**11. INFORMATION/ACTION: Financial Adviser Consulting Agreement with Mr. Wayne Allen**

Wayne Allen proposed to offer financial adviser services of up to six months at \$3,000.00 per month. Board discussion about Mr. Allen's involvement in affiliation before and after the management agreement took effect, additional work ahead and need for Mr. Allen's continued expertise.

Public Comment: None

**MOTION:** To approve Financial Advisor Consulting Agreement between Mr. Allen and the Health Care District

- Steve Lund moved
- Amy McColley second
- Roll call
  - Ayes: Lund, Grinberg, Redding, McColley, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**12. INFORMATION/ACTION: Appointment of Jean Ra as Antibiotic Stewardship Lead: William Miller, MD**

Dr. Miller reports the appointment was a requirement by CMS and recommends approving the appointment.

**MOTION:** To appoint and approve Jean Ra as the Antibiotic Steward Lead as presented.

- Lund moved
- Arnold second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**13. INFORMATION/ACTION: Review of Capital Improvements regarding regulatory compliance and deferred maintenance: Judy Leach and Jason Wells**



Jason provided an update on the virtual hospital, preparation for COVID -19 surge, census and announcement of Judy Leach joining the coast team. Judy Leach expressed appreciation for her new role and joy in the community and staff. She reported meeting with managers and listening sessions within the community.

Jason reported on three open OSHPD projects and is asking to approve 1.8 million. The projects include OR HVAC \$373,658; automatic transfer switch \$436,726; and water heater \$5,589 - with contingencies for overruns, the cost is just under 1 million that would be finished inside of 90 days. In addition, Jason reported regulatory deferred maintenance costs estimated at \$235,000 for tests and inspections (HVAC, Electrical, Med Air/Vacuum Systems, Generator, Boiler, Fire Suppression, Staff Fire Training, Hazardous Waste, Life Safety Drawings). An added 12 million has been found in deferred maintenance and facility refresh – a detailed report will follow to prioritize spending. Opportunities include ER (Emergency Room) Floor, Antennae Removal, Med Surg Refresh, Surgery / OR refresh, HVAC replacement, Roof Repair, and window replacement.

Jason reported capital equipment needs are 1.1 million. The most critical is a Glidescope that is needed for surgery, which also is part of being COVID compliant. Jason asked for support for completing the open projects for \$948, authorizing the regulatory investigation work \$235 and \$12,000 Glidescope.

Discussion followed on financing, survey readiness priorities, timeline for payment of the repairs/refresh, and total sum of the specific ask (\$ 1,195,719.00). Further discussion about the \$57,000 in HELP loan, capital equipment needs and supplying a detailed spreadsheet for future discussion.

**MOTION:** To cap out at \$2,000,000 to complete the two open OSHPD projects, that involve the ATS switch system, the HVAC system and improvements to our facilities that include but are not limited to the water heater, and supplies associated in the surgical procedure area.

- Grinberg moved
- Steve second
- Roll call
  - Ayes: Grinberg, Lund, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**14. INFORMATION/ACTION: Post Affiliation Structure: Mr. Steve Lund**

- A. By Laws – First Read
- B. Employees
- C. Office Space

**DISCUSSION:** Mr. Lund reported on the by-laws, proposed frequency of meetings and process for providing input into the by-laws. Discussion followed for tracked changes for a second read of the by-laws. Mr. Lund spoke to the number of employees the district may need and thanked the Foundation for providing office and storage space.

**REPORTS:**

**15. INFORMATION/ACTION: Administration Up Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spence and Mr. Jason Wells**

Mr. Wells welcomed Judy to her new position as hospital president and reported she is entering her 4<sup>th</sup> week on the job. Mr. Wells spoke about the virtual hospital, increased census on the coast (about 30%), and that both Howard and Ukiah are full. Ms. Leach commented on the remarkable work that has occurred in the last 30 days and gives credit to Dr. Miller and the incredible MCDH team. She reports meeting daily with managers and looking forward to meeting all employees. Under Dr. Miller's leadership, MCDH passed the CDPH survey with zero deficiencies in the process of dealing with COVID patients. Ms. Leach is focused on celebrating quality, sustainability, growing volumes, and new branding to ensure that the patient is at the center of every decision that is made. Mr. Wells and Ms. Leach discuss a marketing campaign aimed at getting the word out to the community that the MCDH ED is open for business. A discussion followed about budgeting priorities of marketing and OSHPOD repairs, an outline detailing the elements of the marketing campaign, and measuring effectiveness of marketing.

**PUBLIC COMMENT:** None

**MOTION:** To split the cost of the campaign up to \$50,000.00 with the provision to include an outline of the details of the campaign.

- Arnold moved
- Lund second
- Roll call
  - Ayes: Lund, Redding, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: McColley
- Motion carried

**16. INFORMATION/ACTION: Medical staff Report: William Miller M.D., Chief of Staff**

Dr. Miller expressed his pleasure with the transition to the management agreement and staffs' heightened enthusiasm and moral. He reported the success of the COVID readiness survey, and efforts to expand testing. MCDH is working diligently to resume elective surgeries.

Dr. Miller updates the Board with a privileging report for the appointment of Dr. Lavine, primary care provided and recommends approval.

**MOTION:** To approve the full slate of appointments. As submitted to the Board by the Executive Medical Committee.

- Lund moved
- Arnold second
- Roll call
  - Ayes: McColley, Redding, Lund, Grinberg, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

17. **INFORMATION/ACTION: Finance Committee Report – John Redding and Mr. Judson Howe**  
Mr. Redding reported on the unaudited financial report, and Mr. Howe indicated volumes were off. Mr. Redding shared the first look at the budget post affiliation and reported on assumptions, the new role as property manager, frequency of meetings, estimated annual budget of \$400,000, and anticipated staffing needs of a part time administrative assistant, bookkeeper, and financial manager.

**MOTION:** To accept Financial Report for April

- McColley moved
- Lund second
- Roll call
  - Ayes: Lund, Grinberg, McColley, Redding, Arnold
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

18. **FUTURE AGENDA ITEMS: Ms. Jessica Grinberg, President**

1. By Laws
2. Annual expenses

19. **ASSOCIATION AND COMMUNITY SERVICE REPORTS: Ms. Jessica Grinberg, President**

No report

20. **PUBLIC COMMENTS**

Ms. Michelle Roberts, Executive Director, Mendocino Coast Health Care Foundation thanked the Health Care District for continued use of the AJ Gray building and expressed appreciation to Mr. Lund and Mr. Redding for initiating a discussion about supporting the district moving forward. She welcomed Advantest and is looking forward to getting to know the entire AH Team.

21. **COMMENTS FROM THE BOARD**

Mr. Redding provided an update to mitigate PSPS shutdowns and discussed micro-grids, and the installation of generators in key locations around Fort Bragg, including the hospital. He remarked that neither he nor his wife will receive any payment from the project.

Ms. McColley commented on celebrating the new norm and thanked everyone for keeping us safe.

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**MENDOCINO COAST HEALTHCARE DISTRICT  
FORT BRAGG, CA**

**Unaudited Financial Statements**

**for**

**For the month ended May 31, 2020**

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**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
For the month ended May 31, 2020

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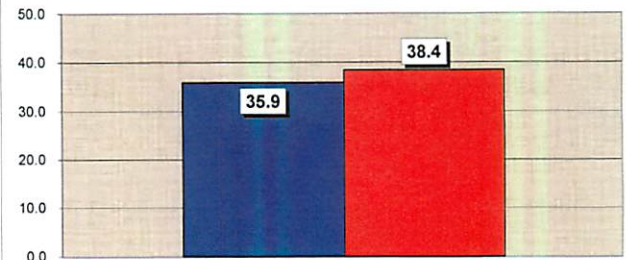
## EXECUTIVE FINANCIAL SUMMARY

For the month ended May 31, 2020

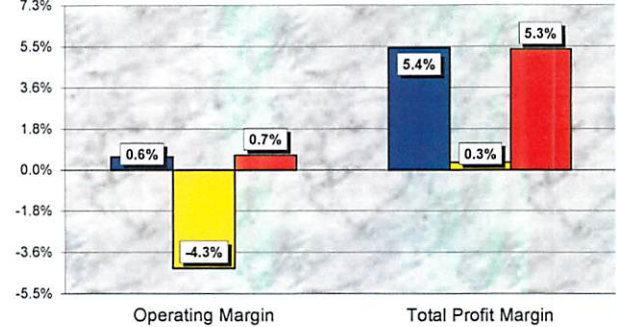
### BALANCE SHEET

	5/31/2020	6/30/2019
<b>ASSETS</b>		
Current Assets	\$17,204,986	\$14,710,373
Assets Whose Use is Limited	4,539,447	5,608,305
Property, Plant and Equipment (Net)	14,305,963	14,554,636
<b>Total Unrestricted Assets</b>	<b>36,050,396</b>	<b>34,873,313</b>
<b>Total Assets</b>	<b>\$36,050,396</b>	<b>\$34,873,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities	\$10,152,723	\$11,157,552
Long-Term Debt	12,190,894	12,979,083
<b>Total Liabilities</b>	<b>22,343,617</b>	<b>24,136,635</b>
Net Assets	13,706,779	10,736,679
<b>Total Liabilities and Net Assets</b>	<b>\$36,050,396</b>	<b>\$34,873,313</b>

### NET DAYS IN ACCOUNTS RECEIVABLE



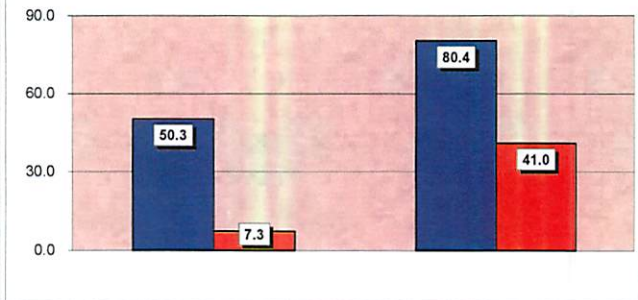
### HOSPITAL MARGINS



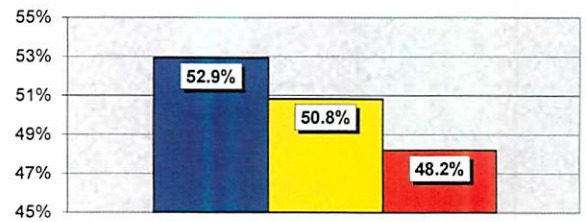
### STATEMENT OF REVENUE AND EXPENSES - YTD

	ACTUAL	BUDGET
<b>Revenue:</b>		
Gross Patient Revenues	\$98,466,850	\$107,564,223
Deductions From Revenue	(51,398,777)	(58,652,612)
Net Patient Revenues	47,068,074	48,911,611
Other Operating Revenue	7,907,071	2,636,501
<b>Total Operating Revenues</b>	<b>54,975,144</b>	<b>51,548,112</b>
<b>Expenses:</b>		
Salaries, Benefits & Contract Labor	31,152,601	30,887,194
Purchased Services & Physician Fees	10,071,410	8,481,096
Supply Expenses	7,929,962	8,827,860
Interest Expense	0	0
Depreciation Expense	1,178,854	1,371,622
Other Operating Expenses	4,319,505	4,221,002
<b>Total Expenses</b>	<b>54,652,329</b>	<b>53,788,774</b>
<b>NET OPERATING SURPLUS</b>	<b>322,817</b>	<b>(2,240,662)</b>
Non-Operating Revenue/(Expenses)	2,647,287	2,408,868
<b>TOTAL NET SURPLUS</b>	<b>\$2,970,099</b>	<b>\$168,206</b>

### DAYS CASH ON HAND



### SALARY AND BENEFIT EXPENSE AS A PERCENTAGE OF NET PATIENT REVENUE



### BOND COVENANTS

	REQUIREMENT	ACTUAL
DEBT SERVICE COVERAGE RATIO	1.25	4.93
CURRENT RATIO	1.00	1.69
DAYS CASH ON HAND	30.0	80.4

<span style="color: blue;">■</span> MENDOCINO COAST HEALTHCARE DISTF	5/31/2020
<span style="color: yellow;">■</span> Budget	5/31/2020
<span style="color: red;">■</span> Prior Fiscal Year End	6/30/2019

Balance Sheet - Assets

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended May 31, 2020**

	Current Month 5/31/2020	Prior Year End 6/30/2019
<b>CURRENT ASSETS</b>		
CASH	\$ 8,009,041	\$ 1,145,996
PARCEL TAX REVENUE ACCT	\$ 1,322,934	872,982
PATIENT RECEIVABLES	\$ 14,037,512	18,226,405
LESS: RESERVES FOR ALLOWANCES FOR RECEIVABLES	\$ (10,558,147)	(12,555,953)
NET PATIENT ACCOUNTS RECEIVABLES	3,479,364	5,670,452
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	2,677,223	4,570,009
OTHER RECEIVABLES	466,360	1,141,535
INVENTORIES	800,859	839,076
PREPAID EXPENSES	449,203	470,323
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 17,204,986</b>	<b>\$ 14,710,373</b>
<b>ASSETS WHOSE USE IS LIMITED</b>		
BOARD DESIGNATED FUNDS	\$ 3,454,371	4,376,979
PLAN FUND	\$ 13,774	13,774
SPECIFIC PURPOSE FUND	\$ -	0
BONDS	\$ 644,739	746,302
BOND COSTS	\$ 426,563	471,250
<b>TOTAL LIMITED USE ASSETS</b>	<b>\$ 4,539,447</b>	<b>\$ 5,608,305</b>
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>		
LAND	\$ 117,490	\$ 117,490
LAND IMPROVEMENTS	\$ 805,398	805,398
BUILDINGS & IMPROVEMENTS	\$ 24,604,464	24,604,464
LEASEHOLD IMPROVEMENTS	\$ 546,439	546,439
EQUIPMENT	\$ 21,089,604	20,430,219
CONSTRUCTION-IN-PROGRESS	\$ 1,873,483	1,602,686
GROSS PROPERTY, PLANT, & EQUIPMENT	\$ 49,036,877	\$ 48,106,696
LESS: ACCUMULATED DEPRECIATION	(34,730,914)	(33,552,060)
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>\$ 14,305,963</b>	<b>\$ 14,554,636</b>
<b>TOTAL ASSETS</b>	<b>\$ 36,050,396</b>	<b>\$ 34,873,313</b>



**Balance Sheet - Liabilities and Net Assets**

**MENDOCINO COAST HEALTHCARE DISTRICT**

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**FORT BRAGG, CA**

**For the month ended May 31, 2020**

	<u>Current Month 5/31/2020</u>	<u>Prior Year End 6/30/2019</u>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 3,670,422	\$ 4,416,725
ACCRUED PAYROLL	\$ 776,244	\$ 859,231
ACCRUED VACATION/HOLIDAY/SICK PAY	\$ 1,080,188	\$ 1,149,245
PAYROLL TAXES PAYABLE	\$ 56,685	\$ 60,642
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	\$ 2,018,876	\$ 1,868,522
OTHER CURRENT LIABILITIES	\$ 777,437	\$ 911,488
INTEREST PAYABLE	\$ 871,510	\$ 1,013,730
PREVIOUS FY PENSION PAYABLE	\$ 877,969	\$ 877,969
CURRENT PORTION OF LTD (BONDS/MORTGAGES)	\$ 16,667	\$ -
CURRENT PORTION OF LTD (OTHER NON-CURRENT LIABILITIES)	\$ 6,726	\$ -
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 10,152,723</u></b>	<b><u>\$ 11,157,552</u></b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	\$ 8,881,278	\$ 9,810,624
OTHER NON-CURRENT LIABILITIES	\$ 2,434,718	\$ 3,168,459
CURRENT FY PENSION PAYABLE (NON-CURRENT LIABILITY)	\$ 874,899	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>\$ 12,190,894</u></b>	<b><u>\$ 12,979,083</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,343,617</u></b>	<b><u>\$ 24,136,635</u></b>
<b>FUND BALANCE</b>		
UNRESTRICTED FUND BALANACE	\$ 10,736,679	\$ 7,591,991
TEMPORARY RESTRICTED FUND BALANCE		\$ -
Net Revenue/(Expenses) (YTD)	<u>\$ 2,970,100</u>	<u>\$ 3,144,687</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 13,706,779</u></b>	<b><u>\$ 10,736,679</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 36,050,396</u></b>	<b><u>\$ 34,873,313</u></b>

Statement of Revenue and Expense

**MENDOCINO COAST HEALTHCARE DISTRICT**  
**FORT BRAGG, CA**  
**For the month ended May 31, 2020**

	CURRENT MONTH				
	Actual 05/31/20	Budget 05/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 05/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 1,191,635	\$ 1,842,443	\$ (650,808)	-35%	\$ 1,296,892
SWING BED	\$ 491,462	\$ 386,177	\$ 105,285	27%	\$ 608,924
OUTPATIENT	\$ 5,091,132	\$ 7,121,146	\$ (2,030,014)	-29%	\$ 7,648,177
NORTH COAST FAMILY HEALTH CENTER	\$ 170,505	\$ 451,124	\$ (280,619)	-62%	\$ 355,621
HOME HEALTH	\$ 93,485	\$ 123,173	\$ (29,688)	-24%	\$ 119,334
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 7,038,219</b>	<b>\$ 9,924,063</b>	<b>\$ (2,885,844)</b>	<b>-29%</b>	<b>\$ 10,028,946</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (3,855,278)	\$ (5,422,794)	\$ 1,567,516	29%	\$ (5,810,269)
POLICY DISCOUNTS	\$ (2,990)	\$ (8,605)	\$ 5,615	65%	\$ (41,405)
STATE PROGRAMS	\$ 208,282	\$ 162,376	\$ 45,906	28%	\$ 552,945
BAD DEBT	\$ (1,639)	\$ (105,933)	\$ 104,294	98%	\$ (254,225)
CHARITY	\$ (15,257)	\$ (29,126)	\$ 13,869	48%	\$ (33,772)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (3,666,881)</b>	<b>\$ (5,404,082)</b>	<b>\$ 1,737,201</b>	<b>32%</b>	<b>\$ (5,586,726)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 3,371,338</b>	<b>\$ 4,519,981</b>	<b>\$ (1,148,643)</b>	<b>-25%</b>	<b>\$ 4,442,220</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 4,503,742</b>	<b>\$ 263,503</b>	<b>\$ 4,240,239</b>	<b>1609%</b>	<b>\$ 235,212</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 7,875,080</b>	<b>\$ 4,783,484</b>	<b>\$ 3,091,596</b>	<b>65%</b>	<b>\$ 4,677,432</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 1,485,203	\$ 1,545,353	\$ 60,150	4%	\$ 1,472,457
EMPLOYEE BENEFITS	\$ 712,787	\$ 748,263	\$ 35,476	5%	\$ 742,661
PROFESSIONAL FEES - PHYSICIAN	\$ 552,915	\$ 539,061	\$ (13,854)	-3%	\$ 485,547
OTHER PROFESSIONAL FEES - REGISTRY	\$ 448,130	\$ 556,365	\$ 108,235	19%	\$ 605,856
OTHER PROFESSIONAL FEES - OTHER	\$ 201,244	\$ 126,046	\$ (75,198)	-60%	\$ 336,996
SUPPLIES - DRUGS	\$ 423,704	\$ 490,941	\$ 67,237	14%	\$ 500,098
SUPPLIES - MEDICAL	\$ 140,255	\$ 245,246	\$ 104,991	43%	\$ 169,002
SUPPLIES - OTHER	\$ 47,961	\$ 88,429	\$ 40,468	46%	\$ 85,876
PURCHASED SERVICES	\$ 150,723	\$ 117,713	\$ (33,010)	-28%	\$ 113,222
REPAIRS & MAINTENANCE	\$ 62,099	\$ 70,047	\$ 7,948	11%	\$ 56,884
UTILITIES	\$ 72,040	\$ 74,630	\$ 2,590	3%	\$ 80,245
INSURANCE	\$ 44,873	\$ 53,376	\$ 8,503	16%	\$ 36,013
DEPRECIATION & AMORTIZATION	\$ 103,699	\$ 125,576	\$ 21,877	17%	\$ 135,663
RENTAL/LEASE	\$ 87,105	\$ 55,135	\$ (31,970)	-58%	\$ 56,991
OTHER EXPENSE	\$ 141,918	\$ 124,589	\$ (17,329)	-14%	\$ 141,698
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,674,657</b>	<b>\$ 4,960,770</b>	<b>\$ 286,114</b>	<b>6%</b>	<b>\$ 5,019,207</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 3,200,424</b>	<b>\$ (177,286)</b>	<b>\$ 3,377,710</b>	<b>1905%</b>	<b>\$ (341,775)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 70,000	\$ 66,726	\$ 3,274	5%	\$ 65,000
INVESTMENT INCOME	\$ 5,000	\$ 6,605	\$ (1,605)	-24%	\$ 18,572
DONATIONS	\$ -	\$ 27,457	\$ (27,457)	-100%	\$ 37,547
INTEREST EXPENSE (ALL)	\$ (36,887)	\$ (43,240)	\$ 6,353	-15%	\$ (41,464)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 216	\$ (216)	-100%	\$ (34,262)
BOND EXPENSE (ALL)	\$ 1,112	\$ 1,131	\$ (19)	-2%	\$ 1,112
TAX SUBSIDIES FOR GO BONDS	\$ 27,716	\$ 28,170	\$ (454)	-2%	\$ 27,716
PARCEL TAX REVENUES	\$ 133,000	\$ 135,180	\$ (2,180)	-2%	\$ 133,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 199,941</b>	<b>\$ 222,245</b>	<b>\$ (22,304)</b>	<b>-10%</b>	<b>\$ 207,221</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 3,400,366</b>	<b>\$ 44,959</b>	<b>\$ 3,355,407</b>	<b>7463%</b>	<b>\$ (134,554)</b>
<b>Operating Margin</b>	<b>40.6%</b>	<b>-3.7%</b>			<b>-7.3%</b>
<b>Total Profit Margin</b>	<b>43.2%</b>	<b>0.9%</b>			<b>-2.9%</b>
<b>EBIDA</b>	<b>42.0%</b>	<b>-1.1%</b>			<b>-4.4%</b>
<b>Cash Flow Margin</b>	<b>44.1%</b>	<b>3.0%</b>			<b>-0.6%</b>



Statement of Revenue and Expense

MENDOCINO COAST HEALTHCARE DISTRICT  
 FORT BRAGG, CA  
 For the month ended May 31, 2020

	YEAR-TO-DATE				
	Actual 05/31/20	Budget 05/31/20	Positive (Negative) Variance	Percentage Variance	Prior Year 05/31/19
<b>GROSS PATIENT SERVICE REVENUES</b>					
INPATIENT	\$ 17,052,790	\$ 19,969,747	\$ (2,916,957)	-15%	\$ 19,432,182
SWING BED	\$ 5,474,868	\$ 4,185,671	\$ 1,289,197	31%	\$ 4,408,739
OUTPATIENT	\$ 70,541,399	\$ 77,184,176	\$ (6,642,777)	-9%	\$ 77,702,872
NORTH COAST FAMILY HEALTH CENTER	\$ 4,140,369	\$ 4,889,608	\$ (749,239)	-15%	\$ 4,794,106
HOME HEALTH	\$ 1,257,424	\$ 1,335,021	\$ (77,597)	-6%	\$ 1,331,183
<b>TOTAL PATIENT SERVICE REVENUES</b>	<b>\$ 98,466,851</b>	<b>\$ 107,564,223</b>	<b>\$ (9,097,372)</b>	<b>-8%</b>	<b>\$ 107,669,080</b>
<b>DEDUCTIONS FROM REVENUE</b>					
CONTRACTUAL ALLOWANCES	\$ (53,539,872)	\$ (58,855,433)	\$ 5,315,561	9%	\$ (59,223,689)
POLICY DISCOUNTS	\$ (127,849)	\$ (93,266)	\$ (34,583)	-37%	\$ (126,067)
STATE PROGRAMS	\$ 3,368,302	\$ 1,759,952	\$ 1,608,350	91%	\$ 2,150,520
BAD DEBT	\$ (912,447)	\$ (1,148,180)	\$ 235,733	21%	\$ (1,296,472)
CHARITY	\$ (186,912)	\$ (315,685)	\$ 128,773	41%	\$ (320,331)
<b>TOTAL DEDUCTIONS FROM REVENUES</b>	<b>\$ (51,398,777)</b>	<b>\$ (58,652,612)</b>	<b>\$ 7,253,834</b>	<b>12%</b>	<b>\$ (58,816,040)</b>
<b>NET PATIENT SERVICE REVENUES</b>	<b>\$ 47,068,074</b>	<b>\$ 48,911,611</b>	<b>\$ (1,843,538)</b>	<b>-4%</b>	<b>\$ 48,853,040</b>
<b>OTHER OPERATING REVENUES</b>	<b>\$ 7,907,071</b>	<b>\$ 2,636,501</b>	<b>\$ 5,270,570</b>	<b>200%</b>	<b>\$ 1,916,977</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 54,975,145</b>	<b>\$ 51,548,112</b>	<b>\$ 3,427,033</b>	<b>7%</b>	<b>\$ 50,770,018</b>
<b>OPERATING EXPENSES</b>					
SALARIES & WAGES - STAFF	\$ 16,749,151	\$ 16,753,119	\$ 3,968	0%	\$ 16,864,386
EMPLOYEE BENEFITS	\$ 8,160,437	\$ 8,103,792	\$ (56,645)	-1%	\$ 8,123,602
PROFESSIONAL FEES - PHYSICIAN	\$ 6,897,049	\$ 5,843,224	\$ (1,053,825)	-18%	\$ 5,737,113
OTHER PROFESSIONAL FEES - REGISTRY	\$ 6,243,013	\$ 6,030,283	\$ (212,730)	-4%	\$ 5,868,810
OTHER PROFESSIONAL FEES - OTHER	\$ 1,753,981	\$ 1,366,969	\$ (387,012)	-28%	\$ 1,977,947
SUPPLIES - DRUGS	\$ 4,984,111	\$ 5,211,219	\$ 227,108	4%	\$ 4,843,423
SUPPLIES - MEDICAL	\$ 2,160,846	\$ 2,658,144	\$ 497,298	19%	\$ 2,579,957
SUPPLIES - OTHER	\$ 785,005	\$ 958,497	\$ 173,492	18%	\$ 918,816
PURCHASED SERVICES	\$ 1,420,380	\$ 1,270,903	\$ (149,477)	-12%	\$ 1,205,692
REPAIRS & MAINTENANCE	\$ 682,519	\$ 759,239	\$ 76,720	10%	\$ 739,250
UTILITIES	\$ 798,375	\$ 808,874	\$ 10,499	1%	\$ 807,221
INSURANCE	\$ 564,364	\$ 578,528	\$ 14,164	2%	\$ 492,664
DEPRECIATION & AMORTIZATION	\$ 1,178,853	\$ 1,371,622	\$ 192,769	14%	\$ 1,369,371
RENTAL/LEASE	\$ 729,930	\$ 597,600	\$ (132,330)	-22%	\$ 594,082
OTHER EXPENSE	\$ 1,544,317	\$ 1,476,761	\$ (67,556)	-5%	\$ 1,428,396
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 54,652,329</b>	<b>\$ 53,788,774</b>	<b>\$ (863,556)</b>	<b>-2%</b>	<b>\$ 53,550,730</b>
<b>NET OPERATING SURPLUS (LOSS)</b>	<b>\$ 322,817</b>	<b>\$ (2,240,662)</b>	<b>\$ 2,563,479</b>	<b>-114%</b>	<b>\$ (2,780,712)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
OPERATING TAX REVENUES	\$ 770,000	\$ 723,226	\$ 46,774	6%	\$ 715,000
INVESTMENT INCOME	\$ 77,895	\$ 71,586	\$ 6,309	9%	\$ 82,910
DONATIONS	\$ 459,340	\$ 297,598	\$ 161,742	54%	\$ 57,688
INTEREST EXPENSE (ALL)	\$ (432,432)	\$ (468,665)	\$ 36,233	-8%	\$ (466,888)
EXTRAORDINARY GAINS/(LOSS)	\$ -	\$ 2,358	\$ (2,358)	-100%	\$ (32,144)
BOND EXPENSE (ALL)	\$ 12,236	\$ 12,255	\$ 19	0%	\$ 12,235
TAX SUBSIDIES FOR GO BONDS	\$ 304,876	\$ 305,330	\$ (454)	0%	\$ 304,876
PARCEL TAX REVENUES	\$ 1,455,368	\$ 1,465,180	\$ (9,812)	-1%	\$ 1,463,000
<b>TOTAL NON OPERATING INCOME (LOSS)</b>	<b>\$ 2,647,283</b>	<b>\$ 2,408,868</b>	<b>\$ 238,415</b>	<b>10%</b>	<b>\$ 2,136,677</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 2,970,100</b>	<b>\$ 168,206</b>	<b>\$ 2,801,931</b>	<b>1666%</b>	<b>\$ (644,035)</b>
<b>Operating Margin</b>	<b>0.6%</b>	<b>-4.3%</b>			<b>-5.5%</b>
<b>Total Profit Margin</b>	<b>5.4%</b>	<b>0.3%</b>			<b>-1.3%</b>
<b>EBIDA</b>	<b>2.7%</b>	<b>-1.7%</b>			<b>-2.8%</b>
<b>Cash Flow Margin</b>	<b>7.0%</b>	<b>2.4%</b>			<b>0.8%</b>

## Statement of Cash Flows

### MENDOCINO COAST HEALTHCARE DISTRICT FORT BRAGG, CA for the 11 months ended 5/31/20

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	<u>5/31/2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income (Loss)	\$2,970,100
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	1,178,853
(Increase)/Decrease in Net Patient Accounts Receivable	2,191,088
(Increase)/Decrease in Other Receivables	675,175
(Increase)/Decrease in Inventories	38,217
(Increase)/Decrease in Pre-Paid Expenses	21,120
(Increase)/Decrease in Third Party Receivables	1,892,786
Increase/(Decrease) in Accounts Payable	(746,303)
Increase/(Decrease) in Notes and Loans Payable	(118,827)
Increase/(Decrease) in Accrued Payroll and Benefits	(156,001)
Increase/(Decrease) in Previous Year Pension Payable	0
Increase/(Decrease) in Third Party Liabilities	150,354
Increase/(Decrease) in Other Current Liabilities	(134,051)
<b>Net Cash Provided by Operating Activities:</b>	<u>7,962,511</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property, Plant and Equipment	(930,179)
(Increase)/Decrease in Limited Use Cash and Investments	922,608
(Increase)/Decrease in Other Limited Use Assets	146,250
<b>Net Cash Used by Investing Activities</b>	<u>138,679</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase/(Decrease) in Bond/Mortgage Debt	(929,346)
Increase/(Decrease) in Capital Lease Debt	0
Increase/(Decrease) in Other Long Term Liabilities	141,158
<b>Net Cash Used for Financing Activities</b>	<u>(788,188)</u>
<b>(INCREASE)/DECREASE IN RESTRICTED ASSETS</b>	
<b>Net Increase/(Decrease) in Cash</b>	7,313,002
Cash, Beginning of Period	2,018,978
<b>Cash, End of Period</b>	<u><u>\$9,331,981</u></u>



FORT BRAGG, CA

For the month ended May 31, 2020

Current Month				Year-To-Date				
Actual 05/31/20	Budget 05/31/20	Positive/ (Negative) Variance	Prior Year 05/31/19	STATISTICS	Actual 05/31/20	Budget 05/31/20	Positive/ (Negative) Variance	Prior Year 05/31/19
<b>Admissions</b>								
5	12	(58%)	16	Critical Care Services	112	131	(15%)	135
49	50	(2%)	50	General	472	541	(13%)	543
54	62	(13%)	66	Subtotal Medical & Surgical Admissions	584	672	(13%)	678
0	8	(100%)	4	OB	45	87	(48%)	88
<b>54</b>	<b>70</b>	<b>(23%)</b>	<b>70</b>	<b>Total Admissions</b>	<b>629</b>	<b>759</b>	<b>(17%)</b>	<b>766</b>
15	11	36%	8	Swing Bed	138	120	15%	120
0	8	(100%)	5	Total Deliveries	43	87	(51%)	80
<b>Inpatient Days</b>								
18	42	(57%)	52	Critical Care Services	313	459	(32%)	467
166	175	(5%)	167	General	1828	1896	(4%)	1946
184	217	(15%)	219	Subtotal Medical & Surgical Inpatient Days	2141	2355	(9%)	2413
0	18	(100%)	10	OB	111	196	(43%)	205
<b>184</b>	<b>235</b>	<b>(22%)</b>	<b>229</b>	<b>Total Inpatient Days</b>	<b>2252</b>	<b>2551</b>	<b>(12%)</b>	<b>2618</b>
143	99	44%	93	Swing Bed	1496	1080	39%	1108
0	16	(100%)	10	Total Newborn Days	90	174	(48%)	176
<b>Average Length of Stay</b>								
3.6	3.5	3%	3.3	Critical Care Services	2.79	3.50	(20%)	3.46
3.4	3.5	(3%)	3.3	General	3.87	3.50	11%	3.58
3.4	3.5	(3%)	3.3	Subtotal Medical & Surgical	3.67	3.50	5%	3.56
0.0	2.3	(100%)	2.5	OB	2.47	2.25	9%	2.33
<b>3.4</b>	<b>3.4</b>	<b>1%</b>	<b>3.3</b>	<b>Total Inpatient (CAH)</b>	<b>3.58</b>	<b>3.36</b>	<b>7%</b>	<b>3.42</b>
9.5	9.0	6%	11.6	Swing Bed	10.84	9.00	20%	9.23
<b>Avg Daily Census - Hospital</b>								
0.6	1.4	(57%)	1.7	Critical Care Services (4 Beds)	0.9	1.4	(32%)	1.4
5.4	5.6	(5%)	5.4	General (8 Beds)	5.4	5.7	(4%)	5.8
5.9	7.0	(15%)	7.1	Subtotal Medical & Surgical (12 Beds)	6.4	7.1	(10%)	7.2
0.0	0.6	(100%)	0.3	OB (3 Beds)	0.3	0.6	(44%)	0.6
<b>5.9</b>	<b>7.6</b>	<b>(22%)</b>	<b>7.4</b>	<b>Subtotal Acute (15 Beds)</b>	<b>6.7</b>	<b>7.6</b>	<b>(12%)</b>	<b>7.8</b>
4.6	3.2	44%	3.0	Swing Care (10 Beds)	4.5	3.2	38%	3.3
<b>10.5</b>	<b>10.8</b>	<b>(2%)</b>	<b>10.4</b>	<b>Total Hospital (25 Beds Available)</b>	<b>11.2</b>	<b>10.9</b>	<b>3%</b>	<b>11.2</b>
<b>Emergency Department</b>								
526	803	(34%)	784	Outpatients Treated in ED - Emergent	7714	8645	(11%)	8,637
42	49	(14%)	60	Patients Admitted from ED	472	530	(11%)	541
<b>568</b>	<b>852</b>	<b>(33%)</b>	<b>844</b>	<b>Total Patients treated in ED</b>	<b>8,186</b>	<b>9175</b>	<b>(11%)</b>	<b>9,178</b>
<b>Ambulance Service</b>								
130	169	(23%)	121	911 - Transports	1514	1823	(17%)	1614
2	1	100%	0	Transfer - Transports	18	11	64%	9
<b>132</b>	<b>170</b>	<b>(22%)</b>	<b>121</b>	<b>Total Ambulance Transports</b>	<b>1532</b>	<b>1834</b>	<b>(16%)</b>	<b>1623</b>
<b>Surgery - Cases</b>								
6	18	(67%)	15	Inpatient Cases	125	195	(36%)	194
0	7	(100%)	7	Total Implant Cases	16	69	(77%)	67
12	201	(94%)	210	Outpatient Cases	1341	2132	(37%)	2067
<b>18</b>	<b>226</b>	<b>(92%)</b>	<b>232</b>	<b>Total Surgery Cases</b>	<b>1482</b>	<b>2396</b>	<b>(38%)</b>	<b>2328</b>
<b>North Coast Family Health Center</b>								
1,834	2,783	(34%)	2,841	Visits	25,047	29,471	(15%)	28,945
<b>Home Health</b>								
358	548	(35%)	570	Visits	5,143	5,803	(11%)	5,777
<b>Outpatient</b>								
3,289	5,391	(39%)	5,650	Encounters	45,724	57,096	(20%)	55,793

## Key Financial Ratios

### MENDOCINO COAST HEALTHCARE DISTRICT FORT BRAGG, CA

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	Year to Date 5/31/2020	BUDGET	Prior Fiscal Year End 06/30/19
<b>Profitability:</b>			
Operating Margin	0.6%	-4.3%	0.7%
Total Profit Margin	5.4%	0.4%	5.3%
EBIDA	2.7%	-1.7%	1.0%
Contractual Allowance % To Gross Charges	57.7%	58.2%	57.4%
Inpatient Gross Revenue Percentage (Hospital)	24.2%	23.8%	23.7%
Outpatient Gross Revenue Percentage (Hospital)	75.8%	76.2%	76.2%
<b>Liquidity:</b>			
Days of Cash on Hand, Short Term	50.3		7.3
Days Cash, All Sources	80.4		41.0
Net Days in Accounts Receivable	35.9		38.4
Hospital Gross Days in AR	63.9		53.6
Cash Flow Margin	7.0%		7.0%
Days in Accounts Payable	45		49.0
Current Ratio	1.69		1.3
<b>Capital Structure:</b>			
Average Age of Plant (Annualized)	27.9		21.8
Capital Costs as a % of Total Exp.	1.7%		2.6%
Capital Spend as a % of Annual Depreciation	78.9%		102.0%
Long Term Debt to Net Position	47.1%		54.7%
Debt Service Coverage Ratio	4.93		2.98
<b>Productivity and Efficiency:</b>			
Net Patient Service Revenue per FTE	\$165,635	\$177,583	\$183,185
Salary & Benefits Expense per Paid FTE	(\$109,628)	(\$112,151)	(\$108,875)
Salary & Benefits as a % of Total Expenses	45.6%	46.2%	46.6%
Salary and Benefits as a % of Net Pat Rev.	52.9%	50.8%	48.2%
Employee Benefits as a % of Salaries	48.7%	48.4%	47.4%
<b>Other Ratios:</b>			
FTE - PRODUCTIVE	237.8		241.1
FTE - NON-PRODUCTIVE	35.3		35.7
FTE - REGISTRY/CONTRACT	27.2		32.4
FTE - TOTAL PAID	300.3	300.0	309.2
Cost To Charge Ratio	55.5%	50.0%	49.5%
Medicare Revenue as a % of Total Revenue	63%	60%	61%
Medi-cal Revenue as a % of Total Revenue	19%	20%	21%
BC/BS Ins Revenue as a % of Total Revenue	11%	13%	13%
Other Ins Revenue as a % of Total Revenue	6%	5%	4%
Self-Pay Revenue as a % of Total Revenue	1%	2%	1%

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, JULY 30, 2020**

**6:00 P.M. Open Session**

**Meeting via Teleconference**

**Dial In Number:**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, July 30, 2020 at 6:00 pm. **This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, President
2. **ROLL CALL**
3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

The following item #5 is considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

5. **ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President  
A. Minutes: Regular Session June 25, 2020

**TAB 1**

**NEW BUSINESS:**

6. **INFORMATION/ACTION:** Plateau Affordable Housing Project: Ms. Tabatha Miller, City Manager
7. **INFORMATION/ACTION:** Understanding the Maintenance & Construction Process: **TAB 2**  
Mr. John Redding, Treasurer
8. **INFORMATION/ACTION:** Update on future handling of Measure C (2018) Review/Approval Process including the exemption procedure and schedule coordination with the Oversight Committee: Mr. John Redding, Treasurer
9. **INFORMATION/ACTION:** Post Affiliation Structure: Ms. Jessica Grinberg  
A. By Laws- Second Read **TAB 3**  
  
B. Budget Draft **TAB 4**
10. **INFORMATION/ACTION:** Health Reimbursement Arrangement: **TAB 5**  
Ms. Jessica Grinberg, President
11. **INFORMATION/ACTION:** Refund Request from Mendocino Coast Health Foundation: **TAB 6**  
Ms. Jessica Grinberg, President

**REPORTS:**

12. **INFORMATION/ACTION:** Administration Update: Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spencer and Mr. Jason Wells
13. **INFORMATION/ACTION:** Finance Committee Report- Mr. John Redding, Treasurer and **TAB 7**  
Mr. Judson Howe
14. **ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President
15. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

16. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

17. **COMMENTS FROM BOARD OF DIRECTORS**

18. **ADJOURNMENT**



Dated: July 27, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on July 27, 2020

Karen Arnold m

Karen Arnold  
Secretary of the Board of Directors

7/27/2020

Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, JUNE 25, 2020  
5:00 P.M. Closed Session  
6:00 P.M. Open Session**

The Board of Directors of the Mendocino Coast Health Care District met in OPEN session at 6:00 pm via teleconference. Jessica Grinberg, Chair presiding

**PRESENT:** Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Grinberg, Ms. McColley  
Absent: None  
Ms. Judy, Leach, Hospital President

**CONDUCT OF BUSINESS:**

**1. CALL TO ORDER**

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 PM via teleconference, Ms. Jessica Grinberg, President presiding

**2. ROLL CALL**

PRESENT: Mr. Steve Lund, Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

BOARD MEMBERS ABSENT: None

ALSO, PRESENT:

Judy Leach, Hospital President

Jason Wells, Adventist Health Mendocino County, President

Wayne Allen, Former Interim CEO

**3. PUBLIC COMMENTS**

None.

**4. REPORT OUT ON ANY ACTION TAKEN IN CLOSED SESSION: GOVERNMENT CODE 94957.1**

There was no report regarding closed session.

**5. ACTION: REVIEW OF THE AGENDA: MS. JESSICA GRINBERG, PRESIDENT**

**MOTION:** To approve the Agenda as submitted

- Steve Lund moved
- Amy McColley seconded
- Roll call
  - Ayes: Jessica, Amy, Steve, John, Karen
  - Noes: 0
  - Absent: None

- Abstain: None
- Motion Carried

**6. ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Regular Session May 28, 2020

**MOTION:** To approve the consent calendar as is for the Minutes of May 28<sup>th</sup>

- Amy McColley moved
- Steve Lund seconded
- Roll call
  - Ayes: John, Steve, Jessica, Amy, Karen
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

**NEW BUSINESS:**

**7. INFORMATION/ACTION: RESOLUTION (REVISED) APPROVING REISSUANCE OF TAX-EXEMPT REVENUE AND GENERAL OBLIGATION BONDS.**

Mr. Craig Cannizzo reported that this is a technical and minor correction to the Resolution passed last month. The Resolution omitted the reference to some old bonds from the election of 2000 (general obligation bonds). They were part of the public notice but didn't make it into the Resolution. The proposed amendment of the earlier motion corrects the oversight and adds the reference to the 1.1 million in outstanding bonds from 2000.

**MOTION:** To approve Resolution Number 2020-03, which is the Resolution of the Board of Directors of the Mendocino Coast Health Care District amending the District's Resolution 2020-02 approving the deemed reissuance for certain federal income tax purposes of certain tax-exempt bonds that were originally issued to finance and refinance capital improvements with respect to certain health care facilities.

- Steve Lund moved
- Amy McColley seconded
- Roll call
  - Ayes: John, Steve, Amy, Jessica, Karen
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

**8. INFORMATION/ACTION: IT TRANSITION AND MCDH EMAIL SYSTEM: MR. SCOTT MIX**

Scott Mix reports on moving the board emails and files over to a new system. Discusses costs (\$15 per month p/user) and features associated with the new system. Reported hoping to use the MCDH.org address domain so emails will change from .net to .org. Adventist Health will

forward all emails to their new system and discussed specific features and tools available through the product (RACK). Discussion on the details of the transition and migration of email and files and how the board can access the new system.

**MOTION:** To approve the transition and associated cost to complete the transition process as preened and the selection of this particular system.

- Steve Lund moved
- Karen Arnold seconded
- Roll call
  - Ayes: Steve, John, Amy, Jessica, Karen
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

#### **9. INFORMATION/ACTION: POST AFFILIATION STRUCTURE: MR. STEVE LUND**

- A. By Laws- Second Read
- B. Employees
- C. Office Space

Jessica reported that this agenda item is pulled until next month. Steve reported on the following:

- Bylaws: They are not ready for a second read. All suggestions or edits to the presentation should be given to Karen for tracking. The second reading is tabled until the July meeting
- Employees: Not applicable at this time. No decision by the board concerning structure moving forward and there won't be until the lease is in place.
- Office Space: Building was rekeyed. Reported on the needed office furniture. Help is needed from IT to upload district information along with a phone as soon as possible.

#### **10. INFORMATION/ACTION: RESIGNATION OF MR. STEVE LUND FROM THE MENDOCINO COAST HEALTH CARE DISTRICT BOARD OF DIRECTORS.**

Mr. Lund read his letter of resignation serving formal notice to vacate his seat on the hospital board. Discussion about board appointment and election. Discussion and expressions of gratitude by Steve Lund toward the community, board members, and staff. Members of the board expressed their gratitude toward Steve commending him for his tremendous dedication to our community and wishing him well on his next adventure.

**MOTION:** To approve the resignation of Mr. Steve Lund from the Mendocino Coast Health Care District Board of Directors.

- Karen Arnold moved
- John Redding seconded
- Roll call:
  - Ayes: John, Amy, Jessica, Karen,
  - Noes: 0

- Absent: None
- Abstain: Steve
- Motion carried

**REPORTS:**

**11. INFORMATION/ACTION: ADMINISTRATION UPDATE: MS. JUDY LEACH, MS. LINDA GIVENS, MS. LINDSEY SPENCER AND MR. JASON WELLS**

Jason reported on the Lodi facility COVID-19 outbreak and the number COVID-19 cases in Mendocino County. Discussed test kits, and PPE and reported to expect more hospitalization - Adventist Health is ready. Judy reported on Town Hall and expresses her support from the district, Jason and the executive team. She reported there were multiple sessions throughout the day hearing and listening to over 170 employees – talked about a culture of yes, seeing people regain confidence in the midst of COVID and coming back to the hospital and clinics.

Reported on the OR project targeted for completion on July 28<sup>th</sup> as well as providing ongoing training for staff on safety, proper usage of PPE, area cleaning. Reported that volumes are returning but working to get the word out that the hospital is safe. Affiliation on track to close June 30, 2020.

**12. INFORMATION/ACTION: MEDICAL STAFF REPORT: WILLIAM MILLER M.D., CHIEF OF STAFF**

- No credentialing to report.
- Community Surveillance Testing is going on in the community. Hopefully within the next few weeks there will be consistent testing weekly.
- Affiliation is going well. Impressed with Adventist Health Team. Reported on his participation in AH orientation and impressed with the financial commitment in patient safety.

**13. INFORMATION/ACTION: FINANCE COMMITTEE REPORT- MR. JOHN REDDING AND MR. JUDSON HOWE**

Reported on trends from April to May and saw increases in volumes almost across the board including swing beds – while the trend is up we are still not back to normal.

Judson reported on resources labor/volume and to align human resources to volume. Looking at growth and opportunity to align service to bring specialty care to the coast.

Wayne reported that Adventist Health will be the payor of the property insurance to the tune of \$210,000 p/year. Also, they have HHS Virus Funding of \$6 million, and they have not had to tap into restrictive funds.

John reported the annual budget as of July 1<sup>st</sup> looks like could be 145,000 p/year.

**MOTION:** To accept the Financial report for month ended May 31, 2020

- Steve Lund moved
- Karen Arnold seconded
- Roll call
  - Ayes: 5
  - Noes: 0

- Absent: None
- Abstain: None
- Motion carried

**14. FUTURE AGENDA ITEMS: MS. JESSICA GRINBERG, PRESIDENT**

Discussion on bylaws, vacancy, seeking applicants, and appointment of new member.

**15. ASSOCIATION AND COMMUNITY SERVICE REPORTS: Ms. Jessica Grinberg, President**

**16. PUBLIC COMMENTS**

- Lois Leister – employee of MCDH expresses appreciation to board and wishes Steve Lund all the best.
- Jacob Patterson – he did not receive an email notification of board meeting, encouraged the board to appoint a member, and does not think Adventist Health should have anything to do with the Health Care District due to the contract.
- Judy Houglund – employee of MCDH expressed her appreciation to Steve Lund.

**17. COMMENTS FROM BOARD OF DIRECTORS**

- John – experienced seeing one of the Town Hall session
- Amy – commented on how smooth things are going and expresses appreciation to her colleagues.
- Karen – wished Steve all the best and very glad Adventist Health is taking over.
- Steve – expressed is excitement of health care in the future and thanks his colleagues for the work that has occurred over the last several years.
- Jessica – expressed appreciation to Jason and Judy. Reported on positive experience in L&D in Ukiah and wishes Steve well and good luck to his new adventure.

**18. ADJOURNMENT**

Meeting adjourned at 7:00pm.

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**Understanding the Maintenance and Construction Process between  
Mendocino Coast Health Care District (MCHCD) and  
Adventist Health Mendocino Coast (AHMC)  
Effective July 1, 2020**

**Obligation to Maintain:**

- MCHCD will keep and maintain the Premises and the existing Furniture, Fixtures & Equipment (FF&E) in good order, condition and repair. This obligation includes making all repairs, improvements and replacements required by law.
- AHMC has the principal interest in determining the priority and scheduling of Premises and existing FF&E for maintenance, repair, improvements and replacements.
- Beginning on July 1, 2020, AHMC will develop a schedule of maintenance, alterations and construction for the Premises to be named the Improvements Schedule. AHMC will have sole discretion in determining and prioritizing projects on the Improvements Schedule. However, prior to undertaking any project, AHMC will provide the Improvements Schedule to MCHCD so MCHCD can determine whether the expenditures comply with Measure C-2018.

**Obligation to Fund:**

- Beginning July 1, 2020 (start of fiscal year), MCHCD will deposit \$2,000,000 annually into an Improvements Fund. The deposit will be made in two equal semi-annual payments of \$1,000,000 each on July 1 and January 1 of the fiscal year. For subsequent fiscal years the deposit will be increased for a CPI factor.
- AHMC will manage the Improvements Fund and will have authority to withdraw funds for Improvements Schedule projects and FF&E related expenses.
- AHMC will provide an annual accounting to MCHCD on the uses from the Improvements Fund so MCHCD can validate expenditures toward Measure C- 2018 compliance.
- MCHCD made a special deposit of \$2,000,000 into the Improvements Fund per Board action on May 28, 2020. Therefore, the Improvements Fund balance will be \$3,000,000 on July 31, 2020.

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**BYLAWS OF THE**

**BOARD OF DIRECTORS OF**

**MENDOCINO COAST HEALTHCARE DISTRICT**

**Adopted: TBD**

## ARTICLE I. GENERAL

### Section 1. Title.

These Bylaws shall be known as the "Bylaws of the Board of Directors of Mendocino Coast Healthcare District," and may be referenced as the "Bylaws."

### Section 2. The District.

(a) Mendocino Coast Healthcare District (the "District") is a local healthcare district organized on March 6, 1967, under the provisions of the Local Healthcare District Law, Health & Safety Code section 32000, et seq., (the "District Law"). Under the terms of the District Law, as amended from time to time, the District owns and leases a hospital (the "Hospital") and rural health clinics (collectively, "District Facilities").

(b) The District is governed by an elected five-member Board of Directors (the "Board"). The Board is responsible for oversight of all District Facilities, and shall make all rules and regulations necessary for the administration of the District Facilities.

### Section 3. Bylaws and Policy Manual.

These Bylaws govern the conduct of the Board and implementation and compliance with the District Law and other applicable federal and state statutes and regulations. In addition to the Bylaws, the Board shall adopt a policy manual governing specific matters of the Board to augment the Bylaws (the "Policy Manual"), including, at a minimum, a Conflict of Interest Code and policies for ethics standards, Board and committee meetings, investments, legal claims, contracts and purchasing, environmental review of District projects and public records and retention.

### Section 4. Effect of Bylaws on Past Actions and Obligations.

The adoption of these Bylaws or the repeal of a resolution by the Bylaws shall not affect:

- (1) Vested rights and obligations pertaining to any prior resolution; or
- (2) Other matters of record referring to resolutions and not included within the Bylaws.

### Section 5. Maintenance of Bylaws.

(a) At least three certified copies of the Bylaws shall be maintained on file in the District offices as the official copies of the Bylaws. Each director shall be given a copy of the Board Bylaws and Policy Manual. Additional copies of the Bylaws shall be distributed as directed by the President.

(b) Each resolution making a change in the Bylaws shall be filed by the Secretary in books for such purpose, properly indexed for ready reference.

## ARTICLE II. BOARD OF DIRECTORS

### Section 1. Mission of Board of Directors.

The mission of the Board is to ensure operation of its health care facilities and programs in the best interests of the public health; establish rules, regulations and policies for the administration, governance, protection and maintenance of the District; establish standards of operation; operate the District on a self-supporting basis; and, where applicable, establish reasonable rates for services.

### Section 2. Membership.

(a) Assuming office. A person may assume the office of Director by election or appointment.

(b) Election. Directors shall be elected in accordance with the District Law, except the date of election shall be the same date as the statewide general election. The dates of any notices, canvass of

voters, certification of election, and all other procedural requirements shall comply with those for the statewide general election. Directors shall take office at noon on the first Friday in December following an election, as provided by Elections Code section 10554.

(c) Appointment.

- (1) The office of director may become vacant before the end of the term because of death, resignation or other event causing vacancy. A resignation is effective when accepted by the Board and is irrevocable.
- (2) A notice of intention to fill the vacancy by appointment shall be posted by the Secretary immediately when a vacancy on the Board occurs. At least fifteen days after the notice is posted and within 60 days after the effective date of the vacancy, the remaining Directors may fill such vacancy by appointment or by calling an election. The Board of Supervisors may fill the vacancy if the Board fails to act within sixty days of the effective date of the vacancy.
- (3) If a vacancy is not filled by appointment, an election shall be held at the next regular election date at least 130 days after the effective date of the vacancy.
- (4) A person appointed or elected to fill an unexpired term shall hold office until the next regular district election held at least 130 days after the effective date of the vacancy.

(d) Oath of Office. Persons elected or appointed to the Board shall take the oath of office prior to assuming office in the manner and at the time prescribed by law. The Secretary or other person authorized by law shall administer the oath.

**Section 3. Ethics and Conflict of Interest Code.**

It is the intent of the Board to act in the highest ethical standard in carrying out its duties to the public, its patients, and employees, and in the operation of its health care services and facilities. It is also the intent of the Board to protect the District's interests when entering in to a transaction or agreement, and not the private interests of any director, officer, or employee. To that end, the Board has adopted an "Ethics Policy" and a "Conflict of Interest Code" contained in the Board Policy Manual.

**Section 4. Organization.**

(a) Officers of the board. The officers of the Board shall be President, Vice-President, Treasurer, and Secretary. Officers shall be elected at the Board's regular December meeting for the next calendar year, and shall serve for one year, or until their successors assume office.

(b) President. The President shall:

- (1) Preside over all the meetings of the Board.
- (2) Be responsible for coordination and liaison with community groups, public agencies, and residents served by the District.
- (3) Be responsible for the ongoing administrative affairs of the Board, including without limitation, supervision of financial matters, correspondence, and administrative activities of the Board.
- (4) Sign as President: contracts, conveyances, and other instruments in writing, and checks on the funds of the District as the Board shall authorize or direct the President to sign.
- (5) Be responsible for coordination and liaison with District legal counsel, auditors, and consultants.
- (6) Designate members of the Board to undertake special responsibilities and to report to the President on those activities.
- (7) Coordinate with the District's legal counsel:
  - a. Receive all requests from Board members for the preparation of legal opinions, legal memoranda, contracts, corporate documents, or other legal

- work for legal counsel so as to eliminate duplication of same before submitting to legal counsel;
- b. Prepare Board agendas with the assistance of the (District Manager TBD) and legal counsel, and if necessary, instruct legal counsel to prepare memoranda which are necessary to hold closed session meetings, Board Resolutions, and other material pertinent to Board meetings as required;
- c. Serve as an alternate at committee meetings, if able, upon the excused absence of a Committee member, and
- d. Invite legal counsel to attend Committee meetings, as desired.
- (8) Perform other duties as pertain to the office as prescribed by the Board.
- (9) Appoint, with the concurrence of the Board, members of standing and ad hoc committees.
- (10) Represent the Board at official functions when necessary, serve as a spokesperson for the Board regarding board actions, and keep the Board promptly informed of these occasions.

(c) Vice-President. In the absence or inability of the President to serve, the Vice-President shall perform the duties of the President, and shall perform other duties as are prescribed by the Board.

(d) Treasurer. The Treasurer or designee shall:

- (1) , Ensure correct and accurate accounts of the properties and financial transactions of the District;
- (2) Present an annual budget to the Board;
- (3) Cause an annual independent audit of the District to be performed in accordance with law; and
- (4) Perform all duties incident to the office and such other duties as prescribed by the Board.

(e) Secretary. The Secretary or designee shall:

- (1) Keep minutes of all meetings of the Board, and assure such minutes are filed in the official records of the District;
- (2) Maintain the official record of resolutions, actions and orders passed or adopted by the Board;
- (3) Keep all correspondence, financial records and reports in the records of the District;
- (4) Give, or cause to be given, appropriate notices in accordance with these Bylaws or as required by law;
- (5) Act as custodian of records of the District's records;
- (6) Certify the official status, capacity and signature of directors, officers and employees;
- (7) Assure the District Seal is affixed, when required by law, to documents executed on behalf of the District; and
- (8) Perform all duties incident to the office and such other duties as prescribed by the Board.

## **Section 5. Powers.**

The powers of the District are set forth in the District Law and other applicable law. The powers of the District are vested in the Board, which may delegate one or more of its powers in its sole discretion. Specifically, the Board shall:

- (1) Establish by Resolution substantive and procedural policies regarding the affairs of the District in accordance with the best interests of the communities served by the District.
- (2) Monitor the activities of the District Manager (or other designee) as administrator of the

District.

(3) Enter into contracts and agreements with respect to the affairs of the District, including contracts for management services and for other activities approved by the Board.

(4) Effectuate the purpose of the District to enhance the provision of quality healthcare in the communities served by the District by, among other efforts, working with public and private entities (including the provision of financial assistance where feasible).

(5) Identify and seek to respond to healthcare needs and enhance service quality in communities served by the District, and where feasible, respond to substantive needs by advocating for their support or remediation by healthcare providers and agencies.

(6) Monitor and guard the integrity and quality of healthcare services provided at the Hospital.

(7) Exercise all other powers now or hereinafter set forth in and given to it by the District Law and other public agency laws applicable to the District.

(8) Seek legislative, agency and consumer support for Hospitals, enhanced public accountability requirements for all hospitals, and better defined and professional requirements for hospital Quality Assurance Review Board panels.

(9) Maintain the Hospital facilities and ensure that improvements occur as necessary and with agreement of the lessor

**Section 6. Meetings.**

(a) The Board shall conduct meetings as established in the Board's Policy Manual. All meetings of the Board and its committees shall be conducted in accordance with the Ralph M. Brown Act, Government Code section 54950, et seq. (the "Brown Act"), and any other applicable law or regulation. Regular meetings of the Board shall be held on the last Thursday of the month at 6:00 p.m. at the District's administrative office.

(b) Meetings of the Board shall be open and public, except as allowed by law. Persons shall be permitted to attend any portion of a meeting, except a closed session.

(c) A quorum of the Board shall not discuss the business of the District directly, serially or through an intermediary, except at a properly noticed public meeting. A quorum of the Board may discuss the time, place and agenda for a meeting at any time. Less than a quorum of the Board (but not a standing committee) may discuss District business at any time.

**Section 7. Compensation, Benefits and Expenses.**

(a) Compensation.

(1) The members of the Board of Directors shall serve without compensation.

(b) Benefits.

Directors are entitled to the following benefits on the same terms as other officers:

(1) Group medical, vision and dental plan coverage at the District's cost for active directors, but not their dependents.

(c) Expenses.

(1) If previously approved by the Board, a Director shall receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on District business. The rate for reimbursement shall not exceed the rate published by the IRS for deduction from taxes. However, if the

expenses are incurred in connection with a trade conference, the reimbursement



- rates shall not exceed the posted rates for the conference and if the posted rates are not available, the reimbursement rate shall be comparable to the IRS rates.
- (2) Directors must be authorized in advance to incur expenses for District purposes, and shall submit a written request with supporting documents for reimbursement.
  - (3) During July of each year the **District Manager** shall prepare a list of amounts paid during the prior fiscal year to reimburse a director or employee for individual expenses of \$100.00 or more. To determine the value of an item, the total charges for the item for the day shall be considered. For example, several transportation bills each less than \$100.00, but totaling more than \$100, requires a report. During August of each year, each person receiving expense reimbursement shall review the list. The **District Manager** shall consider suggested corrections and post the final list at the District by September.

### **Section 8. Appointment of **District Manager****

(a) The Board shall be solely responsible for selecting a **District Manager**, who shall be responsible for managing the District's operations, facilities, and property. The Board shall adopt a written statement setting forth the qualifications, authority, and duties of the **District Manager**. The Board shall set the **District Manager** compensation.

(b) The Board shall at least annually conduct a review of the performance and compensation of the **District Manager**

(c) The **District Manager** may recommend and shall implement policies adopted by the Board. The Board is not responsible for day-to-day management or operations of the District.

(d) The Board and individual Directors may question the **District Manager** with respect to the development and implementation of District policy. The Board, but not the individual Directors, may direct the **District Manager** with respect to the development and implementation of District policy.

(e) Individual Directors shall not direct employees in the performance of their duties. Any such direction shall be reported to the Board and **District Manager**

(f) The **District Manager** may discuss District business with Directors outside a public meeting, but the **District Manager** shall not communicate the views of Directors to one another, except at a Board meeting. The Board shall not discuss or act on the **District Manager's** recommendations, except at a public meeting.

### **Section 9. Duties of the **District Manager****

The **District Manager** shall have full charge and control of the affairs of the District consistent with the policies established by the Board. The **District Manager** shall work with the Board, Board and joint committees to provide **services of high quality and reasonable cost**. The **District Manager** also shall:

- (1) Present to, and upon Board approval, implement a District strategic plan.
- (2) Plan, administer, operate and maintain facilities and equipment adequate to meet the needs of the District.
- (3) Serve as liaison between the Board and District employees.

- (4) If an emergency arises and there is insufficient time to notify the Board, the **District Manager** may take appropriate and reasonable action otherwise within the Board's jurisdiction. The **District Manager** shall report such action to the Board as soon as possible.
- (5) The **District Manager** shall hire, with the concurrence of the Board, other District employees as the District may require, each of whom shall perform such duties as the Board may determine from time-to-time. Officers shall serve at-will.
- (6) The **District Manager** may engage professional consultants to provide specialized service with the approval of the Board.
- (7) The **District Manager** may engage an engineer to assist in the planning and design of District facilities with the approval of the Board.

**Section 10. Other Officers.**

- (a) In addition to the **District Manager**, the other officer of the District is the Chief Financial Officer ("CFO").
- (b) Other officers and employees shall assist the **District Manager** in the implementation of policy.
- (c) Directors may discuss District business with employees. The employees shall, if possible, supply information requested by Directors in writing, and shall inform the **District Manager** when information is supplied.

**Section 11. Officer Compensation.**

- (a) Employees shall be paid amounts determined by the Board by resolution or minute order. Employees will be exempt and salaried..
- (b) Full-time employees receive the same benefits as full-time, regular employees.
- (c) Part-time employees, other than directors, receive compensation and benefits established by the Board.
- (d) Except as provided herein, officers shall be reimbursed for reasonable and necessary expenses incurred on District business in the same manner as employees.

**Section 12. Employees.**

The **District Manager** shall serve as head of Human Resources. Directors are not encouraged to discuss District business with employees. If a Director inquires of an employee about District business, the employee shall respond to the Director and inform the **District Manager**

**Section 13. Legal Counsel.**

- (a) An attorney shall be appointed by the Board to act as General Counsel. The Board may appoint special counsel. The Board will set the compensation of General Counsel and Special Counsel. General and Special Counsel serve at the pleasure of the Board.
- (b) The General Counsel is directly accountable to the Board. General Counsel shall provide legal advice and services as requested by the Board, and shall work with the **District Manager** on the District's legal matters.
- (c) General Counsel represents the District. General Counsel shall not represent individual directors, officers or employees, unless authorized in writing by the Board.

(d) General Counsel will recommend appointment of special counsel when conflicts arise or if necessary to deal with matters requiring specialized knowledge.

Page Break 5/6

### **ARTICLE III. BOARD COMMITTEES**

#### **Section 1. General.**

(a) Committees of the Board shall be standing or ad hoc. The committee members shall be appointed by the President at the January regular Board meeting and as otherwise needed. The President's action shall be final unless a majority of directors object. Two directors shall be appointed to each committee, one of whom shall be the committee chair, and both of whom shall be voting members. Any director not appointed to a committee may serve as an alternate to that committee. Regular meetings of committees shall be set at the same time at which committee members are appointed.

(b) All committees shall be advisory to the Board, except as otherwise expressly specified by the Board.

#### **Section 2. Standing Committees.**

(a) The standing committees of the Board are **Planning** and Finance.

(b) Each standing committee shall determine the time and place for its meetings; provided, each committee shall meet in January to evaluate its performance over the prior year, and whether its duties and responsibilities are appropriate or need to be revised.

c Standing committees will be chaired and vice chaired by a member of the Board of Directors. Other members will be appointed as necessary or appropriate for the business of the committee. Standing committees will have no less than three (3) members or no more than five (5) members.

#### **Section 3. Planning Committee**

(a) The committee members shall be two directors and the District Manager and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing Human Resources policies and procedures;
- (2) Reviewing and recommending employee compensation and benefits;
- (3) Quality control and performance improvement; and
- (4) Overseeing short and long term facility planning and maintenance

(b) A quorum on the committee consists of a majority of its members. The two directors and District Manager are entitled to vote on matters before the committee.

#### **Section 4. Finance.**

(a) In addition to the Board Treasurer and one other director, the members of the Finance Committee include the District Manager and CFO and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing fiscal and business policies and procedures;
- (2) Overseeing financial management and budgeting;
- (3) Recommending and overseeing fiscal controls;
- (4) Recommending and overseeing Investments;
- (5) Overseeing internal audits and ensuring an annual independent audit; and
- (6) Reviewing and presenting to the Board financial statements and reports.

(b) A quorum on the committee consists of a majority of its members. The two directors and District Manager are entitled to vote on matters before the committee.

**Section 5. Ad Hoc Committees.**

Ad hoc committees, including not more than two directors, may be established by the President, subject to approval of the Board, for defined tasks of a limited duration (for instance, not to exceed six months). An ad hoc committee shall only perform those duties assigned by the President, and upon their completion be discharged. The President, in consultation with the Board, shall determine the members of the committee.

**ARTICLE IV. MISCELLANEOUS**

**Section 1. Review of Bylaws.**

At least annually the Board shall review these Bylaws and the Policy Manual to ensure they comply with the District Law and all other applicable federal and state laws and regulations in keeping with the functions of the Board.

**Section 2. Amendment of Bylaws.**

These Bylaws may be amended by a majority of the Board at a duly noticed Board meeting, provided a full statement of each proposed amendment has been sent to each director along with the meeting agenda and packet.

**Section 3. Indemnification.**

(a) Civil proceedings. The District shall, to the full extent of the law, defend and indemnify each of its employees against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any civil claim arising out of the scope of his or her employment for the District. For purposes of this section, the term "employee" shall have the same meaning set for in Government Code section 810.2, or any successor statute thereof, and includes without limitation any person who was or is a director, officer, employee or servant of the District.

(b) Criminal and administrative proceedings. The District may but is not obligated to defend and indemnify its employees (as defined above). If an employee seeks defense and indemnification in any such proceeding he or she shall submit a written request to the Board, which shall conduct a review of the request in accordance with Government Code sections 995.6 and 995.8, or any successor statutes.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Mendocino Coast Healthcare District; and
2. That the foregoing Bylaws comprised of nine (9) pages constitute the Bylaws, as amended, of the District as duly adopted at a meeting of the Board of Directors thereof duly held on \_\_\_\_\_, 20. .

IN WITNESS WHEREOF, I have hereunto subscribed my name on this \_\_\_ day of \_\_\_\_\_, 20 .

\_\_\_\_\_  
Secretary  
Mendocino Coast Healthcare District



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Mendocino Coast Health Care District  
 Annual Projected Budgets for 10 Years  
 DRAFT- FOR DISCUSSION PURPOSES ONLY  
 FYE 06-30-2021 thru FYE 06-30-2030  
 Prepared: July 22, 2020

FYE 06-30-21 FYE 06-30-22 FYE 06-30-23 FYE 06-30-24 FYE 06-30-25

**Sources of Cash:**

Distribution from Operations	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Restricted Fund	\$0	\$67,000	\$153,500	\$240,000	\$321,500
<b>Total Sources</b>	<b>\$250,000</b>	<b>\$317,000</b>	<b>\$403,500</b>	<b>\$490,000</b>	<b>\$571,500</b>

**Uses of Cash:**

Purchased Services- Administrative	\$15,000	\$15,000	\$15,000	\$15,000	\$18,000
Purchased Services- Legal & Finance	\$42,000	\$42,000	\$42,000	\$42,000	\$48,000
Staff Personnel	\$50,000	\$50,000	\$50,000	\$55,000	\$55,000
Health Reimbursement Arrangement	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000
Office Expenses- Supplies & Equipment	\$10,000	\$5,000	\$5,000	\$5,000	\$6,000
Office Improvements/Utilities	\$20,000	\$8,000	\$8,000	\$8,000	\$10,000
Communication Expenses (phone/fax/internet/email)	\$10,000	\$7,500	\$7,500	\$7,500	\$8,500
<b>Total Uses</b>	<b>\$183,000</b>	<b>\$163,500</b>	<b>\$163,500</b>	<b>\$168,500</b>	<b>\$181,500</b>

Restricted Fund	\$67,000	\$153,500	\$240,000	\$321,500	\$390,000
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Mendocino Coast Health Care District  
 Annual Projected Budgets for 10 Years  
 DRAFT- FOR DISCUSSION PURPOSES ONLY  
 FYE 06-30-2021 thru FYE 06-30-2030  
 Prepared: July 22, 2020

FYE 06-30-26 FYE 06-30-27 FYE 06-30-28 FYE 06-30-29 FYE 06-30-30

**Sources of Cash:**

Distribution from Operations	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Restricted Fund	\$390,000	\$458,500	\$527,000	\$589,500	\$641,000
<b>Total Sources</b>	<b>\$640,000</b>	<b>\$708,500</b>	<b>\$777,000</b>	<b>\$839,500</b>	<b>\$891,000</b>

**Uses of Cash:**

Purchased Services- Administrative	\$18,000	\$18,000	\$18,000	\$20,000	\$20,000
Purchased Services- Legal & Finance	\$48,000	\$48,000	\$48,000	\$54,000	\$54,000
Staff Personnel	\$55,000	\$55,000	\$60,000	\$60,000	\$60,000
Health Reimbursement Arrangement	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000
Office Expenses- Supplies & Equipment	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
Office Improvements/Utilities	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000
Communication Expenses (phone/fax/internet/email)	\$8,500	\$8,500	\$9,500	\$9,500	\$9,500
<b>Total Uses</b>	<b>\$181,500</b>	<b>\$181,500</b>	<b>\$187,500</b>	<b>\$198,500</b>	<b>\$198,500</b>

Restricted Fund	\$458,500	\$527,000	\$589,500	\$641,000	\$692,500
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# HEALTH REIMBURSEMENT ARRANGEMENTS



Creative employer plans for all employees. Increase savings,  
increase employee happiness.

## Understanding an HRA

### WHAT IS A HEALTH REIMBURSEMENT ARRANGEMENT (HRA)?

An HRA is an employer-funded benefit that is used to reimburse employees for medical care expenses as defined in IRS Code 213 (d). Employers contribute tax-deductible dollars to the account and employees receive reimbursements tax-free. The out-of-pocket medical expenses that may be reimbursed are the same as those that a health FSA may reimburse. This includes insurance co-pays and deductibles, vision and dental expenses, over-the-counter medications, and prescription drug co-pays that are not covered by insurance. HRAs are flexible in design and can be restricted to cover only specific expenses, or can be included to cover all expenses as defined by the IRS.

### BENEFITS OF AN HRA

#### Employer Benefits

- Employer contributions to HRAs are not subject to payroll taxes, workers' compensation or pension and profit sharing contribution
- By combining a higher deductible insurance plan with an HRA, you can lower your company's health insurance costs
- Administrative costs are tax deductible and can be paid by the employer, the employee or a combination of both
- HRAs complement FSA plans and help increase FSA participation

#### Employee Benefits

- HRAs allow employees to allocate employer contributions to areas most beneficial to their individual needs
- Disbursements from HRAs are not subject to Federal, State, or Social Security taxes
- Depending on the plan design, HRAs can be carried over to retirement
- HRAs help offset employee out-of-pocket medical expenses

### COMBINING HRAs WITH A FLEXIBLE SPENDING ACCOUNT

Although HRA and FSA plans are designed to reimburse employees for eligible medical expenses, each offers its own unique features, benefits and limitations to both the employer and employees. Many employer groups successfully incorporate both plans in their benefit offerings. Having both plans gives employees the opportunity to better manage their health expenses. The HRA gives the employee funds and the FSA allows the employee to add tax-free dollars to pay for additional out-of-pocket expenses.

#### Example

An employee estimates that her out-of-pocket annual medical expenses will be \$1,500 for the upcoming year. The employer-funded HRA will pay the first \$500 of eligible expenses, but the employee is responsible for paying the remaining \$1,000 of expenses. The employee can establish a Health FSA to pay for the remaining \$1,000 of anticipated expenses. P&A provides an administrative system that seamlessly integrates these two programs.

#### WHAT IS A HEALTH FLEXIBLE SPENDING ACCOUNT?

A Health Flexible Spending Account (FSA) is an employer-sponsored program that allows participants to set aside pre-tax dollars from their paycheck to pay for medical, dental and vision expenses that are either partially covered by their insurance or not covered at all. By putting \$1,000 of pre-tax money into an FSA, the employee will save about \$300 for the year!

## Choosing Your HRA Plan Design

From full, unrestricted plan options to designs that reimburse only specific expenses, P&A Group will help you create the best plan for your company.

1

### **GAP PLAN**

The “gap” plan design complements high deductible insurance products in that it only pays for deductible items eligible under the insurance plan, thereby filling the “gap” between the employee’s out-of-pocket expenses and the insurance coverage.

2

### **UNRESTRICTED**

Pays medical expenses not paid by insurance, including but not limited to: insurance co-pays and deductibles, vision and dental expenses, prescription drug co-payments and non-traditional health care expenses, such as acupuncture.

3

### **RESTRICTED**

Under this design option, coverage is limited or “restricted” to specific expenses, such as vision, dental or prescription drug co-payments.

4

### **REFILL**

Benefit maximum remains constant and is replenished on an annual basis.

5

### **ROLLOVER**

Unused account balances/unreimbursed expenses rollover and can be spent/reimbursed in future years or as benefit dollars become available.

## Creating the Right Plan for You and Your Employees

*With an HRA, you provide your employees important savings by reducing their out-of-pocket healthcare expenses. You choose from a variety of unique plan designs, giving you control and flexibility on creating a benefit plan.*



P&A's HRA Administration ensures that your plan will be well serviced and always in compliance. Our in-house ERISA attorney works with you to create the plan that's right for you and guarantees that all rules and regulations are followed. A dedicated customer service team is ready to answer any questions your employees may have, taking the burden away from your HR department and giving you more time to focus on other responsibilities. We're here to help, to give you the customer service support that's necessary in providing a successful benefit program, and to create a positive experience for your employees.



## Benefit Plans Administered Around You

P&A Group services provide you with everything needed to deliver a successful benefit plan to you and your employees. A dedicated team of consultants, administrators, and customer service professionals ensure that you will receive the highest quality care, commitment and service.



### PLAN CONSULTING

*Experienced benefit consultants listen to your needs and determine the most efficient option(s) for you and your employees.*

### PLAN IMPLEMENTATION

*Our marketing and administrative departments work together to process all necessary documentation to ensure smooth and successful plan setup.*

### PLAN ADMINISTRATION

*Your dedicated account administrator, along with our customer service team, are available to service your company's plan, monitor account balances and adjudicate claim reimbursements. Extended customer service hours are Monday-Friday, 8:30 AM - 10:00 PM ET.*

### LEGAL COMPLIANCE

*Our in-house ERISA attorney ensures that all plans are in compliance with the IRS and Department of Labor rules and regulations.*

***Administered Around You***

## HRA Guidelines

### WHO CAN SPONSOR HRAS?

- Corporations
- S Corporations
- Professional Service Corporations
- Partnerships
- Governmental Employers
- LLCs (Limited Liability Companies)
- LLPs (Limited Liability Partnerships)
- Sole Proprietors
- Non-Profit Organizations
- Churches and Church-Affiliated Organizations

*All of these types of companies can save payroll related taxes by instituting an HRA plan.*

Although certain regulations prohibit sole proprietors, partners, members of LLCs (most cases) and more than 2% owners of an S Corporation from participating in the plan, owners can still enjoy the payroll tax savings that result from sponsoring the plan. (“Employee” shareholders of regular corporations are eligible to participate).

Former employees and retirees can also be covered and continue to have access to unused funds in their accounts.



- HRAs can be restricted to cover specific benefits (Example: prescription drug co-pays, physician office visits, inpatient hospitalization deductibles).
- HRAs cannot be “cashed out” upon an employee’s termination of employment or retirement.
- Eligible expenses must be incurred during the employee’s coverage period but can be reimbursed at a later date, depending on how the plan is designed.
- Plan design options are flexible to accommodate individual employer needs.
- Discrimination in favor of highly compensated employees is not allowed.
- The employer is required to pay eligible expenses only to the extent of the individual’s account balance.
- The plan must be in writing and each plan participant must receive a copy of the Summary Plan Description.
- Plans with over 100 participants must file an annual Form 5500.
- These plans are subject to COBRA continuation rules (unless the sponsor is a church or church affiliate).



## HRA Benefits Card

### USING THE HRA BENEFITS CARD

Offering the Benefits Card with your plan enhances the plan and gives your employees quicker access to their account. The Benefits Card option is available for almost all HRA plan designs.

Issued under the MasterCard system, the Benefits Card allows employees to eliminate the hassle of paying for expenses with out-of-pocket money. Eligible items and services can be paid for immediately with an HRA Benefits Card by swiping the card like any other debit card. The Benefits Card recognizes Merchant Category Codes (MCCs) and the Inventory Information Approval System (IIAS) so only IRS eligible expenses are charged at pre-approved stores and service providers. When the card is swiped, the amount is automatically deducted from the employee's HRA account balance. In those circumstances where the Benefits Card is not used, employees can still receive reimbursement for eligible expenses by submitting a claim to P&A Group, along with a copy of proof of service. Reimbursement is received either via direct deposit or manual check.



### ENHANCE YOUR HRA WITH THE P&A BENEFITS CARD

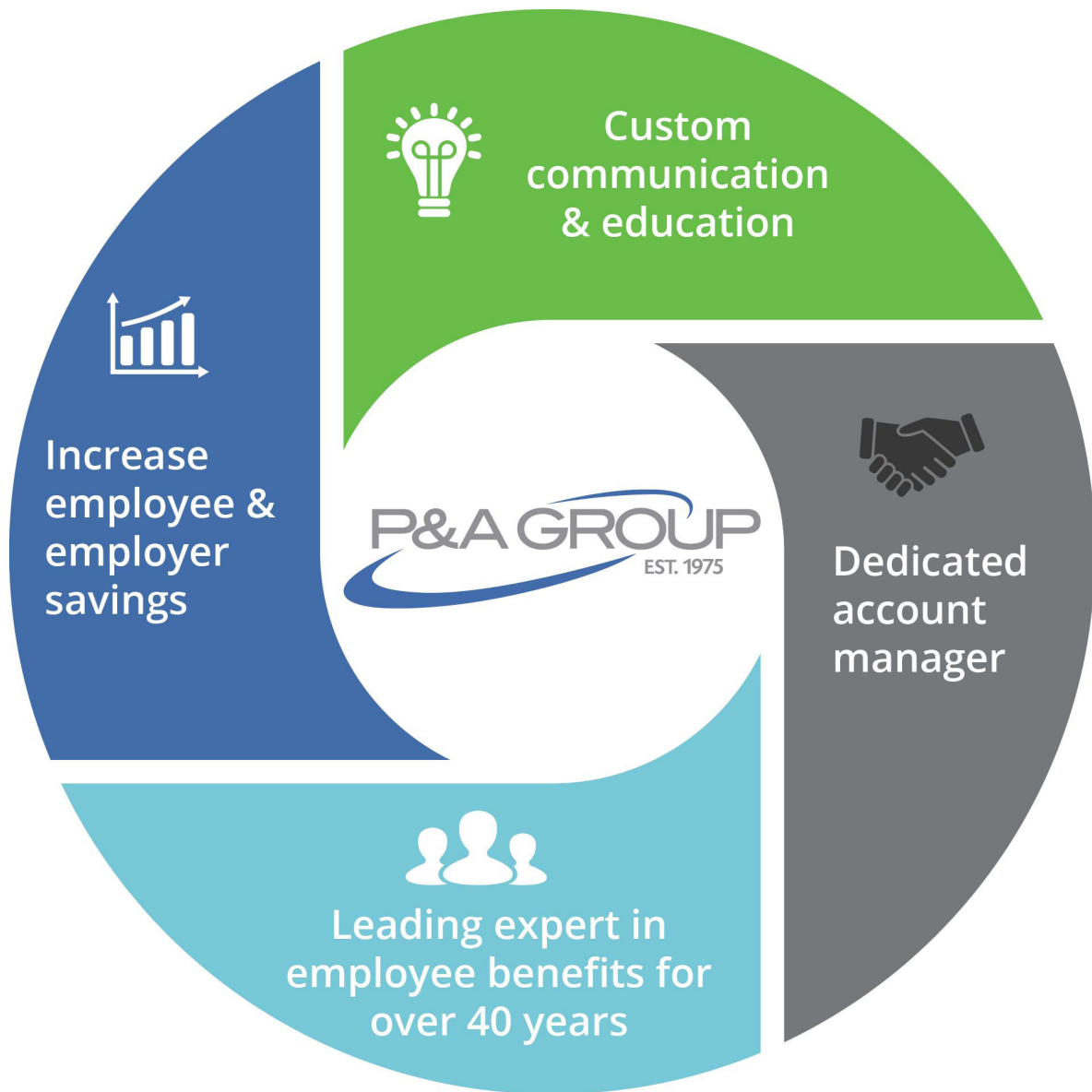
- Reduce time submitting claims and paperwork and waiting for reimbursements
- Additional cards for spouses and dependents or replacement cards are FREE of charge
- Real-time account balance is available 24/7 by calling the number on the back of the card

### TECHNOLOGY FOR EMPLOYERS & EMPLOYEES

<b>HR Connect</b>	Enroll employees online, change demographic information, upload files and more with this secure web portal
<b>Custom Reports</b>	Generate reports like monthly participant balances, benefits card usage, claims paid to date, deposits paid to date, daily reimbursements
<b>Electronic Claims</b>	Upload claims from your smartphone, mobile device or computer
<b>Mobile Website</b>	Visit <a href="http://www.padmin.com">www.padmin.com</a> on your mobile device
<b>Text Messaging</b>	Get participant account information including account balance, deposit history and claim reimbursement
<b>Web Chat</b>	Chat directly with a customer service agent







## BENEFITS ADMINISTERED AROUND YOU

*Creating happy customers since 1975.*

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**BOARD OF DIRECTORS**

*President:*

John Allison

*Vice-President:*

Stephanie Simonich

*Treasurer:*

Susan Warner

*Secretary:*

Charlene McAllister

*Members at Large:*

Kitty Bruning

Robert Cimmiyotti

Jennifer Owen

**ADVISORS**

Tom Allman

Clay Daley, Jr.

DawnMarie Kotsonis

Peter Lopez

Norm Roby

**STAFF**

*Executive Director*

Michelle Roberts

*Development Director*

Mary Kate McKenna

*Marketing & Communications*

*Director*

Ellen Persa

*Development Assistant*

Peter Scott

**WINESONG**

*Pinot Noir Celebration*

*Coordinator:*

Janis MacDonald

*Production Coordinator*

Kacy Palmieri

775 River Drive

Fort Bragg, CA 95437

phone: (707) 961-4688

fax: (707) 961-4975

email:

[info@mchfoundation.org](mailto:info@mchfoundation.org)

web: [MCHFoundation.org](http://MCHFoundation.org)

[winesong.org](http://winesong.org)

Tax ID #: 68-0041554

July 15, 2020

Judy Leach, President  
Adventist Health Mendocino Coast  
700 River Drive  
Fort Bragg, CA 95437

Dear Judy,

On March 25, 2020 the Foundation made a donation of \$165,600 to Mendocino Coast District Hospital (MCDH) for the purchase of 4 ventilators. Later, during June 2020 before any of the ventilators had been delivered, MCDH re-evaluated its needs and requested that the Foundation approve a change in equipment to include 2 ventilators rather than 4, 2 Glidescope intubation scopes, and 4 Personal Air Powered Respirators (PAPRs). The Foundation approved that request.

We understand the approximate total cost for the changed equipment is \$96,800, leaving an unspent and uncommitted balance of the initial donation of approximately \$68,800. This letter serves as a formal request for a refund of the unspent and uncommitted balance in the approximate amount of \$68,800.

I would like to point out that the quick turnaround of receiving the original request, approving it, and issuing a check within 3 days was a unique event due to the urgency of preparing for the impact of the pandemic. This was a departure from our usual and customary funding process. Normally, the Foundation funds a grant it has approved by reimbursing the cost after equipment has been received and an invoice generated.

As the source of funds used to purchase the above equipment is a donor designated fund restricted to equipment for the hospital, we are asking that the unspent and uncommitted funds be returned to the Foundation so they can be re-deposited in the restricted fund. The Foundation will be happy to consider further requests for funding for other critical needs.

Thank you for your attention to this matter.

Sincerely,



Michelle Roberts  
Executive Director

cc: William Miller, M.D.

Did you know you can name Mendocino Coast Healthcare Foundation in your estate plan?  
Please contact the Healthcare Foundation for more information.

Mission: To support quality healthcare and wellness services for people in the Healthcare District.

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# **FINANCIAL REPORT**

**WILL BE AVAILABLE LATER**

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, AUGUST 27, 2020**

**6:00 P.M. Open Session**

**Meeting via Teleconference**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, August 27, 2020 at 6:00 pm. This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, President

2. **ROLL CALL**

3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

The following item #5 is considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

5. **ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Regular Session July 30, 2020

**TAB 1**

**NEW BUSINESS:**

7. **INFORMATION:** Microgrid Overview: Mr. John Redding, Treasurer **TAB 2**
8. **INFORMATION/ACTION:** Health Reimbursement Arrangement: **TAB 3**  
Ms. Jessica Grinberg, President

**OLD BUSINESS:**

9. **INFORMATION:** Plateau Affordable Housing Project Update: Ms. Tabatha Miller, City Manager
10. **INFORMATION/ACTION:** Post Affiliation Structure: Ms. Jessica Grinberg **TAB 4**  
A. By Laws- Second Read  
B. Staffing Arrangement

**REPORTS:**

11. **INFORMATION/ACTION:** Adventist Health Mendocino Coast Update: AHMC Senior **TAB 5**  
Management
12. **INFORMATION/ACTION:** Finance Report- John Redding, Treasurer, Ms. Judy Hougland **TAB 6**  
and Ms. Linnea Orsi
13. **ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President
14. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President
15. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

16. **COMMENTS FROM BOARD OF DIRECTORS**

17. **ADJOURNMENT**

Dated: August 24, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Mendocino Coast District Hospital on August 24, 2020

Karen Arnold  
Karen Arnold  
Secretary of the Board of Directors

8/24/20  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.



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**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, JULY 30, 2020**

**6:00 P.M. Open Session**

**Meeting via Teleconference  
Dial In Number: 877-573-1973 - Passcode 9614637#**

The Board of Directors of the Mendocino Coast Health Care District met in OPEN session at 6:00 pm via teleconference. Jessica Grinberg, Chair presiding

**PRESENT:** Mr. John Redding, Ms. Karen Arnold, Ms. Grinberg, Ms. McColley  
**Absent:** None

**CONDUCT OF BUSINESS:**

**1. CALL TO ORDER:** Ms. Jessica Grinberg, President

OPEN Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:00 PM via teleconference, Ms. Jessica Grinberg, President presiding

**2. ROLL CALL**

**PRESENT:** Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley, Board Members

**BOARD MEMBERS ABSENT:** None

**ALSO, PRESENT:**

Judy Leach, Hospital President

Jason Wells, Adventist Health Mendocino County, President

Wayne Allen, Former Interim CEO

**3. PUBLIC COMMENTS**

John Allison of Westport commented on Chris Calder's article in the June 24, 2020 issue of the Anderson Valley, and recommends that the Health Care District reach out to the local tribes and ask what the District could do to meet the needs to the Native American community.

Laura Dollerstone submitted a written statement that documents in more detail on the issue she is presenting (board members making public posts on social media, the need to differentiate between personal and board opinions, training and recommendations to mitigate future occurrences).

**4. ACTION: REVIEW OF THE AGENDA:** Ms. Jessica Grinberg, President

**MOTION:** To approve the Agenda as submitted

- John Redding moved
- Karen Arnold seconded
- Roll call Karen, John, Amy, Jessica
  - Ayes: 4

- Noes: 0
- Absent: None
- Motion carried

**5. ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

A. Minutes: Regular Session June 25, 2020

**MOTION:** To approve the consent calendar as is for the Minutes of May 28 2020

- Amy McCulley moved
- Karen Arnold seconded
- Roll call Amy, John, Jessica, Karen
  - Ayes: 4
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

**NEW BUSINESS:**

**6. INFORMATION/ACTION:** Plateau Affordable Housing Project: Ms. Tabatha Miller, City Manager Fort Bragg, discussion on housing project with easement.

Tabatha indicates that Chris Dart, and Garret Mcorley of Danco, are on the line for questions. Tabatha reports that the Plateau Housing project is a pocket neighborhood concept that includes 68-units and 1-managers unit. It will be located between South St. and Kemppe across from the hospital and will include 20 permeant residential cottages, a 3000 square foot common building, walkways and full-sized basketball court, 25 single story affordable senior residential cottages, a 1200 square foot common building, a 440 sq. ft. common utility building, and another manager's unit. Also, 29 parking spaces and driveways, and 23 2-story workforce family residential duplex units. The City is asking the hospital district for a sewer easement from Cypress Street to Kemppe Way on the east side of driveway that runs between Cypress and Kemppe for the installation of a gravity fed sewer line. All cost will be covered by developer with dedicated easement to the City of Fort Bragg.

Board discussion and questions followed.

- Jessica reported that the map will be upload after the meeting
- Karen discussed the location of the trench and asked if anything would be affected once the line was covered. Garret explained it would be single trench across the property and it would be invisible with the exception of clean out plates.
- Amy asked about service being interrupted during installation and Garret reported there would be no impact to hospital services during installation and no impacts to existing City systems.
- Construction will start in November for a year-long project and will be fully engineered to City standards. Public Works has provided review of the plan (in front of the board now) and supports the idea that it is a superior solution to using a pump station.
- John asked about impacts on the system that needs mitigated, and Garret reported that the system is fully capable of taking the additional wastewater generated from the project.
- Judy Leach of Adventist Health reported they have vetted it through AH and JOL and is comfortable with what has been proposed. Jessica asked if the project will affect their seismic

upgrade – effecting the resource to the community and Judy responded that it was too early to look at the detailing; based on what they know today, there are no objections.

- Amy asked about the ability to build over the easement and Jessica responded that because it was so far east, unlikely building would occur there. Garrett reported that the trench is in the setback where building is not allowed.
- Garret reported next steps include hiring a licensed land surveyor to perform property research, check deed, parcel map, check for easements, underground utility study, and vet the location before making the final decision on its location. A report will be prepared with the findings of the research.
- Additional board discussion: Tabatha reported that the City is not asking for final approval for the easement today but for a nod to move forward to conduct the necessary surveys.
- Jessica asked J. Leach for a communication from AH that they are in support of the project and Judy indicated they will get something in writing.
- Amy asked what is fair market value price of an easement – is this a donation, for payment – what is the purchase price for the easement? Tabatha reported that had not been considered but if it is a requirement of the hospital; an evaluation can be performed. Amy suggests the District needs to think about it.
- John commented he is not worried about the financial part – this is a good-will consideration. He would like to consider a resolution to support the project so they can go forward with the surveys.

**MOTION:** Move to approve a sewer easement for the City to be able to build the Fort Bragg Plateau Senior Family Supportive Housing pending report.

- Karen Arnold moved
- Amy McCulley seconded
- Roll call Jessica, Amy, John, Karen
  - Ayes: 4
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

**7. INFORMATION/ACTION:** Understanding the Maintenance & Construction Process:

Mr. John Redding, Treasurer

John reported that Wayne Allen did a good job pulling out the key provisions of the lease / business agreements. Wayne discussed the process by which the District will meet its obligation and identified key bullets from the lease document:

- Landlord (District) is responsible for maintaining the premises, furniture, fixtures and equipment and to keep them in good order, condition, and repair. The District delegated to AHMC the priority of scheduling of the repair, replacement and improvement items. Wayne reported that AHMC has the responsibility of developing the improvement schedule and indicated the District has received AH's schedule as of this date. Also, the Finance Committee met this week and discussed a dollar threshold of \$50-100K for smaller purchases. He and Judson met later and agreed to set the threshold at less than \$50,000 - AHMC should be allowed to move forward with purchases of \$50K or less without any significant determination from the District.
- Obligation to Fund starting July 1 of each fiscal year. The District is obligated to deposit \$2m annually into an improvement fund set up with the Tri-Counties Bank. The \$2m that was

approved by the board on May 28, 2020 has been deposited into that fund. The lease calls for \$2m annually in \$1m increments. The first \$1m increment has been deposited and the improvement fund now has \$3m. AHMC has the responsibility to report back to the District annually so the District can coordinate with Measure C committee and get involved in the review and recommendation to the MCDH board.

- John asked about what process will be put in place: 1) where the District approves everything at once, or 2) where the District approves items on a case-by-case basis? Wayne replied that AH has submitted its list of scheduled improvements and identified Tier 1 (short term / 6-12 months at \$4.2m) that the District can approve entirely or one by one – it's the District's discretion.
- Wayne provided an explanation about the \$4.2m in that the lease called for \$2m and the Board approved an additional outlier of special allocation allotment of \$2m in May 2020 – bringing it to \$4m. He doubts that will continue each year and expects to get back to the more appropriate level of \$2m p/year. Wayne recommended AH report on spending and notes they haven't spent a lot of money since May. Justin reported that the money is spent in the best interest of the community and expects it to increase in the coming months.
- Wayne reported the need to bring the oversight committee into the review for their input on whether spending complies with Measure C. John indicated Measure C members want to be more involved including having quarterly meetings. John would like to approve a prioritized list at the beginning of the year with quarterly reviews.
- Jessica does not feel action can be taken on this tonight.
- Amy expresses desire to share with the public since they haven't seen the documents yet. She asked about getting a credit for the extra \$2m against future deposit obligation in case everything falls behind – like a prepayment rather than an extra gift. She suggested exploring the moneys differently. A discussion followed about voting the \$2m in May to bring the hospital up to compliance. Amy is asked for more clarification on what she has in mind in the way of a credit and responded - if they fall behind. Other than that, no other idea but wanted to know other thoughts.
- Karen commented that she understood the \$2m in May was an urgent need and not part of the obligated \$2m, and it should be explored as a Board if they should ask AH for the other \$2m.
- John discussed whether they voted to advance the \$2m or to supplement the obligation with another \$2m and thought it was an advance on this year's obligation. Karen's recollection is that it wasn't an advance but just giving money to take care of urgent needs
- Jessica recommends two board members meet with Judson to reconcile the \$2m (John and Amy to meet with Judson to address the ambiguity that is coming up in this discussion.
- Jessica discussed the OTA (or a portion of the contract/lease), Section 7, Item 7.1 that outlines the obligation to maintain - referencing the \$2m and the improvement fund: regarding review of the money, it would be a retrospective review of the funds and a validation. She suggested the board members review that part of the contract because the Districts doesn't assess the spending plan prior. The oversight committee would confirm the money was spent according to Measure C. Jessica recommended Amy and John meet on both the \$2m and retrospective review of spending and bring it back to the board next month interpretation of the language.
- Wayne read the motion from the May minutes re: the \$2m – motion by Jessica seconded by Steve Lund: To cap out at \$2 to complete the two open OSHPD projects that involve the ATS switch system, the HVAC system, and improvements to our facilities that include but are not limited to the water heater and supplies associated in the surgical procedure area. A discussion followed about it being up to \$2m. John indicated it is clear to him that it was an advance to the \$2m and Amy agreed. Jessica indicated it their responsibility to hand a functioning hospital to the renters at the time of the lease – she doesn't remember it as an advance but rather a maintenance obligation as the landlords at the time of the lease.

No Action Taken

8. **INFORMATION/ACTION:** Update on future handling of Measure C (2018) Review/Approval Process including the exemption procedure and schedule coordination with the Oversight Committee: Mr. John Redding, Treasurer.

Jessica indicated this agenda item is about handling of Measure C on the approval process. John reported that they had this discussion previously. Jessica requested that John use the hospital email for communications on district business and John agreed.

John discussed how the District accesses exemptions and cut-off dates that have come up with a community member. John reported on a constituent's concern about how refunds, exemptions, and cut-off dates are handled. He reported that he put in for a review of a specific matter on behalf of a constituent.

Mr. Green, Principal at Eastshore Consulting discussed the third parcel – a listing was pulled from a data base maintained by the county and that owner (with the same last name) is not associated with the constitute in question. Specific to the constituent there is record of two contiguous parcels-one has received an exemption. The third parcel is no longer being attributed to the constituent's matter. The constituent asked for conformation of the exemption and that has been provided. The remaining issue is how far back in time do they go for reimbursement of the parcel tax and a discussion followed. John reported that the fair thing to do is give a refund if the tax was not due. Mr. Green reported that exemptions are processed on a prospective basis but with the recount of Measure C it put the approval in July and with a deadline of August to levy parcel tax it left only a few weeks to file for an exemption – therefore it was decided to allow for exemptions for the entirety of the first year of the levy (a letter went out on 5/15/2018). Arrangements were made to reimburse people for the first year. There was not an intent to reimburse after the first year, however communications to individuals indicated there would be a rebate and opted in year two and all subsequent years to provide a rebate of some sort. As ownership changes it becomes more difficult to give reimbursements/rebates. Concern is that all person's subject to parcel tax must receive the same and equal treatment in the same classification. It's not that the district couldn't give reimbursements/rebates but going back creates complications as owners change. John recommended taking no action or to reaffirm the process we already have.

Public comment: Malcolm McDonald spoke that the motion is a reminder that the whole Measure C process was faulty from the beginning. Mr. Green's presence reminds him that from the beginning of this board's tenure of January of 2019 onward the public was not made aware of the exemptions. Mr. Green and his company and Mr. Lund failed to make clear to the public before the vote how much money would be exempted to timber owners. The process was flawed and will always be flawed.

**MOTION:** With respect to the process for approval and processing of contiguous residential parcel exemption applications, the Hospital District shall follow a policy under which any applicant during a fiscal year shall be eligible for rebate of any exempted charges which were incurred during that fiscal year. Any parcel tax that is exempt in the upcoming fiscal year will be eligible for a rebate during that fiscal year.

- John Redding moved
- Karen Arnold seconded
- Roll call John, Amy, Jessica, Karen

- Ayes: 4
- Noes: 0
- Absent: None
- Abstain: None
- Motion carried

9. **INFORMATION/ACTION:** Post Affiliation Structure: Ms. Jessica Grinberg  
A. By Laws- Second Read  
B. Budget Draft

Jessica reported that they are not ready to discuss the bylaws tonight. Karen reported that some comments were dropped inadvertently, and they will be sent out after the meeting. General agreement to take additional time for review. Jessica commented on board ethics, community communications, and public comments and whether the District should consider board policies that address board member responsibilities. John commented on the people making the complaint and that it was wrong on several levels including personal attacks. John discussed the process (before AHMC) for communicating with the public through press release from the CEO but each board member could express an opinion. John discussed the circumstances of when, why and how he began posting on social media. Karen recommended that board members disclose when they are expressing personal opinions. Amy added that posts can be misleading and suggests having two accounts (board member and personal). Judy Leach described the AH policy and process for commenting on social media and that information has been vetted and is the official voice of AH.

Jessica reported the need for an employee – Karen has been doing the lions share of the work to keep the board moving forward. John reported he talked to the Foundation about sharing services and was told it would not be practical. John recommended recruiting within the community and Jessica asked about putting out a job description. John reported they need to hire a bookkeeper separate from someone who will do the administrative duties. Amy discussed going back to the Foundation for a further discussion to share services. Karen will create the job description. Wayne added he would like a committee (himself and two board members) to develop a budget (Amy and John).

Michelle Roberts from the Foundation commented they are ready to discuss how they can support the District and believes they have some capacity to assist.

No Action Taken

10. **INFORMATION/ACTION:** Health Reimbursement Arrangement:

The District Board and some Foundation members no longer have health benefits effective August 1, 2020. Wayne is looking into a health reimbursement arrangement whereby a certain amount of money is contributed to each member per month to be used for premiums, deductibles, and other medical/health related needs. (\$600 p/month, \$7,200 p/year). Wayne reported that members need to obtain individual health coverage as soon as possible and that Cobra is not being offered because the plan is terminated. Michelle reported the Foundation went with California Non-profits and they are getting a Blue Shield plan, and that could be an option for the Board. She also reported that the foundation has benefited from the District health plan, but they did reimburse the district monthly for the cost of the coverage. A discussion followed about going with Covered California for health coverage which lead to the flexible health plan for a monthly amount set aside to help with health coverage or other medical, health, nutrition related expenses.

**MOTION:** Approve a flexible health care spending account for board members and potential employees to cover up to \$600 a month for the cost of purchasing health insurance and for health-related needs.

- Karen Arnold moved
- John Redding seconded
- Roll call Jessica, Amy, John, Karen
  - Ayes: 4
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

11. **INFORMATION/ACTION:** Refund Request from Mendocino Coast Health Foundation:  
Ms. Jessica Grinberg, President

The Foundation offered to pay for four ventilators, but the hospital only needed two. There is a balance due of approximately \$68,800.00 - because of the urgent need for the vents, the Foundation funded the request without invoices.

Judy Hougland – requested clarification for the amount to be refunded. A discussion followed about various ways the refund could be calculated based getting only two vents, additional equipment that was requested and approved by the Foundation instead of the vents, and the timing of the order and funding aligning with the lease. Jessica proposed refunding the money for anything beyond the two vents and have the Foundation re-issue the money once the other equipment items are ordered.

**MOTION:** Refund the unused money given to us on March 25<sup>th</sup> by the Foundation to buy ventilators. The amount is \$92,604.

- Karen Arnold moved
- John Redding seconded
- Roll call Karen, John, Amy, Jessica
  - Ayes: 4
  - Noes: 0
  - Absent: None
  - Abstain: None
- Motion carried

**REPORTS:**

12. **INFORMATION/ACTION:** Administration Update: Ms. Judy Leach, Ms. Linda Givens, Ms. Lindsey Spencer and Mr. Jason Wells

- Judy Leach expresses her appreciation to the District and to the community for a seamless transition. Judy reported on human performance, and that the onboarding of staff is completed, all staff are on the AH email system and transitioning into benefits / retirement plan during the open enrollment. Judy reported on work being done to hire staff through the system office and looking for opportunities to bring on travelers as AH employees. Finally, negotiations with the union continue, and they are going well.
- Lindsey Spencer reported they are continuing to make progress on the open OSHPD projects – the OR for example. Continue to conduct a thorough review of processes and implementing best practice. Matt Rembold, facilities director and his team have been working hard to



evaluate the overall appearance of the facilities, including the botanicals to create healing and calming spaces for patients and staff. Thanks to a generous donor we have added picnic tables for outside breaks and lunches to increase staff safety during meal breaks. Collaborating with all three sites allows us to leverage experts and resources such as having an HVAC expert that goes to all three facilities. Also, we are continuing to get the word out on all the services on the coast.

- Linda Givens, Patient Executive reported the Emergency Room has starting call-backs started with evidence-based practice that is patient experience oriented. Increased collaboration between sights, sharing key people, and resources to keep patients within our county. New software systems are coming on line gradually.
- Judy Leach, on behalf of Dr. Miller and Dr. Parker provided a Medical Staff update and reported that they are creating new medical staff bylaws, created with AH and have been voted and approved within the past two weeks. Also, Paul Charpentier, MD is here weekly providing orthopedic services. The EHR system to document and share information with each other is a top priority and looking at a 6-12-month installation. Cardiology is looking to increase their services from once a month to twice monthly and pulmonary services to start in 2-3 months as well. COVID update: there are 293 confirmed cases in Mendocino County. We have been providing the nursing home with additional PPE and supplies as well as taking care of their patients. The COVID unit is open and will continue taking patients from Sherwood Oaks. Also, Judy read a letter of appreciation from a patient.

13. **INFORMATION/ACTION:** Finance Committee Report- Mr. John Redding, Treasurer and Mr. Judson Howe.

John reported that he closed the books on their operations as of July 1, 2020. It is unaudited at this time but will wind up with \$7m cash. Some obligation in PTO but starting with that much is a healthy position. Judson reported that from a volume prospective we rebounded nicely from April and May. – an example is we are only 13% off on admissions and on in-patient days we are above budget. Key areas of interest from an operational perspective are that the ER continues to be reduced. It seems that ER admissions is climbing which indicates a higher acuity. Something to keep an eye on during COVID – people staying away for ER's. Judson reported on additional opportunities to reduce expenses.

Board discussion to approve the Financial Report, which deferred to the next meeting.  
No action.

14. **ASSOCIATION AND COMMUNITY SERVICE REPORTS:** Ms. Jessica Grinberg, President  
None

15. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President  
Bylaws  
Flex Spending Account (health account)  
Emergency Weather Shelter

16. **PUBLIC COMMENTS**

John Allision, as president of Board of the Health Care Foundation, he would like to thank the Health Care District Board for approving the refund for vents. Please submit the invoice for shipping for payments and regarding the approval for the other equipment – when they arrive, let them know and they will be approved. He welcomes the opportunity to help the District.

17. **COMMENTS FROM BOARD OF DIRECTORS**

Amy comments on a well-structured meeting and expressed her appreciation. She thanked the health care workers and their dedication to our community.

18. **ADJOURNMENT**

Meeting adjourned at 8:45 pm

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**DOCUMENT WILL BE**

**AVAILABLE SOON**

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## HEALTH REIMBURSEMENT ARRANGEMENT



**Prepared for: Mendocino Coast Health Care District**

### **P&A Group**

17 Court Street, Suite 500  
Buffalo, NY 14202

Rick Neward, [newardr@padmin.com](mailto:newardr@padmin.com)  
(949) 202-8266  
[www.padmin.com](http://www.padmin.com)

## ABOUT P&A GROUP

Since 1975, P&A Group has provided the highest quality assistance in the design, administration, and communication of employer sponsored benefit programs. P&A Group is a privately held corporation headquartered in Buffalo, NY.

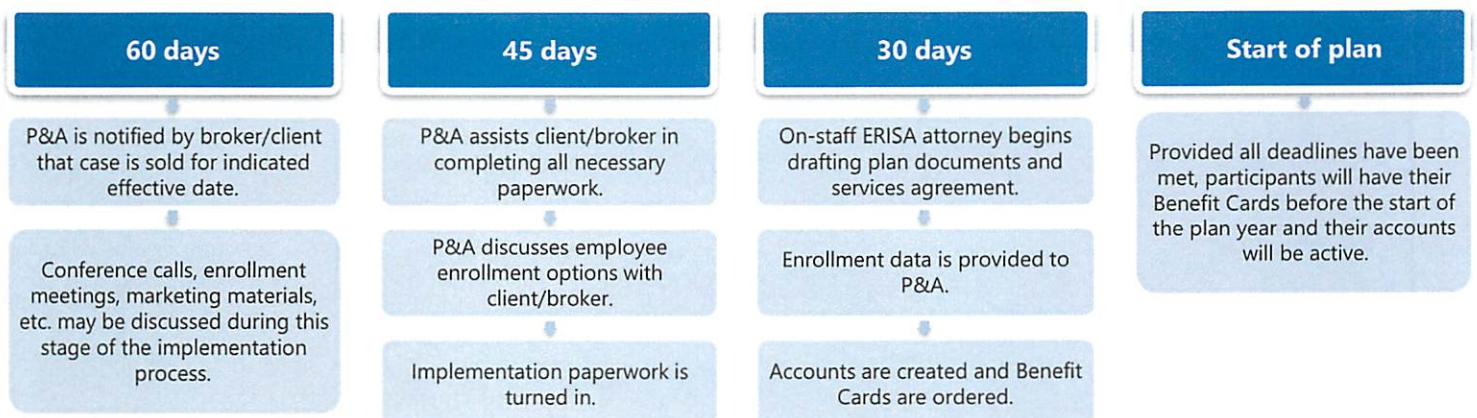
While constantly enhancing and developing new technological features, P&A's commitment to providing a one-on-one customer experience remains first and foremost. P&A's proprietary technology allows client-specific customization that, when paired with knowledgeable account managers and customer service representatives, ensures seamless administration for the employer and plan participants.

## ADDITIONAL SERVICES

### HRA PLAN IMPLEMENTATION

- Flexible Spending Accounts (FSA)
- Health Savings Accounts (HSA)
- Premium Only Plans (POP)
- Commuter Benefit Plans
- Wellness Plans
- COBRA Administration
- Integrated/Retiree Billing Services
- Credit Style Cafeteria Plans
- Group Insurance Administration
- Specialized/Customized Employee Benefit Programs
- Retirement Plan Administration – 401(k), 403(b), 457

- Dedicated implementation specialist (transferred to administrator within 180 days)
- Scheduled implementation meetings |
- Integration with third-party enrollment/payroll providers
  - File layout will be determined by benefit plan design
- Enrollment methods
  - Electronic enrollment
  - Online enrollment through P&A's web portal
- Plan documents and non-discrimination testing



## HRA PLAN ADMINISTRATION

A dedicated administrator is assigned and responsible for the day-to-day plan administration. You will have direct access to your administrator through personalized e-mail, phone and fax.



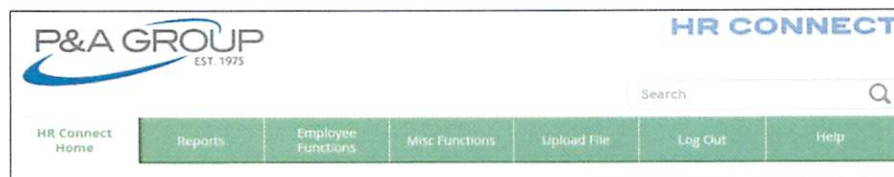
- Communication of new hires/ terms/ changes
- Annual plan renewal
- Resolution to escalated matters
- Quality assurance

## HRA FUNDING METHOD

- Automated Clearing House (ACH) transactions
- P&A has access to pre-determined bank account to pay claims
- ACH withdrawals are automatically performed once claims have been adjudicated and approved on every business day
- Client is notified via e-mail prior to each ACH withdrawal
- Bank reconciliation reports provided

## EMPLOYER WEB PORTAL: HR CONNECT

P&A's employer portal, HR Connect, provides clients with convenient reporting capabilities right at their fingertips! HR personnel can easily perform the following functions in HR Connect::



### Employer Functions

- Employee benefits lookup
- Make employee changes
- Demographic changes
- Employee change history

### On-Demand Reports

- Account balances
- Check register
- Demographics
- Billed administrative fees
- Reimbursement summaries (claims submitted, claims paid, debit card transactions)



## EMPLOYEE WEB PORTAL: MY BENEFITS

Participants in P&A's spending accounts have access to real-time information on a 24/7 basis through our secure employee web portal, My Benefits. Participants can access all account information, including:

- Election amount
- Available balance
- Contribution amount
- Claims submitted
- Claims paid (including debit card transactions)
- Pending claims

### Tools Available in My Benefits

- Secure online claim upload
- Track faxed or uploaded claims
- Submit a HIPAA consent form
- Order additional Benefit Cards or report card lost/stolen
- Enroll in direct deposit



## HRA CLAIMS

### Submission Methods

- Benefits Card
- Claim Upload
- QuikClaim Mobile Upload
- Toll-free Fax
- USPS Mail

### Tracking Options

- E-mail Confirmation
- Website
- SMS Text Message
- 24/7 IVR
- Customer Service Reps/Live Chat

### Determination of Eligible Expenses

- Claims processed by trained claims analysts 24/7
- Validity of expenses determined by IRS guidelines
- In-house ERISA attorney available for additional research

### Claims Turnaround & Reimbursement

- Claims are processed 24/7 and reimbursements are issued every business day
- P&A Group encourages participants to enroll in direct deposit – it's free and the quickest way to get reimbursed!
- The average claim turnaround is three business days

## HRA EMPLOYEE COMMUNICATION

Customized communication materials

Enrollment meetings

Mobile access (mobile site & mobile app)

Integrated Voice Response (IVR)

## CUSTOMER SERVICE CENTER

- P&A's customer service representatives are located at P&A Headquarters in Buffalo, NY.
- Extended customer service hours: Monday - Friday, 8:30 am to 10:00 pm ET.
- Live online chat during customer service hours at [www.padmin.com](http://www.padmin.com).
- English and Spanish speaking customer service representatives.
- Contact Us button via [www.padmin.com](http://www.padmin.com)

## CUSTOMER SERVICE STANDARDS

- ◆ Adhere to all HIPAA and privacy regulations
- ◆ Conduct quarterly internal audits to monitor the timeliness and accuracy of administration
- ◆ Adhere to a one business day turnaround time for all client and participant calls that require further attention
- ◆ Quality assurance
  - Call monitoring
  - Test environment
  - Data file integrity
  - Data file integrity

## LEGAL COMPLIANCE

Health Reimbursement Arrangements must meet the requirements of all federal and state tax laws as well as non-discrimination and labor laws. P&A Group's on-staff ERISA attorney and operations team ensures all aspects of the plan are kept in compliance with IRS regulations.

## HEALTH REIMBURSEMENT ARRANGEMENT PLAN QUOTE

Client Name: **Mendocino Coast Health Care District**

Date: 8/18/2020

ADMINISTRATIVE FEES	
<b>Per Participant Per Month Fee</b> (includes Benefits Card)	<b>Annual Minimum Fee</b> (includes Benefits Card)
<b>\$4.50</b>	<b>\$1,000</b>
Minimum annual fee will only apply if less than 19 participants 5 Year Rate Guarantee	

### Administrative Fees Include:

- ✓ HRA Benefits Card
- ✓ Claims Processing
- ✓ Required Non-Discrimination Testing
- ✓ Online HR Access Training
- ✓ 24/7 Account Access
- ✓ Additional/Replacement Benefit Cards
- ✓ Account Administration/Customer Service
- ✓ Online HR Access/Administrative Guide
- ✓ Live Online Chat
- ✓ Employer/Employee Reporting Package

INSTALLATION FEES	
<b>One-time Installation Fee</b>	<b>Renewal Fee</b>
<b>\$500</b>	<b>No Renewal Fee!</b>

### Installation Fees Include

- ✓ Plan Design & Implementation
- ✓ Customized Section 105(h) Plan Document and Summary Plan Description
- ✓ Electronic Enrollment Materials
- ✓ Plan Services Agreement

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Amendments to Legal Plan Documents</li> <li>• Additional Group Meetings</li> <li>• Travel and Expenses (if required)</li> <li>• COBRA Administration</li> </ul> | <ul style="list-style-type: none"> <li>• 5500 Filing Fee (if required)</li> <li>• Hard Copies of Enrollment Materials</li> <li>• Enrollment Confirmation Statements</li> <li>• Mid-Year Takeover</li> </ul> |
|--|---|

OPTIONAL SERVICES (TO BE QUOTED UPON REQUEST)

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**DRAFT 1.0**  
**BYLAWS OF THE**  
**BOARD OF DIRECTORS OF**  
**MENDOCINO COAST HEALTHCARE DISTRICT**

**Adopted: TBD**

## ARTICLE I. GENERAL

### Section 1. Title.

These Bylaws shall be known as the "Bylaws of the Board of Directors of Mendocino Coast Healthcare District," and may be referenced as the "Bylaws."

### Section 2. The District.

(a) Mendocino Coast Healthcare District (the "District") is a local healthcare district organized on March 6, 1967, under the provisions of the Local Healthcare District Law, Health & Safety Code section 32000, et seq., (the "District Law"). Under the terms of the District Law, as amended from time to time, the District owns and leases a hospital (the "Hospital") and rural health clinics (collectively, "District Facilities").

(b) The District is governed by an elected five-member Board of Directors (the "Board"). The Board is responsible for oversight of all District Facilities, and shall make all rules and regulations necessary for the administration of the District Facilities.

### Section 3. Bylaws and Policy Manual.

These Bylaws govern the conduct of the Board and implementation and compliance with the District Law and other applicable federal and state statutes and regulations. In addition to the Bylaws, the Board shall adopt a policy manual governing specific matters of the Board to augment the Bylaws (the "Policy Manual"), including, at a minimum, a Conflict of Interest Code and policies for ethics standards, Board and committee meetings, investments, legal claims, contracts and purchasing, environmental review of District projects and public records and retention.

### Section 4. Effect of Bylaws on Past Actions and Obligations.

The adoption of these Bylaws or the repeal of a resolution by the Bylaws shall not affect:

- (1) Vested rights and obligations pertaining to any prior resolution; or
- (2) Other matters of record referring to resolutions and not included within the Bylaws.

### Section 5. Maintenance of Bylaws.

(a) At least three certified copies of the Bylaws shall be maintained on file in the District offices as the official copies of the Bylaws. Each director shall be given a copy of the Board Bylaws and Policy Manual. Additional copies of the Bylaws shall be distributed as directed by the President.

(b) Each resolution making a change in the Bylaws shall be filed by the Secretary in books for such purpose, properly indexed for ready reference.

(b)

## ARTICLE II. BOARD OF DIRECTORS

### Section 1. Mission of Board of Directors.

The mission of the Board is to

- a) ensure operation of the best interests of the public health; and
- b) meet its contractual obligations under the Agreements (JR note:define), including maintenance of District Facilities
- c) add new programs or services that promote the health and well being of the community provided these are self-supporting and do not conflict with the provisions of the Agreements establish rules, regulations and policies for the administration, governance, protection and maintenance of the District; establish standards of operation; operate the District on a self-supporting basis; and, where applicable,

### Section 2. Membership.

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Commented [JG3]: Implement and support new programs...Providing they are congruent with regulations and existing contracts.

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(a) Assuming office. A person may assume the office of Director by election or appointment.

(b) Election. Directors shall be elected in accordance with the District Law, except the date of election shall be the same date as the statewide general election. The dates of any notices, canvass of

voters, certification of election, and all other procedural requirements shall comply with those for the statewide general election. Directors shall take office at noon on the first Friday following certification of the election results by the Mendocino County Registrar of Voters in December following an election, as provided by Elections Code section 10554.

(c) Appointment.

- (1) The office of director may become vacant before the end of the term because of death, resignation or other event causing vacancy. A resignation is effective when accepted by the Board and is irrevocable.
- (2) A notice of intention to fill the vacancy by appointment shall be posted by the Secretary immediately when a vacancy on the Board occurs. At least fifteen days after the notice is posted and within 60 days after the effective date of the vacancy, the remaining Directors may fill such vacancy by appointment or by calling an election. The Board of Supervisors may fill the vacancy if the Board fails to act within sixty days of the effective date of the vacancy.
- (3) If a vacancy is not filled by appointment, an election shall be held at the next regular election date at least 130 days after the effective date of the vacancy.
- (4) A person appointed or elected to fill an unexpired term shall hold office until the next regular district election held at least 130 days after the effective date of the vacancy.

(d) Oath of Office. Persons elected or appointed to the Board shall take the oath of office prior to assuming office in the manner and at the time prescribed by law. The Secretary or other person authorized by law shall administer the oath.

**Section 3. Ethics and Conflict of Interest Code.**

It is the intent of the Board to act in the highest ethical standard in carrying out its duties to the public, ~~its patients, and its employees, and its Affiliated Partner and in the operation of its health care services and facilities.~~ It is also the intent of the Board to protect the District's interests when entering in to a transaction or agreement, and not the private interests of any director, officer, or employee. To that end, the Board has adopted an "Ethics Policy" and a "Conflict of Interest Code" contained in the Board Policy Manual.

Commented [JG5]: I think we can stop this sentence at the word public.

**Section 4. Organization.**

(a) Officers of the board. The officers of the Board shall be President, Vice-President, Treasurer, and Secretary. Officers shall be elected at the Board's regular December meeting for the next calendar year, and shall serve for one year, or until their successors assume office.

(b) President. The President shall:

- (1) Preside over all the meetings of the Board.
- (2) Be responsible for coordination and liaison with community groups, public agencies, and residents served by the District.
- (3) Be responsible for the ongoing administrative affairs of the Board, including without limitation, supervision of financial matters, correspondence, and administrative activities of the Board.
- (4) Sign as President: contracts, conveyances, and other instruments in writing, and checks on the funds of the District as the Board shall authorize or direct the President to sign.
- (5) Be responsible for coordination and liaison with District legal counsel, auditors, and consultants.
- (6) Designate members of the Board to undertake special responsibilities and to report to the President on those activities.
- (7) Coordinate with the District's legal counsel:
  - a. Receive all requests from Board members for the preparation of legal opinions, legal memoranda, contracts, corporate documents, or other legal



- work for legal counsel so as to eliminate duplication of same before submitting to legal counsel;
- b. Prepare Board agendas with the assistance of the (District Manager ~~TBD~~) and legal counsel, and if necessary, instruct legal counsel to prepare memoranda which are necessary to hold closed session meetings, Board Resolutions, and other material pertinent to Board meetings as required;
- c. Serve as an alternate at committee meetings, if able, upon the excused absence of a Committee member, and
- d. Invite legal counsel to attend Committee meetings, as desired.
- (8) Perform other duties as pertain to the office as prescribed by the Board.
- (9) Appoint, with the concurrence of the Board, members of standing and ad hoc committees.
- (10) Represent the Board at official functions when necessary, serve as a spokesperson for the Board regarding board actions, and keep the Board promptly informed of these occasions.

(c) Vice-President. In the absence or inability of the President to serve, the Vice-President shall perform the duties of the President, and shall perform other duties as are prescribed by the Board.

(d) Treasurer. The Treasurer or designee shall:

- (1) Keep, or cause to be kept, correct and accurate accounts of the properties and financial transactions of the District;
- (2) In conjunction with the District Manager, Present-present an annual budget to the Board;
- (3) Cause an annual independent audit of the District to be performed in accordance with law; and
- (4) Perform all duties incident to the office and such other duties as prescribed by the Board.
- (5) Monitor the financial activities that result from the Agreements and ensure these are in compliance with such Agreements

(4)

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(e) Secretary. The Secretary or designee shall:

- (1) Keep minutes of all meetings of the Board, and assure such minutes are filed in the official records of the District;
- (2) Maintain the official record of resolutions, actions and orders passed or adopted by the Board;
- (3) Keep all correspondence, financial records and reports in the records of the District;
- (4) Give, or cause to be given, appropriate notices in accordance with these Bylaws or as required by law;
- (5) Act as custodian of records of the District's records;
- (6) Certify the official status, capacity and signature of directors, officers and employees;
- (7) Assure the District Seal is affixed, when required by law, to documents executed on behalf of the District; and
- (8) Perform all duties incident to the office and such other duties as prescribed by the Board.

**Section 5. Powers.**

The powers of the District are set forth in the District Law and other applicable law. The powers of the District are vested in the Board, which may delegate one or more of its powers in its sole discretion. Specifically, the Board shall:

- (1) Establish by Resolution substantive and procedural policies regarding the affairs of the District in accordance with the best interests of the communities served by the District.

- (2) Monitor the activities of the District Manager (or other designee) as administrator of the

District.

(3) Enter into contracts and agreements with respect to the affairs of the District, including contracts for management services and for other activities approved by the Board.

(4) Effectuate the purpose of the District to enhance the provision of quality healthcare in the communities served by the District by, among other efforts, working with public and private entities (including the provision of financial assistance where feasible).

(5) Identify and seek to respond to healthcare needs and enhance service quality in communities served by the District, and where feasible Agreements, respond to substantive needs by advocating for their support or remediation by healthcare providers and agencies.

(6) Monitor and guard the integrity and quality of healthcare services provided at the Hospital.

(7) Exercise all other powers now or hereinafter set forth in and given to it by the District Law and other public agency laws applicable to the District.

(8) Seek legislative, agency and consumer support for Hospitals, enhanced public accountability requirements for all hospitals, and better defined and professional requirements for hospital Quality Assurance Review Board panels.

Commented [JR6]: I am referring to the provisions that require the District to notify AH of any proposes new service and AH's right of first refusal.

Commented [KA7]: I don't think this is our responsibility

Commented [JR8R7]: I agree

Commented [KA9]: Either is this our responsibility

Commented [JR10R9]: I agree

**Section 6. Meetings.**

(a) The Board shall conduct meetings as established in the Board's Policy Manual. All meetings of the Board and its committees shall be conducted in accordance with the Ralph M. Brown Act, Government Code section 54950, et seq. (the "Brown Act"), and any other applicable law or regulation. Regular meetings of the Board shall be held on the last Thursday of the month at 6:00 p.m. at the District's administrative office.

Commented [KA11]: We could include a statement that meetings will be scheduled based on the board need

(b) Meetings of the Board shall be open and public, except as allowed by law. Persons shall be permitted to attend any portion of a meeting, except a closed session.

Commented [JR12R11]: Perhaps this could read that the Board will meet at a minimum of once every quarter

(c) A quorum of the Board shall not discuss the business of the District directly, serially or through an intermediary, except at a properly noticed public meeting. A quorum of the Board may discuss the time, place and agenda for a meeting at any time. ~~Less than a quorum~~ Two members of ~~few~~ of the Board (but not a standing committee) may discuss District business at any time.

**Section 7. Compensation, Benefits and Expenses.**

(a) Compensation.

(1) The members of the Board of Directors shall serve without compensation.

(b) Benefits.

Directors are entitled to the following benefits on the same terms as other officers:

(1) ~~Group medical, vision and dental plan coverage at the District's cost for active directors, but not their dependents.~~

Commented [KA13]: This need to change once a decision has been made

(c) Expenses.

(1) If previously approved by the Board, a Director shall receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on District business. The rate for reimbursement shall not exceed the rate published by the IRS for deduction from taxes. However, if the expenses are incurred in connection with a trade conference, the reimbursement



- rates shall not exceed the posted rates for the conference and if the posted rates are not available, the reimbursement rate shall be comparable to the IRS rates.
- (2) Directors must be authorized in advance to incur expenses for District purposes, and shall submit a written request with supporting documents for reimbursement.
  - (3) During July of each year the **District Manager** shall prepare a list of amounts paid during the prior fiscal year to reimburse a director or employee for individual expenses of \$100.00 or more. To determine the value of an item, the total charges for the item for the day shall be considered. For example, several transportation bills each less than \$100.00, but totaling more than \$100, requires a report. During August of each year, each person receiving expense reimbursement shall review the list. The **District Manager** shall consider suggested corrections and post the final list at the District by September.

**Section 8. Appointment of District Manager**

(a) The Board shall be solely responsible for selecting a **District Manager**, who shall be responsible for managing the District's operations, facilities, and property. The Board shall adopt a written statement setting forth the qualifications, authority, and duties of the **District Manager**. The Board shall set the **District Manager** compensation.

(b) The Board shall at least annually conduct a review of the performance and compensation of the **District Manager**

(c) The **District Manager** may recommend and shall implement policies adopted by the Board. The Board is not responsible for day-to-day management or operations of the District.

(d) The Board and individual Directors may question the **District Manager** with respect to the development and implementation of District policy. The Board, but not the individual Directors, may direct the **District Manager** with respect to the development and implementation of District policy.

(e) Individual Directors shall not direct employees in the performance of their duties. Any such direction shall be reported to the Board and **District Manager**

(f) The **District Manager** may discuss District business with Directors outside a public meeting, but the **District Manager** shall not communicate the views of Directors to one another, except at a Board meeting. The Board shall not discuss or act on the **District Manager's** recommendations, except at a public meeting.

**Section 9. Duties of the District Manager**

The ~~Board of Directors, unless otherwise stated, shall delegate to District Manager shall have~~ full charge and control of the affairs of the District consistent with the policies established by the Board. The **District Manager** shall work with the Board ~~or any of its committees, Board and joint committees and medical staff to provide in a highly professional manner.~~ The **District Manager** also shall:

- (1) Present to, and upon Board approval, implement a District strategic plan.
- ~~(1)(2)~~ Develop and implement a plan, along with the appropriate budget and schedule, that will meet the state of California's seismic upgrade requirement.
- ~~(2)(3)~~ Plan, administer, operate and maintain facilities and equipment adequate to meet the needs of the District. Administer the Agreements.
- ~~(3)(4)~~ Serve as liaison between the Board and District employees.

~~(4)~~(5) If an emergency arises and there is insufficient time to notify the Board, the **District Manager** may take appropriate and reasonable action otherwise within the Board's jurisdiction. The **District Manager** shall report such action to the Board as soon as possible.

~~(5)~~(6) The **District Manager** shall hire, with the concurrence of the Board, other District officers as the District may require, each of whom shall perform such duties as the Board may determine from time-to-time. Officers shall serve at-will.

~~(6)~~(7) The **District Manager** may engage professional consultants to provide specialized service with the approval of the Board.

~~(7)~~(8) The **District Manager** may engage an engineer to assist in the planning and design of District facilities with the approval of the Board.

**Section 10. Other Officers.**

(a) In addition to the **District Manager**, the other officer of the District is the Chief Financial Officer ("CFO").

Commented [KA14]: Don't think we need a CFO

(b) Other officers and employees shall assist the **District Manager** in the implementation of policy.

(c) Directors may discuss District business with officers. The officers shall, if possible, supply information requested by Directors in writing, and shall inform the **District Manager** when information is supplied.

**Section 11. Officer Compensation.**

~~(a) Officers shall be paid amounts determined by the Board by resolution or minute order. Officers shall not earn overtime pay.~~

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~~(b) Full-time officers receive the same benefits as full-time, regular employees.~~

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~~(c) Part-time officers, other than directors, receive compensation and benefits established by the Board.~~

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~~(d) Except as provided herein, officers shall be reimbursed for reasonable and necessary expenses incurred on District business in the same manner as employees.~~

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**Section 12. Employees.**

The **District Manager** shall serve as head of Human Resources. Directors are not encouraged to discuss District business with employees. If a Director inquires of an employee about District business, the employee shall respond to the Director and inform the **District Manager**.

**Section 13. Legal Counsel.**

(a) An attorney shall be appointed by the Board to act as General Counsel. The Board may appoint special counsel. The Board will set the compensation of General Counsel and Special Counsel. General and Special Counsel serve at the pleasure of the Board.

(b) The General Counsel is directly accountable to the Board. General Counsel shall provide legal advice and services as requested by the Board, and shall work with the **District Manager** on the District's legal matters.

(c) General Counsel represents the District. General Counsel shall not represent individual directors, officers or employees, unless authorized in writing by the Board.



(d) General Counsel will recommend appointment of special counsel when conflicts arise or if necessary to deal with matters requiring specialized knowledge.

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**ARTICLE III. BOARD COMMITTEES**

**Section 1. General.**

(a) Committees of the Board shall be standing or ad hoc. The committee members shall be appointed by the President at the January regular Board meeting and as otherwise needed. The President's action shall be final unless a majority of director's object. Two directors shall be appointed to each committee, one of whom shall be the committee chair, and both of whom shall be voting members. Any director not appointed to a committee may serve as an alternate to that committee. Regular meetings of committees shall be set at the same time at which committee members are appointed.

(b) All committees shall be advisory to the Board, except as otherwise expressly specified by the Board.

**Section 2. Standing Committees.**

(a) The standing committees of the Board are **Planning** and Finance.

(b) Each standing committee shall determine the time and place for its meetings; provided, each committee shall meet in January to evaluate its performance over the prior year, and whether its duties and responsibilities are appropriate or need to be revised.

c Standing committees will be chaired and vice chaired by a member of the Board of Directors. Other members will be appointed as necessary or appropriate for the business of the committee. Standing committees will have no less than three (3) members or no more than five (5) members.

**Section 3. Planning Committee**

(a) The committee members shall be two directors and the District Manager and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing Human Resources policies and procedures;
- (2) Reviewing and recommending employee compensation and benefits;
- (3) Quality control and performance improvement; and
- (4) Overseeing short and long term facility planning and maintenance

(b) A quorum on the committee consists of a majority of its members. The two directors and District Manager are entitled to vote on matters before the committee.

**Commented [JG15]:** Do we need committees? It seems we can create community focus groups as projects are developed. It seems the finance and planning committees are no longer needed

**Commented [KA16]:** Do we need a planning committee

**Commented [JR17R16]:** I think we need a committee that will have oversight of the plan to meet the seismic requirements and a committee that works with AH on the future hospital or other health care facility.

**Section 4. Finance.**

(a) In addition to the Board Treasurer and one other director, the members of the Finance Committee include the District Manager and CFO and up to two additional members. The committee is responsible for:

- (1) Recommending and overseeing fiscal and business policies and procedures;
- (2) Overseeing financial management and budgeting;
- (3) Recommending and overseeing fiscal controls;
- (4) Recommending and overseeing Investments;
- (5) Overseeing internal audits and ensuring an annual independent audit; and
- (6) Reviewing and presenting to the Board financial statements and reports.
- (6) Monitoring the financial activities that arise from the Agreements to ensure compliance with the terms and conditions of such Agreement.

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(b) A quorum on the committee consists of a majority of its members. The two directors- and District Manager are entitled to vote on matters before the committee.

**Section 5. Ad Hoc Committees.**

Ad hoc committees, including not more than two directors, may be established by the President, subject to approval of the Board, for defined tasks of a limited duration (for instance, not to exceed six months). An ad hoc committee shall only perform those duties assigned by the President, and upon their completion be discharged. The President, in consultation with the Board, shall determine the members of the committee.

**ARTICLE IV. MISCELLANEOUS**

**Section 1. Review of Bylaws.**

At least annually the Board shall review these Bylaws and the Policy Manual to ensure they comply with the District Law and all other applicable federal and state laws and regulations in keeping with the functions of the Board.

**Section 2. Amendment of Bylaws.**

These Bylaws may be amended by a majority of the Board at a duly noticed Board meeting, provided a full statement of each proposed amendment has been sent to each director along with the meeting agenda and packet.

**Section 3. Indemnification.**

(a) Civil proceedings. The District shall, to the full extent of the law, defend and indemnify each of its employees against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any civil claim arising out of the scope of his or her employment for the District. For purposes of this section, the term "employee" shall have the same meaning set for in Government Code section 810.2, or any successor statute thereof, and includes without limitation any person who was or is a director, officer, employee or servant of the District.

(b) Criminal and administrative proceedings. The District may but is not obligated to defend and indemnify its employees (as defined above). If an employee seeks defense and indemnification in any such proceeding he or she shall submit a written request to the Board, which shall conduct a review of the request in accordance with Government Code sections 995.6 and 995.8, or any successor statutes.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Mendocino Coast Healthcare District; and
2. That the foregoing Bylaws comprised of nine (9) pages constitute the Bylaws, as amended, of the District as duly adopted at a meeting of the Board of Directors thereof duly held on \_\_\_\_\_, 20 .

IN WITNESS WHEREOF, I have hereunto subscribed my name on this \_\_\_ day of \_\_\_\_\_, 20 .

\_\_\_\_\_  
Secretary  
Mendocino Coast Healthcare District

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Prioritized Needs for District Board  
8/24/2020

Priority	Description	Type	Budgeted	Committed	Notes
<b>Tier 1</b>					
1	Current Open OSHPD Projects		\$ 948,719	\$ 223,072	OR HVAC, ATS, Water Heater
	Med Air Replacement		\$ 1,000,000	\$ -	New Finding. Estimated btwn \$500k - \$1M. Architect engaged, OSHPD involved
	Regulatory/Deferred Maintenance		\$ 235,000	\$ 194,535	See May Board Document
	Fire Sprinkler Pipe Issues		\$ 28,575	\$ 18,371	Known Issue form 2019
	<b>Total</b>		<b>\$ 2,212,294</b>	<b>\$ 435,978</b>	
2	Deferred Maintenance / Findings				
	Roof Repair		\$ 935,000		Roof inspection 7/30/20, awaiting report
	Steel Windows Replacement		\$ 450,000		
	Surgery Upgrades		\$ 100,000		
3	Prioritized Equipment				
	Zoll Defibrillators		\$ 184,900	\$ 156,745	Defibrillators no longer supported by Zoll - complete
	Sigma Pumps		\$ 126,000		Pump, Infusion, Single Channel x 63
	Draeger Medical		\$ 65,000		Anesthesia Unit
	Steric Corp Sterilizer		\$ 75,000		Steam Sterilizer
	Thermo Scientific		\$ 48,500		Blood Bank Freezer
<b>Total Tier 1</b>			<b>\$ 6,408,988</b>	<b>\$ 1,028,701</b>	
<b>Tier 2</b>					
<b>Facility</b>					
	Med Surg Cleaniness Upgrades		\$ 3,000,000		
	Antennae Removal		\$ 50,000		
	HVAC Replacement ED/Lab		\$ 5,600,000		
	Surgery / OR Refresh		\$ 100,000		
<b>Equipment</b>					
	Capital Equipment Not Listed Above		\$ 648,904		See List from May Board Meeting
<b>Tier 2</b>			<b>\$ 9,398,904</b>		
<b>Total Prioritized Needs</b>			<b>\$ 15,807,892</b>		

## 2020 AHMC COMMUNITY BOARD MEMBERS

Revised: 08-01-20

FNAME	LNAME	TITLE	ADDRESS	CITY	STATE	ZIP	EMAIL	PHONE
<i>Voting Members</i>								
Jeff	Eller	<i>Board Chair</i> Retired President, Northern California Region					<a href="mailto:Jeff.Eller@ah.org">Jeff.Eller@ah.org</a>	W: 707.571.2821
Jason	Wells	<i>Board Secretary</i> President, Mendocino Region	One Marcela Drive	Willits	CA	95490	<a href="mailto:Jason.Wells@ah.org">Jason.Wells@ah.org</a>	W: 707.456.3010
Nancy	Bennett	Business Owner	20741 Fawn Lane	Fort Bragg	CA	95437	<a href="mailto:fawn2@sbcglobal.net">fawn2@sbcglobal.net</a>	C: 707.972.4488
Zoe	Berna, MD	Physician	721 River Drive, Suite A	Fort Bragg	CA	95437	<a href="mailto:bernaZ@ah.org">bernaZ@ah.org</a>	C: 707.330.0950
Benjamin	Graham	Retired Physician	Post Office Box 129	Mendocino	CA	95460	<a href="mailto:bgraham@mcn.org">bgraham@mcn.org</a>	C: 707.684.9320
Jessica	Grinberg	MCDH Rep	Post Office Box 1738	Mendocino	CA	95460	<a href="mailto:grinbejb@ah.org">grinbejb@ah.org</a>	C: 707.357.2115
Suzanne	Hewitt	Retired FNP, Professor Mendocino College	Post Office Box 159	Albion	CA	95410	<a href="mailto:shewitt@mendocino.edu">shewitt@mendocino.edu</a>	
Jim	Hurst	Business Owner, Commissioner Noyo Harbor District	Post Office Box 462	Fort Bragg	CA	95437	<a href="mailto:harbor2@mcn.org">harbor2@mcn.org</a>	C: 707.357-2276
Steve	Lund	MCDH Rep	940 Arlene Way	Novato	CA	94947	<a href="mailto:sclund@mcn.org">sclund@mcn.org</a>	C: 707.972.1603
Mary Kate	McKenna	Deputy Exec. Director Mendocino Coast Healthcare Foundation	325 E. Laurel Street	Fort Bragg	CA	95437	<a href="mailto:marykate@mchfoundation.org">marykate@mchfoundation.org</a>	C: 209.452.2160
Tabatha	Miller	City Manager, City of Fort Bragg	120 Hocker Lane	Fort Bragg	CA	95437	<a href="mailto:tabatha4216@gmail.com">tabatha4216@gmail.com</a>	C: 206.388.7917
William	Miller	Chief of Staff	Pos Office Box 413	Little River	CA	95456	<a href="mailto:millerw01@ah.org">millerw01@ah.org</a>	C: 415.286.0789
Robin	Serrahn	AHMC Medical Director of Emergency Services	Post Office Box 307	Mendocino	CA	95460	<a href="mailto:serrahr@ah.org">serrahr@ah.org</a>	C: 415.531.8071
Thomas	Wajnert	Retired Chairman of Board of RAI (NYSE)	45151 Drifters Reef Road	Mendocino	CA	95460	<a href="mailto:tom@twaj.com">tom@twaj.com</a>	C: 908.500.2691
Reecca	Walker	Superintendent, Fort Bragg Unified School District	312 S. Lincoln	Fort Bragg	CA	95437	<a href="mailto:bwalker@fbusd">bwalker@fbusd</a>	W: 707.961.2850

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**DOCUMENT WILL BE**

**AVAILABLE SOON**

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, October 29, 2020**

**6:00 P.M. Open Session**

**5:00 P.M. Closed Session**

**Meeting via Teleconference**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, October 29, 2020 at 6:00 pm. **This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, President

2. **ROLL CALL**

3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4. **CLOSED SESSION**

a) **Information/Action:** Discussion regarding Public Employment: Post-Services Transition with AHMC employees and Form 1099 consultants. Government Code §54954.5 & 54957

5. **6:00 P.M. OPEN SESSION CALL TO ORDER-** Ms. Jessica Grinberg, President

6. **ROLL CALL**

7. **REPORT ON CLOSED SESSION MATTERS**

- a) **Information/Action:** Discussion regarding Public Employment: Post-Services Transition with AHMC employees and Form 1099 consultants. Government Code §54954.5 & 54957

8. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

9.. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

The following item #5 is considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

10. **ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

- a) Minutes: Regular Session September 24, 2020 **TAB 1**
- b) Minutes: Special Session October 12, 2020 **TAB 2**
- c) Letter of Understanding regarding \$2M CapEx appropriation dated October 12, 2020 **TAB 3**
- d) Bylaws Final Read dated November 2020 **TAB 4**

**NEW BUSINESS:**

11. **INFORMATION/ACTION:** Resolution for Covid Response Network: Mr. Norman de Vall **TAB 5**

12. **INFORMATION/ACTION:** MCDH Volunteers Update: Ms. Carol Steele, President

**OLD BUSINESS:**

13. **INFORMATION/ACTION:** Reconfirmation of Public Employment of District's Office Manager: Ms. Jessica Grinberg

14. **INFORMATION/ACTION:** Recommendation from Ad Hoc Committee on Web Design: Mr. John Redding, Treasurer and Mr. Norman de Vall **TAB 6**

**REPORTS:**

15. **INFORMATION/ACTION:** Hubs & Routes Update: Ms. Jennifer Kreger, M.D. **TAB 7**
16. **INFORMATION/ACTION:** Adventist Health Mendocino Coast Update:  
a) Increase Access to Care from Providers for the District: Judy Leach/Executive Team  
b) Facility Update: Lindsey Spencer and Judson Howe
17. **INFORMATION/ACTION:** Finance Report- John Redding, Treasurer, Ms. Judy Houglan **TAB 8**  
and Ms. Linnea Orsi
18. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

19. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

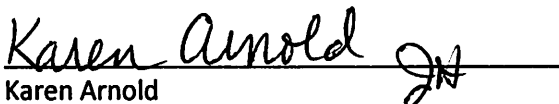
20. **COMMENTS FROM BOARD OF DIRECTORS**

21. **ADJOURNMENT**

Dated: October 26, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Adventist Health Mendocino Coast Hospital on October 26, 2020

  
Karen Arnold  
Secretary of the Board of Directors

10/26/2020  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, SEPTEMBER 24, 2020**

**6:00 P.M. Open Session**

**5:00 P.M. Closed Session**

**Meeting via Teleconference**

<p><b>CALL IN at 5:00 p.m. for public comment prior to Closed Session</b></p> <p><b><u>CALL IN NUMBER</u></b> <b>(669) 900-9128</b> <b>Meeting ID: 923 0917 2542</b> <b>Passcode: 618724</b></p>	<p><b>CALL IN at 6:00 p.m. to reconvene the meeting to Open Session</b></p> <p><b><u>CALL IN NUMBER</u></b> <b>(669) 900-9128</b> <b>Meeting ID: 979 3929 2766</b> <b>Passcode: 494312</b></p>
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**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, President  
Closed session of the Board of Directors of the Mendocino Coast Health Care District convened at 5:00 p.m. via teleconference
2. **ROLL CALL**  
PRESENT: Jessica, John, Amy, Karen
3. **PUBLIC COMMENTS**
4. **CLOSED SESSION**
  - **Information/Action:** Conference with Legal Counsel regarding the government claim of Chelsea McDaniel, Dawn McDaniel, Mark Merritt, Andrew Merritt, and Gabriella McDaniel. Government Code §54954.5 and §54956.9.
  - **Information/Action:** Conference with Legal Counsel regarding proposed termination of Professional Services Agreement with Sandra Fleming, M.D. pertaining to contractual dispute. Government Code §54956.9.
  - **Information/Action:** Public Employment: Office Manager discussion. Government Code §54954.5 & 54957
  - **Information/Action:** Public Employment: Interim Administrative Assistant discussion. Government Code §54954.5 & 54957
5. **OPEN SESSION CALL TO ORDER** - Ms. Jessica Grinberg, President  
Open session reconvened at 6:00 p.m. by Jessica Grinberg
6. **ROLL CALL** Jessica, John, Amy, Karen

**7. REPORT ON CLOSED SESSION MATTERS – Jessica Grinberg**

The Board went into closed session just after 5:00 p.m. to discuss the following:

- Information/Action: Conference with Legal Counsel regarding the government claim of Chelsea McDaniel, Dawn McDaniel, Mark Merritt, Andrew Merritt, and Gabriella McDaniel. Government Code §54954.5 and §54956.9.

*Action was Taken*

- Information/Action: Proposed termination of Professional Services Agreement with Sandra Fleming, M.D. pertaining to contractual dispute. Government Code §54956.9.

*Action was Taken*

- Information/Action: Public Employment: Office Manager discussion. Government Code §54954.5 & 54957

*No Action Taken*

- Information/Action: Public Employment: Interim Administrative Assistant discussion. Government Code §54954.5 & 54957

*No Action Taken*

**8. PUBLIC COMMENTS**

- Judy Leach:
  - Jason Wells, Lindsey Spencer and other members of the team are on the call.
  - The hospital finished the CDPH (California Department of Public Health) re-survey with everything being resolved, zero deficiencies, and the immediate jeopardy removed.
  - Patient satisfaction survey results have increased to 87%.
  - Last year 170 patients were transferred out of the hospital for care - 65% went outside the county. They are working to change that – to bring care closer to home.
  - More specialties are coming into our community. Dr. Paul Charpentier has provided 473 patient visits since he arrived on July 1, 2020 and we are continuing to build the Ortho unit.
  - Scott Perez joined the AHMC team as we increase access to our immediate care.
  - Security services will be on the coast 24/7 to increase overall safety on campus to our staff, patients, and visitors. We had an employment fair to increase our work force.
- Jason Wells & Judson Howe:
  - Of the 24 Adventist Health hospitals on the west coast there are about 200 COVID positive cases. Mendocino County is doing well although there was a surge to 24 positive cases following Labor Day. On the hospital side, 7 COVID positive cases all in Ukiah.
  - Jason and Judson report on physician recruiting. There are two new cardiologists to bring more care to the coast and the family medicine residency continues to grow.
  - Judson reported Pacific Redwood Medical Services (PRMS) will be on campus to design a coordinated ER (Emergency Room) and Hospitalist program across the campuses.
  - The cardiology and pulmonology team will be on the coast to design the program that best works to extend their care to the coast.
  - Discussion of what it means to bring health care to the coast. Judson talked about relocation to the coast being a combination of telemedicine services, multiple days per month, and

permanent residency. An ER doctor and a specialist have already expressed interest to return to the coast. Discussion on building volume for physicians to stay, splitting practice between multiple facilities until volume returns – the goal is to build the volume and have physicians living on the coast.

- John Allison from Westport
  - Thanked Adventist Health for the report – it shows bringing AH to the coast was the right thing to do.
  - He commented on the microgrid issue and John Redding’s involvement in UniGen Resources. He asked that his statement with the organization chart and the February 21 meeting agenda [City of Fort Bragg] be attached and made part of the minutes of this board meeting - he will email it to the board.
- Malcolm McDonald had two comments directed at John Redding:
  - Help him and the rest of the healthcare district public understand how the letting of a contract for a solar panel microgrid would not benefit him when he is the prime official in a company, UniGen Resources, Inc., providing those materials for that project?
  - Why wasn’t the microgrid project presented to the hospital district board at or around the same time it was presented to the Fort Bragg City Council?
  - Malcolm also asked how the Board will report out to the public after a closed session that follows this teleconferenced meeting?
- Discussion followed about using the call-in number, allowing 30 minutes for closed then having the public call in.

9. **ACTION: REVIEW OF THE AGENDA:** Ms. Jessica Grinberg, President

Karen reported the bylaws are not finished and they should be removed from the Agenda. Also, she requested to add an Agenda item for information only regarding a website.

**MOTION:** Motion to remove the bylaw portion of the Agenda and otherwise approve.

- Karen moved
- Amy second
- Roll call
  - Ayes: 4
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

10. **ACTION: Approval of Consent Calendar:** Ms. Jessica Grinberg, President

A. Minutes: Regular Session August 27, 2020

B. Bylaws dated September 24, 2020

Amy discussed making adjustments to the August 27, 2020 Minutes. She felt one of her comments was paraphrased and one of the most important things was that she wanted to acknowledge that we had no South Coast representation but we have representation of someone that doesn’t even live in the county and does not use Adventist’s service, which is Steve Lund and that comment was omitted completely from the minutes. The conversation around the recruitment of office manager – it was omitted that Jessica and Karen were to pre-interview everyone and that was not in the minutes and that is important to get into the minutes too.

Discussion followed to clarify what Board Steve Lund was on and Amy added that he is on the Adventist Board and she made a comment mentioning he is from the south and not in the county and they do not have anybody from their South Coast district, and it was paraphrased incorrectly. Amy said there was

a big conversation around recruitment, interviewing and that she and John on the team for budget, and it was omitted that you guys were supposed to help hire. Jessica recommended pulling the approval of the minutes and to bring them back at the next meeting.

**MOTION:** Motion to not have a consent calendar - we pulled the bylaws and the minutes

- Amy moved
- Karen second
- Roll call: Amy, John, Karen, Jessica
  - Ayes:
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**REPORTS:**

**11. INFORMATION/ACTION: Finance Report - John Redding, Treasurer, Ms. Judy Houglund and Ms. Linnea Orsi**

- John Redding:
  - It has been several months since he talked about the side letter with Judy and Jason. It started off as an amendment then turned into a side letter, but he has not seen it and it is overdue.
  - Jason requested clarification that the side letter memorializes the conversation around the intent of using the 2 million in infrastructure needs and John confirmed that is what it was referring to. Jason said he will have a letter to him by tomorrow.
  - The other thing John commented on before getting to the financial is to note that AH has been in possession of several questions from Wayne that has to do with serious problems about how our billings are being commingled and that it needs to be resolved.
  - Wayne said he put together a list of 9 questions a month ago and is still waiting on a response. He had some significant questions - he asked about commingling especially in the area of cash where there is one operating account and deposits going in from AH, and the District - and the reconciliation isn't catching up with the flow of cash and the other transactions. It has overwhelmed both the District and AH because we are not getting fair statements made or presented that are accurate – definitely not being presented on a timely basis and it is a major problem that has to be dealt with.
  - Jason said he had the questions at their last meeting and had the team ready to answer all 9 questions but did not get the sense that Wayne was wanting to discuss them that that forum. Jason wants to discuss in a task force and tackle it. Judson's team has worked hard on it and he is prepared to speak to it today.
  - Judson added that he and Judy have talked about the list and are ready to talk about it.
  - Discussion about who will receive emails. Jason recommended if it is a financial matter, Judson is the point, the email will go to him and he will respond. Judy will be point on any coast issue, Jason will be point on any county issues.
  - Jessica asked that the 9 questions be presented in bullet form for the community to hear and will report out on the nine items next month. Wayne identified the questions:
    1. How much does the district owe AH for post-closing services for July?
    2. Are accounts receivable being segregated between the two parties?

3. Are the receipts comingled? How are they being posted?
  4. Accounts payable/accounts receivable that were due at the time of closing?
  5. Staffing shortages and not work getting done.
  6. Can AH supply help / Medicare cost report?
  7. Accounts payable are those segregated between the two parties.
  8. Transition patients in house on June 30?
  9. Data on CDPH license will occur for AHMC?
- o Discussion about who should be involved in a Monday morning meeting, the steps leading up to a meeting (to respond in writing, review with John/Wayne then take it forward to a task force). Amy said she and John are on the task force and can meet on Monday. She is on the coast Monday and thinks it can be resolved quickly.
  - o John reported he will defer his cash-flow report to the next meeting. John reported the District has not approved a budget and one should be approved at the next meeting. Amy said Wayne made a commitment to working on the budget and she is interested in getting it done as well.

*No Action Taken*

**12. FUTURE AGENDA ITEMS: Ms. Jessica Grinberg, President**

- Website
- Future planning for evacuees
- Microgrid (history)

**13. PUBLIC COMMENTS**

- Malcolm McDonald thought the bylaws would be on the Agenda and commented
  - o Why do not the bylaws include a requirement to report out to the public?
  - o Quarterly reporting on budget matters in general and specifically related to the financing of the seismic retrofit requirement under state law.
  - o Also, on the concept of emergency services in the event of another fire is a very tricky issue. If the hospital district takes that on, they own it including clean up and every liability associated with it – so something to think about and discuss very carefully if that item does come up in the future.
- Michelle Blackwell asked if the Board has heard anything about the Supervisors replacement of the open board seat?

**14. COMMENTS FROM BOARD OF DIRECTORS**

- John reported on Mr. Allison's complaint with the FPPC and the Grand Jury and both chose not to pursue the matter.
- John reported the proposal that involved his company is no longer active. The proposal was given as part of a PG&E initiative and it was killed back in April. His involvement going forward is to be an unpaid advisor to anyone who wants to take advantage of his ability as we all (the District, AH, and the City) move forward to see if it will grow legs. He has no financial interest in what is coming next. He commented he had discussed this at length with Malcolm.
- Karen reported she will bring back some information about building a website and asked for recommendations.
- Amy expressed appreciation to those active participants directly or indirectly with the health care district – wants to say thank you and she appreciates everyone; wishes we could take a deep breath but here comes flu season.

- Wayne asked about call-in number for going into closed/open to report out. Discussion followed about creating a new number, using the same number on the Agenda, and adjourning the meeting without going back into closed. Jessica will send out date for another meeting for the bylaws and the employment issue.

15. **ADJOURNMENT**

Meeting adjourned

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Karen Arnold, Secretary  
Board of Directors

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**BOARD OF DIRECTORS MEETING  
MENDOCINO COAST HEALTH CARE DISTRICT**

**Meeting via Teleconference  
CALL IN NUMBER: 877-573-1973 Passcode 9614637#  
MONDAY, OCTOBER 12, 2020**

**MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in a special session at via teleconference to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

**1. CALL TO ORDER**

Open Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:30 p.m. via teleconference

**2. ROLL CALL**

Present: Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley and Mr. Norman De Vall

**3. REPORT ON CLOSED SESSION MATTERS**

Jessica reported out on the closed session that there was discussion regarding recruiting an Administrative Assistant to work for the Health Care District.

- MOTION: Motion to hire Tomessa Devita to fill the position of Administrative Assistant.
- Amy moved
- John second
- Roll call:
- Ayes: John, Amy, Jessica, Karen
- Abstain: Norman De Vall

**4. PUBLIC COMMENTS**

There were no public comments

**5. APPROVAL OF THE AGENDA**

**MOTION:** to approve the agenda as written

Karen Moved

Norman Second

All members voted to approve the agenda

**6. DISCUSSION OF THE BYLAWS**

Norman discussed putting the address of the District on the bylaws and John stated that we needed to either remove the comment on Section 9 Duties of the District Manager or revise that section.



A discussion occurred that in order for Norman to have additional time to review the Bylaws we would wait and vote on the bylaws in the next meeting's consent agenda.

#### **7. WEB PROPOSAL**

A proposal was presented to create a website for the District. Discussion occurred that some board members were not sure what we wanted in our website so they couldn't determine if the proposal covered our needs. Norman mentioned that he had a website designer that he really respected and we could talk with him. Jessica asked Norman and John if they would meet and create a list of what we would need in our website. They agreed to do so. Amy suggested that they could meet and create a list of needs and get that to the board in a week from the date of the special board meeting. They agreed. Action on a website was delayed to the next board meeting.

#### **8. FUTURE AGENDA ITEMS**

- Discussion regarding beautification of our new location
- Report from Adventist
- Wayne's contract
- Other employees we will need (Karen will determine who the Foundation uses for bookkeeping and Jessica will research legal firms.

#### **9. PUBLIC COMMENTS**

Jacob Patterson congratulated the board on persevering to the end of the meeting despite the technical difficulties. He also welcomed Norman to the board.

#### **10. COMMENTS FROM THE BOARD OF DIRECTORS**

- Amy thanked the board for continuing with meeting despite the technical difficulties and welcomed Norman to the board
- Karen had no comments except to welcome to Norman
- John said how impressed he was that we are all willing to have these special meetings. It can be difficult to find the time but we all fit it in our schedules.
- Norman mentioned he looked forward to meeting John and getting started on the web proposal.

#### **11. ADJOURNMENT**

Meeting adjourned at 7:30

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Karen Arnold, Board Secretary

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**Adventist Health**  
Mendocino Coast

Department Name or Service Line

700 River Drive  
Fort Bragg, CA 95437  
707-961-1234

[AdventistHealth.org/AHMendoCoast.org](http://AdventistHealth.org/AHMendoCoast.org)

October 12, 2020

Jessica Grinberg, Chair  
MCHC – District Board

Re: \$2million Support for AHMC Compliance Needs

Dear Jessica;

This note is to memorialize the agreement made between the Mendocino Coast Healthcare District Board and Adventist Health on September 24, 2020. Two million dollars will be provided by the District to directly fund the critical repairs and improvements identified through the California Department of Public Health (CDPH) Survey process as well as by outside consultants.

These funds are being used in order to restore full compliance with CMS regulations and expectations. We anticipate a minimum of \$6m in projected expenses to mitigate the historical issues. As agreed upon, these additional funds, as approved by the MCHC board, are not part of the annual capital project improvement funds as defined in the lease documents.

Thank you for your partnership as we collaborate to elevate healthcare on the coast.

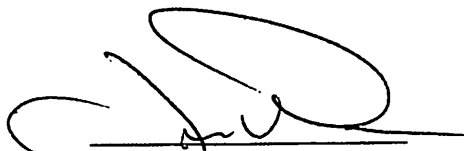
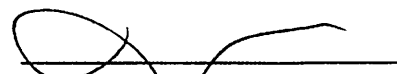
Sincerely,



Jason Wells

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**ACKNOWLEDGEMENT:**

  
\_\_\_\_\_  
Jason Wells, President  
\_\_\_\_\_  
Jessica Grinberg, Chair

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**BYLAWS OF THE  
BOARD OF DIRECTORS OF  
MENDOCINO COAST HEALTH CARE DISTRICT  
755 RIVER DRIVE  
FORT BRAGG, CA 94537**

**Adopted: NOVEMBER, 2020**

## **ARTICLE I. GENERAL**

### **Section 1. Title.**

These Bylaws shall be known as the "Bylaws of the Board of Directors of Mendocino Coast Health Care District," and may be referenced as the "Bylaws."

### **Section 2. The District.**

(a) Mendocino Coast Health Care District (the "District") is a local healthcare district organized on March 6, 1967, under the provisions of the Local Healthcare District Law, Health & Safety Code section 32000, et seq., (the "District Law"). Under the terms of the District Law, as amended from time to time, the District owns and leases a hospital (the "Hospital") and rural health clinics (collectively, "District Facilities").

(b) The District is governed by an elected five-member Board of Directors (the "Board"). The Board is responsible for oversight of all District Facilities, and shall make all rules and regulations necessary for the administration of the District Facilities.

### **Section 3. Bylaws and Policy Manual.**

These Bylaws govern the conduct of the Board and implementation and compliance with the District Law and other applicable federal and state statutes and regulations. In addition to the Bylaws, the Board shall adopt a policy manual governing specific matters of the Board to augment the Bylaws (the "Policy Manual"), including, at a minimum, a Conflict of Interest Code and policies for ethics standards, Board and committee meetings, investments, legal claims, contracts and purchasing, environmental review of District projects and public records and retention.

### **Section 4. Effect of Bylaws on Past Actions and Obligations.**

The adoption of these Bylaws or the repeal of a resolution by the Bylaws shall not affect:

- (1) Vested rights and obligations pertaining to any prior resolution; or
- (2) Other matters of record referring to resolutions and not included within the Bylaws.

All previous legal agreements will continue.

### **Section 5. Maintenance of Bylaws.**

(a) At least three signed copies of the Bylaws shall be maintained on file in the District office and a current copy maintained on the district website. Each director shall be given a copy of the Board Bylaws and Policy Manual. Additional copies of the Bylaws shall be distributed as directed by the President.

(b) Each resolution making a change in the Bylaws shall be filed by the Secretary and digitally stored.

## **ARTICLE II. BOARD OF DIRECTORS**

### **Section 1. Mission of Board of Directors**

The mission of the Board is to

- a) Ensure that the resources of the Health Care District are used in the best interests of the public.
- b) Meet its financial, contractual and regulatory obligations.
- c) Implement and support programs providing they are congruent with regulations and

existing contracts.

- d) Ensure that the district maintain its fiscal solvency with its limited resources.
- e) The bylaws and the mission should be reviewed annually for continued relevance

Section 2. Membership.

(a) Assuming office: A person may assume the office of Director by election or appointment.

(b) Election: Directors shall be elected in accordance with the District Law, except the date of election shall be the same date as the statewide general election. The dates of any notices, canvass of voters, certification of election, and all other procedural requirements shall comply with those for the statewide general election. Directors shall take office at noon on the first Friday following certification of the election results by the Mendocino County Registrar of Voters, as provided by Elections Code section 10554.

(c) Appointment.

(1) The office of director may become vacant before the end of the term because of death, resignation or other event causing vacancy. A resignation is effective when accepted by the Board and is irrevocable.

(2) The position shall be filled in accordance health care district regulations. Regulations are as follows:

"(a) Notwithstanding any other provision of law, a vacancy in any elective office on the governing board of a special district, other than those specified in Section 1781, shall be filled pursuant to this section.

(b) The district shall notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later.

(c) The remaining members of the district board may fill the vacancy either by appointment pursuant to subdivision (d) or by calling an election pursuant to subdivision (e).

(d). (1) The remaining members of the district board shall make the appointment pursuant to this subdivision within 60 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. The district shall post a notice of the vacancy in three or more conspicuous places in the district at least 15 days before the district board makes the appointment. The district shall notify the county elections official of the appointment no later than 15 days after the appointment.

(2) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(3) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second

half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term

of office.

(e) (1) In lieu of making an appointment the remaining members of the board may within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(f) (1) If the vacancy is not filled by the district board by appointment, or if the district board has not called for an election within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, then the city council of the city in which the district is wholly located, or if the district is not wholly located within a city, the board of supervisors of the county representing the larger portion of the district area in which the election to fill the vacancy will be held, may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the city council or board of supervisors calls the election.

(g) (1) If within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, the remaining members of the district board or the appropriate board of supervisors or city council have not filled the vacancy and no election has been called for, then the district board shall call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(h) (1) Notwithstanding any other provision of this section, if the number of remaining members of the district board falls below a quorum, then at the request of the district secretary or a remaining member of the district board, the appropriate board of supervisors or the city council shall promptly appoint a person to fill the vacancy, or may call an election to fill the vacancy.

(2) The board of supervisors or the city council shall only fill enough vacancies by appointment or by election to provide the district board with a quorum.

(3) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold the office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(4) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of



office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(5) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is held 130 or more days after the date the city council or board of supervisors calls the election.

*(Amended by Stats. 2007, Ch. 343, Sec. 4. Effective January 1, 2008.)*

Oath of Office. Persons elected or appointed to the Board shall take the oath of office prior to assuming office in the manner and at the time prescribed by law. The Secretary or other person authorized by law shall administer the oath.

**Section 3. Ethics and Conflict of Interest Code.**

It is the intent of the Board to act in the highest ethical standard in carrying out its duties to the public. It is also the intent of the Board to protect the District's interests when entering in to a transaction or agreement, and not the private interests of any director, officer, or employee. To that end, the Board has adopted an "Ethics Policy" and a "Conflict of Interest Code" contained in the Board Policy Manual.

**Section 4. Organization.**

(a) Officers of the board. The officers of the Board shall be Chair, Vice-Chair, Treasurer, and Secretary. Officers shall be elected at the Board's regular December meeting for the next calendar year, and shall serve until the successor assumes office. A Board Member cannot hold more than one office at a time.

(b) Chair. The Chair shall:

- (1) Preside over all the meetings of the Board.
- (2) Be responsible for coordination and liaison with community groups, public agencies, and residents served by the District.
- (3) Be responsible for the ongoing administrative affairs of the Board, including without limitation, supervision of financial matters, correspondence, and administrative activities of the Board.
- (4) Sign as Chair: contracts, conveyances, and other instruments in writing, and checks on the funds of the District as the Board shall authorize or direct the President to sign.
- (5) Be responsible for coordination and liaison with District legal counsel, auditors, and consultants.
- (6) Designate members of the Board to undertake special responsibilities and to report to the President on those activities.
- (7) Coordinate with the District's legal counsel:
  - a. Receive all requests from Board members for the preparation of legal opinions, legal memoranda, contracts, corporate documents, or other legal

- work for legal counsel so as to eliminate duplication of same before submitting to legal counsel;
- b. Prepare Board agendas with the assistance of the District Manager and legal counsel, and if necessary, instruct legal counsel to prepare memoranda which are necessary to hold closed session meetings, Board Resolutions, and other material pertinent to Board meetings as required;
- c. Serve as an alternate meeting, if able, upon the excused absence of a Committee member, and
- d. Invite legal counsel to attend Committee meetings, as desired.
- (8) Perform other duties as pertain to the office as prescribed by the Board.
- (9) Appoint, with the concurrence of the Board, members of standing and ad hoc committees.
- (10) Represent the Board at official functions and digital media platforms when necessary. Ensure that postings meet the requirement of the digital media policy, serves as a spokesperson for the Board regarding board actions, and keep the Board promptly informed of these occasions.

(c) Vice-Chair. In the absence or inability of the President to serve, the Vice-President shall perform the duties of the President, and shall perform other duties as are prescribed by the Board.

- (d) Treasurer. The Treasurer or designee shall:
- (1) Keep, or cause to be kept, correct and accurate accounts of the properties and financial transactions of the District;
  - (2) In conjunction with the District Manager, present an annual budget to the Board;
  - (3) Cause an annual independent audit of the District to be performed in accordance with law; and
  - (4) Perform all duties incident to the office and such other duties as prescribed by the Board.
  - (5) Monitor the financial activities that result from the Agreements and ensure these are in compliance with such Agreements.
  - (6) Will act as board liaison with the oversight committee.

- (e) Secretary. The Secretary or designee shall ensure:
- (1) that minutes of all meetings of the Board occur, and assure such minutes are filed in the official records of the District;
  - (2) that the official record of resolutions, actions and orders passed or adopted by the Board are maintained
  - (3) all correspondence, financial records and reports in the records of the District;
  - (4) appropriate notices in accordance with these Bylaws or as required by law;
  - (5) Act as custodian of records of the District's records;
  - (6) Certify the official status, capacity and signature of directors, officers and employees;
  - (7) Assure the District Seal is affixed, when required by law, to documents

- executed on behalf of the District; and
- (8) Perform all duties incident to the office and such other duties as prescribed by the Board.
- (9) Oversee all official and communications on media to ensure propriety and posts in accordance

**Section 5. Powers.**

The powers of the District are set forth in the District Law and other applicable law. The powers of the District are vested in the Board, which may delegate one or more of its powers in its sole discretion. Specifically, the Board shall:

- (1) Establish by Resolution substantive and procedural policies regarding the affairs of the District in accordance with the best interests of the communities served by the District.
- (2) Monitor the activities of the District Manager (or other designee) as administrator of the District.
- (3) Enter into contracts and agreements with respect to the affairs of the District, including contracts for management services and for other activities approved by the Board.
- (4) Effectuate the purpose of the District to enhance the provision of quality healthcare in the communities served by the District by, among other efforts, working with public and private entities (including the provision of financial assistance where feasible).
- (5) The District and Adventist Health Mendocino Coast shall collaborate to develop and agree proactively on a comprehensive community needs assessment and plan. Both parties will abide by the lease provisions as stated in Section 25.8 Restrictive Covenant.
- (6) Exercise all other powers now or hereinafter set forth in and given to it by the District Law and other public agency laws applicable to the District.

**Section 6. Meetings.**

- (a) The board will be schedule meetings based on board need. The Board will meet at minimum once per quarter. All meetings of the Board and its committees shall be conducted in accordance with the Ralph M. Brown Act, Government Code section 54950, et seq. (the "Brown Act"), and any other applicable law or regulation. Regular meetings of the Board shall be held on the last Thursday of the month at 6:00 p.m. at the District's administrative office. November and December meetings will be held on the second Thursday of the month
- (b) Meetings of the Board shall be open and public, except as allowed by law. Persons shall be permitted to attend any portion of a meeting, except a closed session.
- (c) A quorum of the Board shall not discuss the business of the District directly, serially or through an intermediary, except at a properly noticed public meeting. A quorum of the Board may discuss the time, place and agenda for a meeting at any time. Two members of the Board (but not a standing committee) may discuss District business at any time.

**Section 7. Compensation, Benefits and Expenses.**

(a) Compensation.

(1) The members of the Board of Directors shall serve without compensation.

(b) Benefits.

Directors are entitled to the following benefits on the same terms as other officers:

(1) A Flexible spending account funded by the district to be used towards health care costs.

(c) Expenses.

(1) If previously approved by the Board, a Director shall receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on District business. The rate for reimbursement shall not exceed the rate published by the IRS for deduction from taxes. However, if the expenses are incurred in connection with a trade conference, the reimbursement rates shall not exceed the posted rates for the conference and if the posted rates are not available, the reimbursement rate shall be comparable to the IRS rates.

(2) Directors must be authorized in advance to incur expenses for District purposes, and shall submit a written request with supporting documents for reimbursement.

(3) During July of each year the District Manager shall prepare a list of amounts paid during the prior fiscal year to reimburse a director or employee for individual expenses of \$100.00 or more. To determine the value of an item, the total charges for the item for the day shall be considered. For example, several transportation bills each less than \$100.00, but totaling more than \$100, requires a report. During August of each year, each person receiving expense reimbursement shall review the list. The District Manager shall consider suggested corrections and post the final list at the District by September.

**Section 8. Appointment of District Manager**

(a) The Board shall be solely responsible for selecting a District Manager, who shall be responsible for managing the District's operations, facilities, and property. The Board shall adopt a written statement setting forth the qualifications, authority, and duties of the District Manager. The Board shall set the District Manager compensation.

(b) The Board shall at least annually conduct a review of the performance and compensation of the District Manager

(c) The District Manager may recommend and shall implement policies adopted by the Board. The Board is not responsible for day-to-day management or operations of the District.

(d) The Board and individual Directors may question the District Manager with respect to the development and implementation of District policy. The Board, but not the individual Directors, may direct the District Manager with respect to the development and implementation

of District policy.

(e) Individual Directors shall not direct employees in the performance of their duties. Any such direction shall be reported to the Board and District Manager

(f) The District Manager may discuss District business with Directors outside a public meeting, but the District Manager shall not communicate the views of Directors to one another, except at a Board meeting. The Board shall not discuss or act on the District Manager's recommendations, except at a public meeting.

**Section 9. Duties of the District Manager**

The Board of Directors, unless otherwise stated, shall delegate to District Manager full charge and control of the affairs of the District consistent with the policies established by the Board. The District Manager shall work with the Board or any of its committees in a highly professional manner. The District Manager also shall:

- (1) Present to, and upon Board approval, implement a District strategic plan.
- (2) Develop and implement a plan, along with the appropriate budget and schedule, that will meet the state of California's seismic upgrade requirement
- (3) Administer the Agreements.
- (4) Serve as liaison between the Board and District employees.
- (5) If an emergency arises and there is insufficient time to notify the Board, the District Manager may take appropriate and reasonable action otherwise within the Board's jurisdiction. The District Manager shall report such action to the Board as soon as possible.
- (6) The District Manager shall hire, with the concurrence of the Board, other District officers as the District may require, each of whom shall perform such duties as the Board may determine from time-to-time. Officers shall serve at-will.
- (7) The District Manager may engage professional consultants to provide specialized service with the approval of the Board.
- (8) The District Manager may engage an engineer to assist in the planning and design of District facilities with the approval of the Board.

**Section 10. Other Officers.**

- (a) Other officers and employees shall assist the District Manager in the implementation of policy.
- (b) Directors may discuss District business with officers. The officers shall, if possible, supply information requested by Directors in writing, and shall inform the District Manager when information is supplied.

**Section 11. Employees.**

The District Manager shall serve as head of Human Resources. Directors are not encouraged to discuss District business with employees. If a Director inquires of an employee about District business, the employee shall respond to the Director and inform the District Manager

**Section 13. Legal Counsel.**

- (a) An attorney shall be retained by the Board to act as General Counsel. The

Board may appoint special counsel. The Board will set the compensation of General Counsel and Special Counsel. General and Special Counsel serve at the pleasure of the Board.

(b) The General Counsel is directly accountable to the Board. General Counsel shall provide legal advice and services as requested by the Board, and shall work with the District Manager on the District's legal matters.

(c) General Counsel represents the District. General Counsel shall not represent individual directors, officers or employees, unless authorized in writing by the Board.

(d) General Counsel will recommend appointment of special counsel when conflicts arise or if necessary to deal with matters requiring specialized knowledge.

## **ARTICLE III. BOARD COMMITTEES**

### **Section 1. General**

(a) Committees of the Board shall be standing or ad hoc. The committee members shall be appointed by the President at the January regular Board meeting and as otherwise needed. The President's action shall be final unless a majority of director's object. Two directors shall be appointed to each committee, one of whom shall be the committee chair, and both of whom shall be voting members. Any director not appointed to a committee may serve as an alternate to that committee. Regular meetings of committees shall be set at the same time at which committee members are appointed.

(b) All committees shall be advisory to the Board, except as otherwise expressly specified by the Board.

### **Section 2. Standing Committees.**

(a) Standing committees are managed by the entire board.

(b) Every quarter at a board meeting there will be a planning and finance agenda item

(c) Finance will be represented by the Treasurer and Planning will be represented by Vice-chair.

### **Section 3. Planning**

- (1) Recommending and overseeing Human Resources policies and procedures;
- (2) Reviewing and recommending employee compensation and benefits;
- (3) Quality control and performance improvement; and
- (4) Overseeing short and long term facility planning and maintenance

### **Section 4. Finance**

- (1) Recommending and overseeing fiscal and Obusiness policies and procedures;
- (2) Overseeing financial management and budgeting;
- (3) Recommending and overseeing fiscal controls;
- (4) Recommending and overseeing Investments;
- (5) Overseeing internal audits and ensuring an annual independent audit; and
- (6) Reviewing and presenting to the Board financial statements and reports.  
Monitoring the financial activities that arise from the Agreements to ensure compliance with the terms and conditions of such Agreement.

- The Treasure and one other board member will review the spending of the Measure c funds

### **Section 5. Ad Hoc Committees.**

Ad hoc committees, including not more than two directors, may be established by the President, subject to approval of the Board, for defined tasks of a limited duration (for instance, not to exceed six months). An ad hoc committee shall only perform those duties assigned by the President, and upon their completion be discharged. The President, in consultation with the Board, shall determine the members of the committee.

**ARTICLE IV. MISCELLANEOUS**

**Section 1. Review of Bylaws.**

At least annually the Board shall review these Bylaws and the Policy Manual to ensure they comply with the District Law and all other applicable federal and state laws and regulations in keeping with the functions of the Board.

**Section 2. Amendment of Bylaws.**

These Bylaws may be amended by a majority of the Board at a duly noticed Board meeting, provided a full statement of each proposed amendment has been sent to each director along with the meeting agenda and packet.

**Section 3. Indemnification.**

(a) Civil proceedings. The District shall, to the full extent of the law, defend and indemnify each of its employees against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any civil claim arising out of the scope of his or her employment for the District. For purposes of this section, the term "employee" shall have the same meaning set for in Government Code section 810.2, or any successor statute thereof, and includes without limitation any person who was or is a director, officer, employee or servant of the District.

(b) Criminal and administrative proceedings. The District may but is not obligated to defend and indemnify its employees (as defined above). If an employee seeks defense and indemnification in any such proceeding he or she shall submit a written request to the Board, which shall conduct a review of the request in accordance with Government Code sections 995.6 and 995.8, or any successor statutes.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Mendocino Coast Healthcare District; and

2. That the foregoing Bylaws comprised of nine (9) pages constitute the Bylaws, as amended, of the District as duly adopted at a meeting of the Board of Directors thereof duly held on \_\_, 20 .

IN WITNESS WHEREOF, I have hereunto subscribed my name on this \_\_\_ day of \_\_\_\_\_, 20 .

\_\_\_\_\_  
Secretary  
Mendocino Coast Healthcare District



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Resolution  
of the  
Mendocino Coast Health Care District Board of Directors  
Supporting the Objectives  
of the  
Mendocino Coast Covid Response Network

WHEREAS the Covid-19 pandemic has ravished the countries of the world and  
WHEREAS the pandemic is on the boundary lines of Mendocino County, which  
has limited hospital capacity in its three hospitals providing care to a  
population which varies between 89,000 and 110,000 depending upon  
tourism and

WHEREAS the County of 3,250 square miles is not covered by either local  
print media, radio or television therefore endangering the population as to  
the realities of how easily the disease can be spread throughout the  
population and,

WHEREAS availability of timely testing, tracking, and tracing should be the  
responsibility of each hospital, clinic and provider should be available to the  
public without cost and

WHEREAS at this time on the Mendocino Coast asymptomatic members of the  
public must wait approximately one week to be tested and wait up to  
five days for test results allowing further possible spread of the disease

THEREFORE, let it be Resolved that the Mendocino Coast Health Care District  
commends and appreciates that the Mendocino Coast Covid Response  
Network has:

1. Participated with the Mendocino County Sheriff and  
Health Department and North Coast Opportunities to enable  
the public to become aware of the disease and how easily it is  
spread and
2. Reached out to the LatinX and disenfranchised members  
of our communities in both English and Spanish and
3. Provided masks and placards to encourage masking and  
distancing and
3. Initiated this undertaking with donations from the public.

On a Motion by Director \_\_\_\_\_, Seconded by Director \_\_\_\_\_  
the Board of Directors of the Mendocino Coast Health Care District expresses  
its gratitude to the Covid Response Network and urges the community to  
visit their website [www.covidresponsenetwork.net](http://www.covidresponsenetwork.net)

/s/ Jessica Grinberg, Chair

Date: October \_\_\_\_, 2020

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Website Design  
ad hoc committee  
John Redding and Norman de Vall  
October 15, 2020

The Committee reviewed the website reconstruction and maintenance proposal of Sean Fuller owner of Devine Design, a division of uberbytes LLC, of Little River and compared the work program and maintenance with the proposal of Liz Evangelatos Barney.

The primary difference is in the funding proposal. Rather than a fixed amount Fuller's proposal is funded on an hourly basis with an estimated cost to the District to complete the project of \$700 to \$900 as shown on Page 4 Section B.

The ad hoc committee recommends accepting the Divine Design proposal.

/s/ Norman de Vall

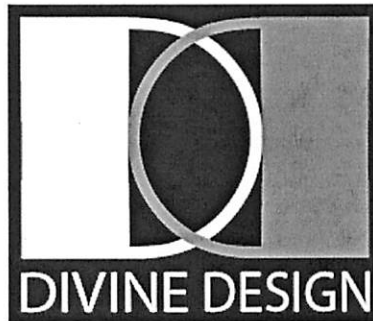
/s/ John Redding

# Mendocino Coast Healthcare District



[mcdh.org](http://mcdh.org)

## Website Proposal



Divine Design  
(a division of überbytes LLC)

## I. Objectives

Migrate website to new domain and re-brand as Mendocino Coast Healthcare District. Redesign website layout with improved aesthetics that welcome visitors. Create global menu to make navigation of pages more convenient. Ensure new layout is mobile-friendly and intuitive on all devices. Address accessibility concerns as needed. Install and configure recommended suite of WordPress plugins to maximize security, website performance and SEO (search engine optimization). Update page content as required, add provided images as desired. Finally, employ a backup strategy to ensure website assets are secure stored and can be easily redeployed if necessary. The following pages are to be included:

- A. Agendas
- B. Minutes
- C. Contact: Board of Directors
  - 1. Executive Director
  - 2. Assistant Directors
- D. Calendar
- E. Objectives:
  - 1. Mission Statement
  - 2. History
  - 3. Description
    - VII. District vs Agency/Non-Profit Corporation
    - VIII. Local Agency Formation Commission
- F. Financials

## II. Modules

<b>Project Scope:</b>	
<ul style="list-style-type: none"><li>• Move website to new domain.</li><li>• Recommend website hosting, if necessary.</li><li>• Modernize layout to be attractive, increase user-</li></ul>	

<p>friendliness and be compatible with multiple devices.</p> <ul style="list-style-type: none"> <li>• Standard device testing after new theme is completed.</li> <li>• Layout shall be valid HTML5 according to W3C Markup Validation Service: <a href="https://validator.w3.org">https://validator.w3.org</a></li> <li>• Logo to be created as optimized SVG for crisp display at any resolution.</li> <li>• Install SSL certificate and harden security to achieve A+ rating according to Qualys SSL Server Test: <a href="https://www.ssllabs.com/ssltest">https://www.ssllabs.com/ssltest</a></li> <li>• Build layout with accessibility elements following WCAG 2.1 guidelines as recommended by WAI: <a href="https://www.w3.org/WAI/standards-guidelines/wcag/">https://www.w3.org/WAI/standards-guidelines/wcag/</a></li> <li>• Optimize WordPress with necessary plugins for security, performance and functionality.</li> <li>• Employ automated backup strategy with daily / weekly / monthly rotating backups of database and backup of website files at recommended interval based on content update frequency.</li> <li>• Monthly maintenance plan to install security updates as they become available and ensure smooth ongoing operation of website.</li> </ul>	
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### III. Terms and Conditions

#### A. Website Assets

1. Graphics and Media. All media files to be provided by client unless requested and shall be property of client. Logo design and photography are available optionally and not included in the estimate.
2. Text. All textual content to be provided by client and shall be property of client.

3. Credentials. All credentials required for maintenance of online accounts and software shall be securely stored, updated when necessary and provided to client upon request.

## **B. Payment**

1. Fees. Labor is be billed at \$50/hr. Upfront payment of 25% required to begin project. Monthly maintenance plan is billed at \$20 per month and includes up to one hour of maintenance. If a task requires more than one hour or if new requests are made, additional labor will be billed at \$50/hr.
2. Payment Instruction. Payment may be made via ACH, Cash, Check or Wire Transfer.

Estimated cost to complete project is \$700 - \$900. If more requests are added during development that extend beyond the scope of the project as outlined above or if unforeseen complexity arises that requires significantly more time than estimated, additional work will be charged at \$30/hr. until project is completed.

As a side note, I was born in Fort Bragg hospital and raised in Mendocino. I have been building websites since 2006; it would be a pleasure to work on this project and create a quality website to represent Mendocino Coast Healthcare District. I am available locally at this time and can meet in person when necessary.

Submitted by:

**Sean Fuller**

**Divine Design**

Email: sean@divinedesign.pro

Telephone: +1 775 241-8237

1490 Stardust St #5045, Reno, NV 89503



If the terms of this proposal are agreed upon, please sign below.

Sean Fuller:

A handwritten signature in black ink, appearing to read 'Sean Fuller', written in a cursive style.

Date: 2020/10/14

Mendocino Coast Healthcare District Representative:

Date:

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Project element	Actual expense	Amount donated separately from Community Foundation of Mendocino County Resiliency Grant	Amount already paid from CFMC Resiliency Grant Via Judy Hoagland	Amount to be paid to complete disbursement of this grant's funds
Mapping, data collection, and website-building software	<b>\$999.41</b>	<b>\$250</b>	\$17.04 (NC) + \$199.95 (ZM) + \$42.42 (ZM) + \$216 (SS)=\$475.41	<b>\$100</b> (CT yr 2-RH) + <b>+\$174</b> (JF-JK) = <b>\$274</b>
Website-translation software	<b>\$188.13</b>	0	0	<b>\$188.13</b> (WG-JK)
Labor for initial mapping	<b>\$9,360</b>	<b>\$4,680</b> (in-kind)	0	<b>\$4,680</b> (RH)
Labor for map updates	<b>\$5,640</b>	<b>\$2,820</b> (in kind)	0	<b>\$2,820</b> (RH)
Printing maps	<b>\$427.08</b>	0	<b>\$250.30</b>	<b>\$176.78</b> (JK)
Website design, upkeep, and updating	<b>\$20,000</b>	<b>\$19,356.86</b> (in kind)	0	<b>\$643</b> (RH)
Public Health Consultation	<b>\$1,050</b>	<b>\$1,050</b> (in-kind)	0	0
Legal consultation	0	0	0	0
Supplies, Zoom and publicity for volunteer trainings and workshops	<b>\$244.50</b>	<b>29.98</b> (Nov/Dec Zoom)	26.37 + 4.50 +10.02 +11.87 + 16.62+ 10.99+ 44.21= <b>124.58</b>	<b>\$89.94</b> (JK)
Supplies for proposed Assisted Telemedicine arm (cancelled)	<b>\$7.72</b>	<b>\$60</b>	<b>\$7.72</b>	0
Totals	<b>\$37,976.84</b>	<b>\$28,246.84</b>	<b>\$858.01</b>	<b>\$8,871.99</b>  of which <b>\$628.85</b> goes to JK and <b>\$8,243.14</b> goes to RH

**Summary:** because of the pandemic, more Hubs & Routes functions need to take place online, so the website became a key feature. Web design costs were initially significantly underestimated, then defrayed via extra volunteer hours. Thus, in-kind matching was greater than anticipated, but the total cash requested is equal to the total cash initially granted.

#### **4. Implications of remaining under Board's 501(c)3 status**

- a) We will need a letter of support signed—probably each time we apply for a grant**
- b) You may wish to request legal review of our project at intervals, though we do build in numerous disclaimers**
- c) We will need to tell our grantors how often we will be reporting to you or to a Board subcommittee**
- d) If we manage to win enough grants to hire an Administrator and/or interns, we will need training in how to do so properly under non-profit status**

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# **FINANCIAL REPORT**

**WILL BE AVAILABLE LATER**

**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, October 29, 2020**

**6:00 P.M. Open Session**

**5:00 P.M. Closed Session**

**Meeting via Teleconference**

**CALL IN NUMBER:**

**877-573-1973**

**Passcode 9614637#**

PLEASE TAKE NOTICE a regular Board of Directors meeting has been called for Thursday, October 29, 2020 at 6:00 pm. **This meeting will be held via teleconference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, President

2. **ROLL CALL**

3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4. **CLOSED SESSION**

a) **Information/Action:** Discussion regarding Public Employment: Post-Services Transition with AHMC employees and Form 1099 consultants. Government Code §54954.5 & 54957

5. **6:00 P.M. OPEN SESSION CALL TO ORDER-** Ms. Jessica Grinberg, President

6. **ROLL CALL**

7. **REPORT ON CLOSED SESSION MATTERS**

- a) **Information/Action:** Discussion regarding Public Employment: Post-Services Transition with AHMC employees and Form 1099 consultants. Government Code §54954.5 & 54957

8. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

9.. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, President

The following item #5 is considered routine and non-controversial by Hospital Staff. Consent items may be approved by one motion if no member of the Board or audience wishes to comment or ask questions. If comment or discussion is desired, the item will be removed from the Consent Agenda and will be considered under new business

10. **ACTION:** Approval of Consent Calendar: Ms. Jessica Grinberg, President

- a) Minutes: Regular Session September 24, 2020 **TAB 1**
- b) Minutes: Special Session October 12, 2020 **TAB 2**
- c) Letter of Understanding regarding \$2M CapEx appropriation dated October 12, 2020 **TAB 3**
- d) Bylaws Final Read dated November 2020 **TAB 4**

**NEW BUSINESS:**

11. **INFORMATION/ACTION:** Resolution for Covid Response Network: Mr. Norman de Vall **TAB 5**

12. **INFORMATION/ACTION:** MCDH Volunteers Update: Ms. Carol Steele, President

**OLD BUSINESS:**

13. **INFORMATION/ACTION:** Reconfirmation of Public Employment of District's Office Manager:  
Ms. Jessica Grinberg

14. **INFORMATION/ACTION:** Recommendation from Ad Hoc Committee on Web Design:  
Mr. John Redding, Treasurer and Mr. Norman de Vall **TAB 6**



**REPORTS:**

15. **INFORMATION/ACTION:** Hubs & Routes Update: Ms. Jennifer Kreger, M.D. **TAB 7**
16. **INFORMATION/ACTION:** Adventist Health Mendocino Coast Update:  
a) Increase Access to Care from Providers for the District: Judy Leach/Executive Team  
b) Facility Update: Lindsey Spencer and Judson Howe
17. **INFORMATION/ACTION:** Finance Report- John Redding, Treasurer, Ms. Judy Houglan **TAB 8**  
and Ms. Linnea Orsi
18. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

19. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

20. **COMMENTS FROM BOARD OF DIRECTORS**

21. **ADJOURNMENT**

Dated: October 26, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Adventist Health Mendocino Coast Hospital on October 26, 2020

  
Karen Arnold  
Secretary of the Board of Directors

10/26/2020  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, SEPTEMBER 24, 2020**

**6:00 P.M. Open Session**

**5:00 P.M. Closed Session**

**Meeting via Teleconference**

<p><b>CALL IN at 5:00 p.m. for public comment prior to Closed Session</b></p> <p><b><u>CALL IN NUMBER</u></b> <b>(669) 900-9128</b> <b>Meeting ID: 923 0917 2542</b> <b>Passcode: 618724</b></p>	<p><b>CALL IN at 6:00 p.m. to reconvene the meeting to Open Session</b></p> <p><b><u>CALL IN NUMBER</u></b> <b>(669) 900-9128</b> <b>Meeting ID: 979 3929 2766</b> <b>Passcode: 494312</b></p>
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**CONDUCT OF BUSINESS:**

- CALL TO ORDER:** Ms. Jessica Grinberg, President  
Closed session of the Board of Directors of the Mendocino Coast Health Care District convened at 5:00 p.m. via teleconference
- ROLL CALL**  
PRESENT: Jessica, John, Amy, Karen
- PUBLIC COMMENTS**
- CLOSED SESSION**
  - **Information/Action:** Conference with Legal Counsel regarding the government claim of Chelsea McDaniel, Dawn McDaniel, Mark Merritt, Andrew Merritt, and Gabriella McDaniel. Government Code §54954.5 and §54956.9.
  - **Information/Action:** Conference with Legal Counsel regarding proposed termination of Professional Services Agreement with Sandra Fleming, M.D. pertaining to contractual dispute. Government Code §54956.9.
  - **Information/Action:** Public Employment: Office Manager discussion. Government Code §54954.5 & 54957
  - **Information/Action:** Public Employment: Interim Administrative Assistant discussion. Government Code §54954.5 & 54957
- OPEN SESSION CALL TO ORDER** - Ms. Jessica Grinberg, President  
Open session reconvened at 6:00 p.m. by Jessica Grinberg
- ROLL CALL** Jessica, John, Amy, Karen

**7. REPORT ON CLOSED SESSION MATTERS – Jessica Grinberg**

The Board went into closed session just after 5:00 p.m. to discuss the following:

- Information/Action: Conference with Legal Counsel regarding the government claim of Chelsea McDaniel, Dawn McDaniel, Mark Merritt, Andrew Merritt, and Gabriella McDaniel. Government Code §54954.5 and §54956.9.

*Action was Taken*

- Information/Action: Proposed termination of Professional Services Agreement with Sandra Fleming, M.D. pertaining to contractual dispute. Government Code §54956.9.

*Action was Taken*

- Information/Action: Public Employment: Office Manager discussion. Government Code §54954.5 & 54957

*No Action Taken*

- Information/Action: Public Employment: Interim Administrative Assistant discussion. Government Code §54954.5 & 54957

*No Action Taken*

**8. PUBLIC COMMENTS**

- Judy Leach:
  - Jason Wells, Lindsey Spencer and other members of the team are on the call.
  - The hospital finished the CDPH (California Department of Public Health) re-survey with everything being resolved, zero deficiencies, and the immediate jeopardy removed.
  - Patient satisfaction survey results have increased to 87%.
  - Last year 170 patients were transferred out of the hospital for care - 65% went outside the county. They are working to change that – to bring care closer to home.
  - More specialties are coming into our community. Dr. Paul Charpentier has provided 473 patient visits since he arrived on July 1, 2020 and we are continuing to build the Ortho unit.
  - Scott Perez joined the AHMC team as we increase access to our immediate care.
  - Security services will be on the coast 24/7 to increase overall safety on campus to our staff, patients, and visitors. We had an employment fair to increase our work force.
- Jason Wells & Judson Howe:
  - Of the 24 Adventist Health hospitals on the west coast there are about 200 COVID positive cases. Mendocino County is doing well although there was a surge to 24 positive cases following Labor Day. On the hospital side, 7 COVID positive cases all in Ukiah.
  - Jason and Judson report on physician recruiting. There are two new cardiologists to bring more care to the coast and the family medicine residency continues to grow.
  - Judson reported Pacific Redwood Medical Services (PRMS) will be on campus to design a coordinated ER (Emergency Room) and Hospitalist program across the campuses.
  - The cardiology and pulmonology team will be on the coast to design the program that best works to extend their care to the coast.
  - Discussion of what it means to bring health care to the coast. Judson talked about relocation to the coast being a combination of telemedicine services, multiple days per month, and

permanent residency. An ER doctor and a specialist have already expressed interest to return to the coast. Discussion on building volume for physicians to stay, splitting practice between multiple facilities until volume returns – the goal is to build the volume and have physicians living on the coast.

- John Allison from Westport
  - Thanked Adventist Health for the report – it shows bringing AH to the coast was the right thing to do.
  - He commented on the microgrid issue and John Redding’s involvement in UniGen Resources. He asked that his statement with the organization chart and the February 21 meeting agenda [City of Fort Bragg] be attached and made part of the minutes of this board meeting - he will email it to the board.
- Malcolm McDonald had two comments directed at John Redding:
  - Help him and the rest of the healthcare district public understand how the letting of a contract for a solar panel microgrid would not benefit him when he is the prime official in a company, UniGen Resources, Inc., providing those materials for that project?
  - Why wasn't the microgrid project presented to the hospital district board at or around the same time it was presented to the Fort Bragg City Council?
  - Malcolm also asked how the Board will report out to the public after a closed session that follows this teleconferenced meeting?
- Discussion followed about using the call-in number, allowing 30 minutes for closed then having the public call in.

9. **ACTION: REVIEW OF THE AGENDA:** Ms. Jessica Grinberg, President

Karen reported the bylaws are not finished and they should be removed from the Agenda. Also, she requested to add an Agenda item for information only regarding a website.

**MOTION:** Motion to remove the bylaw portion of the Agenda and otherwise approve.

- Karen moved
- Amy second
- Roll call
  - Ayes: 4
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

10. **ACTION: Approval of Consent Calendar:** Ms. Jessica Grinberg, President

A. Minutes: Regular Session August 27, 2020

B. Bylaws dated September 24, 2020

Amy discussed making adjustments to the August 27, 2020 Minutes. She felt one of her comments was paraphrased and one of the most important things was that she wanted to acknowledge that we had no South Coast representation but we have representation of someone that doesn't even live in the county and does not use Adventist's service, which is Steve Lund and that comment was omitted completely from the minutes. The conversation around the recruitment of office manager – it was omitted that Jessica and Karen were to pre-interview everyone and that was not in the minutes and that is important to get into the minutes too.

Discussion followed to clarify what Board Steve Lund was on and Amy added that he is on the Adventist Board and she made a comment mentioning he is from the south and not in the county and they do not have anybody from their South Coast district, and it was paraphrased incorrectly. Amy said there was

a big conversation around recruitment, interviewing and that she and John on the team for budget, and it was omitted that you guys were supposed to help hire. Jessica recommended pulling the approval of the minutes and to bring them back at the next meeting.

**MOTION:** Motion to not have a consent calendar - we pulled the bylaws and the minutes

- Amy moved
- Karen second
- Roll call: Amy, John, Karen, Jessica
  - Ayes:
  - Noes:
  - Absent: None
  - Abstain: None
- Motion carried

**REPORTS:**

**11. INFORMATION/ACTION: Finance Report - John Redding, Treasurer, Ms. Judy Houglund and Ms. Linnea Orsi**

- John Redding:
  - It has been several months since he talked about the side letter with Judy and Jason. It started off as an amendment then turned into a side letter, but he has not seen it and it is overdue.
  - Jason requested clarification that the side letter memorializes the conversation around the intent of using the 2 million in infrastructure needs and John confirmed that is what it was referring to. Jason said he will have a letter to him by tomorrow.
  - The other thing John commented on before getting to the financial is to note that AH has been in possession of several questions from Wayne that has to do with serious problems about how our billings are being commingled and that it needs to be resolved.
  - Wayne said he put together a list of 9 questions a month ago and is still waiting on a response. He had some significant questions - he asked about commingling especially in the area of cash where there is one operating account and deposits going in from AH, and the District - and the reconciliation isn't catching up with the flow of cash and the other transactions. It has overwhelmed both the District and AH because we are not getting fair statements made or presented that are accurate – definitely not being presented on a timely basis and it is a major problem that has to be dealt with.
  - Jason said he had the questions at their last meeting and had the team ready to answer all 9 questions but did not get the sense that Wayne was wanting to discuss them that that forum. Jason wants to discuss in a task force and tackle it. Judson's team has worked hard on it and he is prepared to speak to it today.
  - Judson added that he and Judy have talked about the list and are ready to talk about it.
  - Discussion about who will receive emails. Jason recommended if it is a financial matter, Judson is the point, the email will go to him and he will respond. Judy will be point on any coast issue, Jason will be point on any county issues.
  - Jessica asked that the 9 questions be presented in bullet form for the community to hear and will report out on the nine items next month. Wayne identified the questions:
    1. How much does the district owe AH for post-closing services for July?
    2. Are accounts receivable being segregated between the two parties?

3. Are the receipts comingled? How are they being posted?
  4. Accounts payable/accounts receivable that were due at the time of closing?
  5. Staffing shortages and not work getting done.
  6. Can AH supply help / Medicare cost report?
  7. Accounts payable are those segregated between the two parties.
  8. Transition patients in house on June 30?
  9. Data on CDPH license will occur for AHMC?
- o Discussion about who should be involved in a Monday morning meeting, the steps leading up to a meeting (to respond in writing, review with John/Wayne then take it forward to a task force). Amy said she and John are on the task force and can meet on Monday. She is on the coast Monday and thinks it can be resolved quickly.
  - o John reported he will defer his cash-flow report to the next meeting. John reported the District has not approved a budget and one should be approved at the next meeting. Amy said Wayne made a commitment to working on the budget and she is interested in getting it done as well.

*No Action Taken*

**12. FUTURE AGENDA ITEMS: Ms. Jessica Grinberg, President**

- Website
- Future planning for evacuees
- Microgrid (history)

**13. PUBLIC COMMENTS**

- Malcolm McDonald thought the bylaws would be on the Agenda and commented
  - o Why do not the bylaws include a requirement to report out to the public?
  - o Quarterly reporting on budget matters in general and specifically related to the financing of the seismic retrofit requirement under state law.
  - o Also, on the concept of emergency services in the event of another fire is a very tricky issue. If the hospital district takes that on, they own it including clean up and every liability associated with it – so something to think about and discuss very carefully if that item does come up in the future.
- Michelle Blackwell asked if the Board has heard anything about the Supervisors replacement of the open board seat?

**14. COMMENTS FROM BOARD OF DIRECTORS**

- John reported on Mr. Allison's complaint with the FPPC and the Grand Jury and both chose not to pursue the matter.
- John reported the proposal that involved his company is no longer active. The proposal was given as part of a PG&E initiative and it was killed back in April. His involvement going forward is to be an unpaid advisor to anyone who wants to take advantage of his ability as we all (the District, AH, and the City) move forward to see if it will grow legs. He has no financial interest in what is coming next. He commented he had discussed this at length with Malcolm.
- Karen reported she will bring back some information about building a website and asked for recommendations.
- Amy expressed appreciation to those active participants directly or indirectly with the health care district – wants to say thank you and she appreciates everyone; wishes we could take a deep breath but here comes flu season.

- Wayne asked about call-in number for going into closed/open to report out. Discussion followed about creating a new number, using the same number on the Agenda, and adjourning the meeting without going back into closed. Jessica will send out date for another meeting for the bylaws and the employment issue.

15. **ADJOURNMENT**

Meeting adjourned

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Karen Arnold, Secretary  
Board of Directors



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**BOARD OF DIRECTORS MEETING  
MENDOCINO COAST HEALTH CARE DISTRICT**

**Meeting via Teleconference  
CALL IN NUMBER: 877-573-1973 Passcode 9614637#  
MONDAY, OCTOBER 12, 2020**

**MINUTES**

The Board of Directors of the Mendocino Coast Health Care District met in a special session at via teleconference to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.

**1. CALL TO ORDER**

Open Session of the Board of Directors of the Mendocino Coast Health Care District convened at 6:30 p.m. via teleconference

**2. ROLL CALL**

Present: Mr. John Redding, Ms. Karen Arnold, Ms. Jessica Grinberg, Ms. Amy McColley and Mr. Norman De Vall

**3. REPORT ON CLOSED SESSION MATTERS**

Jessica reported out on the closed session that there was discussion regarding recruiting an Administrative Assistant to work for the Health Care District.

- MOTION: Motion to hire Tomessa Devita to fill the position of Administrative Assistant.
- Amy moved
- John second
- Roll call:
- Ayes: John, Amy, Jessica, Karen
- Abstain: Norman De Vall

**4. PUBLIC COMMENTS**

There were no public comments

**5. APPROVAL OF THE AGENDA**

**MOTION:** to approve the agenda as written

Karen Moved

Norman Second

All members voted to approve the agenda

**6. DISCUSSION OF THE BYLAWS**

Norman discussed putting the address of the District on the bylaws and John stated that we needed to either remove the comment on Section 9 Duties of the District Manager or revise that section.

A discussion occurred that in order for Norman to have additional time to review the Bylaws we would wait and vote on the bylaws in the next meeting's consent agenda.

#### **7. WEB PROPOSAL**

A proposal was presented to create a website for the District. Discussion occurred that some board members were not sure what we wanted in our website so they couldn't determine if the proposal covered our needs. Norman mentioned that he had a website designer that he really respected and we could talk with him. Jessica asked Norman and John if they would meet and create a list of what we would need in our website. They agreed to do so. Amy suggested that they could meet and create a list of needs and get that to the board in a week from the date of the special board meeting. They agreed. Action on a website was delayed to the next board meeting.

#### **8. FUTURE AGENDA ITEMS**

- Discussion regarding beautification of our new location
- Report from Adventist
- Wayne's contract
- Other employees we will need (Karen will determine who the Foundation uses for bookkeeping and Jessica will research legal firms.

#### **9. PUBLIC COMMENTS**

Jacob Patterson congratulated the board on persevering to the end of the meeting despite the technical difficulties. He also welcomed Norman to the board.

#### **10. COMMENTS FROM THE BOARD OF DIRECTORS**

- Amy thanked the board for continuing with meeting despite the technical difficulties and welcomed Norman to the board
- Karen had no comments except to welcome to Norman
- John said how impressed he was that we are all willing to have these special meetings. It can be difficult to find the time but we all fit it in our schedules.
- Norman mentioned he looked forward to meeting John and getting started on the web proposal.

#### **11. ADJOURNMENT**

Meeting adjourned at 7:30

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Karen Arnold, Board Secretary

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**Adventist Health**  
Mendocino Coast

Department Name or Service Line

700 River Drive  
Fort Bragg, CA 95437  
707-961-1234

[AdventistHealth.org/AHMendoCoast.org](http://AdventistHealth.org/AHMendoCoast.org)

October 12, 2020

Jessica Grinberg, Chair  
MCHC – District Board

Re: \$2million Support for AHMC Compliance Needs

Dear Jessica;

This note is to memorialize the agreement made between the Mendocino Coast Healthcare District Board and Adventist Health on September 24, 2020. Two million dollars will be provided by the District to directly fund the critical repairs and improvements identified through the California Department of Public Health (CDPH) Survey process as well as by outside consultants.

These funds are being used in order to restore full compliance with CMS regulations and expectations. We anticipate a minimum of \$6m in projected expenses to mitigate the historical issues. As agreed upon, these additional funds, as approved by the MCHC board, are not part of the annual capital project improvement funds as defined in the lease documents.

Thank you for your partnership as we collaborate to elevate healthcare on the coast.

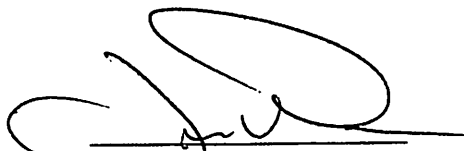
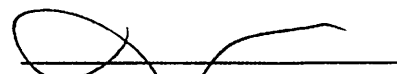
Sincerely,



Jason Wells

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**ACKNOWLEDGEMENT:**

  
\_\_\_\_\_  
Jason Wells, President  
\_\_\_\_\_  
Jessica Grinberg, Chair

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**BYLAWS OF THE  
BOARD OF DIRECTORS OF  
MENDOCINO COAST HEALTH CARE DISTRICT  
755 RIVER DRIVE  
FORT BRAGG, CA 94537**

**Adopted: NOVEMBER, 2020**

## **ARTICLE I. GENERAL**

### **Section 1. Title.**

These Bylaws shall be known as the "Bylaws of the Board of Directors of Mendocino Coast Health Care District," and may be referenced as the "Bylaws."

### **Section 2. The District.**

(a) Mendocino Coast Health Care District (the "District") is a local healthcare district organized on March 6, 1967, under the provisions of the Local Healthcare District Law, Health & Safety Code section 32000, et seq., (the "District Law"). Under the terms of the District Law, as amended from time to time, the District owns and leases a hospital (the "Hospital") and rural health clinics (collectively, "District Facilities").

(b) The District is governed by an elected five-member Board of Directors (the "Board"). The Board is responsible for oversight of all District Facilities, and shall make all rules and regulations necessary for the administration of the District Facilities.

### **Section 3. Bylaws and Policy Manual.**

These Bylaws govern the conduct of the Board and implementation and compliance with the District Law and other applicable federal and state statutes and regulations. In addition to the Bylaws, the Board shall adopt a policy manual governing specific matters of the Board to augment the Bylaws (the "Policy Manual"), including, at a minimum, a Conflict of Interest Code and policies for ethics standards, Board and committee meetings, investments, legal claims, contracts and purchasing, environmental review of District projects and public records and retention.

### **Section 4. Effect of Bylaws on Past Actions and Obligations.**

The adoption of these Bylaws or the repeal of a resolution by the Bylaws shall not affect:

- (1) Vested rights and obligations pertaining to any prior resolution; or
- (2) Other matters of record referring to resolutions and not included within the Bylaws.

All previous legal agreements will continue.

### **Section 5. Maintenance of Bylaws.**

(a) At least three signed copies of the Bylaws shall be maintained on file in the District office and a current copy maintained on the district website. Each director shall be given a copy of the Board Bylaws and Policy Manual. Additional copies of the Bylaws shall be distributed as directed by the President.

(b) Each resolution making a change in the Bylaws shall be filed by the Secretary and digitally stored.

## **ARTICLE II. BOARD OF DIRECTORS**

### **Section 1. Mission of Board of Directors**

The mission of the Board is to

- a) Ensure that the resources of the Health Care District are used in the best interests of the public.
- b) Meet its financial, contractual and regulatory obligations.
- c) Implement and support programs providing they are congruent with regulations and



existing contracts.

- d) Ensure that the district maintain its fiscal solvency with its limited resources.
- e) The bylaws and the mission should be reviewed annually for continued relevance

Section 2. Membership.

(a) Assuming office: A person may assume the office of Director by election or appointment.

(b) Election: Directors shall be elected in accordance with the District Law, except the date of election shall be the same date as the statewide general election. The dates of any notices, canvass of voters, certification of election, and all other procedural requirements shall comply with those for the statewide general election. Directors shall take office at noon on the first Friday following certification of the election results by the Mendocino County Registrar of Voters, as provided by Elections Code section 10554.

(c) Appointment.

(1) The office of director may become vacant before the end of the term because of death, resignation or other event causing vacancy. A resignation is effective when accepted by the Board and is irrevocable.

(2) The position shall be filled in accordance health care district regulations. Regulations are as follows:

"(a) Notwithstanding any other provision of law, a vacancy in any elective office on the governing board of a special district, other than those specified in Section 1781, shall be filled pursuant to this section.

(b) The district shall notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later.

(c) The remaining members of the district board may fill the vacancy either by appointment pursuant to subdivision (d) or by calling an election pursuant to subdivision (e).

(d). (1) The remaining members of the district board shall make the appointment pursuant to this subdivision within 60 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. The district shall post a notice of the vacancy in three or more conspicuous places in the district at least 15 days before the district board makes the appointment. The district shall notify the county elections official of the appointment no later than 15 days after the appointment.

(2) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(3) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second

half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term

of office.

(e) (1) In lieu of making an appointment the remaining members of the board may within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(f) (1) If the vacancy is not filled by the district board by appointment, or if the district board has not called for an election within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, then the city council of the city in which the district is wholly located, or if the district is not wholly located within a city, the board of supervisors of the county representing the larger portion of the district area in which the election to fill the vacancy will be held, may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the city council or board of supervisors calls the election.

(g) (1) If within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, the remaining members of the district board or the appropriate board of supervisors or city council have not filled the vacancy and no election has been called for, then the district board shall call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(h) (1) Notwithstanding any other provision of this section, if the number of remaining members of the district board falls below a quorum, then at the request of the district secretary or a remaining member of the district board, the appropriate board of supervisors or the city council shall promptly appoint a person to fill the vacancy, or may call an election to fill the vacancy.

(2) The board of supervisors or the city council shall only fill enough vacancies by appointment or by election to provide the district board with a quorum.

(3) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold the office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(4) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of

office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(5) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is held 130 or more days after the date the city council or board of supervisors calls the election.

*(Amended by Stats. 2007, Ch. 343, Sec. 4. Effective January 1, 2008.)*

Oath of Office. Persons elected or appointed to the Board shall take the oath of office prior to assuming office in the manner and at the time prescribed by law. The Secretary or other person authorized by law shall administer the oath.

**Section 3. Ethics and Conflict of Interest Code.**

It is the intent of the Board to act in the highest ethical standard in carrying out its duties to the public. It is also the intent of the Board to protect the District's interests when entering in to a transaction or agreement, and not the private interests of any director, officer, or employee. To that end, the Board has adopted an "Ethics Policy" and a "Conflict of Interest Code" contained in the Board Policy Manual.

**Section 4. Organization.**

(a) Officers of the board. The officers of the Board shall be Chair, Vice-Chair, Treasurer, and Secretary. Officers shall be elected at the Board's regular December meeting for the next calendar year, and shall serve until the successor assumes office. A Board Member cannot hold more than one office at a time.

(b) Chair. The Chair shall:

- (1) Preside over all the meetings of the Board.
- (2) Be responsible for coordination and liaison with community groups, public agencies, and residents served by the District.
- (3) Be responsible for the ongoing administrative affairs of the Board, including without limitation, supervision of financial matters, correspondence, and administrative activities of the Board.
- (4) Sign as Chair: contracts, conveyances, and other instruments in writing, and checks on the funds of the District as the Board shall authorize or direct the President to sign.
- (5) Be responsible for coordination and liaison with District legal counsel, auditors, and consultants.
- (6) Designate members of the Board to undertake special responsibilities and to report to the President on those activities.
- (7) Coordinate with the District's legal counsel:
  - a. Receive all requests from Board members for the preparation of legal opinions, legal memoranda, contracts, corporate documents, or other legal

- work for legal counsel so as to eliminate duplication of same before submitting to legal counsel;
- b. Prepare Board agendas with the assistance of the District Manager and legal counsel, and if necessary, instruct legal counsel to prepare memoranda which are necessary to hold closed session meetings, Board Resolutions, and other material pertinent to Board meetings as required;
- c. Serve as an alternate meeting, if able, upon the excused absence of a Committee member, and
- d. Invite legal counsel to attend Committee meetings, as desired.
- (8) Perform other duties as pertain to the office as prescribed by the Board.
- (9) Appoint, with the concurrence of the Board, members of standing and ad hoc committees.
- (10) Represent the Board at official functions and digital media platforms when necessary. Ensure that postings meet the requirement of the digital media policy, serves as a spokesperson for the Board regarding board actions, and keep the Board promptly informed of these occasions.

(c) Vice-Chair. In the absence or inability of the President to serve, the Vice-President shall perform the duties of the President, and shall perform other duties as are prescribed by the Board.

- (d) Treasurer. The Treasurer or designee shall:
- (1) Keep, or cause to be kept, correct and accurate accounts of the properties and financial transactions of the District;
  - (2) In conjunction with the District Manager, present an annual budget to the Board;
  - (3) Cause an annual independent audit of the District to be performed in accordance with law; and
  - (4) Perform all duties incident to the office and such other duties as prescribed by the Board.
  - (5) Monitor the financial activities that result from the Agreements and ensure these are in compliance with such Agreements.
  - (6) Will act as board liaison with the oversight committee.

- (e) Secretary. The Secretary or designee shall ensure:
- (1) that minutes of all meetings of the Board occur, and assure such minutes are filed in the official records of the District;
  - (2) that the official record of resolutions, actions and orders passed or adopted by the Board are maintained
  - (3) all correspondence, financial records and reports in the records of the District;
  - (4) appropriate notices in accordance with these Bylaws or as required by law;
  - (5) Act as custodian of records of the District's records;
  - (6) Certify the official status, capacity and signature of directors, officers and employees;
  - (7) Assure the District Seal is affixed, when required by law, to documents

- executed on behalf of the District; and
- (8) Perform all duties incident to the office and such other duties as prescribed by the Board.
- (9) Oversee all official and communications on media to ensure propriety and posts in accordance

**Section 5. Powers.**

The powers of the District are set forth in the District Law and other applicable law. The powers of the District are vested in the Board, which may delegate one or more of its powers in its sole discretion. Specifically, the Board shall:

- (1) Establish by Resolution substantive and procedural policies regarding the affairs of the District in accordance with the best interests of the communities served by the District.
- (2) Monitor the activities of the District Manager (or other designee) as administrator of the District.
- (3) Enter into contracts and agreements with respect to the affairs of the District, including contracts for management services and for other activities approved by the Board.
- (4) Effectuate the purpose of the District to enhance the provision of quality healthcare in the communities served by the District by, among other efforts, working with public and private entities (including the provision of financial assistance where feasible).
- (5) The District and Adventist Health Mendocino Coast shall collaborate to develop and agree proactively on a comprehensive community needs assessment and plan. Both parties will abide by the lease provisions as stated in Section 25.8 Restrictive Covenant.
- (6) Exercise all other powers now or hereinafter set forth in and given to it by the District Law and other public agency laws applicable to the District.

**Section 6. Meetings.**

- (a) The board will be schedule meetings based on board need. The Board will meet at minimum once per quarter. All meetings of the Board and its committees shall be conducted in accordance with the Ralph M. Brown Act, Government Code section 54950, et seq. (the "Brown Act"), and any other applicable law or regulation. Regular meetings of the Board shall be held on the last Thursday of the month at 6:00 p.m. at the District's administrative office. November and December meetings will be held on the second Thursday of the month
- (b) Meetings of the Board shall be open and public, except as allowed by law. Persons shall be permitted to attend any portion of a meeting, except a closed session.
- (c) A quorum of the Board shall not discuss the business of the District directly, serially or through an intermediary, except at a properly noticed public meeting. A quorum of the Board may discuss the time, place and agenda for a meeting at any time. Two members of the Board (but not a standing committee) may discuss District business at any time.

**Section 7. Compensation, Benefits and Expenses.**

(a) Compensation.

(1) The members of the Board of Directors shall serve without compensation.

(b) Benefits.

Directors are entitled to the following benefits on the same terms as other officers:

(1) A Flexible spending account funded by the district to be used towards health care costs.

(c) Expenses.

(1) If previously approved by the Board, a Director shall receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on District business. The rate for reimbursement shall not exceed the rate published by the IRS for deduction from taxes. However, if the expenses are incurred in connection with a trade conference, the reimbursement rates shall not exceed the posted rates for the conference and if the posted rates are not available, the reimbursement rate shall be comparable to the IRS rates.

(2) Directors must be authorized in advance to incur expenses for District purposes, and shall submit a written request with supporting documents for reimbursement.

(3) During July of each year the District Manager shall prepare a list of amounts paid during the prior fiscal year to reimburse a director or employee for individual expenses of \$100.00 or more. To determine the value of an item, the total charges for the item for the day shall be considered. For example, several transportation bills each less than \$100.00, but totaling more than \$100, requires a report. During August of each year, each person receiving expense reimbursement shall review the list. The District Manager shall consider suggested corrections and post the final list at the District by September.

**Section 8. Appointment of District Manager**

(a) The Board shall be solely responsible for selecting a District Manager, who shall be responsible for managing the District's operations, facilities, and property. The Board shall adopt a written statement setting forth the qualifications, authority, and duties of the District Manager. The Board shall set the District Manager compensation.

(b) The Board shall at least annually conduct a review of the performance and compensation of the District Manager

(c) The District Manager may recommend and shall implement policies adopted by the Board. The Board is not responsible for day-to-day management or operations of the District.

(d) The Board and individual Directors may question the District Manager with respect to the development and implementation of District policy. The Board, but not the individual Directors, may direct the District Manager with respect to the development and implementation

of District policy.

(e) Individual Directors shall not direct employees in the performance of their duties. Any such direction shall be reported to the Board and District Manager

(f) The District Manager may discuss District business with Directors outside a public meeting, but the District Manager shall not communicate the views of Directors to one another, except at a Board meeting. The Board shall not discuss or act on the District Manager's recommendations, except at a public meeting.

**Section 9. Duties of the District Manager**

The Board of Directors, unless otherwise stated, shall delegate to District Manager full charge and control of the affairs of the District consistent with the policies established by the Board. The District Manager shall work with the Board or any of its committees in a highly professional manner. The District Manager also shall:

- (1) Present to, and upon Board approval, implement a District strategic plan.
- (2) Develop and implement a plan, along with the appropriate budget and schedule, that will meet the state of California's seismic upgrade requirement
- (3) Administer the Agreements.
- (4) Serve as liaison between the Board and District employees.
- (5) If an emergency arises and there is insufficient time to notify the Board, the District Manager may take appropriate and reasonable action otherwise within the Board's jurisdiction. The District Manager shall report such action to the Board as soon as possible.
- (6) The District Manager shall hire, with the concurrence of the Board, other District officers as the District may require, each of whom shall perform such duties as the Board may determine from time-to-time. Officers shall serve at-will.
- (7) The District Manager may engage professional consultants to provide specialized service with the approval of the Board.
- (8) The District Manager may engage an engineer to assist in the planning and design of District facilities with the approval of the Board.

**Section 10. Other Officers.**

- (a) Other officers and employees shall assist the District Manager in the implementation of policy.
- (b) Directors may discuss District business with officers. The officers shall, if possible, supply information requested by Directors in writing, and shall inform the District Manager when information is supplied.

**Section 11. Employees.**

The District Manager shall serve as head of Human Resources. Directors are not encouraged to discuss District business with employees. If a Director inquires of an employee about District business, the employee shall respond to the Director and inform the District Manager

**Section 13. Legal Counsel.**

- (a) An attorney shall be retained by the Board to act as General Counsel. The

Board may appoint special counsel. The Board will set the compensation of General Counsel and Special Counsel. General and Special Counsel serve at the pleasure of the Board.

(b) The General Counsel is directly accountable to the Board. General Counsel shall provide legal advice and services as requested by the Board, and shall work with the District Manager on the District's legal matters.

(c) General Counsel represents the District. General Counsel shall not represent individual directors, officers or employees, unless authorized in writing by the Board.

(d) General Counsel will recommend appointment of special counsel when conflicts arise or if necessary to deal with matters requiring specialized knowledge.



## **ARTICLE III. BOARD COMMITTEES**

### **Section 1. General**

(a) Committees of the Board shall be standing or ad hoc. The committee members shall be appointed by the President at the January regular Board meeting and as otherwise needed. The President's action shall be final unless a majority of director's object. Two directors shall be appointed to each committee, one of whom shall be the committee chair, and both of whom shall be voting members. Any director not appointed to a committee may serve as an alternate to that committee. Regular meetings of committees shall be set at the same time at which committee members are appointed.

(b) All committees shall be advisory to the Board, except as otherwise expressly specified by the Board.

### **Section 2. Standing Committees.**

(a) Standing committees are managed by the entire board.

(b) Every quarter at a board meeting there will be a planning and finance agenda item

(c) Finance will be represented by the Treasurer and Planning will be represented by Vice-chair.

### **Section 3. Planning**

- (1) Recommending and overseeing Human Resources policies and procedures;
- (2) Reviewing and recommending employee compensation and benefits;
- (3) Quality control and performance improvement; and
- (4) Overseeing short and long term facility planning and maintenance

### **Section 4. Finance**

- (1) Recommending and overseeing fiscal and Obusiness policies and procedures;
- (2) Overseeing financial management and budgeting;
- (3) Recommending and overseeing fiscal controls;
- (4) Recommending and overseeing Investments;
- (5) Overseeing internal audits and ensuring an annual independent audit; and
- (6) Reviewing and presenting to the Board financial statements and reports.  
Monitoring the financial activities that arise from the Agreements to ensure compliance with the terms and conditions of such Agreement.

- The Treasure and one other board member will review the spending of the Measure c funds

### **Section 5. Ad Hoc Committees.**

Ad hoc committees, including not more than two directors, may be established by the President, subject to approval of the Board, for defined tasks of a limited duration (for instance, not to exceed six months). An ad hoc committee shall only perform those duties assigned by the President, and upon their completion be discharged. The President, in consultation with the Board, shall determine the members of the committee.

**ARTICLE IV. MISCELLANEOUS**

**Section 1. Review of Bylaws.**

At least annually the Board shall review these Bylaws and the Policy Manual to ensure they comply with the District Law and all other applicable federal and state laws and regulations in keeping with the functions of the Board.

**Section 2. Amendment of Bylaws.**

These Bylaws may be amended by a majority of the Board at a duly noticed Board meeting, provided a full statement of each proposed amendment has been sent to each director along with the meeting agenda and packet.

**Section 3. Indemnification.**

(a) Civil proceedings. The District shall, to the full extent of the law, defend and indemnify each of its employees against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any civil claim arising out of the scope of his or her employment for the District. For purposes of this section, the term "employee" shall have the same meaning set for in Government Code section 810.2, or any successor statute thereof, and includes without limitation any person who was or is a director, officer, employee or servant of the District.

(b) Criminal and administrative proceedings. The District may but is not obligated to defend and indemnify its employees (as defined above). If an employee seeks defense and indemnification in any such proceeding he or she shall submit a written request to the Board, which shall conduct a review of the request in accordance with Government Code sections 995.6 and 995.8, or any successor statutes.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

- 1. That I am the duly elected and acting Secretary of Mendocino Coast Healthcare District; and
- 2. That the foregoing Bylaws comprised of nine (9) pages constitute the Bylaws, as amended, of the District as duly adopted at a meeting of the Board of Directors thereof duly held on \_\_, 20 .

IN WITNESS WHEREOF, I have hereunto subscribed my name on this \_\_\_ day of \_\_\_\_, 20 .

\_\_\_\_\_  
Secretary  
Mendocino Coast Healthcare District

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Resolution  
of the  
Mendocino Coast Health Care District Board of Directors  
Supporting the Objectives  
of the  
Mendocino Coast Covid Response Network

WHEREAS the Covid-19 pandemic has ravished the countries of the world and  
WHEREAS the pandemic is on the boundary lines of Mendocino County, which  
has limited hospital capacity in its three hospitals providing care to a  
population which varies between 89,000 and 110,000 depending upon  
tourism and

WHEREAS the County of 3,250 square miles is not covered by either local  
print media, radio or television therefore endangering the population as to  
the realities of how easily the disease can be spread throughout the  
population and,

WHEREAS availability of timely testing, tracking, and tracing should be the  
responsibility of each hospital, clinic and provider should be available to the  
public without cost and

WHEREAS at this time on the Mendocino Coast asymptomatic members of the  
public must wait approximately one week to be tested and wait up to  
five days for test results allowing further possible spread of the disease

THEREFORE, let it be Resolved that the Mendocino Coast Health Care District  
commends and appreciates that the Mendocino Coast Covid Response  
Network has:

1. Participated with the Mendocino County Sheriff and  
Health Department and North Coast Opportunities to enable  
the public to become aware of the disease and how easily it is  
spread and
2. Reached out to the LatinX and disenfranchised members  
of our communities in both English and Spanish and
3. Provided masks and placards to encourage masking and  
distancing and
3. Initiated this undertaking with donations from the public.

On a Motion by Director \_\_\_\_\_, Seconded by Director \_\_\_\_\_  
the Board of Directors of the Mendocino Coast Health Care District expresses  
its gratitude to the Covid Response Network and urges the community to  
visit their website [www.covidresponsenetwork.net](http://www.covidresponsenetwork.net)

/s/ Jessica Grinberg, Chair

Date: October \_\_\_\_, 2020

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Website Design  
ad hoc committee  
John Redding and Norman de Vall  
October 15, 2020

The Committee reviewed the website reconstruction and maintenance proposal of Sean Fuller owner of Devine Design, a division of uberbytes LLC, of Little River and compared the work program and maintenance with the proposal of Liz Evangelatos Barney.

The primary difference is in the funding proposal. Rather than a fixed amount Fuller's proposal is funded on an hourly basis with an estimated cost to the District to complete the project of \$700 to \$900 as shown on Page 4 Section B.

The ad hoc committee recommends accepting the Divine Design proposal.

/s/ Norman de Vall

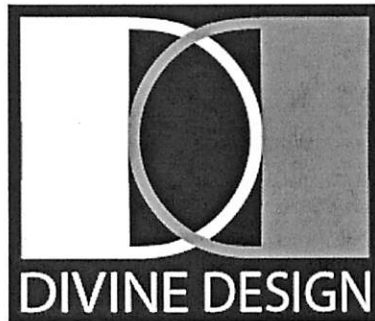
/s/ John Redding

# Mendocino Coast Healthcare District



[mcdh.org](http://mcdh.org)

## Website Proposal



Divine Design  
(a division of überbytes LLC)

## I. Objectives

Migrate website to new domain and re-brand as Mendocino Coast Healthcare District. Redesign website layout with improved aesthetics that welcome visitors. Create global menu to make navigation of pages more convenient. Ensure new layout is mobile-friendly and intuitive on all devices. Address accessibility concerns as needed. Install and configure recommended suite of WordPress plugins to maximize security, website performance and SEO (search engine optimization). Update page content as required, add provided images as desired. Finally, employ a backup strategy to ensure website assets are secure stored and can be easily redeployed if necessary. The following pages are to be included:

- A. Agendas
- B. Minutes
- C. Contact: Board of Directors
  - 1. Executive Director
  - 2. Assistant Directors
- D. Calendar
- E. Objectives:
  - 1. Mission Statement
  - 2. History
  - 3. Description
    - VII. District vs Agency/Non-Profit Corporation
    - VIII. Local Agency Formation Commission
- F. Financials

## II. Modules

<b>Project Scope:</b>	
<ul style="list-style-type: none"><li>• Move website to new domain.</li><li>• Recommend website hosting, if necessary.</li><li>• Modernize layout to be attractive, increase user-</li></ul>	



<p>friendliness and be compatible with multiple devices.</p> <ul style="list-style-type: none"> <li>• Standard device testing after new theme is completed.</li> <li>• Layout shall be valid HTML5 according to W3C Markup Validation Service: <a href="https://validator.w3.org">https://validator.w3.org</a></li> <li>• Logo to be created as optimized SVG for crisp display at any resolution.</li> <li>• Install SSL certificate and harden security to achieve A+ rating according to Qualys SSL Server Test: <a href="https://www.ssllabs.com/ssltest">https://www.ssllabs.com/ssltest</a></li> <li>• Build layout with accessibility elements following WCAG 2.1 guidelines as recommended by WAI: <a href="https://www.w3.org/WAI/standards-guidelines/wcag/">https://www.w3.org/WAI/standards-guidelines/wcag/</a></li> <li>• Optimize WordPress with necessary plugins for security, performance and functionality.</li> <li>• Employ automated backup strategy with daily / weekly / monthly rotating backups of database and backup of website files at recommended interval based on content update frequency.</li> <li>• Monthly maintenance plan to install security updates as they become available and ensure smooth ongoing operation of website.</li> </ul>	
--	--

### III. Terms and Conditions

#### A. Website Assets

1. Graphics and Media. All media files to be provided by client unless requested and shall be property of client. Logo design and photography are available optionally and not included in the estimate.
2. Text. All textual content to be provided by client and shall be property of client.

3. Credentials. All credentials required for maintenance of online accounts and software shall be securely stored, updated when necessary and provided to client upon request.

## **B. Payment**

1. Fees. Labor is be billed at \$50/hr. Upfront payment of 25% required to begin project. Monthly maintenance plan is billed at \$20 per month and includes up to one hour of maintenance. If a task requires more than one hour or if new requests are made, additional labor will be billed at \$50/hr.
2. Payment Instruction. Payment may be made via ACH, Cash, Check or Wire Transfer.

Estimated cost to complete project is \$700 - \$900. If more requests are added during development that extend beyond the scope of the project as outlined above or if unforeseen complexity arises that requires significantly more time than estimated, additional work will be charged at \$30/hr. until project is completed.

As a side note, I was born in Fort Bragg hospital and raised in Mendocino. I have been building websites since 2006; it would be a pleasure to work on this project and create a quality website to represent Mendocino Coast Healthcare District. I am available locally at this time and can meet in person when necessary.

Submitted by:

**Sean Fuller**

**Divine Design**

Email: sean@divinedesign.pro

Telephone: +1 775 241-8237

1490 Stardust St #5045, Reno, NV 89503

If the terms of this proposal are agreed upon, please sign below.

Sean Fuller:

A handwritten signature in black ink, appearing to read 'Sean Fuller', written in a cursive style.

Date: 2020/10/14

Mendocino Coast Healthcare District Representative:

Date:

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Project element	Actual expense	Amount donated separately from Community Foundation of Mendocino County Resiliency Grant	Amount already paid from CFMC Resiliency Grant Via Judy Hoagland	Amount to be paid to complete disbursement of this grant's funds
Mapping, data collection, and website-building software	<b>\$999.41</b>	<b>\$250</b>	\$17.04 (NC) + \$199.95 (ZM) + \$42.42 (ZM) + \$216 (SS)=\$ <b>475.41</b>	<b>\$100</b> (CT yr 2-RH) + <b>+\$174</b> (JF-JK) = <b>\$274</b>
Website-translation software	<b>\$188.13</b>	0	0	<b>\$188.13</b> (WG-JK)
Labor for initial mapping	<b>\$9,360</b>	<b>\$4,680</b> (in-kind)	0	<b>\$4,680</b> (RH)
Labor for map updates	<b>\$5,640</b>	<b>\$2,820</b> (in kind)	0	<b>\$2,820</b> (RH)
Printing maps	<b>\$427.08</b>	0	<b>\$250.30</b>	<b>\$176.78</b> (JK)
Website design, upkeep, and updating	<b>\$20,000</b>	<b>\$19,356.86</b> (in kind)	0	<b>\$643</b> (RH)
Public Health Consultation	<b>\$1,050</b>	<b>\$1,050</b> (in-kind)	0	0
Legal consultation	0	0	0	0
Supplies, Zoom and publicity for volunteer trainings and workshops	<b>\$244.50</b>	<b>29.98</b> (Nov/Dec Zoom)	26.37 + 4.50 +10.02 +11.87 + 16.62+ 10.99+ 44.21= <b>124.58</b>	<b>\$89.94</b> (JK)
Supplies for proposed Assisted Telemedicine arm (cancelled)	<b>\$7.72</b>	<b>\$60</b>	<b>\$7.72</b>	0
Totals	<b>\$37,976.84</b>	<b>\$28,246.84</b>	<b>\$858.01</b>	<b>\$8,871.99</b>  of which <b>\$628.85</b> goes to JK and <b>\$8,243.14</b> goes to RH

**Summary: because of the pandemic, more Hubs & Routes functions need to take place online, so the website became a key feature. Web design costs were initially significantly underestimated, then defrayed via extra volunteer hours. Thus, in-kind matching was greater than anticipated, but the total cash requested is equal to the total cash initially granted.**

#### **4. Implications of remaining under Board's 501(c)3 status**

- a) We will need a letter of support signed—probably each time we apply for a grant**
- b) You may wish to request legal review of our project at intervals, though we do build in numerous disclaimers**
- c) We will need to tell our grantors how often we will be reporting to you or to a Board subcommittee**
- d) If we manage to win enough grants to hire an Administrator and/or interns, we will need training in how to do so properly under non-profit status**

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# **FINANCIAL REPORT**

**WILL BE AVAILABLE LATER**



**NOTICE AND AGENDA OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**THURSDAY, November 12, 2020**

**6:00 P.M. Open Session  
Meeting via Zoom Conference**

Topic: My Meeting

Time: Nov 12, 2020 06:00 PM Pacific Time (US and Canada)

Join Zoom Meeting

<https://zoom.us/j/95003454332?pwd=NXY3VklyO3ZHcWhFTStpaVhJNmV6UT09>

Meeting ID: 950 0345 4332

Passcode: 099150

One tap mobile

+16699009128,,95003454332#,,,,,0#,,099150# US (San Jose)

+12532158782,,95003454332#,,,,,0#,,099150# US (Tacoma)

Dial by your location

+1669 900 9128 US {San Jose}

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1312 626 6799 US (Chicago)

+1 646 558 8656 US (New York)

+1 301 715 8592 US (Washington D.C)

Meeting ID: 950 0345 4332

Passcode: 099150

Find your local number: <https://zoom.us/j/95003454332?pwd=NXY3VklyO3ZHcWhFTStpaVhJNmV6UT09>

PLEASE TAKE NOTICE a Regular Board of Directors meeting has been called for Thursday, November 12, 2020 at 6:00 pm. **This meeting will be held via Zoom Conference only in order to reduce the risk of spreading coronavirus {COVID-19} and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, Chair
2. **ROLLCALL**

3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4.. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, Chair

**OLD BUSINESS:**

5. **INFORMATION/ACTION:** Hubs & Routes Update: Ms. Jennifer Kreger, M.D. **TAB1**

6. **INFORMATION/ACTION:** Recruitment of District Manager: Ms. Jessica Grinberg, Chair

7. **INFORMATION/ACTION:** Location of District office: Ms. Jessica Grinberg, Chair

8. **INFORMATION/ACTION:** Approval of FYE 06-30-20 Pension Liability: **TAB2**  
Ms. Jessica Grinberg, Chair

9. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, President

10. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.


11. **COMMENTS FROM BOARD OF DIRECTORS**

12. **ADJOURNMENT**

Dated: November 09, 2020

STATE OF CALIFORNIA}  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Adventist Health Mendocino Coast Hospital on November 09, 2020

Karen Arnold   
Karen Arnold  
Secretary of the Board of Directors

11/9/20  
Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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Presentation to Board of Directors of Mendocino Coast Healthcare District  
by Jennifer Kreger MD  
on November 12, 2020  
regarding the project called:

Community Resource Hubs Throughout Mendocino Coast Healthcare District  
AKA "Hubs & Routes"

Goals of presentation:

- (1) to report first year's progress to full Board of Directors (in lieu of Planning Committee)
- (2) to request Board approval of slight amendments to 2020 budget and timeline that were needed because of pandemic and of having inaccurately predicted web design costs
- (3) to request Board approval to continue operating under District's 501(c)3 umbrella as we fundraise for 2021

Three sets of documents for review:

**(1) current versions of our website, [hubsandroutenet.com](https://hubsandroutenet.com).**

For those who do not have time to peruse the whole site, it may be helpful to watch our new five-minute YouTube video, released Nov 6, which will give you a sense of how we present this project to the general public. This is at <https://youtu.be/VK3pjDSxrl>

To get a better sense of the impact on healthcare, see the Islands and Public Hub Map and its "Examples" page, and the Public Hubs Resource Form welcome page and its "More Details, Please!" Page.

Other meetings, such as one with the new Emergency Physician Group planned for March, will focus more on Leaders' Pages. Meetings organized by "island" include more discussion of Private Hub formation. For more information, please email [hubsroutes@mcn.org](mailto:hubsroutes@mcn.org) or view additional pages on the website.

**(2) Comparison of initial and revised timelines**

For the initial timeline see our grant application of one year ago. Multiple attempts to include that for reference in this letter have been thwarted by information technology.

Revised:

<b>Activity</b>	<b>Parties</b>	<b>Actual time performed</b>
Collect and disburse granted funds	Judy Hoagland	Collected in April, disbursed first set on 6/9/20, plan for remainder next week
"Visit" at least 6 Hubs and get their Offers: -signed up 15 Public and 26 Private Hubs by end of Oct, and active recruitment just resumed -cancelled 3 public in-person workshops and held 5 on Zoom, then switched to Island-based Zoom workshops	Jennifer Kreger (most) and Rick Hemmings (2)	January through present, excluding August (a month of severe phone and computer malfunction)
(No organizing of lodging partners)	(Allison deGrassi no longer works in the capacity in which she offered this help)	(none)
Developed Assisted Telemedicine branch of H&R including maps of Assisted Telemed Hotspots and training of volunteers, then cancelled due to inadequate (literal) bandwidth at Clinic+ insurance and liability issues	Jennifer, Rick, John Allison, Stephan	March, April
Upload publicizable resources to maps	Jennifer	July through present
Report to Planning Committee	Jennifer until onset of pandemic, after which Committee ceased to meet	Jan and Feb, then via emails, and today via Full Board
Request permission to cross private lands	Alison DeGrassi, Rick Hemmings, Alix Sabin, Carole Barnes, Chief Michael Rees, others	Nov 2019 to Feb 2020 and September 2020 to present (and other people/times we did not document)

Test and map ARR	Rick Hemmings, Carole Barnes, Alix Sabin, ALRVFD Chief Michael Rees, others	Rick Nov 2019-April 2020 and group Sept 2020 to present (and other people/times we did not document)
Select web designer to post online map-turned out not to fit in our budget-"that is doable for about \$20,000" ... so we learned to design website ourselves and used commercial software building blocks for it	Rick Hemmings, Jennifer Kreger (two other volunteers attempted to integrate sign-ups with mapping, but later found out that to do so in the way they'd planned, they would need to buy about \$20,000 of software and support)	Interviewed three web designers in March 2020; Rick got first draft website up in April/May; Jennifer made a partial new version in June, but finally cracked the integration conundrum and got the maps to be "quickly searchable at the user end" around late July
Meet with at least 6 first-responder leaders-Davy Beak, Coast Guard, Dan Maxey, Steve Orsi, Laurie Starr, Robin Serrahn, Rose Britton, Michael Rees	Rick and Jennifer to Coast Guard Jennifer to others	January to present
"Update District's website to include our map"-this turned into having our own website and multiple maps	(District was for most of this year without a web designer of its own, but when it makes its own website, can link to Hubs & Routes)	April to present
Orient ER physicians to maps	Jennifer	Planned for March as 911 map should have a lot of data on it by then so teaching a "search" should be quite rewarding
(Order printing of District maps, and take to largest public hubs and libraries-cancelled as online maps are easier to update and as libraries are closed)	We are assigning to Public Hub leaders the task of printing lists (from the Search popups from their online maps) the permitted resource info and posting it for local public use	ongoing

3. Comparison of initial and revised budgets

For initial budget, please see original grant application of one year ago (attempts to send failed.)

Revised:

Project element	Actual expense	Amount donated separately from Community Foundation of Mendocino County Resiliency Grant	Amount already paid from CFMC Resiliency Grant Via Judy Hoagland	Amount to be paid to complete disbursement of this grant's funds
Mapping, data collection, and website-building software	<b>\$999.41</b>	<b>\$250</b>	\$17.04 (NC)+ \$199.95 {ZM} + \$42.42 (ZM) + \$216 (SS)=\$475.41	\$100 (CT yr 2- RH)+ +\$174 {JF-JK} = <b>\$274</b>
Website-translation software	<b>\$188.13</b>	0	0	<b>\$188.13 (WG-JK)</b>
Labor for initial mapping	<b>\$9,360</b>	<b>\$4,680 (in-kind)</b>	0	<b>\$4,680 (RH)</b>
Labor for map updates	<b>\$5,640</b>	<b>\$2,820 (in kind)</b>	0	<b>\$2,820 (RH)</b>
Printing maps	<b>\$427.08</b>	0	<b>\$250.30</b>	<b>\$176.78 (JK)</b>
Website design, upkeep, and updating	<b>\$20,000</b>	<b>\$19,356.86 (in kind)</b>	0	<b>\$643 (RH)</b>
Public Health Consultation	<b>\$1,050</b>	<b>\$1,050 (in-kind)</b>	0	0
Legal consultation	0	0	0	0
Supplies, Zoom and and publicity for volunteer trainings and workshops	<b>\$244.50</b>	<b>29.98 (Nov/Dec Zoom)</b>	26.37 + 4.50 +10.02 +11.87 + 16.62+ 10.99+ <b>44.21=124.58</b>	<b>\$89.94 (JK)</b>
Supplies for proposed Assisted	<b>\$7.72</b>	<b>\$60</b>	<b>\$7.72</b>	0



Telemedicine arm (cancelled)				
Totals	<b>\$37,976.84</b>	<b>\$28,246.84</b>	<b>\$858.01</b>	<b>\$8,871.99</b> of which <b>\$628.85</b> goes to JK and <b>\$8,243.14</b> goes to RH

Summary: because of the pandemic, more Hubs & Routes functions need to take place online, so the website became a key feature. Web design costs were initially significantly underestimated, then defrayed via extra volunteer hours. Thus, in-kind matching was greater than anticipated, but the total cash requested is equal to the total cash initially granted.

#### 4. Implications of remaining under Board's 501(c)3 status

- a) We'll need a letter of support signed-probably each time we apply for a grant
- b) You may wish to request legal review of our project at intervals, though we do build in numerous disclaimers
- c) We'll need to tell our granters how often we will be reporting to you or to a Board subcommittee
- d) If we manage to win enough grants to hire a Hubs & Routes Administrator and/or interns, we'll need training in how to do so properly under non-profit status
- e) If Board hires staff, we'll want to orient them to basic functions of Hubs & Routes and collaborate on workflows for
  - deposit granted funds,
  - receiving donations
  - answering simple inquiries
  - forwarding more in-depth questions.

T

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RUN DATE: 11/09/20  
 RUN TIME: 1348  
 RUN USER: JHOUGLAND

Adventist Health Mendocino Coast GL LIVE  
 DETAIL TRIAL BALANCE

.ruH 2020  
 FINAL

Round Konoy: 0.01

From Account                      Th:cu Account  
 20.2270.0000                      20.2270.0000

ACCOOff'	JOC	NAL	DATE	CB	ENTRY	DEBITS	CREDITS	DESCRIPTION	OPEN	TOTAL DEBITS	TOTAL CREDITS	NET CHANGE	CLOS
20.2270.0000 - MCDH PENSION PAYABLE CURRENT FYE													
	GJ		06/30/20	29	1-47		79,232.00	MAY 2020 PENSION ADJUSTMENT	-874,898.99	100,076.60	95,166.89	4,909.71	-869,989.28
	BA		11/09/20	1	1-50	100,076.60		PENSION ADJ -CORRECT TO ACTUAL- JUNE 2020					
	BA		11/09/20	1	1-49		15,934.89	PENSION ADJ -CORRECT TO ACTUAL- JUNE 2020					
						100,076.60	95,166.89						
<b>GRAND TOTALS</b>									-874,898.99	100,076.60	95,166.89	4,909.71	-869,989.28

**NOTICE AND AGENDA OF SPECIAL MEETING  
OF THE BOARD OF DIRECTORS  
MENDOCINO COAST HEALTH CARE DISTRICT**

**TUESDAY, November 17, 2020**

**6:00 P.M. Open Session  
Meeting via Zoom Conference**

Topic: My Meeting

Time: Nov 17, 2020 06:00 PM Pacific Time (US and Canada)

Join Zoom Meeting

<https://zoom.us/j/3453214116?pwd=dEFRajBuZkpoaXFFd2E2TUVGYVVCZz09>

Meeting ID: 345 321 4116

Passcode: 2WtzGd

One tap mobile

+16699009128,,3453214116#,,,,,0#,,546910# US (San Jose)

+12532158782,,3453214116#,,,,,0#,,546910# US (Tacoma)

Dial by your location

+1 669 900 9128 US (San Jose)

Meeting ID: 345 321 4116

Passcode: 546910

Find your local number: <https://zoom.us/u/adXGuPoSOS>

PLEASE TAKE NOTICE a Special Board of Directors meeting has been called for Tuesday, November 17, 2020 at 6:00 pm. **This meeting will be held via Zoom Conference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

**CONDUCT OF BUSINESS:**

1. **CALL TO ORDER:** Ms. Jessica Grinberg, Chair

2. **ROLL CALL**

3. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4.. **APPROVAL OF THE AGENDA:** Ms. Jessica Grinberg, Chair

**OLD BUSINESS:**

5. **INFORMATION/ACTION:** Recruitment Process for Permanent/Interim District Manager:  
Jessica Grinberg, Chair

6. **INFORMATION/ACTION:** Review & Approval of Proposal for District's Website: **TAB 1**  
Ms. Jessica Grinberg, Chair

7. **INFORMATION/ACTION:** Future District Involvement in Micro Grid: Ms. Jessica Grinberg, Chair

8. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, Chair

9. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

**BROWN ACT REQUIREMENTS:** Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

10. **COMMENTS FROM BOARD OF DIRECTORS**

11. **ADJOURNMENT**

12. **CLOSED SESSION**

- a) **Information/Action:** Public Employment: Permanent/ Interim District Manager  
discussion: Government Code §54954.5 & 54957

Dated: November 16, 2020

STATE OF CALIFORNIA)  
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am employed by the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Adventist Health Mendocino Coast Hospital on November 16, 2020

Karen Arnold RH

Karen Arnold  
Secretary of the Board of Directors

11-16-2020

Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Karen Arnold, Secretary of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

\*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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Website Design  
ad hoc committee  
John Redding and Norman de Vall  
October 15, 2020

The Committee reviewed the website reconstruction and maintenance proposal of Sean Fuller owner of Devine Design, a division of uberbytes LLC, of Little River and compared the work program and maintenance with the proposal of Liz Evangelatos Barney.

The primary difference is in the funding proposal. Rather than a fixed amount Fuller's proposal is funded on an hourly basis with an estimated cost to the District to complete the project of \$700 to \$900 as shown on Page 4 Section B.

The ad hoc committee recommends accepting the Divine Design proposal.

/s/ Norman de Vall

/s/ John Redding



# Mendocino Coast Healthcare District



[mcdh.org](http://mcdh.org)

## Website Proposal



Divine Design  
(a division of überbytes LLC)

## I. Objectives

Migrate website to new domain and re-brand as Mendocino Coast Healthcare District. Redesign website layout with improved aesthetics that welcome visitors. Create global menu to make navigation of pages more convenient. Ensure new layout is mobile-friendly and intuitive on all devices. Address accessibility concerns as needed. Install and configure recommended suite of WordPress plugins to maximize security, website performance and SEO (search engine optimization). Update page content as required, add provided images as desired. Finally, employ a backup strategy to ensure website assets are secure stored and can be easily redeployed if necessary. The following pages are to be included:

- A. Agendas
- B. Minutes
- C. Contact: Board of Directors
  - 1. Executive Director
  - 2. Assistant Directors
- D. Calendar
- E. Objectives:
  - 1. Mission Statement
  - 2. History
  - 3. Description
    - VII. District vs Agency/Non-Profit Corporation
    - VIII. Local Agency Formation Commission
- F. Financials

## II. Modules

<b>Project Scope:</b>	
<ul style="list-style-type: none"><li>• Move website to new domain.</li><li>• Recommend website hosting, if necessary.</li><li>• Modernize layout to be attractive, increase user-</li></ul>	

<p>friendliness and be compatible with multiple devices.</p> <ul style="list-style-type: none"><li>• Standard device testing after new theme is completed.</li><li>• Layout shall be valid HTML5 according to W3C Markup Validation Service: <a href="https://validator.w3.org">https://validator.w3.org</a></li><li>• Logo to be created as optimized SVG for crisp display at any resolution.</li><li>• Install SSL certificate and harden security to achieve A+ rating according to Qualys SSL Server Test: <a href="https://www.ssllabs.com/ssltest">https://www.ssllabs.com/ssltest</a></li><li>• Build layout with accessibility elements following WCAG 2.1 guidelines as recommended by WAI: <a href="https://www.w3.org/WAI/standards-guidelines/wcag/">https://www.w3.org/WAI/standards-guidelines/wcag/</a></li><li>• Optimize WordPress with necessary plugins for security, performance and functionality.</li><li>• Employ automated backup strategy with daily / weekly / monthly rotating backups of database and backup of website files at recommended interval based on content update frequency.</li><li>• Monthly maintenance plan to install security updates as they become available and ensure smooth ongoing operation of website.</li></ul>	
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### III. Terms and Conditions

#### A. Website Assets

1. Graphics and Media. All media files to be provided by client unless requested and shall be property of client. Logo design and photography are available optionally and not included in the estimate.
2. Text. All textual content to be provided by client and shall be property of client.

3. Credentials. All credentials required for maintenance of online accounts and software shall be securely stored, updated when necessary and provided to client upon request.

## **B. Payment**

1. Fees. Labor is be billed at \$50/hr. Upfront payment of 25% required to begin project. Monthly maintenance plan is billed at \$20 per month and includes up to one hour of maintenance. If a task requires more than one hour or if new requests are made, additional labor will be billed at \$50/hr.
2. Payment Instruction. Payment may be made via ACH, Cash, Check or Wire Transfer.

Estimated cost to complete project is \$700 - \$900. If more requests are added during development that extend beyond the scope of the project as outlined above or if unforeseen complexity arises that requires significantly more time than estimated, additional work will be charged at \$30/hr. until project is completed.

As a side note, I was born in Fort Bragg hospital and raised in Mendocino. I have been building websites since 2006; it would be a pleasure to work on this project and create a quality website to represent Mendocino Coast Healthcare District. I am available locally at this time and can meet in person when necessary.

Submitted by:

**Sean Fuller**

**Divine Design**

Email: sean@divinedesign.pro

Telephone: +1 775 241-8237

1490 Stardust St #5045, Reno, NV 89503

If the terms of this proposal are agreed upon, please sign below.

Sean Fuller:

A handwritten signature in black ink, appearing to read "Sean Fuller", written over a horizontal line.

Date: 2020/10/14

Mendocino Coast Healthcare District Representative:

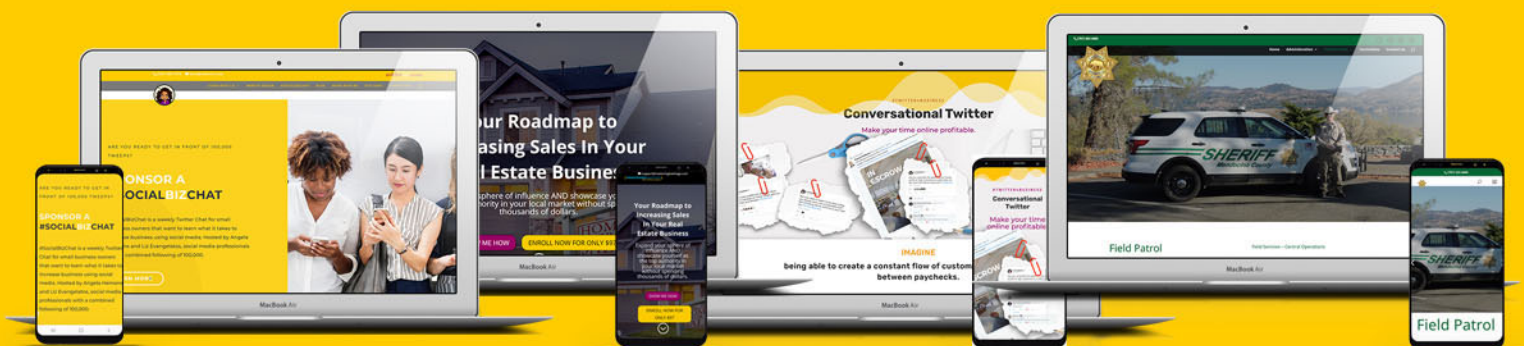
Date:



askforliz.com  
Social Media & Web Services for Small Businesses



# Delivering **BEAUTIFUL EXPERIENCES.**



# **Jessica Grinberg | Adventist Health - MCDH**

Website Development

## **Presented to**

Jessica Grinberg  
President, Mendocino Coast Healthcare District Board

## **Prepared by**

Liz Evangelatos  
WebDesigner/Contractor

## **Date**

September 7, 2020

Dear Jessica,

I'm sorry we haven't had a chance to talk about the details of the new website, but I'm hoping we can use this proposal as a starting point. If there's anything in here that you'd like to modify, please let me know.

What I believe you were asking for is a new website with some basic information on it. The old website can be redirected to the new site. In other words, when people go to mcdh.org, I can force the browser to go to the new site. The other option would be to use the existing domain, (mcdh.org), empty what's there and replace with the new information you send me.

The website will be using *responsive design* and includes the *purchase of an SSL certificate*. This means that your website will adapt and scale to whatever kind of device the user is viewing from while maintaining your organization's look and feel. That's not to say it will be identical on each device because of screen size of course, but it will flow nicely and everything will work (buttons, navigation, payment option) on all devices.

We'll test it on a variety of devices together - mobile and non-mobile - to ensure the experience is consistent and easy to use and that you end up with a site you love.

I look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Liz Evangelatos Barney', with a long horizontal flourish extending to the right.

Liz Evangelatos Barney



## **I. Site Objectives**

The site is going to be pretty small and should have an easy and clear navigation system. It should also outline the purpose of the site and the changes since the purchase and anything you think is important to say about the transition.

The site should strive to use keywords as effectively as possible to rank higher in search engines and overall, be easier to find. Search Engine Optimization (SEO) just means using the keywords that people are using in Google to find you. Using them in the coding where you don't see, using them in the text where you do see and using them to name photos. *A small disclaimer here: This agreement covers only basic SEO.*

## **II. Site Structure**

The site will have the following pages/sections:

- **Home**
- **Board**
  - Board Agendas & Meeting Minutes
  - Board By-Laws
- **Calendar**
- **About Us / Contact Us**
- **Home**
  - Header navigation as described below
  - The home page will incorporate at least one full-screen photo of Client's choice.
  - Descriptive text should be added here to describe to the first-time viewer what the page is all about and possibly links to other helpful organizational resources
  - Footer (see below)

- **Board**

- This page will have links to pdf versions of the Board Agendas & Meeting Minutes
- Under this heading there will also be a link to go to the Board By-Laws

- **Calendar** (Google Calendar)

- Header navigation as described below
- A Google calendar that you and those you add to your team can edit, but is also viewable to the public. It will also include a button for people to share to their own personal calendar if they choose to.
- Footer (see below)

- **About Us / Contact Us / Rules**

- Some information on the transition and what this means to the community
- Key members of the Board, photos and short bio or at least their names and positions
- Contact form with basic fields
  - Name of person emailing
  - Their email address
  - Their message
- Footer changes (see below)

- **Footer**

- Footer will include:
  - Address
  - Phone number
  - All navigation links that are included in the Header

- **Header Navigation**

- The navigation will be the same on all pages and will include:
  - Home
  - Board
  - Calendar
  - About Us/ Contact Us
  
- Links and logo will be distributed across the top

- Navigation will have a semi-transparent color block behind it to make the text readable on all pages

**Additionally:**

- This proposal includes the creation of a Facebook Business Page to associate with this website.

CONTRACT

**Description of Project:**

1. Creation of website
2. Basic Search Engine Optimization (SEO)

**Bid Price:**

SSL Purchase & Installation	\$ 75
Graphic/Image Corrections/Modifications/Development	\$ 1,000
Wordpress Theme & Widget Installation	\$ 400
Formatting Pages – Design, Coding & Implementation	\$ 1,675
Insurance	\$ 150
Facebook Business Page Creation (posting not included)	\$ 200

**BID PRICE** \$ 3,500

(Three Thousand Five Hundred Dollars and no/100)

Installment Payments

Initial Payment upon acceptance of contract (50%)	\$ 1,750
After Client has approved completion of site (50%)	<u>\$ 1,750</u>
Total	\$ 3,500

**Description of Materials to be Supplied by Client:**

- 1) All content to be used on each page
- 2) Photos/images to be used on web site
- 3) Text to be used on web site

**Date Due:** Project to be completed within 60 days after 1) Agreement has been signed by both parties; 2) All materials have been submitted by Client to Contractor as outlined above; and 3) Any changes will be submitted in an addendum.

**Rights Transferred:** The web site that will be developed by Contractor is owned by Client for an infinite period of time and at whatever internet/intranet location(s) desired by Client that are owned by Client. The completed site, including all pages, graphics, and scripts are owned by the Client. The Wordpress theme and widgets will included in this contract amount for the lifetime of the website. Some widgets used may request a fee and Contractor cannot control nor is Contractor responsible for changes made by a third party. However, the completed site may not be used for any other entity whatsoever other than Client without written authorization by Contractor. Contractor agrees that Client may convey elements of the site developed under this Agreement to third parties without further payment to Contractor. Contractor may use the source code in Client site for any other Contractor purpose without any obligation whatsoever to Client, except that Client shall maintain all control over its tradenames and associated property. The transfer of rights to the site from Contractor to Client is conditional upon receipt by Contractor of full payment from Client.

**System Applications:** The site will be designed around the capabilities of the following browsers: Google Chrome and Microsoft Internet Explorer; desktop, laptop and mobile phones, both android and ios.

**Estimate:** This estimate is good for 60 (sixty) days after issuance.

**Changes:** All changes must be made in writing, and must include: 1) description; 2) any additional amounts due; 3) Client's signature. No additional payment shall be made for changes required to conform to the original assignment description.

**Time for Payment:** A 50% good faith deposit is due upon signing this agreement and prior to commencement of project. The balance is due after site is uploaded to the server of Client's choice and PRIOR to launching the site. Client shall assume responsibility for all collection of legal fees necessitated by default in payment.

**Viewing Site in Progress:** The Client will be given access to the website to view as it progresses and provide feedback.

**Copyright:** Client agrees to obtain copyright permission and model releases for any materials given to Contractor for use in this project.

**Internet Access:** Access to Internet will be provided by a separate Internet Service Provider (ISP) to be contracted by the Client and who will not be a party to this agreement.

**Progress Reports:** Contractor shall contact the Client on a mutually acceptable schedule to monitor the progress of this project, including reporting problems encountered and recommending changes relating to the development and testing of the web site. Contractor shall inform the Client promptly by telephone or email upon discovery of any event or problem that may delay the development of the work significantly.

**Testing and Acceptance Procedures:** The Developer will make every good faith effort to beta test all deliverables thoroughly and make all necessary corrections as a result of such testing prior to launching the website.

**Designations:** Contractor shall designate Liz Evangelatos and Client shall designate Mary Beth Williams (or a person appointed by same) as the only designated persons who will send and accept all deliverables and receive and make all communications between the Developer and the Client. Neither party shall have any obligation to consider for approval or respond to materials submitted other than through the designated persons listed above. Each party has the right to change their designated person upon 2 days written notice to the other.

**Confidential Information:** Contractor acknowledges and agrees that the source materials and technical and marketing plans or other sensitive business information, as specified by the Client, including all materials containing said information, which are supplied by the Client to Contractor are to be considered confidential information. Information shall not be considered confidential if it is already publicly known through no act of Contractor.

**Return of Source Information:** Upon the Client's acceptance of the Final Version, or upon the cancellation of the project, Contractor shall provide the Client with all copies and originals of the source materials provided to Contractor by Client.

**Maintenance Plan:** Once site is launched, maintenance is available at \$50/hour for routine upgrades and changes at the request of Client - **there are no on-going monthly maintenance fees included in this contract.**

**SSL Purchase and Installation:** The purchase and installation of an SSL certificate is included in this contract. The SSL certificate provides a security layer that Google is now demanding on sites it searches and it's necessary for ecommerce on any site. I include the purchase of the certificate on your behalf in this contract and will interact with the website host to make sure it is installed properly. I may need to reach out to you if your webhost needs assurances that I am indeed working with you.

**Delay of Project:** In the event of a delay of the project on the part of the Client for more than thirty (30) days Contractor reserves the right to invoice the Client, and the Client shall pay for all work completed and expenses incurred to date.

**Cancellation:** In the event of cancellation of this project, Contractor shall retain ownership and possession of all copyrights of any original artwork/source code if such has been provided by Contractor; all source materials/artwork provided by Client shall be returned to Client, and a cancellation fee for work completed, prorated on the contract amount, shall be paid by the Client.

**Credit Lines:** Client gives permission to Contractor to include Client's name and site address on any future portfolios.

**Limitation of Liability:** Client agrees that it shall not hold Contractor liable for any incidental or consequential damages which arise from the Developer's failure to perform any aspect of the Project in a timely manner, regardless of whether such failure was caused by intentional or negligent acts or omissions of Contractor or a third party.

**Acceptance of Terms:** The signature of both parties shall evidence acceptance of these terms.

September 7, 2020

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



\_\_\_\_\_  
Liz Evangelatos, Owner  
Contractor

\_\_\_\_\_  
Jessica Grinberg  
President, Mendocino Coast Healthcare District Board

## Next Steps

If you have any questions after you've read the previous pages, please contact me by email or phone to clarify any points. I feel that laying a solid foundation and knowing each other's expectations is important to any good working relationship.

- Once you feel confident about everything and are ready to move forward, please sign above your name on the signature page on page 9.
- You can return the signed document to me via email at [liz@askforliz.com](mailto:liz@askforliz.com).
- Once I've received notification of your acceptance, I'll email you a PayPal invoice for the 50% earnest money deposit.
- Once I've received notification of the transfer of the earnest money deposit we'll get the project rolling.

Again, if you have any questions, please call or email me.

Thank for the opportunity to bid your project.

Best,  
Liz