Hazel Hawkins
MEMORIAL HOSPITAL

SPECIAL MEETING OF THE BOARD OF DIRECTORS
SAN BENITO HEALTH CARE DISTRICT
911 SUNSET DRIVE, HOLLISTER, CALIFORNIA
MONDAY, MAY 22, 2023 – 5:00 P.M.
SUPPORT SERVICES BUILDING, 2ND-FLOOR, GREAT ROOM

Mission Statement - The San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians, and the health care consumers of the community.

Vision Statement - San Benito Health Care District is committed to meeting community health care needs with quality care in a safe and compassionate environment.

San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians and the community.

AGENDA

Presented By:

1. **Call to Order / Roll Call** (Hernandez)

2. **Board Announcements** (Hernandez)

3. **Public Comment** (Hernandez)
   This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on matters within the jurisdiction of this District Board, which are not otherwise covered under an item on this agenda. This is the appropriate place to comment on items on the Consent Agenda. Board Members may not deliberate or take action on an item not on the duly posted agenda. Written comments for the Board should be provided to the Board clerk for the official record. Whenever possible, written correspondence should be submitted to the Board in advance of the meeting to provide adequate time for its consideration. Speaker cards are available.

4. **Consent Agenda – General Business (Pgs. 1-14)** (Hernandez)
   The Consent Agenda deals with routine and non-controversial matters. The vote on the Consent Agenda shall apply to each item that has not been removed. A Board Member may pull an item from the Consent Agenda for discussion. One motion shall be made to adopt all non-removed items on the Consent Agenda.

   A. Consider and Approve Minutes of the Regular Meeting of the Board of Directors – April 27, 2023

B. Receive Officer/Director Written Reports - No action required.

- Chief Clinical Officer/Patient Care Services (Acute Facility)
- Provider Services & Clinic Operations
- Employee Health Services
- Skilled Nursing Facilities Reports (Mabie Southside/Northside)
- Foundation Report
- Marketing/Public Relations

Recommended Action: Approval of Consent Agenda Item (A) through (B). (Not a project under CEQA)

- Report
- Board Questions
- Motion/Second
- Action/Board Vote-Roll Call

5. Medical Executive Committee (Dr. Bogey)

A. Consider and Approve Medical Staff Credentials: May 17, 2023 ***

Recommended Action: Approval of Credentials. (Not a project under CEQA)

- Report
- Board Questions
- Public Comment
- Motion/Second
- Action/Board Vote-Roll Call

B. Receive Medical Staff Synopsis: May 17, 2023 ***

6. Receive Informational Reports

A. Interim Chief Executive Officer (CEO) - Verbal (Casillas)

B. Finance Committee **(Pgs. 16-27)** (Robinson)

1. Finance Committee Meeting Minutes – April 20, 2023 ***

2. Review Financial Updates
   - Financial Statements – April 2023
   - Finance Dashboard – April 2023

7. Public Hearing: (Pgs. 28 – 148)

A. Consider Board Resolution No. 2023-27 Authorizing the Filing of a Chapter 9 Petition and Vesting Authority to File and Resolution No. 2023-28 Adopting a Pendency Plan (*Not a project under CEQA*) (Hernandez)

- Open Hearing
- Report
- Board Questions
- Public Comment

- Close Hearing
- Motion / Second
- Action / Vote by Board-Roll Call

8. Action Items:

A. Consider Recommendation for Board Approval of Zainab Malik, MD Professional Services Agreement for a Contract Term of One Year and an Estimated Annual Cost of $336,960 (*Not a project under CEQA)* **(Pgs. 149 – 156)** (Hernandez)

- Report
- Board Questions
- Public Comment
- Motion / Second
- Action / Vote by Board-Roll Call

B. Consider Recommendation for Board Approval of Vivek Jain, MD Professional Services Agreement for a Contract Term of One Year and an Estimated Annual Cost of $400,000 *(Not a project under CEQA)* **(Pgs. 157 – 165)** (Robinson)

- Report
- Board Questions
- Public Comment
- Motion / Second
- Action / Vote by Board-Roll Call

9. Public Comment (Robinson)
This opportunity is provided for members to comment on the closed session topics, not to exceed three (3) minutes.

10. Closed Session (Hernandez)
(See Attached Closed Session Sheet Information)

11. Reconvene Open Session / Closed Session Report (Hernandez)

12. Adjournment (Hernandez)

The next Regular Meeting of the Board of Directors is scheduled for Thursday, June 22, 2023, at 5:00 p.m., and will be held in person.

The complete Board packet including subsequently distributed materials and presentations is available at the Board Meeting, in the Administrative Offices of the District, and posted on the District's website at https://www.hazelhawkins.com/news/categories/meeting-agendas/. All items appearing on the agenda are subject to action by the Board. Staff and Committee recommendations are subject to change by the Board.

Any public record distributed to the Board less than 72 hours prior to this meeting in connection with any agenda item shall be made available for public inspection at the District office. Public records distributed during the meeting, if prepared by the District, will be available for public inspection at the meeting. If the public record is prepared by a third party and distributed at the meeting, it will be made available for public inspection following the meeting at the District office.

Notes: Requests for a disability-related modification or accommodation, including auxiliary aids or services, to attend or participate in a meeting should be made to District Administration during regular business hours at 831-636-2673. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

***** To be Distributed at or Before the Board Meeting**

SAN BENITO HEALTH CARE DISTRICT BOARD OF DIRECTORS
MAY 22, 2023

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

[ ] LICENSE/PERMIT DETERMINATION
(Government Code §54956.7)

Applicant(s): (Specify number of applicants)_____

[X] CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(Government Code §54956.8)

Property: (Specify street address, or if no street address, the parcel number, or other unique reference, of the real property under negotiation): 190 Maple Street, Hollister, CA

Agency negotiator: (Specify names of negotiators attending the closed session): Mary Casillas / Mark Robinson

Negotiating parties: (Specify name of party (not agent): City of Hollister

Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both): Price and terms

[ ] CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
(Government Code §54956.9(d)(1))

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers):
_____, or

Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations):_____

[X] CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases): __

Additional information required pursuant to Section 54956.9(e):_____

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases): 1 .

[ ] LIABILITY CLAIMS
(Government Code §54956.95)

Claimant: (Specify name unless unspecified pursuant to Section 54961):
Agency claimed against: (Specify name):_____.

[ ] THREAT TO PUBLIC SERVICES OR FACILITIES
(Government Code §54957)

Consultation with: (Specify the name of law enforcement agency and title of officer):_____

[ ] PUBLIC EMPLOYEE APPOINTMENT
(Government Code §54957)

Title: (Specify description of the position to be filled):

[ ] PUBLIC EMPLOYMENT
(Government Code §54957)

Title: (Specify description of the position to be filled):

[ ] PUBLIC EMPLOYEE PERFORMANCE EVALUATION
(Government Code §54957)

Title: (Specify position title of the employee being reviewed):

[ ] PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE
(Government Code §54957)

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

[X] CONFERENCE WITH LABOR NEGOTIATOR
(Government Code §54957.6)

Agency designated representative: Mary Casillas, Mark Robinson, and Barbara Vogelsang.

Employee organization: California Nurses Association, California Licensed Vocational Nurses Association, ESC, National Union of Healthcare Workers

Unrepresented employee: All positions.

[ ] CASE REVIEW/PLANNING
(Government Code §54957.8)
(No additional information is required to consider case review or planning.)

[X] REPORT INVOLVING TRADE SECRET
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility):

1. Trade Secrets, Strategic Planning, Proposed New Programs, and Services.

Estimated date of public disclosure: (Specify month and year): unknown

[ ] HEARINGS/REPORTS
(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee):

[ ] CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

ADJOURN TO OPEN SESSION

REGULAR MEETING OF THE BOARD OF DIRECTORS
SAN BENITO HEALTH CARE DISTRICT
SUPPORT SERVICES BUILDING, 2ND-FLOOR, GREAT ROOM

THURSDAY, APRIL 27, 2023
MINUTES

HAZEL HAWKINS MEMORIAL HOSPITAL

Directors Present
Jeri Hernandez, Board Member
Bill Johnson, Board Member
Devon Pack, Board Member
Josie Sanchez, Board Member

Absent
Rick Shelton, Board Member

Also Present
Mary Casillas, Interim Chief Executive Officer
Mark Robinson, Chief Financial Officer
Barbara Vogelsang, Chief Clinical Officer
Michael Bogey, M.D., Chief of Staff
Heidi A. Quinn, District Legal Counsel
Tiffany Rose, Executive Assistant

1. **Call to Order**

   Directors Hernandez, Johnson, Pack, and Sanchez were present; attendance was taken by roll call. Director Shelton was absent. A quorum was present and President Jeri Hernandez called the meeting to order at 5:00 p.m.

2. **Board Announcements**
   None.

3. **Public Comment**

   An opportunity was provided for public comment and individuals were given three minutes to address the Board Members and Administration.

4. **Consent Agenda - General Business**

   A. Minutes of the Regular and Special Meeting of the Board of Directors, March 23, 2023.

   B. Minutes of the Special Meeting of the Board of Directors, March 30, 2023

   C. Policies:

      1. Absence of the SBHCD Interim Chief Executive Officer
      2. Ethics and Education Training Relating to Work-Place Harassment

   D. Resolution No. 2023-25 Adopting Amended and Restated District Bylaws

E. Rescheduling of the May 25, 2023 Regular Board meeting to May 22, 2023

F. Receive Officer/Director Written Reports – Written reports were included in the packet and no action required.
   1. Chief Clinical Officer/Patient Care Services (Acute Facility)
   2. Provider Services & Clinic Operations
   3. Skilled Nursing Facilities Reports (Mabie Southside/Northside)
   4. Laboratory
   5. Foundation Report
   6. Marketing/Public Relations

Director Hernandez presented the consent agenda items before the Board for action. This information was included in the Board packet.

An opportunity was provided for the public to comment and individuals given three minutes to address the Board Members and Administration.

MOTION: By Director Sanchez to approve Consent Agenda – General Business, Items (A) through (F), as presented; Second by Director Pack.

Moved/Seconded/Unanimously Carried. Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call; Director Shelton absent.

5. **Report from the Medical Executive Committee Meeting on April 19, 2023 and Recommendations for Board Approval of the following:**

A. Medical Staff Credentials Report: Dr. Bogey, Chief of Staff, provided a review of the Credentials Report from April 19, 2023. The full written report can be found in the Board Packet.

Item: Proposed Approval of the Credentials Report; five (5) New Appointments, six (6) Reappointments, one (1) Change of Status, one (1) Allied Health New Appointment, two (2) Allied Health Reappointments, and three (3) Retirements/Resignations.

No public comment.

MOTION: By Director Sanchez to approve the Credentials Report as presented; Second by Director Hernandez. .

Moved/Seconded/and Unanimously Carried: Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call; Director Shelton absent.

B. Medical Staff Synopsis: Dr. Bogey, Chief of Staff, provided a summary of the Medical Executive Committee Report of April 19, 2023.

A full written report can be found in the Board packet.

6. **Board Education – Financial Options Presentation**

Seth Freeman and Carol Fox of B. Riley Advisory Services were in attendance and provided a PowerPoint presentation of the San Benito Health Care District restructuring status and proposed loan authorization.

Short-term financial stabilization efforts include increasing revenue from services, acceleration of supplemental cash payments/financing, cash flow enhancements, operational savings, cash management program, renegotiation of the Anthem agreement, and analysis of underperforming service lines.

Potential long-term stabilization tools include stakeholder negotiations, governmental negotiations, executing a contract with a strategic partner or buyer, bankruptcy filing, and reduction in services.

One of the short-term stabilization limitations includes limited working capital. The days cash on hand has been lower than industry average for a critical access hospital since 2019. The District was also significantly further impacted in mid-2022 by unanticipated events, leaving no cash on hand for capital improvement or emergency reserve for equipment repair.

A loan proposal is provided for consideration to assist the District with stabilization objectives until it is able to reorganize and secure a partner. Financing would provide a runway and serve as a stabilization tool until a transaction could occur with a partner. This would yield benefits of greater capital, greater purchasing power, and preservation of service lines.

The District has been engaged in state-mandated mediation with stakeholder groups, including unions and vendors. The mediation process with the unions did not result in any changes in the current contracts and the District continues to have discussions with stakeholders outside of mediation. Discussions continue with the state of California to pursue funding options, as well as other agencies. Although there is pending legislation that could provide emergency financing and possible loans to assist distressed hospitals, it is a slow process. The District remains actively engaged in pursuing transactions with larger organizations/potential partners.

The purpose of the fiscal emergency is to authorize potential bankruptcy of the District, and this remains a possible tool to restructure the hospital expenses and some of its contracts. With the concern of running low on cash, it is prudent to establish a line of credit with the understanding a draw would likely not be made until November or December 2023. This would assist the hospital to continue to provide medical services.

The District is having discussions with a number of qualified health care lenders and has received two indications of interest. California Department of Health Care Access and Information (HCAI), the first secured creditor of the District, has agreed to provide a subordination agreement to an outside lender.

There was discussion regarding temporary service reduction to increase short-term stabilization. This would be a last resort, since many of the health care services are not provided elsewhere in the county. Furthermore, once a service is discontinued it is difficult and costly to restart it. The District continues to review all positions and service lines on a regular basis. The number of productive FTEs has decreased through voluntary furlough and paid time off.

A full report can be found in the Board packet.

7. **Receive Informational Reports**

A. Interim Chief Executive Officer (CEO)

Ms. Casillas provided highlights of the Interim CEO Report, which can be found in the Board packet.

- Administration is looking for a new company to assist with the revenue cycle audit.

- Work continues with the State and the District continues to monitor Assembly Bill 412, which would provide financial assistance to distressed hospitals.
- The Foundation has started a fundraising campaign and is having a kickoff, with some donations coming in. The goal is to raise $2M by the Fall 2023.
- A link has been added to the hospital website to provide additional transparency on the latest news, financial reports, and FAQ's with regard to the financial situation and fiscal emergency. The link is on the website landing page and in the "About Us" section.
- Activities are being planned for Hospital Week (the week of May 7th).

B. Report from Finance Committee

1. Finance Committee Minutes - Minutes of the meeting of the Finance Committee from April 20, 2023, were included in the Board packet.

2. Finance Report/Financial Statement Review - Mr. Robinson provided an overview of the financial report for April 20, 2023, as well as the March 2023 Financial Statements, included in the Board packet.

3. Financial Updates

- Finance Dashboard – March 2023
- Labor to Total Expenses
- Savings Tracker

Mr. Robinson reviewed the Finance Dashboard for March 2023, labor to total expenses, and the savings tracker, all of which were included in the Board packet. Highlights include:

- Employees who qualify will receive payment for COVID retention through funds provided by the State.
- Productive full-time equivalents are down due to attrition, combining management positions, and savings with the registry.
- The funding for distressed hospital from Assembly Bill 412 has increased to $150M. There is not a definite calculation at this time of how much the District would receive.
- The proposed resolution for authorization to enter into a line of credit would provide a much-needed safety net.

8. **Action Items**

A. Consideration of Board Resolution No. 2023-26 Authorizing the District to Enter Into a Line of Credit with a Commercial Lender in an Amount Not to Exceed $10,000,000, if needed.

Seth Freeman of B. Riley Advisory Services was present and provided an overview of the proposed line of credit. No significant prospects for emergency funding are available at this time, necessitating the need to pursue a line of credit. Drawing from the loan would be a last resort and would serve as a bridge to assist the District until a transaction (partnership) could be established. The expectation is the repayment would be closed as part of a transaction. Granting authority does not mean the District would draw on the loan immediately, but would provide an option if needed.

Director Pack requested Administration provide an opportunity for the Board to give feedback prior to initiating a draw on the line of credit.

An opportunity was provided for the public to comment and individuals given three minutes to address the Board Members and Administration.

MOTION: By Director Hernandez to approve the Resolution No. 2023-26 Authorizing the District to Enter Into a Line of Credit with a Commercial Lender in an Amount Not to Exceed $10,000,000, if needed; Second by Director Johnson.

Moved/Seconded/and Unanimously Carried: Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call vote; Director Shelton absent.

B. Consider Recommendation for Board Approval of an Agreement with TreanorHL Seismic Compliance Architect in an Amount Not to Exceed $170,000

No public comment

MOTION: By Director Sanchez to approve the Agreement with TreanorHL Seismic Compliance Architect in an amount not to exceed $170,000; Second by Director Johnson.

Moved/Seconded/and Unanimously Carried: Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call vote; Director Shelton absent.

C. Consider Recommendation for Board Approval of Martin M. Bress, M.D. Professional Services Agreement, with a 1-Year Term with Auto Renewal and $6,000 Annually

No public comment

MOTION: By Director Pack to approve Martin M. Bress, M.D. Professional Services Agreement, with a 1-Year Term with Auto Renewal and $6,000 Annually; Second by Director Sanchez.

Moved/Seconded/and Unanimously Carried: Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call vote; Director Shelton absent.

D. Consider Recommendation for Board Approval of Hongguang Liu, M.D. Professional Services Agreement, with a 3-Year Term and $180,000 Annually Plus Travel Reimbursement

No public comment

MOTION: By Director Hernandez to approve Hongguang Liu, M.D. Professional Services Agreement, with a 3-Year Term and $180,000 Annually Plus Travel Reimbursement; Second by Director Pack.

Moved/Seconded/and Unanimously Carried: Ayes: Directors Hernandez, Johnson, Pack, and Sanchez. Approved 4-0 by roll call vote; Director Shelton absent.

9. **Public Comment** – No public comment.

10. **Closed Session**

President Hernandez announced the items to be discussed in Closed Session as listed on the posted Agenda are (1) Conference with Real Property Negotiators, Government Code §54956.8; (2) Conference with Legal Counsel-Anticipated Litigation, Government Code §54956.9(d)(4); (3) Conference with Labor Negotiator, Government Code §54957.6; (4) Report Involving Trade Secret, Government Code §37606 & Health and Safety Code §32106.

The meeting was recessed into Closed Session at 6:54 p.m.

The Board completed its business of the Closed Session at 8:10 p.m.

A. **Reconvene Open Session/Closed Session Report**

President Hernandez announced the items to be discussed in Closed Session as listed on the posted Agenda are (1) Conference with Real Property Negotiators, Government Code §54956.8; (2) Conference with Legal Counsel-Anticipated Litigation, Government Code §54956.9(d)(4); (3) Conference with Labor Negotiator, Government Code §54957.6; (4) Report Involving Trade Secret, Government Code §37606 & Health and Safety Code §32106.

No reportable action was taken by the Board in the Closed Session.

B. **Adjournment:**

There being no further regular business or actions, the meeting was adjourned at 8:10 p.m.

The next Regular Meeting of the Board of Directors is scheduled for Monday, **May 22, 2023** at **5:00 p.m.**, and will be conducted in person.

Hazel Hawkins MEMORIAL HOSPITAL

San Benito Health Care District
Board of Directors Meeting
May 22, 2023
Chief Clinical Officer Report

- **Emergency Department**:
  - Visits 2139 Admitted 137
  - Stroke 6
  - LWBS 11
- **Med / Surg** ADC 11.4
- **ICU** ADC 2.7

- **OB** Deliveries 36 Outpatient Visits 94
- **OR** Cases: Inpatient 47 Outpatient 38 GI 91 Total: 176

Hazel Hawkins
MEMORIAL HOSPITAL

To: San Benito Health Care District Board of Directors
From: Amy Breen-Lema, Director, Provider Services & Clinic Operations
Date: May 10, 2022
Re: All Clinics – April 2023

2023 Rural Health and Specialty clinics' visit volumes

Total visits for April 2023 in all outpatient clinics = 6,591

Orthopedic Specialty	376
Multi-Specialty	733
Primary Care Associates	1462
Sunset Clinic	923
Annex General Surgeons	161
San Juan Bautista	303
1st Street	704
4th Street	1239
Barragan	690

- With Dr. Barra scaling back emergency call coverage, we welcomed OB/Gyn Dr. Margaret Cooper Vaughn to the clinics in April. She will provide emergency call & clinic coverage at the 4th Street and Multi-Specialty clinics up to 10 days a month. She hit the road running her first 8 days here seeing many clinic patients and delivering a few babies. Dr. Cooper will provide much needed obstetric and women's health care for our clinic patients.

WC 5 Year Loss Summary - San Benito Health Care District

Program: Quality Comp / RPS Monument

Date as of: 5/2/2023

Policy Year	Claims	Total Paid	Outstanding Reserves	Recovery	Total Incurred
1/1/2018 - 1/1/2019	Open: 4 Closed: 51	$1,444,951.54	$201,206.01	$0.00	$1,646,157.55
1/1/2019 - 1/1/2020	Open: 2 Closed: 69	$367,837.43	$44,144.74	$0.00	$411,982.17
1/1/2020 - 1/1/2021	Open: 3 Closed: 48	$262,474.25	$57,393.13	$0.00	$319,867.38
1/1/2021 - 1/1/2022	Open: 10 Closed: 46	$422,545.10	$187,304.89	$0.00	$609,849.99
1/1/2022 - 1/1/2023	Open: 9 Closed: 41	$244,401.76	$78,097.51	$0.00	$322,499.27
1/1/2023 - 1/1/2024	Open: 10 Closed: 5	$15,493.39	$27,891.75	$0.00	$43,385.14

Hazel Hawkins
MEMORIAL HOSPITAL

Mabie Southside / Mabie Northside SNFs
Board Report – APRIL 2023

To: San Benito Health Care District Board of Directors

From: Sherry Hua, RN, MSN, Director Of Nursing, Skilled Nursing Facility

Management Activities:

1. Completed the audit submission for Payroll Based Journal (PBJ).
2. Collaboratley working with hospital Case Management for the PI project.

1. Census Statistics: April 2023

Southside	2023	**Northside**	2023
Total Number of Admissions	10	Total Number of Admissions	10
Number of Transfers from HHH	6	Number of Transfers from HHH	9
Number of Transfers to HHH	7	Number of Transfers to HHH	3
Number of Deaths	1	Number of Deaths	2
Number of Discharges	14	Number of Discharges	6
Total Discharges	15	Total Discharges	8
Total Census Days	**1,411**	**Total Census Days**	**1331**

Note: Transfers are included in the number of admissions and discharges. Deaths are included in the number of discharges. Total census excludes bed hold days.

2. Total Admissions: March 2023

Southside	**From**	**Payor**	**Northside**	**From**	**Payor**
2	HHMH	Medicare	7	HHH	Medicare
2	Re-Admit HHMH	Medicare	1	Re-Admit HHH	Heartland (Hospice)
1	St. Louise	Medicare	1	Re-Admit HHH	Medi-Cal
1	HHMH	Medicare MC	1	San Jose Regional	Medi-Cal
1	Madonna Gardens	Medi-Cal			
1	Re-Admit Stanford	Medi-Cal			
1	Re-Admit Natividad	Medi-Cal			
1	Re-Admit HHMH	Medicare			
10 Total			**10 Total**		

3. Total Discharges by Payor: March 2023

Southside	2023	Northside	2023
Medicare	5	Medicare	6 (1) Hospice = 7
Medicare MC	1	Medicare MC	0
Medical	7	Medical	1
Medi-Cal MC	1	Medi-Cal MC	0
Private (self-pay)	0	Private (self-pay)	0
Commercial	1	Commercial	0
Total	**15**	**Total**	**8**

4. Total Patient Days by Payor: March 2023

Southside	2023	Northside	2023
Medicare	166	Medicare	126
Medicare MC	50	Medicare MC	0
Medical	1098	Medical	1125
Medi-Cal MC	24	Medi-Cal MC	0
Private (self-pay)	47	Private (self-pay)	60
Insurance	26	Commercial	20
Bed Hold / LOA	13	Bed Hold / LOA	2
Total	**1424**	**Total**	**1333**
Average Daily Census	**47.47**	**Average Daily Census**	**44.43**

TO: San Benito Health Care District Board of Directors
FROM: Liz Sparling, Foundation Director
DATE: May 2023
RE: Foundation Report

The Hazel Hawkins Hospital Foundation Board of Trustees met on May 11 in the Horizon Room.

Financial Report for April

1. Income $ 11,268.12
2. Expenses $ 106,464.35
3. New Donors 2
4. Total Donations 166

Allocations

1. No Allocations.

Directors Report

- All for 1 Employee Giving Campaign ran through the month of April. We had 72 participants pledging $51,230. We added a new designation, our Fundraising Campaign – "Invest in the future of San Benito County Healthcare, We deserve it!" Of the total amount pledged, $26,586 has been designated for this campaign.
- Hospice Giving Foundation has extended out application process until June 15th.
- The Dinner Dance Committee will meet in April to start planning. The date for this year's fundraiser is November 4th. I have confirmed it with the Inn. Please mark your calendars.
- The majority of our work has been with our Consultant Sara Haynes with Galvin Jacobson and our Fundraising Campaign– "Invest in the future of San Benito County Healthcare, We deserve it!" Irene Davis is the Chair of this Fundraising Committee.
- Sara has met weekly with staff since contract initiated on 3/22 and researched background materials provided by staff and online to inform context and case development. She is also conducting interviews with Board Members and Community Leaders to help build a case for support.
- We have established with our Foundation a $2M gift table and built preliminary portfolio of 25-30 prospects and performed initial research on top tier prospect levels (500K, 250K)
- Cultivation of donors is underway and donor meetings have taken place.
- Our Board participated in a mini-strategic planning process to develop policy on how emergency funds raised by Foundation will be used and what happens to those funds (and Foundation) if the hospital faces closure. This was an in person session where Board Members discuss in their respective committees, report back to full board, and written policy is developed to confirm alignment and messaging.

MARKETING

- **Social Media Posts**

		Post reach	Engagement
	Today we bid farewell to a much-loved team member from the Business Office. Anjelica retired today after 32 years with the hospital. Anjelica, we wish you the very best in your retirement and thank you for the wonderful service you provided to our community and your fellow colleagues. Enjoy! Mon, May 1	875	388
	San Benito Health Care District Discusses Options for Future Financial Stability, Authorize Line of Credit During Board Meeting To read entire release click here: https://www.hazelhawkins.com/~/news/2023/april/san-benito-health-care-district-discusses-option/ Leaders for the San Benito Health Care District (District) voted to authorize obtaining a... Fri, Apr 28	234	44
	This week we are celebrating National Volunteer Week. We are truly grateful for the wonderful, dedicated group of volunteers we have that provide thousands of hours of service to the hospital, skilled nursing facilities, gift shop and Hazel's Treasures. At the annual Auxiliary lunch meeting, the following individuals were recognized with their servic... Thu, Apr 20	900	255
	An excellent article in the LA Times talking about the financial fragility of hospitals in California and the "meteoric" rise in the cost of labor and supplies and the failure of government insurance (Medi-Cal & Medicare) to keep reimbursement rates aligned with inflation. Thu, Apr 20	263	18
	HAZEL HAWKINS CONFIDENTIAL MEDIATION CONCLUDES WITHOUT COMPLETE RESOLUTION Hazel Hawkins Memorial Hospital (HHMH) and the San Benito Health Care District (District) announced today that the confidential mediation process it entered into with stakeholders in February has concluded. However, the results of the mediatio... Wed, Apr 19	257	75
	BLOOD DRIVE Saturday, April 29 9 am - 2 pm HHH - Support Services Bldg. 2nd Floor Great Room To schedule an appointment: sbcdonor.org or phone 888-723-7831 Sponsored by the California Nurses Association in conjunction with Stanford Blood Center Wed, Apr 19	1,269	58
	This week we celebrated Patient Acess Week which recognizes our Registration, Authorizations, PBX/Switchboard teams. Thank you for the important role you fulfill within our organization! Fri, Apr 14	918	465
	Irene Davis, Foundation Board member, discusses HHMH's Financial Emergency from a business owner's perspective. Mon, Apr 10	1,180	384

EMPLOYEE ENGAGEMENT

<u>Employees</u>:

- Hazel's Headlines
- Special Edition Hazel's Headlines with Town Hall synopsis
- Recognition Weeks for May:
    - 6 - 12 Nurses Week
    - 7 - 13 Hospital Week
    - 7 - 13 Skilled Nursing Care Week
- Coordinated events for Hospital/Nurses/Skilled Nursing Weeks

MEDIA

Public:

Working with Marcus Young from townKRYER PR agency on proactive PR:

- Answered media requests from KSBW, KION & CalMatters
- Press Releases
  - HHMH Mediation Concludes Without Complete Resolution
  - HHMH Discusses Options for Future Financial Stability & Vote for Line of Credit
  - HHMH Pleased with Passage of SB 112

VIDEO'S POSTED ON SOCIAL MEDIA

- Anjelica Arvizu retirement walk

COST SAVING MEASURES

- Working with departments to produce & print forms in-house

Hazel Hawkins
MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY
San Benito Health Care District

MEDICAL EXECUTIVE COMMITTEE
CREDENTIALS REPORT
MAY 17, 2023

NEW APPOINTMENTS

PRACTITIONER	DEPT/SERVICE	STATUS REQUEST	PROCTOR ASSIGNED
Conway Jr, Stafford MD	Medicine/Teleneurology	Privs without membership	
Fishman, Robert MD	Medicine/Teleneurology	Privs without membership	

REAPPOINTMENTS

PRACTITIONER	DEPT/SERVICE	STATUS	TERM
Martinez, Enis MD	Surgery/General Surgery	Active to Affiliate	2 yr
Phan, Dennis MD	Medicine/Clinic Nephrology	Consulting	2 yr
Shaheen, Aisha MD	Medicine/Tele-Critical Care	Provisional to Consulting	2 yr

ADDITIONAL PRIVILEGES

PRACTITIONER	FIELD	SERVICE

ALLIED HEALTH – NEW APPOINTMENT

PRACTITIONER	DEPT/SERVICE	STATUS

ALLIED HEALTH – REAPPOINTMENTS

PRACTITIONER	DEPT/SERVICE	STATUS	TERM
Snow, Taylor PA-C	Clinics/Family Practice	Allied Health Professional	2 yr

RESIGNATIONS/RETIREMENTS

PRACTITIONER	DEPT/SERVICE	CURRENT STATUS	COMMENT
Nguyen, David MD	Surgery/Anesthesia	Active	No contract – does not wish to reappt

Rev: 2/16/2022

Hazel Hawkins
MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY
San Benito Health Care District

May 17, 2023
INFORMATIONAL ONLY

COMMITTEE/DEPARTMENT REPORTS – April/May 2023

PHARMACY & THERAPEUTICS COMMITTEE (04/27/23)

- Reviewed Pharmacy Intervention reports, including:
  - Pharmacist Interventions
  - Antibiotic Usage for 1st Quarter 2023
  - Anticoagulation Report for 1st Quarter 2023
- Discussed Formulary management; real-time review of the first 250 meds on the list resulted in multiple deletions.
- Recommended approval of the Pain Management Order Set.
- Requested that members review the Crash Cart policy, and look at the list of medications.
- Noted that we now use TNKase exclusively; it has been proven to be superior to Alteplase.
- Reviewed drug cost opportunity analytics, and usage of high-cost meds.
- Discussed the structure of the Order Set committee
- Reviewed supply chain issues – medication shortages are posted on the Intranet, and regularly updated.
- Reviewed the QAPI Pharmacy Dashboard for 1Q23
- ISMP & NYCU are posted on the hospital Intranet.
- Noted TPN conversion to Clinimix.
- Discussed the 340b program; we will continue to contract with McKesson for all drugs and start enrollment for 340b program.

INFECTION CONTROL/ANTIMICROBIAL STEWARDSHIP COMMITTEE (05/16/23)

- Reviewed 1Q23 Infection Prevention Dashboard
- Reviewed Hand Hygiene compliance by department; we will be re-training observers and using a new app to track compliance.
- Employee Health - reviewed influenza vaccination rates. Our Covid infection rates for employees dropped significantly in April and May, after a surge in March. Reviewed sharps injuries.
- Microbiology – reviewed Blood Culture Contamination Rates for 1Q23. Dr. Febles noted that she reviews all cultures on a daily basis, and in general we are handling appropriately by starting broadly and de-escalating.
- Pharmacy – K. Nguyen reviewed pharmacist interventions in 1Q23, including therapeutic exchange and Vancomycin de-escalation.
- Surgical Services – D. Williams reviewed EchoLab reports on OR cleanliness. She also reviewed 1Q23 reports on sterile processing. We are doing well, with no IUSS loads this quarter.
- SNF – S. Hua reviewed 1Q23 infections from the Skilled Nursing Facilities.
- Public Health – reviewed the latest surveillance reports from our local Public Health Department, as provided by our own Lab. Most of our numbers are on the lower end of the scale.

- Approved the recommendation to discontinue Pre-Admission Covid-19 testing (PAT) for ambulatory surgery outpatients.
- Noted that in-person meetings of this committee have been reinstituted.

DEPARTMENT OF RADIOLOGY (05/05/23)

- Reviewed proposed changes to the Radiology Core privileges.
- Surgeons must have their own Fluoro certificate to supervise the techs in the OR.
- Reviewed the current Department of Radiology Rules & Regulations.
- Reviewed Radiology Department Reports:
  - Mammo Reject/Repeat rates
  - Radiology Repeat rates
  - Reviewed StatRad Peer Review data through April 2023.
  - Reviewed RadX Peer Review data through April 2023
  - Process Improvement – discussed Critical Results reporting.
  - Reviewed volume trends comparing 2021/2022/2023.
  - There were no Radiation Safety concerns.
  - Policies/procedures
  - Modality updates and staffing updates were reviewed.
  - Noted the ongoing Charge Master review; all departments are being looked at.

DEPARTMENT OF SURGERY (05/09/23)

- Dr. Sinha gave the Chief of Surgery report.
- D. Williams, RN, OR Director, gave the OR report, and reviewed OR statistics April 2023.
- Recommended approval of the following policy/procedures:
  - Cesarean Section Classification
  - Team Communication
- Dr. Sinha gave the Anesthesia report; they are looking at developing a policy requiring that EGD patients with esophageal food impactions have a secured airway.
- Dr. McGinnis gave the Pathology Report for December 2022 to May 2023.
- M. Hamilton, RN, Quality/Risk Director, noted how sorry we are to be losing Deanna. She reported that our new Infection Preventionist has started working with OB & OR, and will be implementing the Echolab processes.
- There was a follow-up discussion on the new scheduling process, and block scheduling. A separate meeting on the scheduling process/block scheduling will be set up within the next two weeks.
- Discussed pre-operative Covid testing for outpatients; after discussion, a recommendation to the Infection Control Committee was made that asymptomatic surgical outpatients not be required to have pre-op Covid testing.
- We are investigating the possibility of expanding hours for surgery coverage, and reducing call hours for cost-savings.

Hazel Hawkins
MEMORIAL HOSPITAL

FINANCE COMMITTEE
SAN BENITO HEALTH CARE DISTRICT
911 SUNSET DRIVE, HOLLISTER, CALIFORNIA
THURSDAY, MAY 18, 2023 - 4:30 P.M.
SUPPORT SERVICES BUILDING, 2ND FLOOR – GREAT ROOM

San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians and the community.

1. Call to Order

2. Approve Minutes of the Finance Committee Meeting of April 20, 2023
   - Motion/Second

3. Review Financial Updates
   - Financial Statements – April 2023
   - Finance Dashboard – April 2023

4. Consider Recommendation for Board Approval of Zainab Malik, MD Professional Services Agreement
   - Report
   - Committee Questions
   - Motion/Second

5. Consider Recommendation for Board Approval of Vivek Jain, MD Professional Services Agreement
   - Report
   - Committee Questions
   - Motion/Second

6. Public Comment
   This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on matters within the jurisdiction of this District Board **Committee,** which are not on this agenda.

7. Adjournment

   The next Finance Committee meeting is scheduled for **Thursday, June 15, 2023** at **4:30 p.m.**

The complete Finance Committee packet including subsequently distributed materials and presentations is available at the Finance Committee meeting and in the Administrative Offices of the District. All items appearing on the agenda are subject to action by the Finance Committee. Staff and Committee recommendations are subject to change by the Finance Committee.

San Benito Health Care District
Finance Committee Minutes
May 18, 2023 - 4:30pm

Present: Jeri Hernandez, Board President
Bill Johnson, Board Vice President
Mary Casillas, Interim Chief Executive Officer
Mark Robinson, Chief Financial Officer
Barbara Vogelsang, Chief Clinical Officer
Lindsey Parnell, Controller

1. **CALL TO ORDER**
   The meeting of the Finance Committee was called to order at 4:30pm.

2. **APPROVE APRIL MEETING MINUTES**
   Upon motion by Director Hernandez, second by Director Johnson, the Finance Committee approved the minutes of the April 20, 2023 Finance Committee Meeting, as presented

3. **REVIEW FINANCIAL UPDATES**
   A. April 2023 Financial Statements
   The Financial Statements for April 2023 were presented for review. For the month ending April 30, 2023, the District's Net Surplus (Loss) is $974,382 compared to a budgeted Surplus (Loss) of $278,501. The District is over budget for the month by $695,881.

   YTD as of April 30, 2023, the District's Net Surplus (Loss) is $1,964,994 compared to a budgeted Surplus (Loss) of $6,006,924. The District is under budget YTD by $4,041,930.

   Acute discharges were 147 for the month, under budget by 45 discharges or 23%. The ADC was 16.53 compared to a budget of 18.80. The ALOS was 3.37. The acute I/P gross revenue was under budget by $844,817 while O/P services gross revenue was $4.07 million or 20% over budget. ER I/P visits were 110 and ER O/P visits were over budget by 338 visits or 20%. The Rural Health Clinics treated 4,020 patients (includes 690 visits at the Diabetes Clinic) while the other clinics treated 2,571 outpatients.

   Other Operating revenue exceeded budget by $1,915,817 due to the District recognizing a net $895,000 in additional funding from the QIP PY4 and $407,030 in funding from the American Rescue Plan ARP. In addition, the District received $565,500 for the State's Worker Retention Payment (WRP) program. The funds were distributed to the eligible employees on April 28, 2023.

   Operating Expenses were over budget by $702,641 due mainly to variances in: Salary and Wages being under budget by $50,890, Registry under budget by $222,894 with the savings being offset by Employee Benefits over budget by $658,152 which included the WRP and professional fees by $192,017.

Non-operating Revenue exceeded budget by $41,564 due to larger than budgeted donations.

The SNFs ADC was 90.40 for the month. The Net Surplus (Loss) is $1,293,506 compared to a budget of $66,723. The DP/SNF filed a $1,030,000 request for supplemental funding for FYE June 30, 2022. Effective August 1, 2022, the SNF received a Medi-Cal per diem increase of $79.44 per day through June 30, 2023. YTD, the SNF is exceeding its budget by $3.72 million. However, the 10% COVID premium of $56.96 will expire on June 30, 2023. The ADC is budgeted to be 88 residents each month for the year.

B. April 2023 Finance Dashboard

The Finance Dashboard was reviewed by the Committee in detail. It was noted that there was recently some confusion regarding the SNFs contract with Caremore; however, the Finance Committee was assured that the contract is still active.

4. **CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF ZAINAB MALIK, MD PROFESSIONAL SERVICES AGREEMENT**

   The Professional Services Agreement for clinic-based psychiatry and behavioral health services has a proposed effective date of June 1, 2023, a 1-year term, and a 60-day termination clause. The base monthly compensation will be set within the 50th percentile of fair market value at $28,080 per month. The Finance Committee recommends this resolution for Board approval.

5. **CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF VIVEK JAIN, MD PROFESSIONAL SERVICES AGREEMENT**

   The Professional Services Agreement for full-time neurology services within the hospital, skilled nursing facilities, and clinics has a proposed effective date of June 1, 2023, a 1-year term, and a 60-day termination clause. The base monthly compensation will be set within the 65th percentile of fair market value at $33,333 per month. The Finance Committee recommends this resolution for Board approval.

6. **PUBLIC COMMENT**

   An opportunity was provided for public comment and no public comment was received.

7. **ADJOURNMENT**

   There being no further business, the Committee was adjourned at 4:51pm.

Respectfully submitted,

Lindsey Parnell
Controller

Hazel Hawkins
MEMORIAL HOSPITAL

May 18, 2023

CFO Financial Summary for the Finance Committee:

For the month ending April 30, 2023, the District's Net Surplus (Loss) is $974,382 compared to a budgeted Surplus (Loss) of $278,501. The District is over budget for the month by $695,881.

YTD as of April 30, 2023, the District's Net Surplus (Loss) is $1,964,994 compared to a budgeted Surplus (Loss) of $6,006,924. The District is under budget YTD by $4,041,930.

Acute discharges were 147 for the month, under budget by 45 discharges or 23%. The ADC was 16.53 compared to a budget of 18.80. The ALOS was 3.37. The acute I/P gross revenue was under budget by **$844,817** while O/P services gross revenue was **$4.07 million** or 20% over budget. ER I/P visits were 110 and ER O/P visits were over budget by 338 visits or 20%. The RHCs & Specialty Clinics treated 4,020 (includes 690 visits at the Diabetes Clinic) and 2,571 visits respectively.

Other Operating revenue exceeded budget by **$1,915,817** due to the District recognizing a net **$895,000** in additional funding from the QIP PY4 and $407,030 in funding from the American Rescue Plan ARP. In addition, the District received **$565,500** for the State's Worker Retention Payment (WRP) program. The funds were distributed to the eligible employees on April 28, 2023.

Operating Expenses were over budget by **$702,641** due mainly to variances in: Salary and Wages being under budget by $50,890, Registry under budget by $222,894 with the savings being offset by Employee Benefits over budget by $658,152 which included the WRP and professional fees by $192,017.

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San Benito Health Care District
A Public Agency
911 Sunset Drive • Hollister, CA 95023 • (831) 637-5711 • hazelhawkins.com

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 04/30/23

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22
GROSS PATIENT REVENUE:										
ACUTE ROUTINE REVENUE	3,763,126	3,834,667	(71,542)	(2)	3,584,501	41,000,598	44,218,001	(3,217,403)	(7)	41,289,334
SNF ROUTINE REVENUE	2,050,600	1,980,000	70,600	4	1,977,000	20,423,800	20,063,994	359,806	2	17,111,760
ANCILLARY INPATIENT REVENUE	4,338,499	4,900,670	(562,171)	(12)	4,747,680	48,478,942	56,167,716	(7,688,774)	(14)	52,591,656
HOSPITALIST\PEDS I\P REVENUE	151,465	194,116	(42,651)	(22)	192,680	1,757,864	2,238,044	(480,180)	(22)	2,089,813
TOTAL GROSS INPATIENT REVENUE	10,303,689	10,909,453	(605,764)	(6)	10,501,861	111,661,203	122,687,755	(11,026,552)	(9)	113,082,563
ANCILLARY OUTPATIENT REVENUE	24,064,499	19,988,953	4,075,546	20	19,341,786	231,032,180	214,250,148	16,782,032	8	200,046,881
HOSPITALIST\PEDS O\P REVENUE	50,430	56,371	(5,941)	(11)	60,191	567,319	604,238	(36,919)	(6)	564,101
TOTAL GROSS OUTPATIENT REVENUE	24,114,929	20,045,324	4,069,605	20	19,401,976	231,599,498	214,854,386	16,745,112	8	200,610,983
TOTAL GROSS PATIENT REVENUE	34,418,618	30,954,777	3,463,841	11	29,903,837	343,260,702	337,542,141	5,718,561	2	313,693,546
DEDUCTIONS FROM REVENUE:										
MEDICARE CONTRACTUAL ALLOWANCES	9,613,571	7,522,171	2,091,400	28	7,588,051	99,434,169	82,360,388	17,073,781	21	77,968,268
MEDI-CAL CONTRACTUAL ALLOWANCES	9,762,165	7,387,379	2,374,786	32	6,759,503	85,961,384	80,767,578	5,193,806	6	76,741,423
BAD DEBT EXPENSE	467,979	296,590	171,389	58	275,585	3,820,722	3,250,729	569,993	18	3,115,270
CHARITY CARE	74,736	67,667	7,069	10	87,523	374,136	741,665	(367,529)	(50)	752,635
OTHER CONTRACTUALS AND ADJUSTMENTS	2,851,855	3,661,822	(809,967)	(22)	3,509,839	36,443,331	39,986,432	(3,543,101)	(9)	37,911,413
HOSPITALIST\PEDS CONTRACTUAL ALLOW	(38,500)	8,107	(46,607)	(575)	(18,148)	34,224	88,876	(54,653)	(62)	82,981
TOTAL DEDUCTIONS FROM REVENUE	22,731,807	18,943,736	3,788,071	20	18,202,353	226,067,965	207,195,668	18,872,297	9	196,571,990
NET PATIENT REVENUE	11,686,811	12,011,041	(324,230)	(3)	11,701,484	117,192,737	130,346,473	(13,153,736)	(10)	117,121,556
OTHER OPERATING REVENUE	2,504,781	588,964	1,915,817	325	568,602	12,868,357	5,784,640	7,083,717	123	6,461,752
NET OPERATING REVENUE	14,191,592	12,600,005	1,591,587	13	12,270,086	130,061,094	136,131,113	(6,070,019)	(5)	123,583,308
OPERATING EXPENSES:										
SALARIES & WAGES	4,791,841	4,893,112	(101,271)	(2)	4,599,449	47,719,486	52,857,483	(5,137,997)	(10)	47,010,398
REGISTRY	112,452	307,500	(195,048)	(63)	573,640	3,949,202	3,090,000	859,202	28	4,360,392
EMPLOYEE BENEFITS	3,549,658	2,610,045	939,613	36	2,725,422	28,973,091	28,140,317	832,774	3	25,446,718
PROFESSIONAL FEES	1,790,408	1,598,425	191,983	12	1,470,118	16,697,136	16,197,375	499,761	3	14,379,399
SUPPLIES	1,158,024	1,226,055	(68,032)	(6)	1,107,854	12,188,527	13,170,771	(982,244)	(8)	11,640,194
PURCHASED SERVICES	1,210,947	1,073,837	137,110	13	1,080,354	12,315,847	10,881,541	1,434,306	13	10,124,922
RENTAL	164,239	150,161	14,078	9	145,163	1,530,701	1,501,721	28,980	2	1,471,093
DEPRECIATION & AMORT	332,008	330,001	2,007	1	311,688	3,264,843	3,282,005	(17,162)	(1)	3,116,729
INTEREST	26,526	3,750	22,776	607	1,062	243,198	37,500	205,698	549	27,197
OTHER	390,658	393,588	(2,930)	(1)	354,259	4,359,263	3,711,736	647,527	17	3,452,827
TOTAL EXPENSES	13,526,760	12,586,474	940,286	8	12,369,008	131,241,294	132,870,449	(1,629,155)	(1)	121,029,869
NET OPERATING INCOME (LOSS)	664,832	13,531	651,301	4,813	(98,922)	(1,180,200)	3,260,664	(4,440,864)	(136)	2,553,439

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 04/30/23

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	35,777	5,000	30,777	616	0	517,855	155,000	362,855	234	146,980
PROPERTY TAX REVENUE	195,915	194,511	1,404	1	185,249	1,959,150	1,945,110	14,040	1	1,852,490
GO BOND PROP TAXES	164,964	164,964	0	0	160,091	1,649,642	1,649,640	2	0	1,600,905
GO BOND INT REVENUE\EXPENSE	(72,048)	(72,048)	1	0	(75,091)	(720,475)	(720,480)	5	0	(750,905)
OTHER NON-OPER REVENUE	11,709	7,866	3,843	49	7,872	136,345	78,660	57,685	73	96,550
OTHER NON-OPER EXPENSE	(28,137)	(35,323)	7,186	(20)	(38,344)	(400,702)	(361,670)	(39,032)	11	(428,072)
INVESTMENT INCOME	1,370	0	1,370		0	3,379	0	3,379		(11,313)
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	309,550	264,970	44,580	17	239,777	3,145,194	2,746,260	398,934	15	2,506,635
NET SURPLUS (LOSS)	974,382	278,501	695,881	250	140,855	1,964,994	6,006,924	(4,041,930)	(67)	5,060,074
EBIDA	$ 1,241,610	$ 550,909	$ 690,701	125.37%	$ 405,887	$ 4,701,372	$ 8,721,439	$ (4,020,067)	(46.09)%	$ 7,754,875
EBIDA MARGIN	8.75%	4.37%	4.38%	100.09%	3.31%	3.61%	6.41%	(2.79)%	(43.57)%	6.28%
OPERATING MARGIN	4.68%	0.11%	4.58%	4,261.82%	(0.81)%	(0.91)%	2.40%	(3.30)%	(137.88)%	2.07%
NET SURPLUS (LOSS) MARGIN	6.87%	2.21%	4.66%	210.63%	1.15%	1.51%	4.41%	(2.90)%	(65.76)%	4.09%

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY
HOLLISTER, CA 95023
FOR PERIOD 04/30/23

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22
GROSS PATIENT REVENUE:										
ROUTINE REVENUE	3,763,126	3,834,667	(71,542)	(2)	3,584,501	41,000,598	44,218,001	(3,217,403)	(7)	41,289,334
ANCILLARY INPATIENT REVENUE	3,937,404	4,668,029	(730,625)	(16)	4,469,834	44,521,823	53,810,270	(9,288,447)	(17)	50,240,192
HOSPITALIST I\P REVENUE	151,465	194,116	(42,651)	(22)	192,680	1,757,864	2,238,044	(480,180)	(22)	2,089,813
TOTAL GROSS INPATIENT REVENUE	7,851,995	8,696,812	(844,817)	(10)	8,247,016	87,280,284	100,266,315	(12,986,031)	(13)	93,619,339
ANCILLARY OUTPATIENT REVENUE	24,064,499	19,988,953	4,075,546	20	19,341,786	231,032,180	214,250,148	16,782,032	8	200,046,881
HOSPITALIST O\P REVENUE	50,430	56,371	(5,941)	(11)	60,191	567,319	604,238	(36,919)	(6)	564,101
TOTAL GROSS OUTPATIENT REVENUE	24,114,929	20,045,324	4,069,605	20	19,401,976	231,599,498	214,854,386	16,745,112	8	200,610,983
TOTAL GROSS ACUTE PATIENT REVENUE	31,966,924	28,742,136	3,224,788	11	27,648,992	318,879,783	315,120,701	3,759,082	1	294,230,322
DEDUCTIONS FROM REVENUE ACUTE:										
MEDICARE CONTRACTUAL ALLOWANCES	9,472,851	7,356,239	2,116,612	29	7,363,452	96,984,912	80,678,938	16,305,974	20	76,450,777
MEDI-CAL CONTRACTUAL ALLOWANCES	10,894,898	7,233,855	3,661,043	51	6,606,087	86,728,576	79,211,864	7,516,712	10	76,010,138
BAD DEBT EXPENSE	394,142	296,590	97,552	33	309,529	3,723,367	3,250,729	472,638	15	3,035,228
CHARITY CARE	74,736	67,667	7,069	10	87,523	366,986	741,665	(374,679)	(51)	644,889
OTHER CONTRACTUALS AND ADJUSTMENTS	2,795,414	3,617,570	(822,156)	(23)	3,447,662	35,734,653	39,538,006	(3,803,353)	(10)	37,558,382
HOSPITALIST\PEDS CONTRACTUAL ALLOW	(38,500)	8,107	(46,607)	(575)	(18,148)	34,224	88,876	(54,653)	(62)	82,981
TOTAL ACUTE DEDUCTIONS FROM REVENUE	23,593,540	18,580,028	5,013,512	27	17,796,106	223,572,717	203,510,078	20,062,639	10	193,782,393
NET ACUTE PATIENT REVENUE	8,373,383	10,162,108	(1,788,725)	(18)	9,852,886	95,307,066	111,610,623	(16,303,557)	(15)	100,447,928
OTHER OPERATING REVENUE	2,504,781	588,964	1,915,817	325	568,602	12,868,357	5,784,640	7,083,717	123	6,461,752
NET ACUTE OPERATING REVENUE	10,878,164	10,751,072	127,092	1	10,421,488	108,175,423	117,395,263	(9,219,840)	(8)	106,909,680
OPERATING EXPENSES:										
SALARIES & WAGES	3,891,640	3,942,530	(50,890)	(1)	3,680,158	38,635,871	43,224,892	(4,589,021)	(11)	38,219,867
REGISTRY	77,106	300,000	(222,894)	(74)	564,826	3,695,756	3,000,000	695,756	23	4,256,291
EMPLOYEE BENEFITS	2,695,568	2,037,416	658,152	32	2,177,584	22,758,655	22,337,605	421,050	2	20,022,533
PROFESSIONAL FEES	1,788,198	1,596,181	192,017	12	1,467,987	16,674,526	16,174,641	499,885	3	14,358,670
SUPPLIES	1,084,592	1,105,184	(20,592)	(2)	1,028,854	11,317,150	12,006,647	(689,497)	(6)	10,770,129
PURCHASED SERVICES	1,106,048	1,010,959	95,089	9	1,022,109	11,335,139	10,244,395	1,090,744	11	9,472,262
RENTAL	163,527	149,373	14,154	10	144,184	1,521,183	1,493,730	27,453	2	1,458,864
DEPRECIATION & AMORT	292,851	284,998	7,853	3	271,140	2,870,262	2,849,980	20,282	1	2,717,316
INTEREST	26,526	3,750	22,776	607	1,062	243,198	37,500	205,698	549	27,197
OTHER	353,708	346,732	6,976	2	314,087	3,806,416	3,236,981	569,435	18	3,054,661
TOTAL EXPENSES	11,479,764	10,777,123	702,641	7	10,671,990	112,858,156	114,606,371	(1,748,215)	(2)	104,357,791
NET OPERATING INCOME (LOSS)	(601,600)	(26,051)	(575,549)	2,209	(250,502)	(4,682,732)	2,788,892	(7,471,624)	(268)	2,551,889

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY
HOLLISTER, CA 95023
FOR PERIOD 04/30/23

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	35,777	5,000	30,777	616	0	517,855	155,000	362,855	234	146,980
PROPERTY TAX REVENUE	166,528	167,085	(557)	0	159,183	1,665,280	1,670,850	(5,570)	0	1,591,830
GO BOND PROP TAXES	164,964	164,964	0	0	160,091	1,649,642	1,649,640	2	0	1,600,905
GO BOND INT REVENUE\EXPENSE	(72,048)	(72,048)	1	0	(75,091)	(720,475)	(720,480)	5	0	(750,905)
OTHER NON-OPER REVENUE	11,709	7,866	3,843	49	7,872	136,345	78,660	57,685	73	96,550
OTHER NON-OPER EXPENSE	(21,904)	(28,035)	6,131	(22)	(30,002)	(319,385)	(280,350)	(39,035)	14	(334,607)
INVESTMENT INCOME	1,370	0	1,370		0	3,379	0	3,379		(11,313)
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	286,396	244,832	41,564	17	222,053	2,932,640	2,553,320	379,320	15	2,339,441
NET SURPLUS (LOSS)	(315,205)	218,781	(533,986)	(244)	(28,449)	(1,750,092)	5,342,212	(7,092,304)	(133)	4,891,330

HAZEL HAWKINS SKILLED NURSING FACILITIES
HOLLISTER, CA
FOR PERIOD 04/30/23

	CURRENT MONTH					YEAR-TO-DATE				
	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22	ACTUAL 04/30/23	BUDGET 04/30/23	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 04/30/22
GROSS SNF PATIENT REVENUE:										
ROUTINE SNF REVENUE	2,050,600	1,980,000	70,600	4	1,977,000	20,423,800	20,063,994	359,806	2	17,111,760
ANCILLARY SNF REVENUE	401,094	232,641	168,453	72	277,846	3,957,119	2,357,446	1,599,673	68	2,351,464
TOTAL GROSS SNF PATIENT REVENUE	2,451,694	2,212,641	239,053	11	2,254,846	24,380,919	22,421,440	1,959,479	9	19,463,224
DEDUCTIONS FROM REVENUE SNF:										
MEDICARE CONTRACTUAL ALLOWANCES	140,721	165,932	(25,212)	(15)	224,598	2,449,257	1,681,450	767,807	46	1,517,491
MEDI-CAL CONTRACTUAL ALLOWANCES	(1,132,733)	153,524	(1,286,257)	(838)	153,417	(767,192)	1,555,714	(2,322,906)	(149)	731,286
BAD DEBT EXPENSE	73,837	0	73,837		(33,945)	97,355	0	97,355		80,043
CHARITY CARE	0	0	0	0	0	7,150	0	7,150		107,746
OTHER CONTRACTUALS AND ADJUSTMENTS	56,441	44,252	12,189	28	62,177	708,678	448,426	260,252	58	353,031
TOTAL SNF DEDUCTIONS FROM REVENUE	(861,734)	363,708	(1,225,442)	(337)	406,248	2,495,248	3,685,590	(1,190,342)	(32)	2,789,596
NET SNF PATIENT REVENUE	3,313,428	1,848,933	1,464,495	79	1,848,598	21,885,671	18,735,850	3,149,821	17	16,673,628
OTHER OPERATING REVENUE	0	0	0	0	0	0	0	0	0	0
NET SNF OPERATING REVENUE	3,313,428	1,848,933	1,464,495	79	1,848,598	21,885,671	18,735,850	3,149,821	17	16,673,628
OPERATING EXPENSES:										
SALARIES & WAGES	900,201	950,582	(50,381)	(5)	919,291	9,083,615	9,632,591	(548,976)	(6)	8,790,532
REGISTRY	31,426	7,500	23,926	319	8,814	249,526	90,000	159,526	177	104,101
EMPLOYEE BENEFITS	854,090	572,629	281,461	49	547,838	6,214,436	5,802,712	411,724	7	5,424,186
PROFESSIONAL FEES	2,210	2,244	(34)	(2)	2,130	22,610	22,734	(124)	(1)	20,728
SUPPLIES	73,432	120,871	(47,439)	(39)	79,000	871,377	1,164,124	(292,747)	(25)	870,065
PURCHASED SERVICES	104,899	62,878	42,021	67	58,245	980,708	637,146	343,562	54	652,658
RENTAL	712	787	(75)	(10)	982	9,519	7,981	1,538	19	12,217
DEPRECIATION	39,156	45,003	(5,847)	(13)	40,548	394,581	432,025	(37,444)	(9)	399,412
INTEREST	0	0	0	0	0	0	0	0	0	0
OTHER	36,950	46,856	(9,906)	(21)	40,173	552,848	474,755	78,093	16	398,165
TOTAL EXPENSES	2,043,076	1,809,350	233,726	13	1,697,021	18,379,218	18,264,068	115,150	1	16,672,064
NET OPERATING INCOME (LOSS)	1,270,352	39,583	1,230,769	3,109	151,577	3,506,453	471,782	3,034,671	643	1,563
NON-OPERATING REVENUE\EXPENSE:										
DONATIONS	0	0	0	0	0	0	0	0	0	0
PROPERTY TAX REVENUE	29,387	27,426	1,961	7	26,066	293,870	274,260	19,610	7	260,660
OTHER NON-OPER EXPENSE	(6,233)	(7,288)	1,055	(15)	(8,343)	(81,317)	(81,320)	3	0	(93,466)
TOTAL NON-OPERATING REVENUE/(EXPENSE)	23,154	20,138	3,016	15	17,723	212,553	192,940	19,613	10	167,195
NET SURPLUS (LOSS)	1,293,506	59,721	1,233,785	2,066	169,301	3,719,006	664,722	3,054,284	460	168,758

HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 04/30/23

	CURR MONTH 04/30/23	PRIOR MONTH 03/31/23	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/22
CURRENT ASSETS					
CASH & CASH EQUIVALENT	12,107,609	11,256,358	851,251	8	16,535,802
PATIENT ACCOUNTS RECEIVABLE	55,056,384	53,508,905	1,547,479	3	44,152,116
BAD DEBT ALLOWANCE	(4,831,579)	(4,589,085)	(242,494)	5	(3,803,633)
CONTRACTUAL RESERVES	(32,144,109)	(32,166,183)	22,074	0	(26,047,965)
OTHER RECEIVABLES	4,526,950	2,420,924	2,106,026	87	(644,556)
INVENTORIES	2,823,034	2,801,698	21,336	1	3,146,162
PREPAID EXPENSES	1,708,508	1,885,957	(177,449)	(9)	926,497
DUE TO\FROM THIRD PARTIES	3,066,207	2,036,207	1,030,000	51	2,237,806
TOTAL CURRENT ASSETS	42,313,005	37,154,781	5,158,223	14	36,502,230
ASSETS WHOSE USE IS LIMITED					
BOARD DESIGNATED FUNDS	5,681,114	5,428,594	252,519	5	4,293,140
TOTAL LIMITED USE ASSETS	5,681,114	5,428,594	252,519	5	4,293,140
PROPERTY, PLANT, AND EQUIPMENT					
LAND & LAND IMPROVEMENTS	3,370,474	3,370,474	0	0	3,237,474
BLDGS & BLDG IMPROVEMENTS	99,808,351	99,808,351	0	0	97,696,774
EQUIPMENT	43,118,104	43,050,424	67,680	0	41,559,465
CONSTRUCTION IN PROGRESS	3,236,491	3,233,773	2,718	0	4,281,519
CAPITALIZED INTEREST	9,002	6,012	2,990	50	2,728
GROSS PROPERTY,PLANT, AND EQUIPMENT	149,542,421	149,469,034	73,387	0	146,777,961
ACCUMULATED DEPRECIATION	(89,697,040)	(89,350,431)	(346,609)	0	(86,286,188)
NET PROPERTY, PLANT, AND EQUIPMENT	59,845,381	60,118,603	(273,222)	(1)	60,491,773
OTHER ASSETS					
UNAMORTIZED LOAN COSTS	483,445	489,668	(6,223)	(1)	545,675
PENSION DEFERRED OUTFLOWS NET	3,797,637	3,797,637	0	0	3,797,637
TOTAL OTHER ASSETS	4,281,082	4,287,305	(6,223)	0	4,343,312
TOTAL UNRESTRICTED ASSETS	112,120,581	106,989,283	5,131,298	5	105,630,455
RESTRICTED ASSETS	125,088	124,805	283	0	124,099
TOTAL ASSETS	112,245,670	107,114,089	5,131,581	5	105,754,553

HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 04/30/23

	CURR MONTH 04/30/23	PRIOR MONTH 03/31/23	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/22
CURRENT LIABILITIES					
ACCOUNTS PAYABLE	6,116,342	5,649,312	(467,030)	8	8,459,518
ACCRUED PAYROLL	1,498,451	1,165,553	(332,899)	29	2,290,604
ACCRUED PAYROLL TAXES	3,115,584	2,040,875	(1,074,710)	53	1,355,250
ACCRUED BENEFITS	6,213,120	5,548,259	(664,862)	12	5,252,353
ACCRUED PENSION (CURRENT)	4,474,346	4,195,607	(278,739)	7	1,580,407
OTHER ACCRUED EXPENSES	49,587	42,549	(7,038)	17	75,450
PATIENT REFUNDS PAYABLE	1,166	961	(204)	21	8,557
DUE TO\FROM THIRD PARTIES	5,556,724	4,193,947	(1,362,777)	33	4,992,143
OTHER CURRENT LIABILITIES	860,259	856,383	(3,876)	1	680,738
TOTAL CURRENT LIABILITIES	27,885,579	23,693,444	(4,192,134)	18	24,695,019
LONG-TERM DEBT					
LEASES PAYABLE	8,519,959	8,526,572	6,612	0	5,493,386
BONDS PAYABLE	35,956,402	35,984,922	28,520	0	37,661,602
TOTAL LONG TERM DEBT	44,476,361	44,511,493	35,132	0	43,154,988
OTHER LONG-TERM LIABILITIES					
DEFERRED REVENUE	0	0	0	0	0
LONG-TERM PENSION LIABILITY	14,706,676	14,706,676	0	0	14,706,676
TOTAL OTHER LONG-TERM LIABILITIES	14,706,676	14,706,676	0	0	14,706,676
TOTAL LIABILITIES	87,068,616	82,911,613	(4,157,002)	5	82,556,683
NET ASSETS:					
UNRESTRICTED FUND BALANCE	23,048,772	23,048,872	100	0	23,048,772
RESTRICTED FUND BALANCE	165,088	164,805	(283)	0	149,099
NET REVENUE/(EXPENSES)	1,963,194	988,798	(974,396)	99	0
TOTAL NET ASSETS	25,177,054	24,202,476	(974,579)	4	23,197,871
TOTAL LIABILITIES AND NET ASSETS	112,245,670	107,114,089	(5,131,581)	5	105,754,553

Hazel Hawkins
MEMORIAL HOSPITAL

San Benito Health Care District
Hazel Hawkins Memorial Hospital
APRIL 2023

Description	Target	MTD Actual	YTD Actual	YTD Target
Average Daily Census - Acute	18.80	16.53	18.00	21.28
Average Daily Census - SNF	88.00	90.40	89.36	88.00
Acute Length of Stay	2.94	3.37	2.99	3.35
ER Visits:				
Inpatient	164	110.00	1,431	1,505
Outpatient	1,682	2,020	19,364	18,145
Total	1,846	2,130	20,795	19,650
Days in Accounts Receivable	45.0	48.5	48.5	45.0
Productive Full-Time Equivalents	529.11	483.27	507.23	529.11
Net Patient Revenue	12,011,041	11,686,811	117,192,737	130,346,473
Payment-to-Charge Ratio	38.8%	34.0%	34.1%	38.6%
Medicare Traditional Payor Mix	29.94%	29.87%	30.43%	30.09%
Commercial Payor Mix	24.35%	21.78%	21.50%	24.42%
Bad Debt % of Gross Revenue	0.96%	1.40%	1.12%	0.96%
EBIDA	550,909	1,241,610	4,701,372	8,721,439
EBIDA %	4.37%	8.75%	3.61%	6.41%
Operating Margin	0.11%	4.68%	0.91%	2.40%
Salaries, Wages, Registry & Benefits %:				
by Net Operating Revenue	61.99%	59.57%	62.00%	61.77%
by Total Operating Expense	62.06%	62.50%	61.45%	63.29%
Bond Covenants:				
Debt Service Ratio	1.25	3.00	3.00	1.25
Current Ratio	1.50	1.92	1.92	1.50
Days Cash on hand	30.00	28.7	28.7	30.00

Met or Exceeded Target
Within 10% of Target
Not Within 10%

Statement of Cash Flows
Hazel Hawkins Memorial Hospital
Hollister, CA
Ten months ending April 30, 2023

	CASH FLOW		COMMENTS
	Current Month 4/30/2023	Current Year-To-Date 4/30/2023	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	$974,382	$1,964,993	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	346,524	3,409,542	
(Increase)/Decrease in Net Patient Accounts Receivable	(1,327,059)	(3,780,178)	
(Increase)/Decrease in Other Receivables	(2,106,026)	(5,171,506)	
(Increase)/Decrease in Inventories	(21,336)	323,128	
(Increase)/Decrease in Pre-Paid Expenses	177,449	(782,011)	
(Increase)/Decrease in Due From Third Parties	(1,030,000)	(828,401)	
Increase/(Decrease) in Accounts Payable	467,030	(2,343,175)	
Increase/(Decrease) in Notes and Loans Payable	0	0	
Increase/(Decrease) in Accrued Payroll and Benefits	2,351,207	4,822,123	
Increase/(Decrease) in Accrued Expenses	7,038	(25,866)	
Increase/(Decrease) in Patient Refunds Payable	204	(7,392)	
Increase/(Decrease) in Third Party Advances/Liabilities	1,362,777	564,582	
Increase/(Decrease) in Other Current Liabilities	3,876	179,523	Semi-Annual Interest - 2021 Insured Revenue Bonds
Net Cash Provided by Operating Activities:	**231,684**	**(3,639,631)**	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment	(73,387)	(2,764,455)	
(Increase)/Decrease in Limited Use Cash and Investments	0	0	
(Increase)/Decrease in Other Limited Use Assets	(252,519)	(1,387,974)	Bond Principal & Int Payment - 2014 & 2021 Bonds
(Increase)/Decrease in Other Assets	6,223	62,230	Amortization
Net Cash Used by Investing Activities	**(319,683)**	**(4,090,199)**	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase/(Decrease) in Bond/Mortgage Debt	(6,612)	3,026,574	Refinancing of 2013 Bonds with 2021 Bonds
Increase/(Decrease) in Capital Lease Debt	(28,520)	(1,704,930)	
Increase/(Decrease) in Other Long Term Liabilities	0	0	
Net Cash Used for Financing Activities	**(35,132)**	**1,321,644**	
(INCREASE)/DECREASE IN RESTRICTED ASSETS	**0**	**15,000**	
Net Increase/(Decrease) in Cash	**851,251**	**(4,428,193)**	
Cash, Beginning of Period	11,256,358	16,535,802	
Cash, End of Period	**$12,107,609**	**$12,107,609**	$0
Cost per day to run the District	$422,200		
Operational Days Cash on Hand	28.68		

Hazel Hawkins Memorial Hospital
Bad Debt Expense
For the Year Ending June 30, 2023

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budgeted Gross Revenue	30,736,294	33,713,261	33,688,496	34,057,045	33,125,250	36,331,595	36,576,317	31,661,878	36,697,195	30,954,767	31,443,265	30,602,610	399,587,973
Budgeted Bad Debt Expense	293,579	324,237	324,633	327,729	318,825	351,198	353,536	305,275	355,128	296,590	300,820	293,015	3,844,565
BD Exp as a percent of Gross Revenue	0.96%	0.96%	0.96%	0.96%	0.96%	0.97%	0.97%	0.96%	0.97%	0.96%	0.96%	0.96%	0.96%
Actual Gross Revenue	32,232,911	36,024,541	33,649,532	33,258,194	33,453,882	35,593,844	34,251,125	31,419,808	36,834,958	34,216,723	-	-	340,935,518
Actual Bad Debt Expense	233,530	316,245	344,314	535,036	299,055	633,010	128,865	523,765	338,923	467,979	-	-	3,820,722
BD Exp as a percent of Gross Revenue	0.72%	0.88%	1.02%	1.61%	0.89%	1.78%	0.38%	1.7%	0.9%	1.4%	#DIV/0!	#DIV/0!	1.12%

Budgeted YTD BD Exp	3,250,729	0.96%
Actual YTD BD Exp	3,820,722	1.12%
Amount under (over)budget	(569,993)	-0.16%
Prior Year percent of Gross Revenue	**0.92%**	
Percent of Decrease (Inc)from Prior Year	-21.8%	

YTD Charity Exp Budget	741,665
YTD Charity Exp Actual	374,136
Amt under (over)budget	367,529
Charity Exp % of Gross Rev	0.11%

SAN BENITO HEALTH CARE DISTRICT
STAFF REPORT
May 22, 2023

To: Board of Directors, San Benito Health Care District

From: Mary Casillas, Interim Chief Executive Officer
Mark Robinson, Chief Financial Officer

Subject: **Public Hearing to Consider Authorization to File Chapter 9 Bankruptcy Case and Approval of Related Pendency Plan**

I.

REQUEST

A. Open public hearing and take testimony from the public;

B. Consider adopting Resolution No. 2023-27 Authorizing Filing of Chapter 9 Bankruptcy Case and Vesting Authority to File; and

C. Consider adopting Resolution No. 2023-28 Adopting Pendency Plan Governing Financial Decision-Making During Pendency of a Bankruptcy Case.

II.

SUMMARY

The management of the San Benito Health Care District (the "District") submits this Staff Report to the Board of Directors of the District (the "Board") in connection with the Board's consideration of the following: (i) a Resolution authorizing the District to file a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code") to initiate a bankruptcy case (the "Bankruptcy Case"); and (ii) a Resolution adopting a plan (the "Pendency Plan") to guide the District's financial decision-making during the pendency of the Bankruptcy Case.[1]

Management has undertaken significant initiatives to address the District's fiscal crisis that the Board first declared in November 2022. Despite the success of these initiatives, the District remains unable to effect a complete reorganization of the costs that are driving the District's long-term inability to sustain sufficient working capital.

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[1] This Staff Report refers to the Pendency Plan and the attachments to the Pendency Plan and should be read in conjunction with the same. Given the summary nature of this Staff Report, to the extent of an inconsistency, the Pendency Plan should be considered controlling.

Management has concluded that the Bankruptcy Code will provide sufficient tools to stabilize the District's operations and adjust its debts while maintaining operations. Moreover, management has concluded that the proposed Pendency Plan establishes reasonable financial guidelines for the District's operations during the course of a Bankruptcy Case and potential restructuring scenarios. Management recommends that the Board authorize the filing of a Bankruptcy Case, with operations to continue as outline in the Pendency Plan, for the District to complete an adjustment of its debts.

This Staff Report addresses the background and bases for the proposed Resolutions in three sections. ***First***, a brief discussion of the background of the District's financial challenges and the efforts to stabilize the District's operations. ***Second***, a discussion of the objectives of a bankruptcy filing and the District's eligibility to file a bankruptcy case. ***Third***, a discussion of the Pendency Plan.

III.

DISCUSSION

This discussion is separated into three sections that address: (i) the District's historical financial challenges, the District's efforts to address those challenges, and the successes and the limitations to the District's short-term financial stabilization efforts; (ii) the objectives and strategic advantages of a bankruptcy filing and the District's eligibility to file a Bankruptcy Case; and (iii) an analysis of the proposed Pendency Plan as a financial decision-making guide during the Bankruptcy Case and potential exits from the Bankruptcy Case.

A. The District's Historical Financial Challenges and Related Recommendations

1. The District's Limited Access to Working Capital and Its Effects

The District has historically had limited access to working capital. Generally, "working capital" is a critical measure of a company's liquidity and represents the net amount of cash available to fund investment in a company's future growth after operating expenses. Access to working capital is also important to sustain a company during disruptions in normal cash flow from operations.

Working capital is commonly measured in the days of cash-on-hand a company holds, sometimes referred to as "days' cash-on-hand." The measure is calculated by dividing the amount of cash-on-hand by the District's average operating costs per day. This reflects the amount of days the District could operate on its cash reserves alone, without respect to revenues. Accordingly, although it is an important metric to assess working capital, it does not serve to project the number of days the District can continue operations.

The District has had limited access to working capital for years. As publicly reported in the District's audited financial statements, the District's average days' cash-on-hand as of the end of the last four fiscal years is as follows:

Date	Days Cash on Hand
6/30/2019	45.84
6/30/2020	65.06

Date	Days Cash on Hand
6/30/2021	49.12
6/30/2022	37.07

Currently, the District holds approximately $9.2 million of cash-on-hand. Based on the District's average daily operating costs of $410,000 per day, the District assesses that it holds approximately 23 days of cash-on-hand. Thus, the District's cash-on-hand has been steadily decreasing over the last several fiscal years.

The District's days of cash-on-hand is historically much lower than the median days reported by other California critical access hospitals. Specifically, a May 2022 report found that the median days of cash-on-hand for all California critical access hospitals was 222.48 days. Accordingly, the District's current limited working capital is an endemic issue with which the District has contended for years.

The reasons for the District's longstanding, limited access to working capital are multifarious and common among California rural hospitals and independent health systems. Systemic issues that have also impacted the District include low reimbursement rates from government payors (e.g., Medicare and Medi-Cal), recent inflationary pressures in expenses, the rapidly increasing cost of labor, and competition from larger health care systems. By way of example, similar rural an independent health care systems in California have closed (Madera Community Hospital), filed bankruptcy (Beverly Hospital), or publicly acknowledged financial stresses (Mad River Community Hospital, Kaweah Health Medical Center, and El Centro Regional Medical Center) for similar reasons this year.

Limited access to working capital presents two principal challenges for the District. ***First***, the District is unable to absorb fluctuations in cash flow that result from unexpected reductions in revenue or unexpected expenses. These fluctuations require the District to utilize its limited cash-on-hand to cover these periods of unexpectedly reduced revenue or increased expenses. Given the limited cash-on-hand or "cushion," depleting these reserves can quickly lead to a fiscal emergency. ***Second***, the District is unable to fund capital improvement projects to expand services or maintain the long-term viability of its operations. By way of example, the District does not have sufficient funds to build larger facilities that would ultimately permit the District to capture larger market share and increase the competitiveness of its services offerings. Moreover, the District also faces challenges simply funding modifications to its current facilities to comply with California's looming seismic retrofit requirements.

The District's longstanding inability to generate significantly greater than average working capital—principally owing to challenges endemic to rural and independent hospital systems in California—has rendered the District unable to establish a viable, long-term strategic plan and has brought the District to the point of a fiscal emergency.

2. The District's Fiscal Emergency

On November 4, 2022, the Board approved a resolution declaring a fiscal emergency. As the Board discussed at that time, the fiscal emergency resulted from projections that the District would run out of cash in December 2022. As discussed at the time, the fiscal emergency arose out of two

primary causes: (i) the District's longstanding and limited access to working capital; and (ii) a series of reductions in revenue and increases in expenses that required the District to deplete its cash-on-hand to sustain operations.

The decreases in revenue and increases in expenses resulted from the following significant factors: (i) a June 2022 Medicare overpayment notice requiring the repayment of $5.2 million on a one-year repayment plan at payments of $441,036 per month; (ii) a contemporaneous reduction in Medicare payments going forward that reduced reimbursements by $5.2 million per year; (iii) delays in both commercial and Medi-Cal insured payments from Anthem between August 2022 and December 2022; (iv) atypically rapid increases in inflationary pressures; and (v) the continued realization of COVID-related operating losses.

The Board's resolution authorized a bankruptcy filing to address the immediate fiscal emergency; however, the District's management ultimately focused efforts on stabilizing operations in the short-term.

3. Short-Term Stabilization Initiatives

The District adopted a series of initiatives that materially improved the District's cash position in the short term. By way of example, the District's cash position as of February 25, 2023 improved from the projected deficit of $6.0 million, *see* Pendency Plan Table 1, to actual cash on hand of approximately $5.1 million, *see* Pendency Plan Table 2. The short-term stabilization initiatives were as follows:

Financing Initiatives

- **Property Tax Advance.** In December 2022, the District obtained an approximately $1 million advance transfer of the District's property tax receipts collected by the County of San Benito, California, which was an advance payment of funds scheduled to be received in April 2023.

- **CHFFA Loan.** In December 2022, the District negotiated and obtained approval of a $3 million loan from the California Health Facilities Financing Authority. The proceeds of this loan were received in January 2023.

Operational Initiatives

- **Operational Savings.** Implemented staffing reductions, reduced reliance on registry and third party staffing agencies, deferred wage increases, implemented a hiring freeze, and aggressively pursued other operational initiatives.

- **Cash Management.** Implemented strong controls on spending and cash management, resulting in increased net cash flow from operations. From December 2022 through February 2023, the District's efforts resulted in over $1.9 million in improved cash flow in just 3 months (see **Table 3**).

- **Surplus Property.** Listed for sale a surplus property with an estimated market value of $1.6 million.

- **Anthem Provider Agreement.** In January 2023, the District and Anthem (the District's largest non-governmental payor) entered into a new provider agreement which is expected to generate $2 million in annual cash flow in 2023.

- **Reduced Medicare Recoupment.** In December 2022, the District and Noridian entered into an extended repayment payment plan, thereby reducing monthly recoupment payments from $440,000 to approximately $60,000.

- **CARES Act Deferral.** As expenses increased during the COVID-19 pandemic, Congress authorized the CARES Act that included provisions that permitted the District to defer payment of the employer's portion of its payroll tax liabilities. The District paid half of the deferred employer payroll taxes in December 2021 and was required to pay the second half of the deferred employer payroll taxes ($1.1 million) in December 2022 in addition to its regular tax payments. The District deferred the December 2022 payment.

- **Home Health Closure.** In January 2023, the District closed the home health department to eliminate operating losses associated with the department.

As a result of these initiatives, the District is currently projected to have sufficient cash to continue operations into 2024. *See* Pendency Plan, Attachment A (Current Cash Flow Forecast). Specifically, the District is currently projected to be critically low on cash by August 2024. Importantly, the District will continue its historically low access to working capital during this period based on the current cash flow forecast.

4. The Limitations to the Short-Term Stabilization Initiatives

The District's current cash flow forecast confirms that the short-term stabilization initiatives were successful to increase the District's cash-on-hand but will not be sufficient to establish a long-term restructuring of the District's liabilities. As discussed above, following implementation of the short-term stabilization initiatives, the District is still projected to operate at a $6.1 million cash shortfall in 2024. This will result in the District running critically low on cash by August 2024 and exhausting all cash by November 2024, assuming operations remain the same.

The District has identified the following principal reasons the short-term stabilization initiatives are not sufficient to address the District's long-term viability:

- **Principal Limitation on Revenue Increases.** The ADAMS Study was intended to identify strategies the District could employ to increase revenue. A study (the "ADAMS Study") by ADAMS Management Services Corporation identified a series of methodologies to increase revenue—some of which the District implemented—including physician recruitment. *See* Pendency Plan, Attachment B (ADAMS Study). However, the most significant recommendation to increase market share and capture greater revenue required the District to expand its service offerings, which necessitated expanding the

District's facilities. The three scenarios to expand District facilities were estimated to cost between $213 million and $267 million, which far exceeds the District's ability to generate working capital.

- **Principal Limitation on Expense Reduction.** The District's labor costs, which include salaries and benefits, is the most significant source of expenses for the District and cannot be modified outside of bankruptcy unless the District's unions consent. Specifically, the labor costs constituted 67.7% of the District's net patient service revenue for fiscal year ended June 30, 2022 and exceeded 70% for the previous two fiscal years. Additionally, the ADAMS Study indicated that the District's benefits load as of 2020 (e.g., 55.9% of salaries and wages) was well in excess of the benefits load at comparable non-system facilities (e.g., 39.3% of salaries and wages) and within a broader comparison group (e.g., 36.9% of salaries and wages). *See* Pendency Plan, Attachment B (ADAMS Study). The District has engaged the unions in negotiations concerning modifications to benefits that would materially decrease the District's labor costs without significantly altering the competitiveness of the District's benefits offerings. The District has not obtained the consent of any unions to modify the District's labor costs.

Accordingly, the District's short-term stabilization initiatives have permitted the District to continue operations but will not be sufficient to address the long-term financial challenges of the District.

5. The Staff Recommendations for Long-Term Stabilization

District staff consulted with the District's financial advisor, B. Riley Advisory Services, and other restructuring advisors, to determine viable paths forward to maintain the same level of health care services the District currently provides, or, in the alternatively, to preserve the most health care services as possible. The District's staff and advisors have developed the following recommendations:

Primary Recommendation. The District's cash flow demonstrates that the District cannot continue independent operations and effectively address its historical inability to generate working capital. The ADAMS Study and the District's restructuring advisors agree that the District must have access to significantly more working capital to expand services, capture sufficient market share, and remain competitive. Additionally, with respect to expenses, the District faces challenges negotiating competitive reimbursement rates for payors and cannot maintain the same economies of scale as a larger, integrated health care system. The District has presented this conclusion to the Board previously and reaffirms its position that a search for a strategic partner is in the best interests of the District's continued ability to provide at least the same level of health care services to its community.

As the Board is aware, the District is currently in the process of marketing the District for a transaction with a potential partner. Although potential partners are conducting diligence, the District has not yet entered into any definitive documentation for a potential transaction. The District's advisors recommend that addressing some of the District's long-term liabilities not addressed by the short-term stabilization initiatives will enhance interest from potential partners.

Alternate Recommendation. In the absence of a transaction, the District's management is committed to continuing to provide a limited scope of health care services to the community to the extent that is financially practicable. In light of the District's current cash flow forecast, the District will need to reduce expenses and limit services to the point that the District can generate positive cash flow. As discussed above, the current cash flow projection reflects an approximately $6.1 million deficit in 2024, which would need to be offset along with further offsets to generate positive working capital.

B. The Bankruptcy Case

1. The Primary Advantages of a Bankruptcy Case

The District analyzed its two long-term stabilization objectives—its optimal transaction outcome and alternative independent operation outcome—and has identified the following primary advantages that a bankruptcy case will present to achieve these objectives:

- **Termination of Unfavorable Agreements.** The District will be eligible to terminate unfavorable agreements, including contracts and leases, that represent an economic burden to the District. This is commonly referred to as "rejection." In certain circumstances, the District is also eligible to unilaterally modify agreements in advance of rejection. This bankruptcy power will permit the District to address union contracts, vendor agreements, and leases in a way that it cannot outside of bankruptcy absent consent. Terminated agreements will still have a breach claim as of the filing of the bankruptcy case that would be treated through a plan of adjustment. This presents a powerful tool to address expenses to stabilize District finances in the long-term.

- **Plan of Adjustment.** The ultimate outcome of a successful Bankruptcy Case is the confirmation of a plan of adjustment that treats the District's debts. The plan would permit the District to address certain outstanding liabilities over time to manage its cash flow.

- **Continuation of Normal Operations.** The District will be permitted to continue normal operations without significant supervision by the Bankruptcy Court. This includes the continued provision of health care services without interruption, the continued funding of payroll and related obligations, and other ordinary course operations.

- **Transaction Process.** The Bankruptcy Code provides orderly provisions for the assumption and assignment of leases and, if the District elects its application, gives the District the right to enter into certain transactions "free and clear" of liabilities. Although the District does not currently have a transaction partner, the Bankruptcy Code offers increased optionality for potential transaction partners that the District's advisors believe may be viewed as advantageous.

- **Consolidated Public Forum.** The District's Board will be required to continue holding regular public meetings. However, the District has faced multiple requests from various public entities to hold additional, joint public meetings that has presented a drain on the

District's resource. The Bankruptcy Court will present a single public forum for all parties in interest with standing to address the District's financial restructuring.

- **Automatic Stay.** The Bankruptcy Code will prohibit most creditors from taking any action to collect on amounts owed to them before the Bankruptcy Case or continue litigating claims in state court. This will offer some limited cash flow relief, but, as discussed below, the District is on cash-on-demand terms with many of its creditors and does not maintain significant accounts payable balances.

- **Oversight.** The Bankruptcy Court may appoint both a patient care ombudsman and a committee of creditors or other interested parties. The patient care ombudsman would be charged with independently ensuring the District continues to provide high quality patient care during the Bankruptcy Case. A committee would be charged with representing the interests of a wide group of constituents with a single voice. If appointed and determined appropriate, these groups may further public confidence in the process and offer more efficient negotiating partners.

2. The Primary Disadvantages of a Bankruptcy Case

The District and its advisors have identified the following primary disadvantages of a bankruptcy filing that should be balanced against the advantages:

- **Vendor Reaction on Cash Flow.** Often a bankruptcy filing results in a negative reaction by vendors. At times, vendors may require a debtor enter into more onerous trade terms to continue receiving goods, including transitioning to cash-on-demand. This results in a substantial impact to cash flow. The District already experienced this following the November 2022 fiscal emergency declaration, and is currently operating on modified trade terms with most of its vendors. The District anticipates there is limited additional impact that may occur upon a filing.

- **Restructuring Expense.** A bankruptcy filing results in significant expenses from professionals' fees that would not typically accrue outside of a bankruptcy case. This is often associated with the need to request authority from the Bankruptcy Court through preparing motions and attending hearings, along with other reporting requirements. Here, however, the District has been required to incur significant costs already associated with the negotiations with its creditors and the implementation of the short-term stabilization initiatives.

- **Time.** A bankruptcy case may require a restructuring to take longer than it otherwise would outside of bankruptcy. However, here, the District has already attempted a restructure outside of bankruptcy.

3. Eligibility to File a Bankruptcy Case

The Bankruptcy Code requires the District establish its eligibility to be a debtor in chapter 9. The eligibility requirements, and a summary of each, are as follows:

- **"Instrumentality of the State."** The District must be an instrumentality of a state, e.g., a public entity created by state law. Under California law, health care districts generally meet this criteria.

- **State Law Authority.** The District must be authorized to file a bankruptcy case under state law. California law provides two alternative avenues to file a bankruptcy case: (i) a fiscal emergency declaration; or (ii) completion of neutral evaluation. The District satisfied the first requirement in its November 2022 fiscal emergency resolution; however, authority under that resolution expired in December 2022. The District would be eligible to make another fiscal emergency declaration under its current circumstances; however, the District also completed the neutral evaluation process. The District is eligible to file a bankruptcy case under state law because the neutral evaluation process concluded without a resolution.

- **Insolvency.** The District must demonstrate that it is insolvent under at least one of the following tests:

    - **Cash Flow Insolvency.** Cash flow insolvency refers to the District's ability to generate enough cash over a 30 to 60 day period to meet its obligations. The current cash flow forecast indicates that, while it was cash flow insolvent in November 2022, the short-term stabilization efforts have removed it from qualifying as cash-flow insolvent.

    - **Budget Insolvency.** Budget insolvency refers to the Districts ability to generate enough revenues over its normal budgetary process to meet its expenditures and not incur deficits. The current cash flow forecast indicates that the District is insolvent on a budgetary basis. The District is projected to incur a deficit in the fiscal years ended June 30, 2024 and June 30, 2025 if it continues current operations. Specifically, the District will lose $6.1 million from operations in calendar year 2024 (spanning the fiscal years 2023-2024 and 2024-2025). These losses will result in the District becoming critically low on cash in August 2024 and will result in the District running out of cash in November 2024.

    - **Long-Run Insolvency.** Long-run insolvency refers to the District's ability to meet is expenditures that may not be addressed as part of the normal recurring annual budgetary process. In addition to the budget insolvency discussion, above, the District's need to incur significant capital expenses to generate sufficient revenue to remain competitive that it cannot fund renders the District long-run insolvent.

    - **Service-Delivery Insolvency.** Service-delivery insolvency refers to the District's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community and to meet its citizen's desires. The District is the only comprehensive provider of health care in San Benito County and is the only provider

of certain critical service lines, including the emergency department, in the County. As set forth above, the District will be unable to sustain operations at their current levels and will be forced to cease all operations in mid-to-late 2024 if the District runs out of funds, as projected. Accordingly, the District is service-delivery insolvent.

- **Intention to Adjust Debts.** The District must demonstrate that it has a real intent to restructure its debts, and a reasonably clear idea of how it would address its various classes of debts in a plan of adjustment. The District has made several proposals to key constituents in the course of pre-bankruptcy negotiations outlining its proposed adjustments to key interest holder debts. Additionally, the Pendency Plan provides a comprehensive outline of a proposed restructuring. Moreover, the restructuring will permit the District to continue to fulfill its public purpose in some manner.

- **Attempt to Restructure Outside of Bankruptcy.** The District is required to attempt to restructure with each of its major classes of creditors outside of bankruptcy. If a proposal is rejected, then it must have been presented in good faith. As discussed above, the District has made proposals to its key constituents that present an outcome that would avoid a bankruptcy filing. The District has not reached an agreement with certain of its key constituencies.

- **Good Faith Filing Requirement.** The District must file its bankruptcy case in good faith, which requires the District make reasonable efforts to deal with its creditors forthrightly in light of all of the financial and other circumstances. The District has engaged in significant negotiations that have included significant disclosures concerning its current financial circumstances and has made available the District's management and advisors.

- **Authority.** The District's Board must authorize the bankruptcy filing, which is the impact of the Resolution that is currently before the Board.

4. Staff Recommendation Regarding Filing a Bankruptcy Case

The District's staff recommends authorizing the filing of a Bankruptcy Case. The District has exhausted its options to restructure its long-term liabilities outside of the Bankruptcy Case. The District has engaged in this process since the November 4, 2022 fiscal emergency declaration—over the course of more than half-a-year—without sufficient agreements among key constituents to resolve some of the primary drivers of the District's financial distress. Bankruptcy presents a forum to address these liabilities and stabilize the District's operations without material disadvantages. Ultimately, management has concluded that a Bankruptcy Case will permit the District to either effectuate a transaction more successfully or continue operations (even if reduced) beyond the projected date by which the District will run out of cash under current projections.

C. The Pendency Plan

1. The Purpose of the Pendency Plan

The Pendency Plan is intended to serve as the District's budget and guide for financial decision-making during the pendency of a Bankruptcy Case. The Pendency Plan identifies the principal modifications to the District's current finances that will permit the District to pursue a transaction or, alternatively, place the District in a position to restructure sufficiently to continue its operations with reduced service lines. The Pendency Plan is important to present the public and all key stakeholders a clear outline of the primary financial objectives of the District to maintain solvency and continued operations.

2. Summary of the Pendency Plan

The Pendency Plan is divided into three sections that address the long-term restructuring initiatives of the District. ***First***, the Pendency Plan's "Phase 1" addresses continued long-term restructuring initiatives the District will adopt or continue to stabilize the District's finances. The proposed initiatives are as follows:

Financing Initiatives

- **Property Tax Advance.** The District has notified the Board of Supervisors of the County of San Benito, California that it will request the 85% advance of property taxes collected in the upcoming fiscal year, pursuant to Section 6 of Article XVI of the California Constitution. The District anticipates the advance payment will result in the District obtaining $2.3 million in July 2023, which would normally be realized by the District in April 2024.

- **State Legislative Funding Proposal.** The District is collaborating with state leaders and providing input on potential legislation intended to address the financial challenges faced by similar health systems throughout California. The District has most recently provided input on Assembly Bill 112, which is intended to provide a source of funding to financially distressed hospitals. As of this Staff Report, the California state legislature passed AB 112, which was signed by the Governor on May 15, 2023. However, the District understands that there is still a substantial amount of work to implement the program. The timing of the availability of funding will be a crucial element. The District is hopeful that the continued efforts of the District's state representatives will result in a funding source capable of bridging any near-term cash needs at a lower cost than can be obtained commercially.

- **Commercial Bridge Financing.** On April 27, 2023, the District's Board of Directors approved Resolution No. 2022-26. The Resolution authorized the District's Interim Chief Executive Officer, or a designee, to enter into a line of credit with a commercial lender on behalf of the District in an amount not to exceed $10 million. If executed and drawn, a line of credit will permit the District to bridge potential cash shortfalls given the District's limited access to working capital. The District anticipates that it would only draw on such

line of credit if, and to the extent, no other more affordable options exist to preserve operations. The District is in negotiations with potential lenders and understands that they are capable of providing debtor-in-possession financing in a bankruptcy case.

Operational Initiatives

- **Continued Operational and Cash Management Initiatives.** The District will continue to implement its operational and cash management initiatives set forth above.

- **Benefits Realignment.** As set forth above, the District's most significant expense is associated with labor costs, which the District intends to modify in a bankruptcy case to resolve its continued negative cash flow position.

  Absent agreement from the unions, the District intends to modify and/or reject the union collective bargaining agreements and memoranda of understanding in a bankruptcy case, as authorized by 11 U.S.C. § 365. ***If these agreements are rejected, the District anticipates maintaining wages at a similar or identical level as it currently provides to employees.*** Instead, the District anticipates making the following adjustments to benefits for all employees: (i) transitioning from the District's self-insured model of providing employee health care insurance benefits by increasing premiums to market levels while the District negotiates a CalPERS or commercial health care insurance policy; (ii) terminating the defined benefit plan on a going-forward basis, continuing to fund accrued liabilities under the defined benefit plan to satisfy all current obligations, and transitioning to a 401(k) or similar retirement plan; (iii) combining all leave benefits into a single paid leave category and capping annual leave benefit accrual at 30 days while leaving unchanged all current, accrued leave; (iv) modifying standby compensation; and (v) modifying education benefits. A summary outlining the proposed modifications in greater detail is attached to the Pendency Plan as Attachment C.

  If the above modifications are implemented by July 1, 2023, the District anticipates improving its cash flow from a net negative $600,000 to a net positive $1.9 million through the end of calendar year 2023. The District also anticipates that the modifications would permit the District to operate at a net negative cash flow of only $1.5 million in calendar year 2024 as compared to the current projected negative net cash flow of $6.1 million.

- **Revenue Cycle and Billing Enhancements.** The District regularly engages revenue cycle audit companies and has implemented an analysis of its billing practices to enhance revenue capture. These processes are ongoing and the District is not able to determine the amount by which these initiatives will enhance revenue.

The anticipated Phase 1 modifications to the District's finances are set forth in Attachment D to the Pendency Plan. In short, the Phase 1 Pendency Plan cash flow forecast demonstrates continued access to cash for the projected period through 2024. if the above initiatives are implemented by July 1, 2023. However, the cash flow forecast still reflects negative cash flow in calendar year 2024 of $1.47 million and cash-on-hand of just $6.12 million at the end of 2024.

Second, the "Phase 2" of the Pendency Plan provides for continued efforts to pursue a transaction with a larger health care system. The principal feature of Phase 2 is the District's conclusion that it should terminate its transaction marketing process if it has not entered into definitive transaction documentation by October 2023. In that event, the District's management recommends that the District transition to independent operations with reduced services because, among other reasons, (i) sufficient time will have elapsed for a thorough marketing of the District's assets without a partner, (ii) the District will need to preserve cash to transition patient care if it reduces services, and (iii) any deal requiring voter approval will become significantly more costly if not on the March 2024 ballot.

Third, the "Optional Phase 3" of the Pendency Plan provides for continued independent operations of the District with reduced services sufficient to increase working capital over time and operate with consistently positive net cash flow. The District's management is continuing to work on a plan specifically identifying likely services lines that would be closed under this approach. Importantly, the Phase 1 savings will result in the District closing far fewer services than necessary if the District did not achieve the Phase 1 savings—a difference between a $1.5 million cash flow deficit and a $6.1 million cash flow deficit in 2024. Given the contingencies, including whether Phase 1 is implemented, the District cannot establish a definitive reduced services plan at this time but is confident that it will be capable of bridging the $1.5 million deficit.

3. Staff Recommendation Regarding Pendency Plan

The District's staff recommends adopting the Pendency Plan. The Pendency Plan will provide clear direction to the District's management, public, key constituents, and other interested parties of the District's path toward stabilization. Importantly, the resolution authorizing the Pendency Plan permits continued Board supervision over its implementation through the Finance Committee, allows management to make nonmaterial modifications to the Pendency Plan through its implementation, and requires any material deviation from the Pendency Plan to be approved by further vote of the Board.

CEQA: The proposed actions are not a project as defined by the California Environmental Quality Act (CEQA) Guidelines Section 15378.

RESOLUTION NO. 2023-27

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BENITO HEALTH CARE DISTRICT AUTHORIZING THE FILING OF A CHAPTER 9 PETITION AND VESTING AUTHORITY TO FILE IN AN AUTHORIZED REPRESENTATIVE

The Board of Directors of the San Benito Health Care District (the "District"), a local health care district organized under the terms of the Local Health Care District Law (Health and Safety Code of the State of California, Division 23, Sections 32000-32492), pursuant to Section 32104 of the California Health and Safety Code, hereby adopts the following resolution this 22nd day of May, 2023.

WHEREAS, the District operates certain health care facilities in the County of San Benito, California (the "County"), including Hazel Hawkins Memorial Hospital ("Hazel Hawkins"), a full service, 25-bed not-for-profit hospital, which offers a full range of inpatient and outpatient services that include emergency services, stroke care, surgical services, radiology and diagnostic imaging services, laboratory services, palliative care, physical, speech and occupational therapy, respiratory care, and a new modern birthing center;

WHEREAS, the District also operates two skilled nursing facilities, five rural health clinics, two community health clinics, and two satellite lab/draw stations;

WHEREAS, through its facilities, the District is the sole provider of certain health care services in the County, including the emergency and related hospital services provided at Hazel Hawkins;

WHEREAS, the District has responsibly and proactively managed its limited finances in order to operate its facilities, including the continued provision of excellent, high quality patient care without compromise to patient safety, despite a sustained reduction in net revenue;

WHEREAS, despite the efforts over the past several years of the District's management and Board of Directors to take significant steps to reduce expenses, uncontrollable increases in expenses and decreases in revenues have created an operating gap and cash flow deficit that threatens the District's fiscal viability and, if allowed to continue, could threaten patient care and patient safety;

WHEREAS, on November 4, 2022, the District adopted that certain *Resolution of the Board of Directors of the San Benito Health Care District Declaring a Fiscal Emergency and Vesting Authority to file a Chapter 9 Petition to an Authorized Representative* (the "Fiscal Emergency Declaration"), which declared a fiscal emergency under Section 53760.5 of the California Government Code and included findings that the District was unable to pay its obligations within the next 60 days and that the financial state of District entity jeopardized the health, safety, or well-being of the residents of the District's service area absent the protections of chapter 9 ("Chapter 9") of title 11 of the United States Code (the "Bankruptcy Code");

WHEREAS, following the adoption of the Fiscal Emergency Declaration, the District undertook initiatives to stabilize the District's finances in the short-term that resulted in the District exceeding its budget forecast by approximately $11 million as of February 2023, which initiatives included cost-saving operational enhancements and revenue-enhancing advance payments of receivables;

WHEREAS, as a result of the District's successful short-term initiatives, the District's projected date by which the District will exhaust its cash-on-hand has been extended to approximately November 2024;

WHEREAS, the District is unable to extend its projected cash-on-hand beyond the current November 2024 date in the absence of consent from certain key constituents given the District's historically low access to working capital, the significant percentage of the District's expenses that are subject to labor agreements, other uncontrollable increases in expenses and declines in revenue, and the accrual of other long-term liabilities;

WHEREAS, in light of the District's improved short-term financial circumstances, Sections 53760 through 53760.7 of the California Government Code, and in particular Section 53760.3 thereof, authorizes a local public entity, such as the District, to file a petition and exercise powers pursuant to applicable federal bankruptcy law, if (a) the local public entity participates in neutral evaluation for a period of not less than 60 days, (b) the neutral evaluation process does not resolve all pending disputes with creditors, and (c) thereafter the governing board of the local public entity finds that a bankruptcy filing is necessary;

WHEREAS, on February 4, 2023, the District commenced the neutral evaluation process, to formulate a consensual adjustment of its debts, upon the selection of the neutral evaluator;

WHEREAS, on April 5, 2023, the 60-day period for the completion of neutral evaluation, under Section 53760.3(t) of the California Government Code, expired without a resolution of outstanding issues with all interested parties and neither the District nor any interested party elected to extend the process;

WHEREAS, on May 22, 2023, the District held a noticed public hearing at which the Board of Directors placed on the agenda the fiscal condition of the District and consideration of a resolution authorizing the filing of a Chapter 9 bankruptcy case, to take public comment;

WHEREAS, the District has negotiated in good faith with creditors and other interested parties holding at least a majority in amount of the claims of each class that the District may impair under a plan of adjustment under the Bankruptcy Code and the District has not obtained the agreement of such creditors and parties in interest during the neutral evaluation process and in efforts following the neutral evaluation process;

WHEREAS, the District desires to effect a plan to adjust its debts and finds that it cannot effectuate such a plan of adjustment absent the rights and protections of the Bankruptcy Code;

WHEREAS, after considering staff analysis of the District's financial condition, the report of the District's counsel and financial advisor, and public comment received at the hearing held on May 22, 2023, the Board of Directors has determined that it is in the best interests of the District, its patients, creditors, citizens, taxpayers, and employees to file a petition under Chapter 9 of the Bankruptcy Code; and

WHEREAS, in light of the foregoing, the Board of Directors has delegated to the District's interim Chief Executive Officer (the "Authorized Representative") the authority to file a petition under Chapter 9 of the Bankruptcy Code as set forth more fully below.

NOW, THEREFORE, BE IT RESOLVED that the District's fiscal condition renders it necessary to file a voluntary petition for relief under Chapter 9 of the Bankruptcy Code to preserve the District's operations and facilities for the benefit of its community; be it

FURTHER RESOLVED that the Board of Directors finds that the District is insolvent on a cash flow basis in the current fiscal year, and will be insolvent in the following fiscal year as well; be it

FURTHER RESOLVED that the Board of Directors hereby authorizes and directs the Authorized Representative, on behalf of and in the name of the District, to execute and file a Chapter 9 petition with the U.S. Bankruptcy Court for the Northern District of California; be it

FURTHER RESOLVED that the Board of Directors hereby resolves that the Authorized Representative's authority to file a petition under Chapter 9 of the Bankruptcy Code on behalf of the District set forth herein shall terminate at such time as the Board of Directors determines in a subsequent resolution; be it

FURTHER RESOLVED that the Authorized Representative, and all other appropriate officials and employees of the District, are hereby authorized to execute and file all petitions, schedules, lists, and other papers, and to take any and all actions that they shall deem necessary and appropriate in connection with such Chapter 9 case, and with a view to the successful prosecution and completion of such case, including without limitation the proposal and confirmation of a plan of adjustment for the debts of the District; be it

FURTHER RESOLVED that the Board of Directors hereby authorizes and directs the Authorized Representative to continue negotiations with the District's creditors regarding the filing of such petition and the financial restructuring of the District under such chapter of the Bankruptcy Code; be it

FURTHER RESOLVED that all actions heretofore taken by the Authorized Representative, in the name of and on behalf of the District, in connection with any of the above matters are hereby in all respects ratified, confirmed, and approved; be it

FURTHER RESOLVED that the Board of Directors directs District management to investigate and recommend any and all further actions necessary to mitigate the impacts of the fiscal emergency; be it

FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 22nd day of May, 2023, by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

Jeri Hernandez
President of the Board of Directors

ATTEST:

Rick Shelton
Treasurer of the Board of Directors

RESOLUTION NO. 2023-28

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BENITO HEALTH CARE DISTRICT ADOPTING PENDENCY PLAN GOVERNING FINANCIAL DECISION-MAKING DURING THE PENDENCY OF A BANKRUPTCY CASE

The Board of Directors of the San Benito Health Care District (the "District"), a local health care district organized under the terms of the Local Health Care District Law (Health and Safety Code of the State of California, Division 23, Sections 32000-32492), pursuant to Section 32104 of the California Health and Safety Code, hereby adopts the following resolution this 22nd day of May, 2023.

WHEREAS, the District operates certain health care facilities in the County of San Benito, California (the "County"), including Hazel Hawkins Memorial Hospital ("Hazel Hawkins"), a full service, 25-bed not-for-profit hospital, which offers a full range of inpatient and outpatient services that include emergency services, stroke care, surgical services, radiology and diagnostic imaging services, laboratory services, palliative care, physical, speech and occupational therapy, respiratory care, and a new modern birthing center;

WHEREAS, the District also operates two skilled nursing facilities, five rural health clinics, two community health clinics, and two satellite lab/draw stations;

WHEREAS, through its facilities, the District is the sole provider of certain health care services in the County, including the emergency and related hospital services provided at Hazel Hawkins;

WHEREAS, the District has responsibly and proactively managed its limited finances in order to operate its facilities, including the continued provision of excellent, high quality patient care without compromise to patient safety, despite a sustained reduction in net revenue;

WHEREAS, despite the efforts over the past several years of the District's management and Board of Directors to take significant steps to reduce expenses, uncontrollable inflationary increases combined with reimbursement declines has created an operating gap and cash flow deficit that threatens the District's fiscal viability and, if allowed to continue, could threaten patient care and patient safety;

WHEREAS, in an effort to reorganize the District's finances and adjust the District's debts, the District has approved that certain *Resolution of the Board of Directors of the San Benito Health Care District Authorizing the Filing of a Chapter 9 Petition and Vesting Authority to File in an Authorized Representative*, which authorizes the District to file a voluntary petition for relief under chapter 9 ("Chapter 9") of title 11 of the United States Code (the "Bankruptcy Code"), thereby initiating a bankruptcy case (the "Bankruptcy Case");

WHEREAS, after considering staff analysis of the District's financial condition, the report of the District's counsel and financial advisor, and public comment received at the Board meeting held on May 22, 2023, the Board of Directors has determined that it is in the best interests of the

District, its patients, creditors, citizens, taxpayers, and employees to establish a plan governing the District's financial decision-making during the pendency of a Bankruptcy Case;

WHEREAS, the Board of Directors has reviewed the proposed plan (the "Pendency Plan") attached hereto as **Exhibit A**; and

WHEREAS, in light of the foregoing, the Board of Directors has concluded that the Pendency Plan represents an appropriate guideline for the District's financial decision-making during the pendency of a Bankruptcy Case.

NOW, THEREFORE, BE IT RESOLVED that the District adopts the Pendency Plan to establish guidelines for financial decision-making during the pendency of a Bankruptcy Case filed by the District; be it

FURTHER RESOLVED that the District's executive management shall implement the Pendency Plan; be it

FURTHER RESOLVED that the District's executive management may make non-material modifications to the Pendency Plan during the pendency of the Bankruptcy Case; *provided, however*, that such non-material modifications be reported to the District's Finance Committee at the next regular meeting of the Finance Committee following the implementation of such non-material modification; be it

FURTHER RESOLVED that District's executive management shall make regular reports to the District's Finance Committee concerning the status of the Pendency Plan and the District's implementation thereof; be it

FURTHER RESOLVED that any material modifications to the Pendency Plan shall be approved by a further vote of the Board of Directors; be it

FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 22nd day of May, 2023, by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Jeri Hernandez

President of the Board of Directors

ATTEST:

Rick Shelton
Treasurer of the Board of Directors

Attachment A

PENDENCY PLAN
San Benito Health Care District d/b/a Hazel Hawkins Memorial Hospital

Prepared by:

Mary Casillas, Interim Chief Executive Officer
Mark Robinson, Chief Financial Officer
Carol Fox, Senior Managing Director, B. Riley Advisory Services

The Pendency Plan was reviewed and adopted by the Board of Directors of the San Benito Health Care District at the meeting of May 22, 2023.

May 22, 2023

SUMMARY

This report proposes to take a number of actions related to the budget for the San Benito Health Care District d/b/a Hazel Hawkins Memorial Hospital (the "District") and financial plan through calendar year 2024. If approved by the Board of Directors (the "Board") of the District, this report will serve as the District's "Pendency Plan" that will serve as the District's budget, and guide financial decision-making and policy for the District, during the pendency of a bankruptcy case filed under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code").

The District is currently contemplating filing a bankruptcy case to restructure its obligations with the goal of providing continued health care services to the population it currently serves. The District's financial condition became acute in mid-2022 as a result of a series of unanticipated events, including, a significant Medicare overpayment claim and related extended repayment plan, a corresponding reduction in Medicare payments, an accrued tax liability, private payor payment delays, inflationary pressures, and COVID-related operating losses. These unanticipated events eroded the District's working capital, which, for systemic reasons, has historically been lower than the average for California critical access hospitals. On November 4, 2022, the District declared a fiscal emergency and has since engaged in a series of initiatives to replenish depleted working capital. However, the District's short-term initiatives cannot resolve the long-term liabilities that render the District unable to generate sufficient positive cash-flow to maintain its current operations indefinitely.

The District has engaged with its principal creditors in a confidential neutral evaluation process provided for under California law and in nonconfidential negotiations that preceded and followed the neutral evaluation process. Although the District made material headway with certain constituencies, the District has been unable to reach a comprehensive agreement to address labor costs, which is the District's most significant expense. The District's bankruptcy filing is intended to address the labor costs, among other things, and the Pendency Plan is intended to provide the framework for stabilizing operations assuming those changes.

I.

DISCUSSION

The Pendency Plan represents the spending levels the District must maintain to remain solvent for a sufficient period to effectuate either a partnership with a larger health care system or an independent operational restructuring for long-term solvency.

A. The District's Current Cash Forecast

The District is insolvent without material changes to its budget. The District's current cash forecast is attached hereto as **Attachment A**. The District currently holds approximately $9.2 million of cash-on-hand, which the District's current cash forecast indicates will erode to approximately $5.4 million by December 31, 2023. The District incurs operating costs per day exceeding $410,000. As such, the District currently holds approximately 23 days of cash-on-hand to cover operating costs, which will reduce to approximately 13 days by December 2023. These amounts of cash-on-hand are substantially below the 222.48 median days cash-on-hand for all California critical access hospitals[1] and lower than the District's average days cash-on-hand for the last four fiscal years as reported in the District's publicly available audited financial statements:

Date	Days Cash on Hand
6/30/2019	45.84
6/30/2020	65.06
6/30/2021	49.12
6/30/2022	37.07

The limited cash on hand projected is critical and risks the District's ability to maintain operations. Additionally, the District operates critical health care services, including two skilled nursing facilities, that do not permit the District to continue current operations until the District reaches a zero cash balance. The District must retain sufficient working capital to fund the cost of safely transitioning patient care should the District be required to reduce services.

In light of the District's current cash forecast, the District is unable to generate sufficient revenues to offset expenses and does not possess sufficient working capital to absorb further losses from operations beyond the projected period.

B. The District's Short-Term Stabilization Efforts

On November 4, 2022, the District adopted a fiscal emergency declaration as a result of unanticipated events in mid-2022 that depleted the District's available cash-on hand and prompted a cash-flow crisis. Specifically, beginning in the third quarter of 2022, the District incurred approximately $5 million of unanticipated expenses as a result of the following:

[1] *See* CAH Financial Indicators Report: Summary of Indicator Medians by State dated May 2022.

- **Medicare Overpayment Claim.** On June 30, 2022, Noridian Healthcare Solutions provided the District with a notice that, according to Noridian's calculations, the District was overpaid on Medicare reimbursements during the fiscal year ended June 30, 2022 in the amount of approximately $5.2 million. The District entered into an extended repayment plan, which required the District to remit payments in the amount of $441,036.22 per month through July 8, 2023. Noridian stated that failure to make these payments would result in "100% withholding" of Medicare payments until the overpayment amount is paid in full and was unwilling to negotiate a repayment plan over a longer period at reduced monthly amounts.

- **Reduction in Medicare Payments.** The District was further informed that future payments for the fiscal year ended June 30, 2023 would be reduced by approximately $5.2 million according to new rates that reduced previous reimbursement rates by 20% for inpatient services and 13% for outpatient services.

- **Private Payor Payment Delays.** On August 10, 2022, the District's managed care provider agreement ended with Anthem. From August 2022 through December 2022, Anthem delayed payments for both commercial and Medi-Cal insured patients. Over $4 million in claims were delayed due to these contractual and processing issues. The effects of delayed and lower reimbursement during the approximately five-month period in which the District and Anthem were "out of contract" eroded the District's cash reserves.

- **Inflationary Pressures.** The recent and well-documented inflationary pressures affecting the national and global economies has further increased the cost of operating the District, which has not been offset by revenue.

- **COVID-Related Operating Losses.** As set forth in the District's 2021 Audited Financial Statements, the District experienced a net operating loss of approximately $9.5 million during the 2020 fiscal year, which was due mainly to the impact of COVID-19. The District's operating losses continued in fiscal year 2021, and, although improved, totaled approximately $3.6 million during that year. Collectively, these significant COVID-related operating losses in previous years were exacerbated by the above, recent events that have continued to negatively impact cash flow.

As discussed above, the District historically holds working capital substantially below that of the median days cash-on-hand held by all California critical access hospitals. As such, based on its then-current cash forecast, the District adopted a fiscal emergency declaration after concluding that the District would not be able to pay its obligations within the next 60 days. The District's December 2022 cash forecast is set forth in **Table 1** below:

Table 1 - Initial Cash Forecast - December 2022 through February 2023

Description	Forecast December 2022	Forecast January 2023	Forecast February 2023	Forecast 12/3/2022 - 02/25/23
Beginning cash balance	$ 4,037,354	$ 2,560,249	$ (744,729)	$ 4,037,354
Operations				
Net cash flow	(1,393,106)	(3,054,977)	(5,003,995)	(9,452,078)
Supplemental cash excluded from initial forecast				
HQAF Direct Grant	-	-	-	-
Cost report settlement	-	-	-	-
Other	-	-	-	-
Payment of deferred payroll taxes	(1,144,000)	-	-	(1,144,000)
	(2,537,106)	(3,054,977)	(5,003,995)	(10,596,078)
Financing				
Advances				
Property tax advance	1,335,000	-	-	1,335,000
Outpatient supplemental	-	-	-	-
CHFFA loan (net of repayments)	-	-	-	-
	1,335,000	-	-	1,335,000
Restructuring expense	(150,000)	(150,000)	(150,000)	(450,000)
Capital expenditures	(125,000)	(100,000)	(100,000)	(325,000)
Ending cash balance	**$ 2,560,249**	**$ (744,729)**	**$ (5,998,724)**	**$ (5,998,724)**

The District's initial objective was to implement a series of initiatives to resolve its immediate cash-flow crisis and preserve operations long enough to pursue a long-term restructuring. The District undertook the following initiatives to achieve its short-term stabilization objective:

Financing Initiatives

- **Property Tax Advance.** In December 2022, the District obtained an approximately $1 million advance transfer of the District's property tax receipts collected by the County of San Benito, California, which was an advance payment of funds scheduled to be received in April 2023.

- **CHFFA Loan.** In December 2022, the District negotiated and obtained approval of a $3 million loan from the California Health Facilities Financing Authority. The proceeds of this loan were received in January 2023.

Operational Initiatives

- **Operational Savings.** Implemented staffing reductions, reduced reliance on registry and third party staffing agencies, deferred wage increases, implemented a hiring freeze, and aggressively pursued other operational initiatives.

- **Cash Management.** Implemented strong controls on spending and cash management, resulting in increased net cash flow from operations. From December 2022 through February 2023, the District's efforts resulted in over $1.9 million in improved cash flow in just 3 months (see **Table 3**).

- **Surplus Property.** Listed for sale a surplus property with an estimated market value of $1.6 million.

- **Anthem Provider Agreement.** In January 2023, the District and Anthem (the District's largest non-governmental payor) entered into a new provider agreement which is expected to generate $2 million in annual cash flow in 2023.

- **Reduced Medicare Recoupment.** In December 2022, the District and Noridian entered into an extended repayment payment plan, thereby reducing monthly recoupment payments from $440,000 to approximately $60,000.

- **CARES Act Deferral.** As expenses increased during the COVID-19 pandemic, Congress authorized the CARES Act that included provisions that permitted the District to defer payment of the employer's portion of its payroll tax liabilities. The District paid half of the deferred employer payroll taxes in December 2021 and was required to pay the second half of the deferred employer payroll taxes ($1.1 million) in December 2022 in addition to its regular tax payments. The District deferred the December 2022 payment.

- **Home Health Closure.** In January 2023, the District closed the home health department to eliminate operating losses associated with the department.

The District's financing initiatives and cash management policies materially improved the District's cash on hand. As set forth below in **Table 2**, the District's actual performance reflects material improvements over the projections in **Table 1**. By way of example, the District's cash position as of February 25, 2023 improved from the projected deficit of $6.0 million (**Table 1**) to actual cash on hand of approximately $5.1 million (**Table 2**).

[*Continued on next page.*]

Table 2 - Actual - December 2022 through February 2023

Description	Actual December 2022	Actual January 2023	Actual February 2023	Forecast
Beginning cash balance	$ 3,353,180	$ 5,724,320	$ 5,066,342	$ 3,353,180
Operations				
Net cash flow	591,506	(3,447,625)	(4,688,371)	(7,544,490)
Supplemental cash excluded from initial forecast				
HQAF Direct Grant	-	-	979,971	979,971
Cost report settlement	-	-	988,669	988,669
Other	(150,000)	-	12,531	(137,469)
Payment of deferred payroll taxes	-	-	-	-
	441,506	(3,447,625)	(2,707,200)	(5,713,319)
Financing				
Advances				
Property tax advance	2,272,418	-	-	2,272,418
Outpatient supplemental	-	-	3,029,540	3,029,540
CHFFA loan (net of repayments)	-	3,059,185	-	3,059,185
	2,272,418	3,059,185	3,029,540	8,361,143
Restructuring expense	(264,660)	(148,670)	(217,500)	(630,830)
Capital expenditures	(78,124)	(120,868)	(12,002)	(210,994)
Ending cash balance	**$ 5,724,320**	**$ 5,066,342**	**$ 5,159,180**	**$ 5,159,180**

As discussed above and as reflected in **Attachment A**, the short-term stabilization initiatives have successfully extended the date by which the District will run out of cash. However, the District's initiatives were only intended to stabilize the District's financial condition in the short-term to provide sufficient time for the District to implement a long-term stabilization plan.

C. The District's Long-Term Stabilization Options

The District has limited available options to stabilize its operations and continue providing health care services for the community into the future. The District has explored a series of alternative approaches and identified those that are both implausible, given the District's finances, and those that are potential viable avenues for long-term stabilization.

1. Principal Long-Term Strategies Deemed Not Viable to Effect a Long-Term Restructuring

Capital Improvements to Maintain Independent Operations. In 2020 and 2021, the District engaged ADAMS Management Services Corporation ("ADAMS") to prepare a study (the "ADAMS Study") of potential options for the District to continue providing its current level of health care services to the community. The ADAMS Study is attached hereto as **Attachment B**. In short, the ADAMS Study concluded that the District needed to expand services to meet anticipated growing demand in the community and to increase market share to 70% for local inpatient services. Collectively, keeping pace with demand and expanding market share was projected to stabilize net operating income for the long term.

The ADAMS Study presented three alternative scenarios by which the District could achieve target growth sufficient to remain independent—each of which required the District to expand its facilities to accommodate increased service line expansions:

- **Scenario 1:** The first scenario contemplated renovating and expanding the District's current facilities to address seismic issues and accommodate the Americans with Disabilities Act, departmental adjacencies, and other issues. The scenario contemplating expanding the hospital's capacity to approximately 60 beds. Another drawback was that renovating the hospital would not replace its original infrastructure and would have an approximately 15-year life. The projected project cost was approximately ***$213 million***, excluding the loss of revenue during renovations.

- **Scenario 2:** The second scenario contemplated replacing acute services located in non-seismic compliant buildings and expanding hospital capacity to approximately 60 to 70 beds. The drawbacks were the expected extreme disruptions to ongoing operations and the 25 to 30 year life of infrastructure. The projected cost was approximately ***$267 million***, excluding the loss of revenue during renovations.

- **Scenario 3:** The third scenario contemplated entirely replacing the District's acute care infrastructure and leveraging the existing campus to become an ambulatory, sub-acute care, and administrative site for the District. The projected project life would be 40 to 70 years given the replacement of existing infrastructure. The total project cost was projected at ***$245 million***, excluding the loss of revenue during construction.

The District adopted Scenario 3 as a component of its Strategic Plan. Although the District implemented some other recommendations from the ADAMS Study, including recruitment of certain specialties, the District did not take material steps toward initiating the capital improvement project.

The District identified two material obstacles to implementing the ADAMS Study recommendations. ***First***, each option required expansion of the hospital's beds, which would require redesignation of the hospital from its current designation as Critical Access Hospital (limited to 25 beds) to a traditional acute care hospital. This new designation was likely to result in recoupment liability for the increased reimbursement the District realized from its Critical Access Hospital designation. ***Second***, as discussed above, the District does not hold sufficient working capital and does not generate sufficient net operating income to fund the capital improvement projects that would keep the District operating profitably and independently while maintaining the same or greater services the District provides today. Accordingly, the District concluded that it was unable to implement the capital improvements outlined in the ADAMS Study.

Continued Cash Management. The District analyzed whether its short-term cash management initiatives that effected its successful short-term stabilization efforts would be sufficient to stabilize the District in the long-term. The District concluded that a variety of factors

render its short-term cash management initiatives inadequate to resolve the District's long-term finances, including as follows:

- **Projected Shortfalls.** The District's cash management initiatives have resulted in approximately $4 million in savings from operations annually. However, as set forth in the forecast in **Attachment A**, the District anticipates a cash flow shortfall (including capital expenditures but excluding restructuring expenditures) exceeding $600,000 through December 2023. Moreover, the cash flow shortfall is expected to increase to $6.1 million in calendar year 2024. The 2024 projected cash flow shortfalls would result in critically low cash by August 2024 and a zero cash balance by November 2024.

- **Advance Payments.** The District stabilized short-term operations in Fiscal Year 2022-2023 through, among other things, obtaining advance payments from a variety of governmental and private sources. However, the advance payments necessarily reduce expected revenue for the periods during which the District originally expected to realize the now-advanced payments.

- **Labor Cost.** The majority of the District's workforce is represented by four unions under collective bargaining agreements or memoranda of understanding. These documents specify, among other things, the wages and benefits that must be provided to represented employees. The union agreements also establish a baseline for certain wages and benefits for non-represented employees.

  The District identified three reasons that modifications to the benefits is the area of labor costs that represent the most likely source of savings without materially altering the competitiveness of the District's wage and benefits offerings. ***First***, the District's labor costs represent the vast majority of the District's annual expenses—labor constituted 67.7% of the District's net patient service revenue for fiscal year ended June 30, 2022 and exceeded 70% for the previous two fiscal years. As such, labor costs represent the most significant source of potential savings for the District. ***Second***, the District's benefits offerings have long been identified as inconsistent with market benefits. By way of example, the ADAMS Study indicated that the District's benefits load as of 2020 (e.g., 55.9% of salaries and wages) was well in excess of the benefits load at comparable non-system facilities (e.g., 39.3% of salaries and wages) and within a broader comparison group (e.g., 36.9% of salaries and wages). *See* **Attachment B**. ***Third***, given the District's materially below-average working capital, the cash burn rate associated with the District's operations are not sustainable without modifications to labor costs.

  The District has engaged all four of its unions in negotiations and discussions, but they have not resulted in material progress toward a resolution that would reduce labor expenses. Accordingly, the District is unable to realign its most significant expense.

As such, the District's management has concluded that its short-term cash management initiatives, alone, are insufficient to restructure the District's liabilities for continued long-term operations.

2. Principal Potentially Viable Long-Term Restructuring Strategies

Transaction with Larger Health Care System. The District concluded that a transaction with a larger health care system is an optimal long-term stabilization strategy after analyzing the District's strategic objectives, its current assets and strategic challenges, and past outcomes from California hospital district bankruptcies. ***First***, the District concluded its principal objective was the continuation, or expansion, of the health care services that the District currently provides to the community. The District is acutely aware that it is the sole provider of certain critical health care services in San Benito County, California. The District's mission statement requires that the District consider a transaction that "ensure[s] the healthcare needs of the community are fulfilled." Accordingly, the District concluded that its strategic objectives will be best served by identifying a strategic partner that can preserve health care services that the District no longer is financially able to provide independently.

Second, the District concluded that its current assets and strategic challenges are best suited to a transaction with another health system. The District operates the only hospital and is the sole health care provider across a number of critical service lines in San Benito County. However, as addressed in the ADAMS Study, the District has lacked sufficient working capital to expand its service offerings to capture sufficient market share in the community to continue independent operations. The District believes that a larger health care system will have greater access to capital and benefit from economies of scale that the District cannot achieve independently. Accordingly, the District concluded that a larger health system will be equipped to capture greater market share and absorb market rate labor costs more effectively than the District can in its current composition.

Third, the District's survey of California health care district bankruptcy outcomes over the last 30 years confirms that a transaction is the best outcome to preserve health care in the community. Between 1991 and 2020, 20 California hospital districts filed bankruptcy cases.[2] In 50% of these cases, the district was able to continue providing the same or reduced health care services after a partnership or sale. In 25% of cases, the district was able to continue operations at its acute care hospital independently. In the other 25% of cases, the district closed completely and provided either limited or no community services (e.g., ambulance services or community grants). Accordingly, the District concluded that a transaction had the highest likelihood of success for preserving health care services for the District.

Independent Operations with Reduced Services. The District concluded that it is unable to continue operating independently and offering the same level of services to the community based on, among other things, the District's longstanding inability to generate sufficient working capital to implement a long-term strategic plan or even maintain sufficient cash on hand to address short-term cash flow challenges. However, the District is undertaking a thorough analysis of potential alternatives in the event the District is unable to complete a

[2] *See* Mary H. Rose & Rebecca J. Winthrop, *So Many Troubled California Health Care Districts, So Many Have Filed Chapter 9—Lessons to be Learned*, 35 Cal. Bankr. J. 189, 193-198 (2020).

transaction with a larger health system. As set forth below, although not as optimal as a transaction, the District concluded that it will be able to continue operations with reduced services to the community.

II.

THE PENDENCY PLAN

The District's Pendency Plan is intended to permit sufficient time for the District to effectuate its optimal long-term reorganization strategy—a transaction—while providing for sufficient time to effectuate its alternative of independent operations with reduced services if a transaction does not materialize. In both cases, the District will continue implementation of its successful, short-term reorganizational initiatives. Accordingly, the Pendency Plan is best addressed in the three sub-sections set forth below.

A. Phase 1: Continued Implementation and Expansion of Stabilization Initiatives

The District will continue its short-term stabilization initiatives and formalize the initiatives as ordinary-course cash management strategies where appropriate. In addition, the District anticipates that the following initiatives will result in necessary enhancements to cash flow—improving cash flow over projections by at least $2.3 million through December 31, 2023—to effect the District's long-term stabilization objectives:

Financing Initiatives

- **Property Tax Advance.** The District has notified the Board of Supervisors of the County of San Benito, California that it will request the 85% advance of property taxes collected in the upcoming fiscal year, pursuant to Section 6 of Article XVI of the California Constitution. The District anticipates the advance payment will result in the District obtaining $2.3 million in July 2023, which would normally be realized by the District in April 2024.

- **State Legislative Funding Proposal.** The District is collaborating with state leaders and providing input on potential legislation intended to address the financial challenges faced by similar health systems throughout California. The District has most recently provided input on Assembly Bill 112, which is intended to provide a source of funding to financially distressed hospitals. As of this Pendency Plan, the California state legislature passed AB 112, which was signed by the Governor on May 15, 2023. However, the District understands that there is still a substantial amount of work to implement the program. The timing of the availability of funding will be a crucial element. The District is hopeful that the continued efforts of the District's state representatives will result in a funding source capable of bridging any near-term cash needs at a lower cost than can be obtained commercially.

- **Commercial Bridge Financing.** On April 27, 2023, the District's Board of Directors approved Resolution No. 2022-26. The Resolution authorized the District's Interim Chief Executive Officer, or a designee, to enter into a line of credit with a commercial lender on behalf of the District in an amount not to exceed $10 million. If executed and drawn, a line of credit will permit the District to bridge potential cash shortfalls given the District's limited access to working capital. The District anticipates that it would only draw on such line of credit if, and to the extent, no other more affordable options exist to preserve operations. The District is in negotiations with potential lenders and understands that they are capable of providing debtor-in-possession financing in a bankruptcy case.

Operational Initiatives

- **Continued Operational and Cash Management Initiatives.** The District will continue to implement its operational and cash management initiatives set forth above.

- **Benefits Realignment.** As set forth above, the District's most significant expense is associated with labor costs, which the District intends to modify in a bankruptcy case to resolve its continued negative cash flow position.

  Absent agreement from the unions, the District intends to modify and/or reject the union collective bargaining agreements and memoranda of understanding in a bankruptcy case, as authorized by 11 U.S.C. § 365. ***If these agreements are rejected, the District anticipates maintaining wages at a similar or identical level as it currently provides to employees.*** Instead, the District anticipates making the following adjustments to benefits for all employees: (i) transitioning from the District's self-insured model of providing employee health care insurance benefits by increasing premiums to market levels while the District negotiates a CalPERS or commercial health care insurance policy; (ii) terminating the defined benefit plan on a going-forward basis, continuing to fund accrued liabilities under the defined benefit plan to satisfy all current obligations, and transitioning to a 401(k) or similar retirement plan; (iii) combining all leave benefits into a single paid leave category and capping annual leave benefit accrual at 30 days while leaving unchanged all current, accrued leave; (iv) modifying standby compensation; and (v) modifying education benefits. A summary outlining the proposed modifications in greater detail is attached hereto as **Attachment C**.

  If the above modifications are implemented by July 1, 2023, the District anticipates improving its cash flow from a net negative $600,000 to a net positive $1.9 million through the end of calendar year 2023. The District also anticipates that the modifications would permit the District to operate at a net negative cash flow of only $1.5 million in calendar year 2024 as compared to the current projected negative net cash flow of $6.1 million.

- **Revenue Cycle and Billing Enhancements.** The District regularly engages revenue cycle audit companies and has implemented an analysis of its billing practices to enhance revenue capture. These processes are ongoing and the District is not able to determine the amount by which these initiatives will enhance revenue.

Based on the anticipated modifications set forth above, the District has developed a cash-flow projection attached hereto as **Attachment D**. These modifications constitute the District's Phase 1 Pendency Plan. Assuming the Phase 1 Pendency Plan is fully implemented by July 1, 2023, the District anticipates that it can extend operations without material reduction in services through July 2024. Accordingly, the District will be required to pursue one of two alternatives to complete its long-term stabilization objectives.

B. Phase 2: Pursuit of Transaction with Larger Health System

As set forth above, the District's optimal outcome is a transaction with a larger health system. The District has solicited interest in a potential transaction to a broad array of potential partners; however, as of the date of this Pendency Plan, the District has not entered into definitive documentation with a potential partner. As such, the Pendency Plan is intended to preserve the District's operations in their current form—with no service reductions—for a commercially reasonable period necessary to market the District for a transaction.

Although the operational initiatives in the Phase 1 Pendency Plan permit the District to operate through July 2024 with sufficient working capital, the District cannot independently continue its current operations and service lines indefinitely. Importantly, the Phase 1 Pendency Plan still reflects a negative $1.5 million net cash flow in calendar year 2024. Accordingly, the District has considered the following factors to determine the date by which the District must identify a transaction partner or transition to an independent reorganization strategy:

- **Safe Transfer of Patient Care.** In the event the District reduces services, the District's paramount concern will be the safe and orderly transition of patient care. The transition of patient care will require the District to provide adequate notice to its patients to identify new providers. Depending on the service line, the District anticipates this process may take months and will require the District to make a decision on any service line reduction with sufficient cash on hand to effectuate a patient care transition.

- **Election Requirements.** Certain transaction formats will require the affirmative vote of the District's citizens. In those cases, the District would be required to pass a resolution calling the vote. The District anticipates that such resolution would not be passed unless and until the District has entered into a definitive agreement with a transaction partner. The County of San Benito, California has informed the District of two principal options to effectuate an election with varied timing and costs:

    - **March 2024 Primary Election.** The District may hold a required vote, if any, during the March 5, 2024 primary election. The District would need

to pass a resolution authorizing the vote not later than December 8, 2023. The current estimated cost to the District is between approximately $30,000 and $60,000.

- **Special Election.** The County of San Benito, California informed the District that it may hold a vote by calling a special election at any time, pursuant to California Elections Code § 9342. Under this procedure, the District's Board of Directors would need to pass a resolution calling a vote not later than 88 days prior to the anticipated election date, pursuant to California Elections Code §§ 1405 (b) or 1410. The current estimated cost to the District is between approximately $500,000 and $625,000 for an election center vote and between approximately $400,000 and $425,000 for a mail-in vote.

- **Cash Flow Realization.** In the event the District reduces its service offerings, the District anticipates a lag in realizing the cash flow benefits of the restructuring. Accordingly, a service reduction must be timed with sufficient cash on hand to absorb the lag in the District's realization of the net cash flow benefits.

- **Employee Matters.** Depending on the circumstances, the District may be required to provide certain notice to employees concerning the termination or modification of a service line.

Based on the foregoing, the District currently anticipates that it may continue efforts to identify a transaction partner and enter into definitive transaction documents through approximately October 2023. This will provide a sufficient marketing period for the District and sufficient runway to reduce service lines, if necessary, to compensate for the ongoing projected cash flow shortfalls.

C. Optional Phase 3: Implementation of Service Reduction Absent a Transaction

The District will be required to implement an independent operational restructuring if it is unable to identify a transaction partner. As set forth above, the District's projected cash-flow following implementation of the Phase 1 Pendency Plan will still result in negative $1.5 million net cash flow in calendar year 2024. Even though the Phase 1 Pendency Plan substantially limits losses from operations, a long-term restructuring will require the District to bolster its working capital and operate at consistently positive net cash flow.

The District is undertaking an analysis of its service lines based on their cost and community need. This analysis also includes consideration of the interconnected nature of service lines within the District—e.g., certain service lines require others to continue operations—and state law requirements that obligate the District to provide certain complementary service lines or minimum staffing levels. Following consideration of these and other factors, the District will establish a service line reduction plan that permits the District to generate positive net cash flow following implementation. Importantly, the District will only be required to address an annual cash flow shortfall of approximately $1.5 million as a result of the cash flow enhancements in the Phase 1

Pendency Plan. The District is confident that it will be capable of bridging this cash flow shortfall with relatively limited service line reductions, coupled with enhanced operational efficiencies.

III.

RESERVATION OF RIGHTS AND LIMITATIONS

This Pendency Plan is intended to set forth the guiding principles that will inform financial decision-making during the pendency of a bankruptcy case. Nothing contained in this Pendency Plan constitutes a final determination by the Board of Directors for any decision for which a vote is otherwise required.

The cash flow forecasts and related projections contained in this Pendency Plan are necessarily forward-looking and include certain material assumptions that may be affected by future or unanticipated events. As such, the District reserves the right to modify, supplement, adjust, or otherwise change the cash forecasts at any time. The District's management is permitted to make nonmaterial modifications to the cash forecasts and implement, omit, or adjust the initiatives seth forth in this Pendency Plan as a result. By contrast, any material modification to the initiatives set forth in this Pendency Plan must be adopted by a further resolution of the Board of Directors of the District.

Nothing contained in this Pendency Plan should be considered an admission of liability, a waiver of claims, defenses, or any other right of the District, or an election of remedies of the District. Moreover, the District reserves all rights to modify, supplement, amend, or otherwise change this Pendency Plan. Importantly, the District may modify the proposals set forth in Phase 1, Phase 2, or Optional Phase 3 of this Pendency Plan and nothing contained herein constitutes a commitment that any of the actions set forth in the Pendency Plan will or will not be implemented or a limitation of potential restructuring alternatives that the District may implement.

IV.

CONCLUSION

Based on the current cash forecast attached as **Attachment A**, the District is insolvent and will have critical levels of cash on hand by August 2024. The modifications proposed in this Pendency Plan are intended to place the District in a position of fiscal solvency so that it may fulfill its mission, to the extent possible, to "ensure the healthcare needs of the community are fulfilled." The District intends to seek bankruptcy protection and continue its good faith creditor negotiations to fulfill this mission and continue the delivery of essential, high quality patient care to the community.

List of Attachments

Attachment A	Current Cash Forecast
Attachment B	ADAMS Study
Attachment C	Summary of Proposed Benefit Modifications
Attachment D	Phase 1 Pendency Plan Cash Forecast

Attachment A
Current Cash Forecast

San Benito Health Care District

Financial Forecast

2023 - Current Cash Forecast

Description	Actual January	Actual February	Actual March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	Total
Recurring Revenue	$ 8,485,482	$ 8,818,794	$ 10,498,166	$ 11,908,253	$ 9,300,000	$ 9,300,000	$ 12,676,000	$ 9,110,000	$ 10,709,000	$ 9,095,000	$ 9,105,000	$ 11,756,000	$ 120,761,694
Net Supplemental Revenue	118,152	3,606,972	6,287,151	104,486	-	4,452,036	2,467,865	(1,138,622)	-	2,433,531	-	-	18,331,571
Total Cash Receipts	**8,603,634**	**12,425,766**	**16,785,317**	**12,012,739**	**9,300,000**	**13,752,036**	**15,143,865**	**7,971,378**	**10,709,000**	**11,528,531**	**9,105,000**	**11,756,000**	**139,093,266**
Operating Cash Disbursements	12,051,259	12,073,426	10,895,228	12,758,287	10,720,445	10,790,005	12,651,930	10,394,772	12,682,772	10,368,772	10,389,772	11,992,772	137,769,439
Operating Cash Flow	**(3,447,625)**	**352,340**	**5,890,089**	**(745,549)**	**(1,420,445)**	**2,962,031**	**2,491,935**	**(2,423,393)**	**(1,973,772)**	**1,159,759**	**(1,284,772)**	**(236,772)**	**1,323,826**
Restructuring Expenses	148,670	217,500	346,008	50,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,762,178
Other Non-Operating Expenses	120,868	12,002	91,156	19,762	150,000	200,000	250,000	200,000	250,000	200,000	200,000	250,000	1,943,788
Loans	3,059,185	-	-	-	-	-	-	-	-	-	-	-	3,059,185
Net Cash Flow	**$ (657,978)**	**$ 122,838**	**$ 5,452,925**	**$ (815,311)**	**$ (1,820,445)**	**$ 2,512,031**	**$ 1,991,935**	**$ (2,873,393)**	**$ (2,473,772)**	**$ 709,759**	**$ (1,734,772)**	**$ (736,772)**	**$ (322,955)**
% of Revenue	*-8%*	*1%*	*32%*	*-7%*	*-20%*	*18%*	*13%*	*-36%*	*-23%*	*6%*	*-19%*	*-6%*	*0%*
Beginning Cash Balance	**$ 5,724,320**	**$ 5,066,342**	**$ 5,189,180**	**$ 10,642,105**	**$ 9,826,794**	**$ 8,006,349**	**$ 10,518,380**	**$ 12,510,315**	**$ 9,636,921**	**$ 7,163,150**	**$ 7,872,909**	**$ 6,138,137**	**$ 5,724,320**
Net Cash Flow	(657,978)	122,838	5,452,925	(815,311)	(1,820,445)	2,512,031	1,991,935	(2,873,393)	(2,473,772)	709,759	(1,734,772)	(736,772)	(322,955)
Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	**$ 5,066,342**	**$ 5,189,180**	**$ 10,642,105**	**$ 9,826,794**	**$ 8,006,349**	**$ 10,518,380**	**$ 12,510,315**	**$ 9,636,921**	**$ 7,163,150**	**$ 7,872,909**	**$ 6,138,137**	**$ 5,401,365**	**$ 5,401,365**

San Benito Health Care District

Financial Forecast

2024 - Current Cash Forecast

Description	Forecast January	Forecast February	Forecast March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	Total
Recurring Revenue	$ 8,500,000	$ 8,800,000	$ 10,500,000	$ 11,900,000	$ 9,300,000	$ 9,300,000	$ 12,700,000	$ 9,100,000	$ 10,700,000	$ 9,100,000	$ 9,100,000	$ 11,800,000	$ 120,800,000
Net Supplemental Revenue	100,000	2,600,000	6,300,000	100,000	-	1,600,000	2,500,000	(1,100,000)	-	2,400,000	-	-	14,500,000
Total Cash Receipts	**8,600,000**	**11,400,000**	**16,800,000**	**12,000,000**	**9,300,000**	**10,900,000**	**15,200,000**	**8,000,000**	**10,700,000**	**11,500,000**	**9,100,000**	**11,800,000**	**135,300,000**
Operating Cash Disbursements	11,200,000	11,200,000	13,480,000	11,200,000	11,200,000	11,200,000	11,200,000	13,480,000	11,200,000	11,200,000	11,200,000	11,200,000	138,960,000
Operating Cash Flow	**(2,600,000)**	**200,000**	**3,320,000**	**800,000**	**(1,900,000)**	**(300,000)**	**4,000,000**	**(5,480,000)**	**(500,000)**	**300,000**	**(2,100,000)**	**600,000**	**(3,660,000)**
Restructuring Expenses	250,000	250,000	250,000	250,000	250,000	-	-	-	-	-	-	-	1,250,000
Other Non-Operating Expenses	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow	**$ (2,950,000)**	**$ (150,000)**	**$ 2,970,000**	**$ 450,000**	**$ (2,250,000)**	**$ (400,000)**	**$ 3,900,000**	**$ (5,580,000)**	**$ (600,000)**	**$ 200,000**	**$ (2,200,000)**	**$ 500,000**	**$ (6,110,000)**
% of Revenue	*-34%*	*-1%*	*18%*	*4%*	*-24%*	*-4%*	*26%*	*-70%*	*-6%*	*2%*	*-24%*	*4%*	*-5%*
Beginning Cash Balance	**$ 5,401,365**	**$ 2,451,365**	**$ 2,301,365**	**$ 5,271,365**	**$ 5,721,365**	**$ 3,471,365**	**$ 3,071,365**	**$ 6,971,365**	**$ 1,391,365**	**$ 791,365**	**$ 991,365**	**$ (1,208,635)**	**$ 5,401,365**
Net Cash Flow	(2,950,000)	(150,000)	2,970,000	450,000	(2,250,000)	(400,000)	3,900,000	(5,580,000)	(600,000)	200,000	(2,200,000)	500,000	(6,110,000)
Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	**$ 2,451,365**	**$ 2,301,365**	**$ 5,271,365**	**$ 5,721,365**	**$ 3,471,365**	**$ 3,071,365**	**$ 6,971,365**	**$ 1,391,365**	**$ 791,365**	**$ 991,365**	**$ (1,208,635)**	**$ (708,635)**	**$ (708,635)**

Attachment B
ADAMS Study

ADAMS Strategic Plan

Hazel Hawkins
MEMORIAL HOSPITAL

Strategic Planning

Hazel Hawkins Memorial Hospital

October 12, 2022

ADAMS®

Vision for Today

- September 2020 Strategic Plan:
  - Improved Customer Experience
  - Improved Patient Experience
  - Adding/Increasing service volumes
  - Community Education
  - Facility Master Planning & enabling projects

- Today's focus:
  - Market Changes/Growth
  - Provider Changes/Opportunities
  - Identification of gaps in services
  - Opportunities to improve referral patterns and limit out-migration.
  - Develop agreement on 2-3 courses of action to build revenue within the next 3-5 years, without major capital investment.

Agenda

- Market Position Changes
  - Market Volumes
  - Hazel Hawkins Market Position
- Volume Trends
  - Acute Care
  - Ambulatory
- Provider Base
  - Recruitment/Attrition
  - Referral Patterns
  - Recruitment Opportunities
- Barriers and Missing Services
  - Service Line Development
  - Space Considerations
- Revenue Building Strategies
  - Outpatient Imaging
  - Surgical Services
  - GI/Endo
  - Oncology Services
  - Cardiac Diagnostics/NI Vascular
- Course Direction

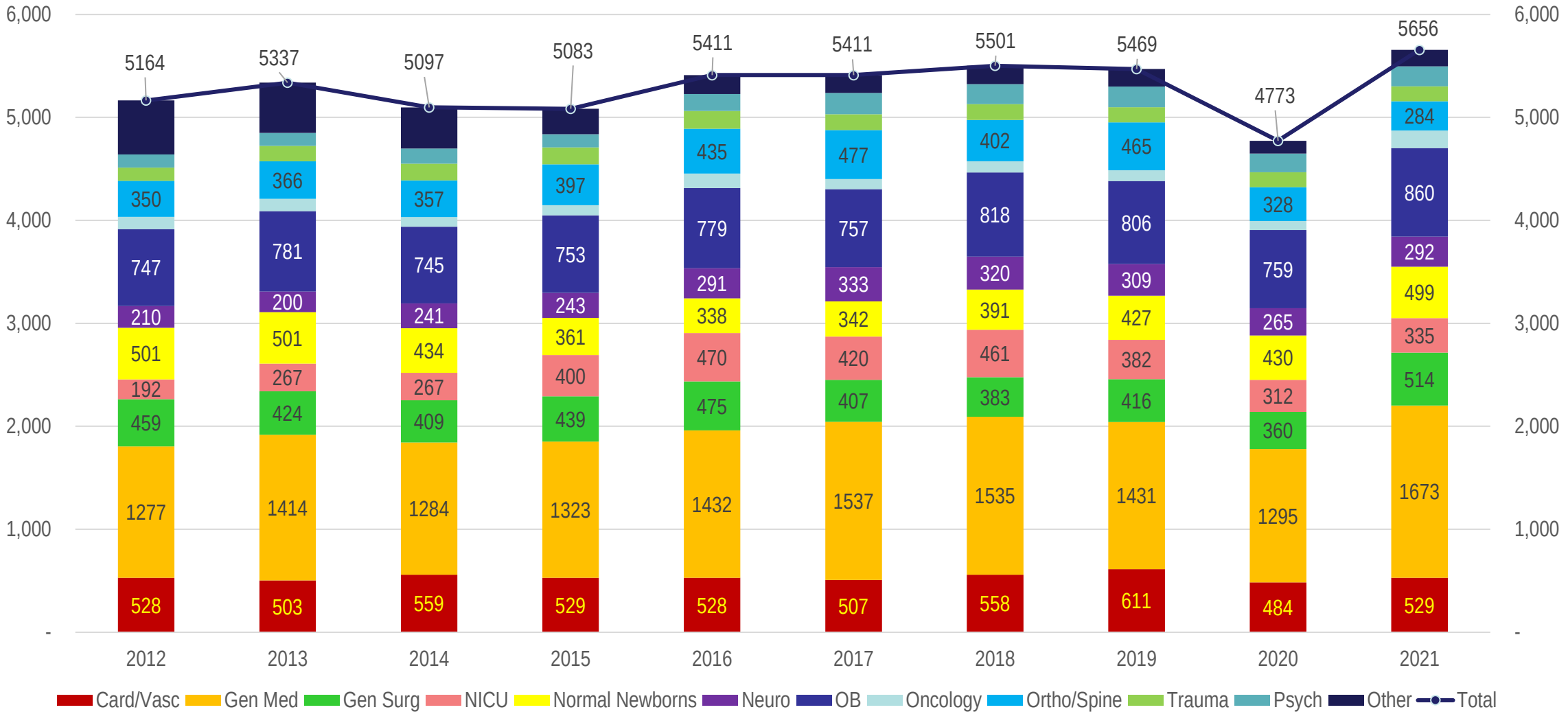
Hazel Hawkins
MEMORIAL HOSPITAL

Market Position

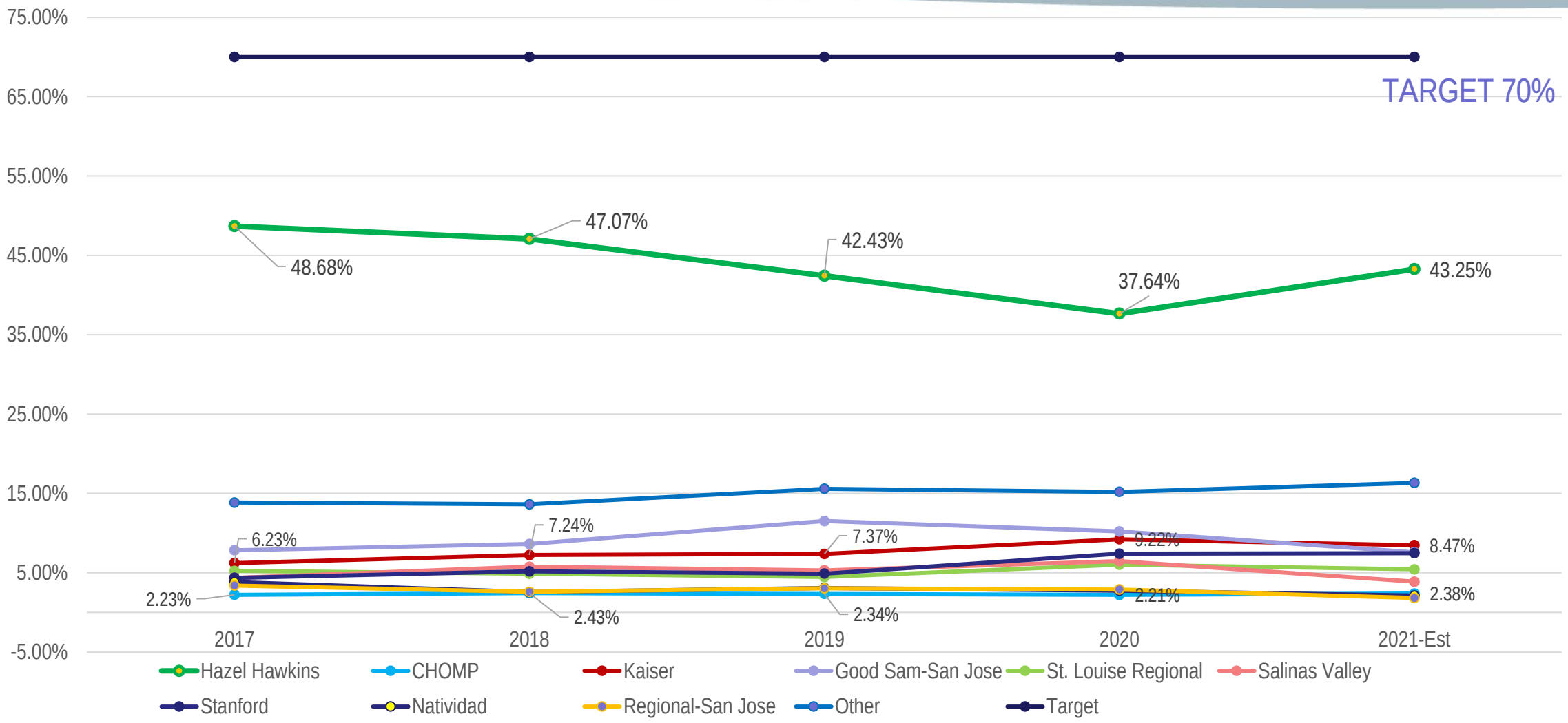
ADAMS®

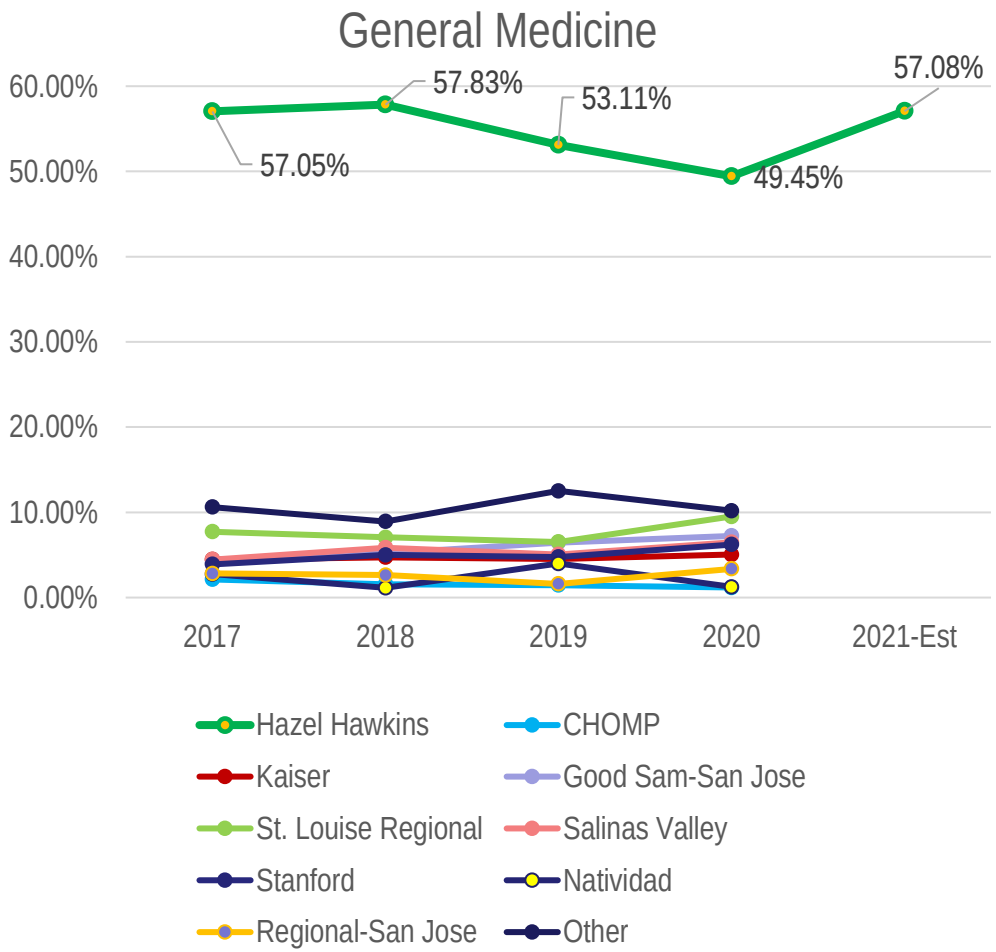
Inpatient Discharges by Service

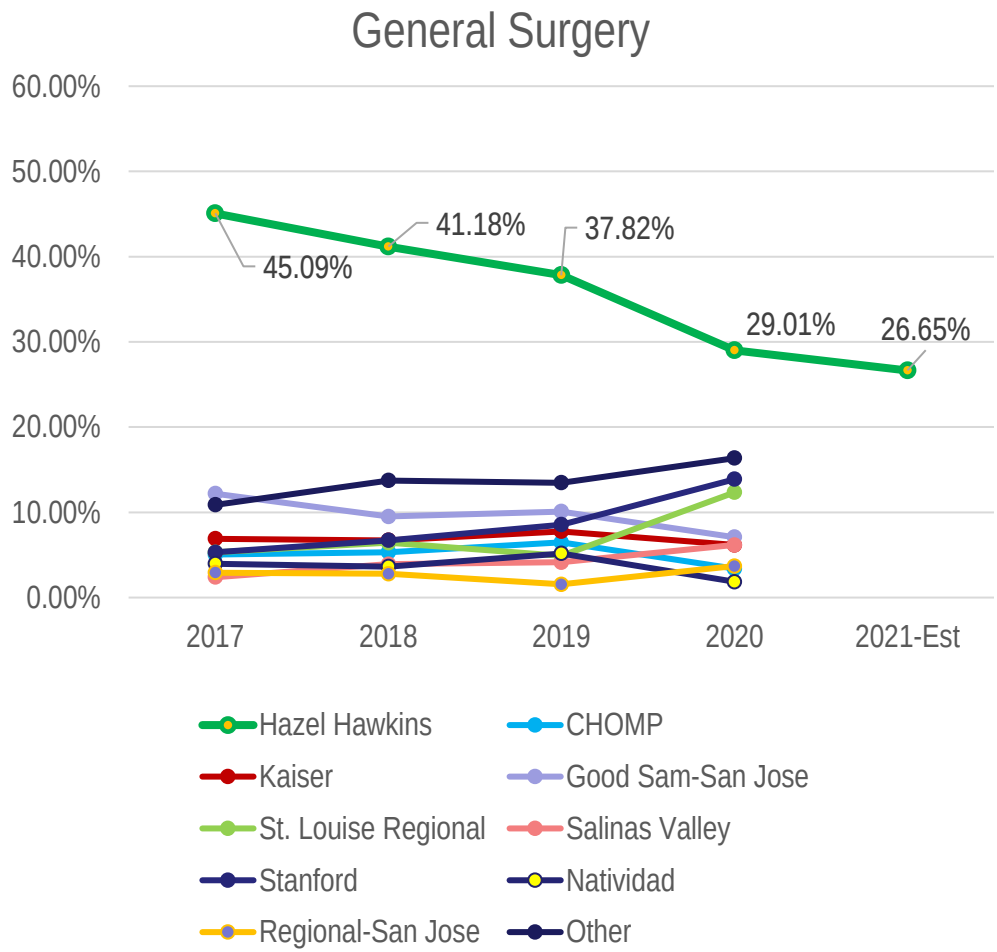
San Benito County

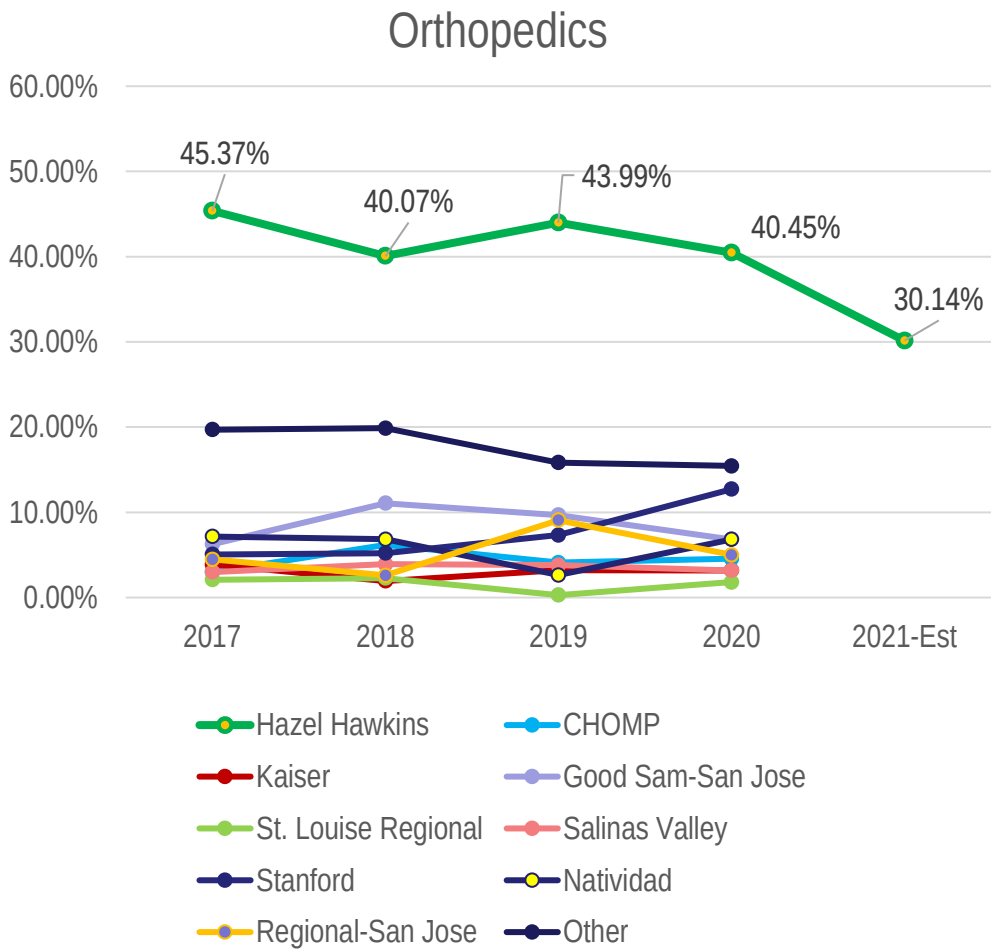


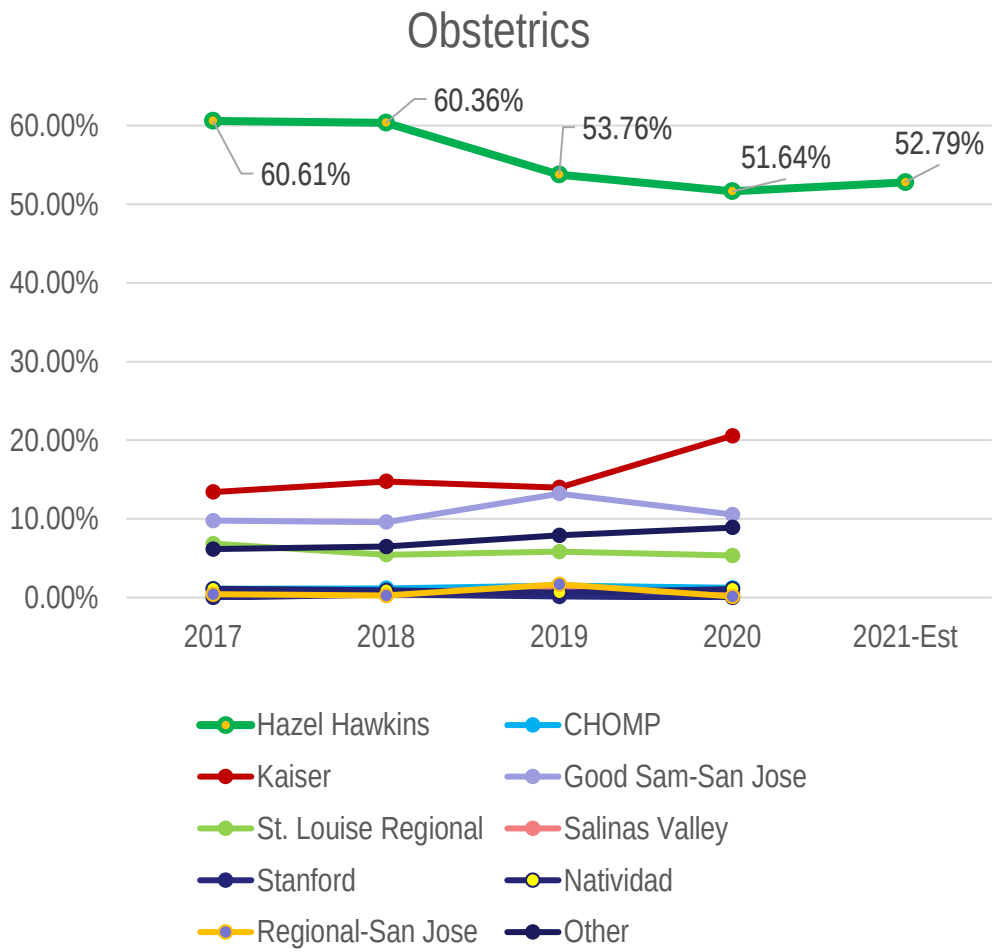
IP Market Share
2017-2021




General Medicine
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
57.05%
57.83%
53.11%
49.45%
57.08%
2017
2018
2019
2020
2021-Est
Hazel Hawkins
CHOMP
Kaiser
Good Sam-San Jose
St. Louise Regional
Salinas Valley
Stanford
Natividad
Regional-San Jose
Other

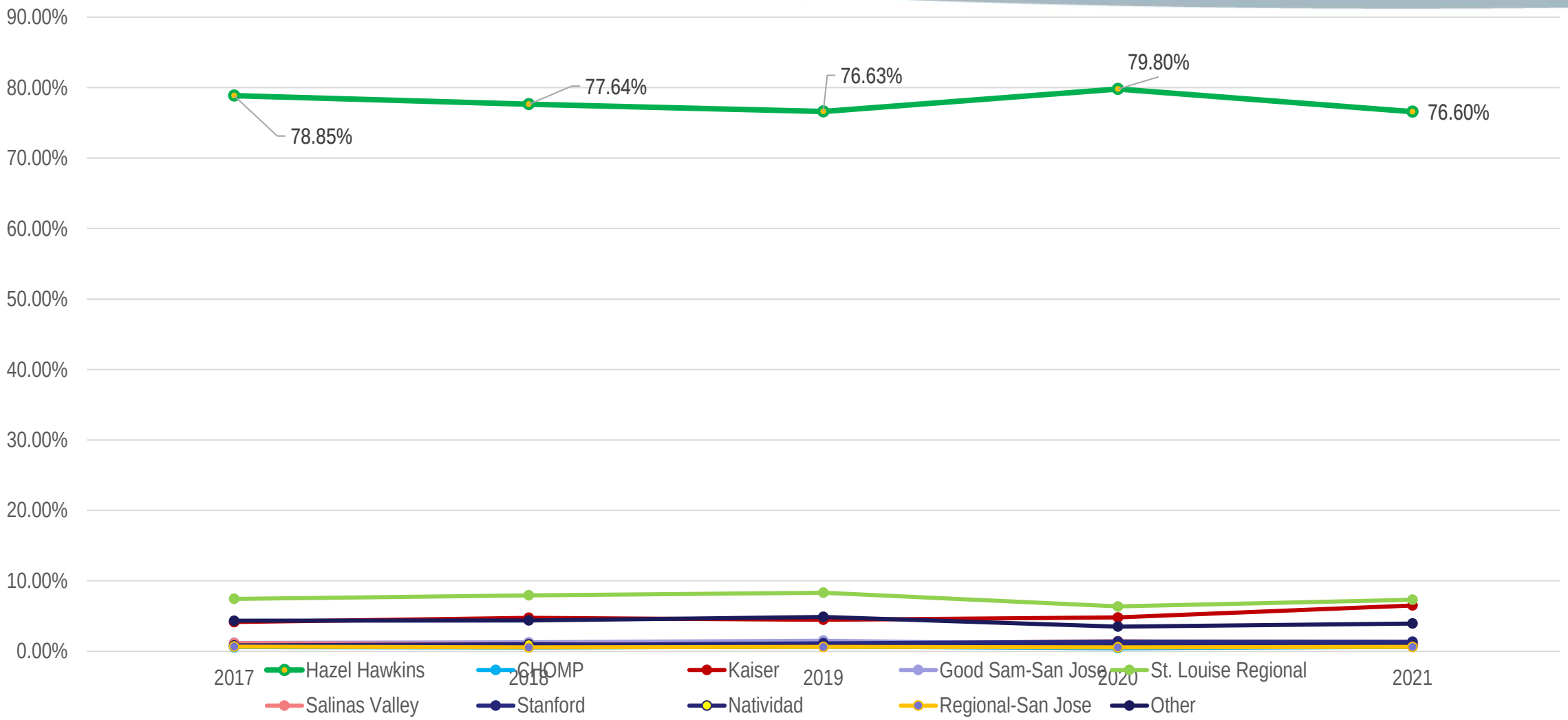

General Surgery
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
45.09%
41.18%
37.82%
29.01%
26.65%
2017
2018
2019
2020
2021-Est
Hazel Hawkins
CHOMP
Kaiser
Good Sam-San Jose
St. Louise Regional
Salinas Valley
Stanford
Natividad
Regional-San Jose
Other


Orthopedics
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
45.37%
40.07%
43.99%
40.45%
30.14%
2017
2018
2019
2020
2021-Est
Hazel Hawkins
CHOMP
Kaiser
Good Sam-San Jose
St. Louise Regional
Salinas Valley
Stanford
Natividad
Regional-San Jose
Other


Obstetrics
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
60.61%
60.36%
53.76%
51.64%
52.79%
2017
2018
2019
2020
2021-Est
Hazel Hawkins
CHOMP
Kaiser
Good Sam-San Jose
St. Louise Regional
Salinas Valley
Stanford
Natividad
Regional-San Jose
Other

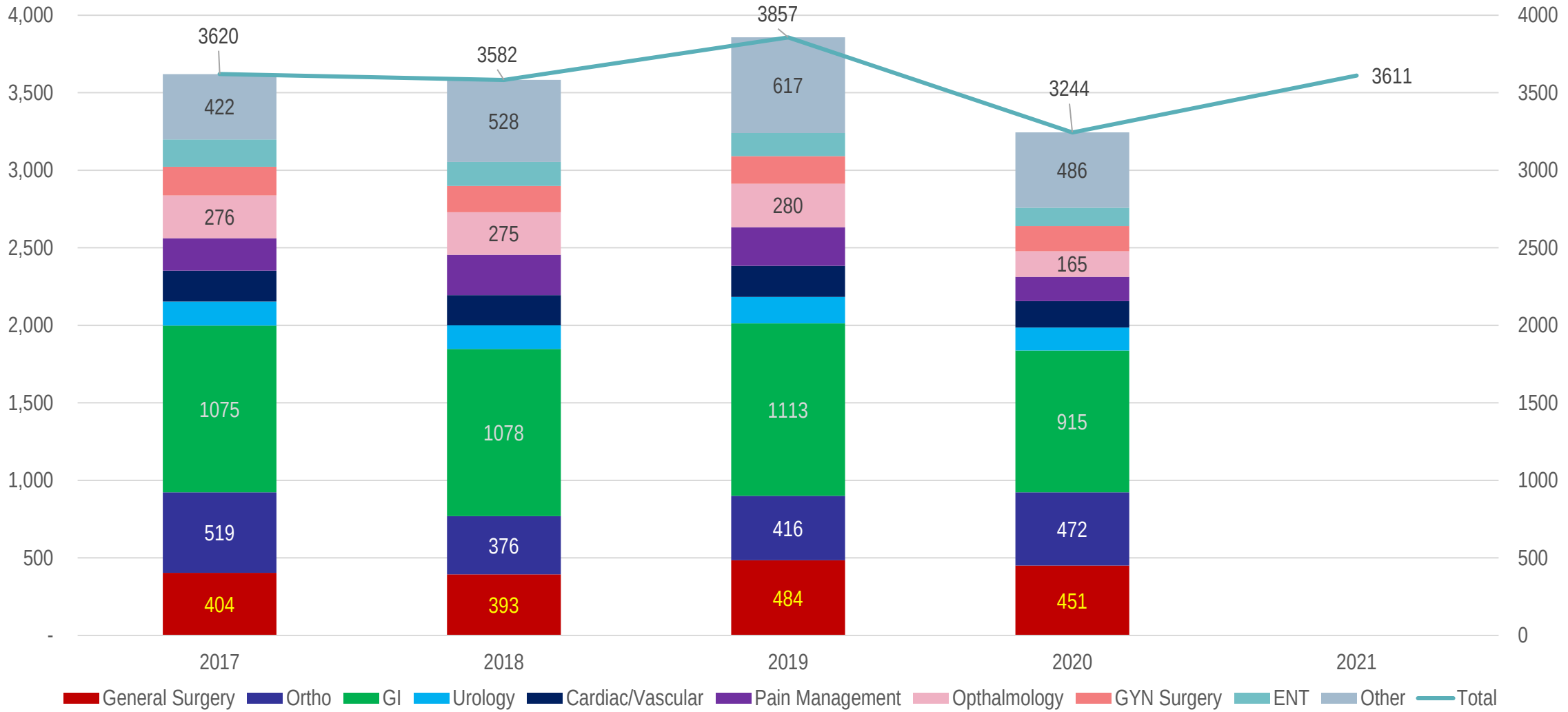
OP ER Market Share

2017-2021



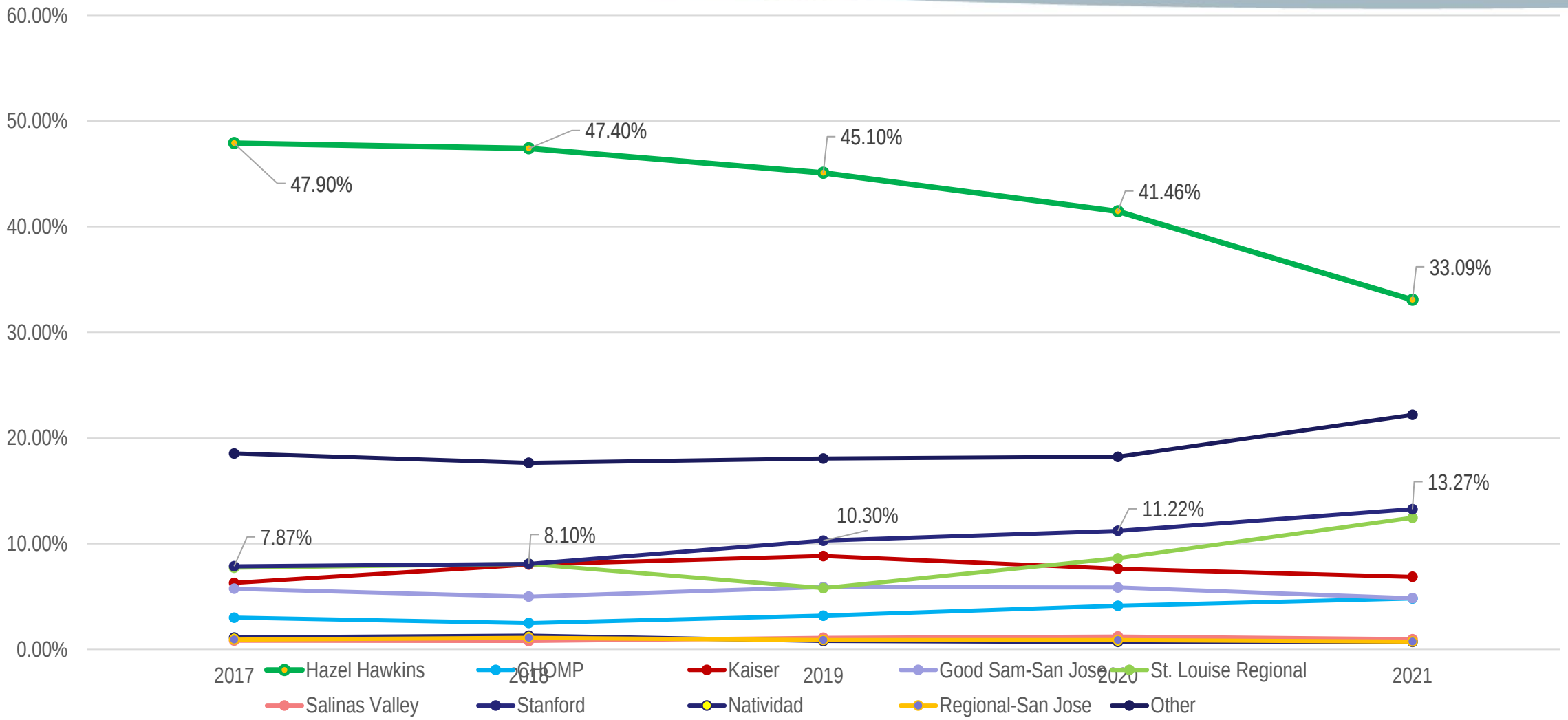
Ambulatory Surgery Encounters

Stark Service Area-Hospitals Only



Hospital ASC Market Share

2017-2021



Does not include non-hospital ASC Volumes

Hazel Hawkins Memorial Hospital Ambulatory Surgery & GI	Outpatient				
	Service Area	In-Migration	Total Cases	Outpatient Market-2019	OP Market Share
Cosmetic Procedures	-	-	-	344	0.0%
ENT	18	1	19	993	1.8%
Gastroenterology	787	116	903	3,307	23.8%
General Surgery	294	51	345	916	32.1%
Gynecology	96	15	111	734	13.1%
Neurosurgery	-	-	-	132	0.0%
Obstetrics	-	-	-	43	0.0%
Opthalmology	116	18	134	2,319	5.0%
Orthopedics	142	15	157	3,086	4.6%
Pain	241	26	267	1,471	16.4%
Pulmonology	-	-	-	75	0.0%
Spine	-	-	-	211	0.0%
Thoracic Surgery	-	-	-	74	0.0%
Urology	15	4	19	1,319	1.1%
Vascular	-	-	-	60	0.0%
Grand Total	**1,709**	**246**	**1,955**	**15,084**	**11.3%**

Source:HHMH Surgical Services Case Log, Advisory Board

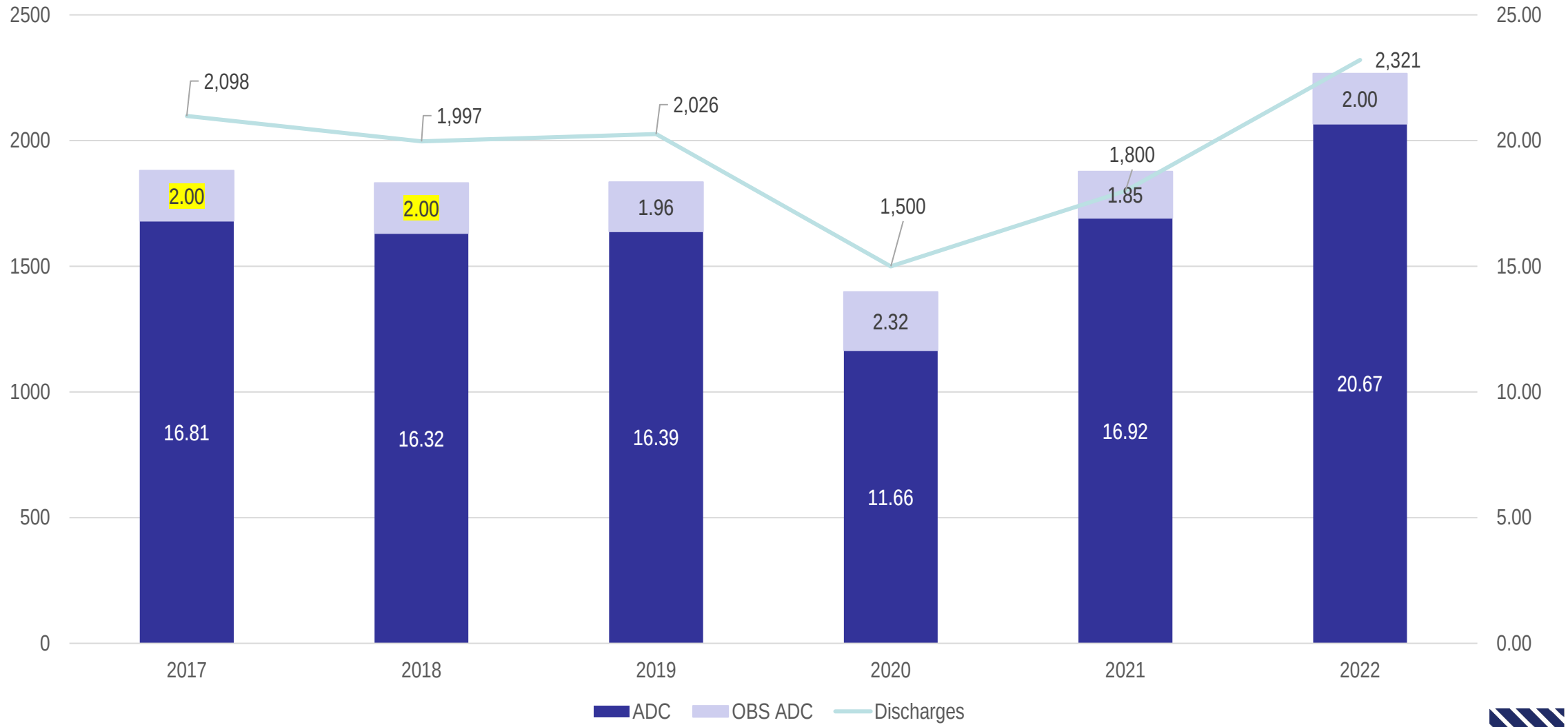
- The Service Area generated over 15,000 ambulatory surgery and endoscopy procedures in 2019.
  - Only about 25% of those were done in a hospital setting.
- HHMH captured about 11% of those volumes.

Hazel Hawkins
MEMORIAL HOSPITAL

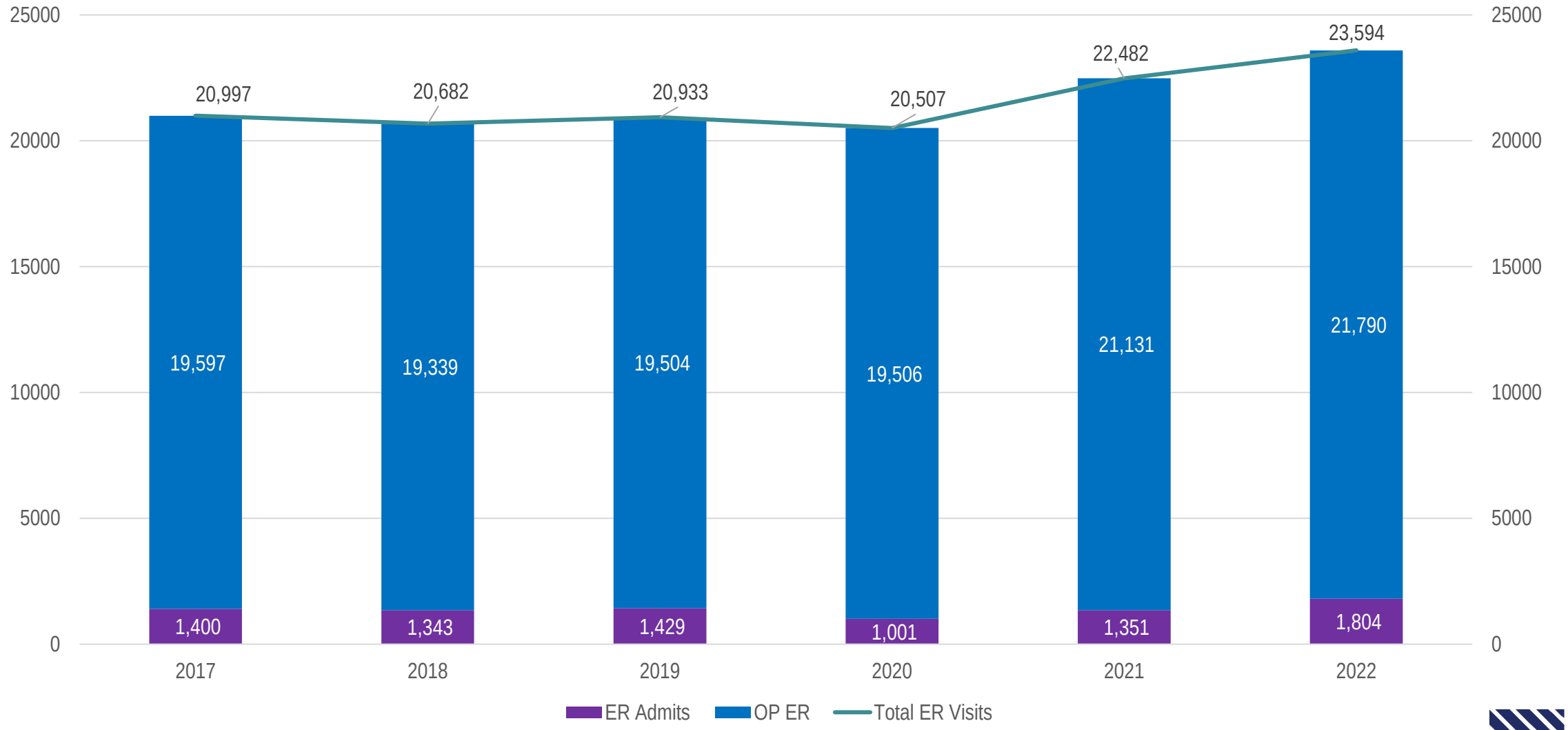
Hospital Volume Trends

ADAMS®

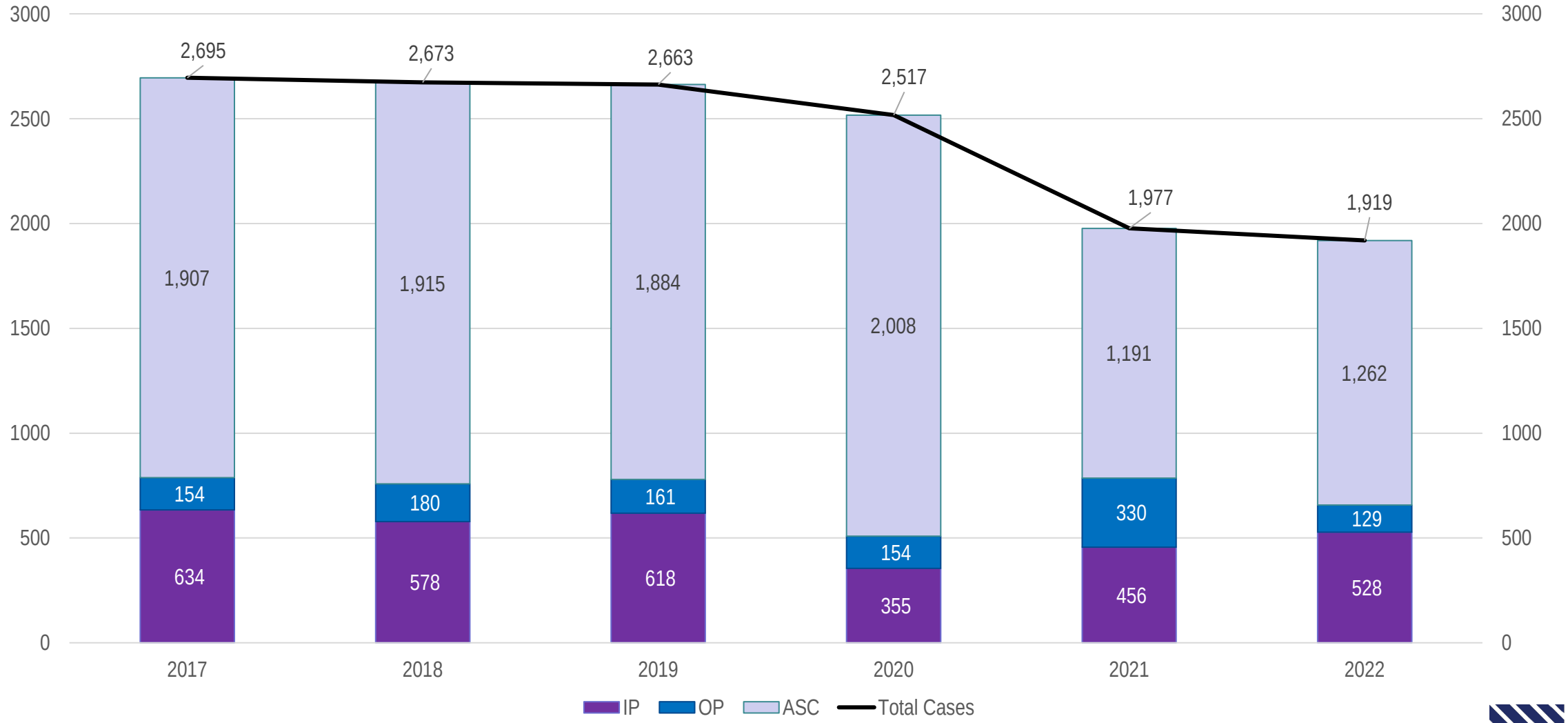
Inpatient Discharges & Average Daily Census



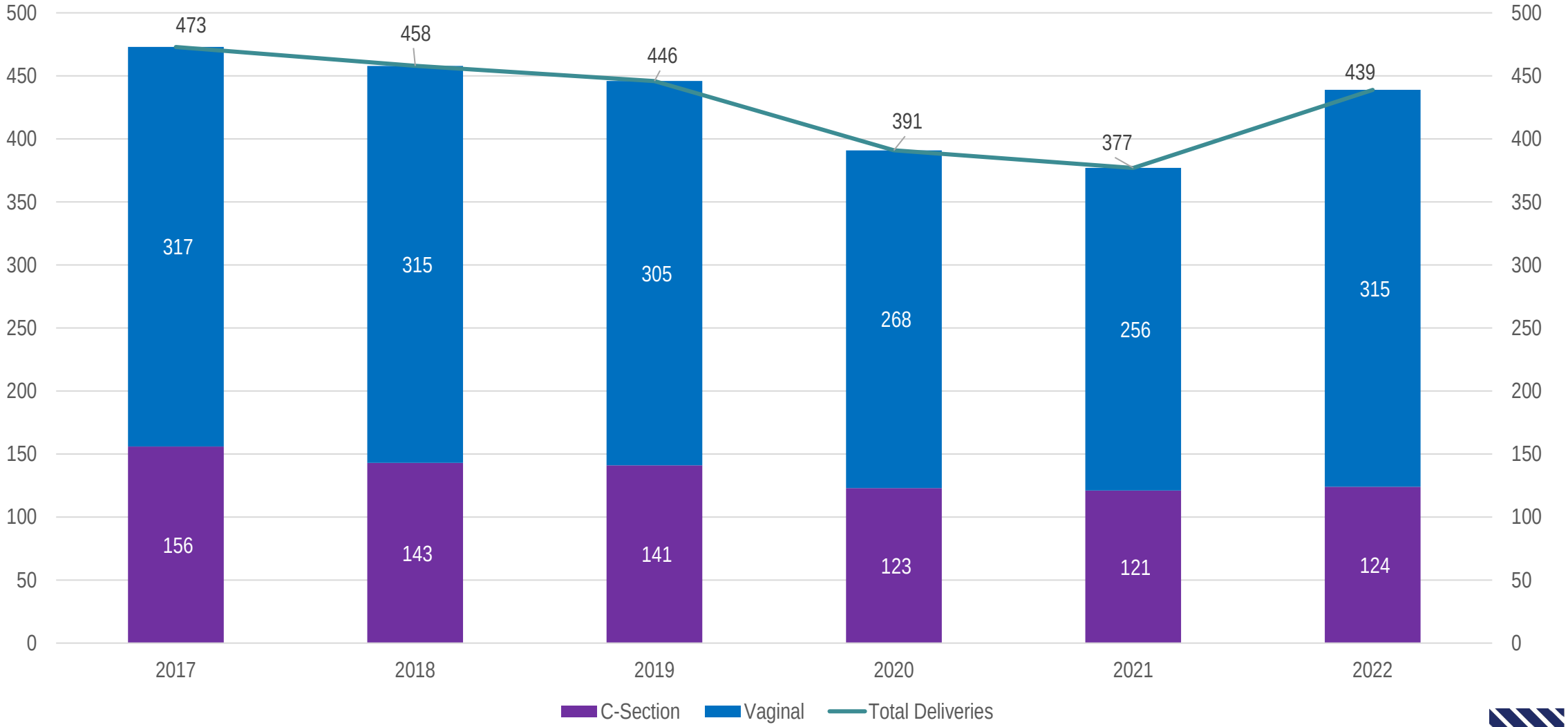
ER Visits

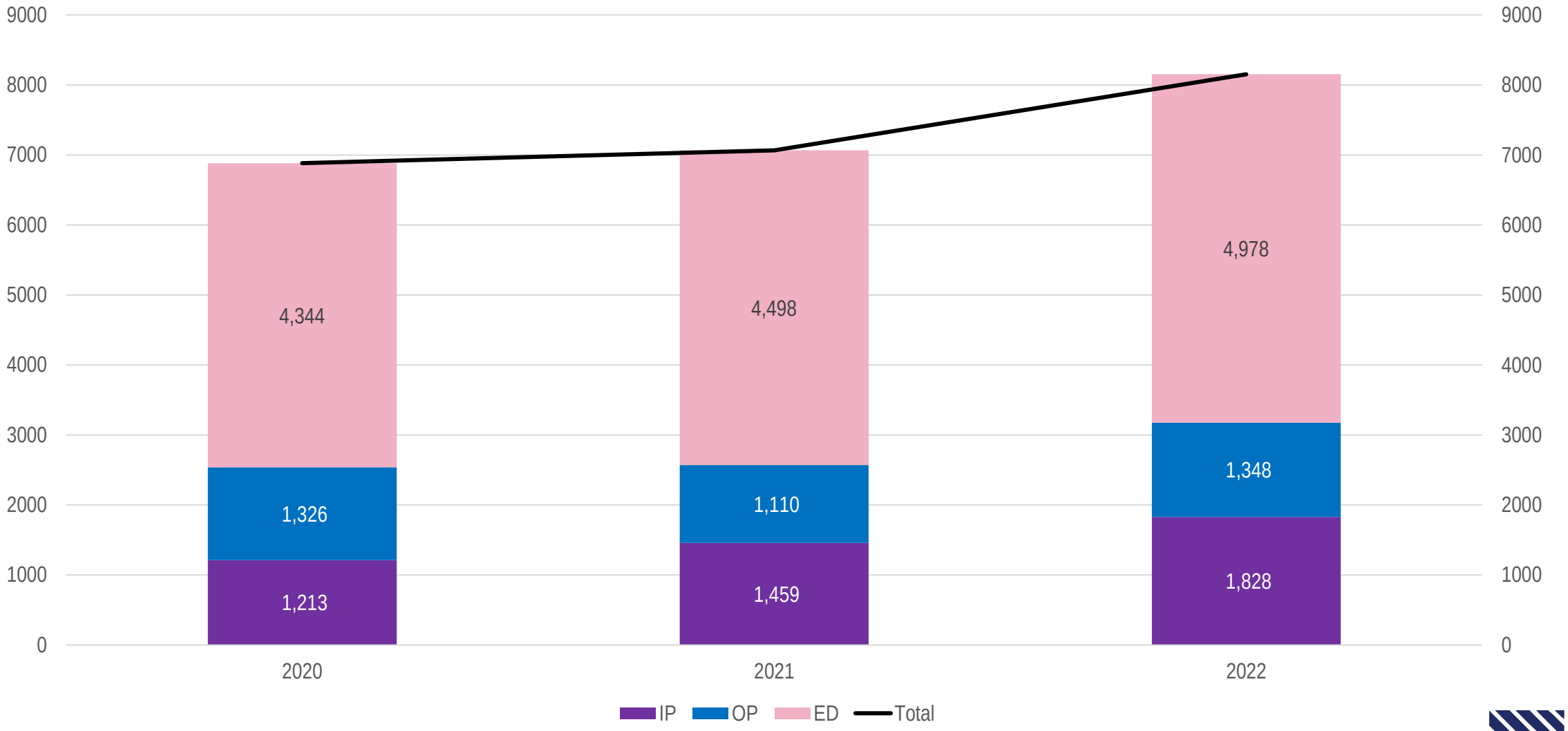


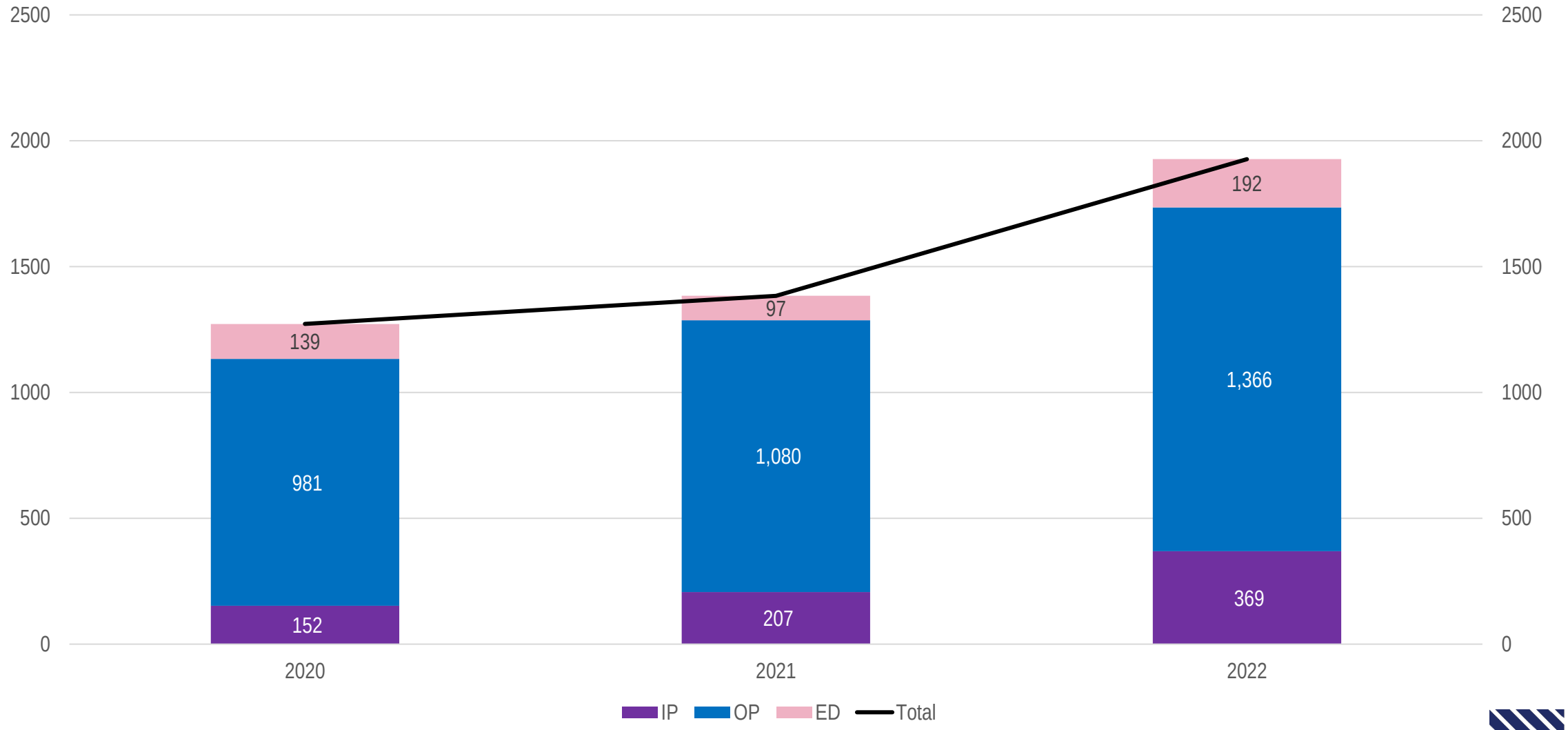
Surgical Cases



Deliveries



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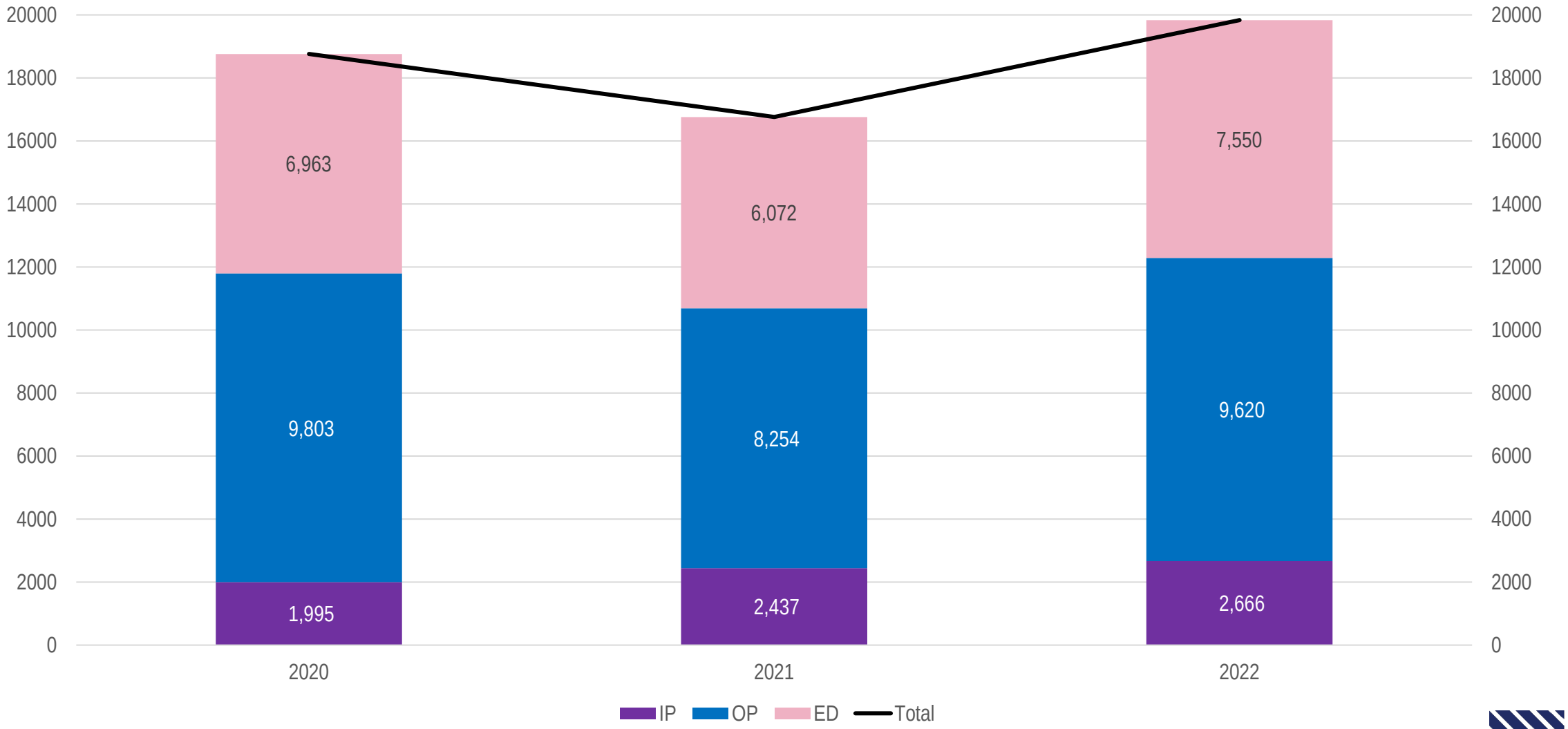
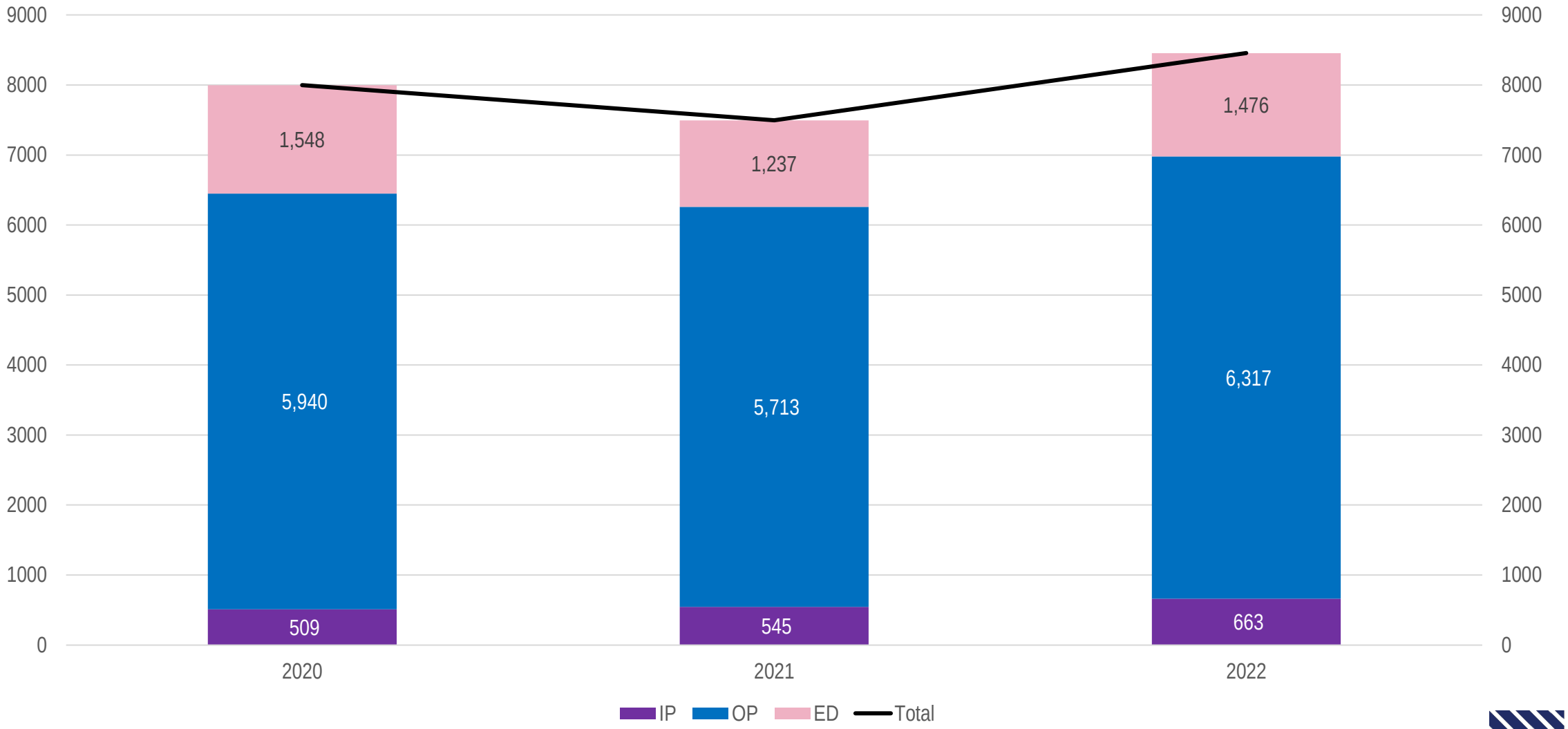
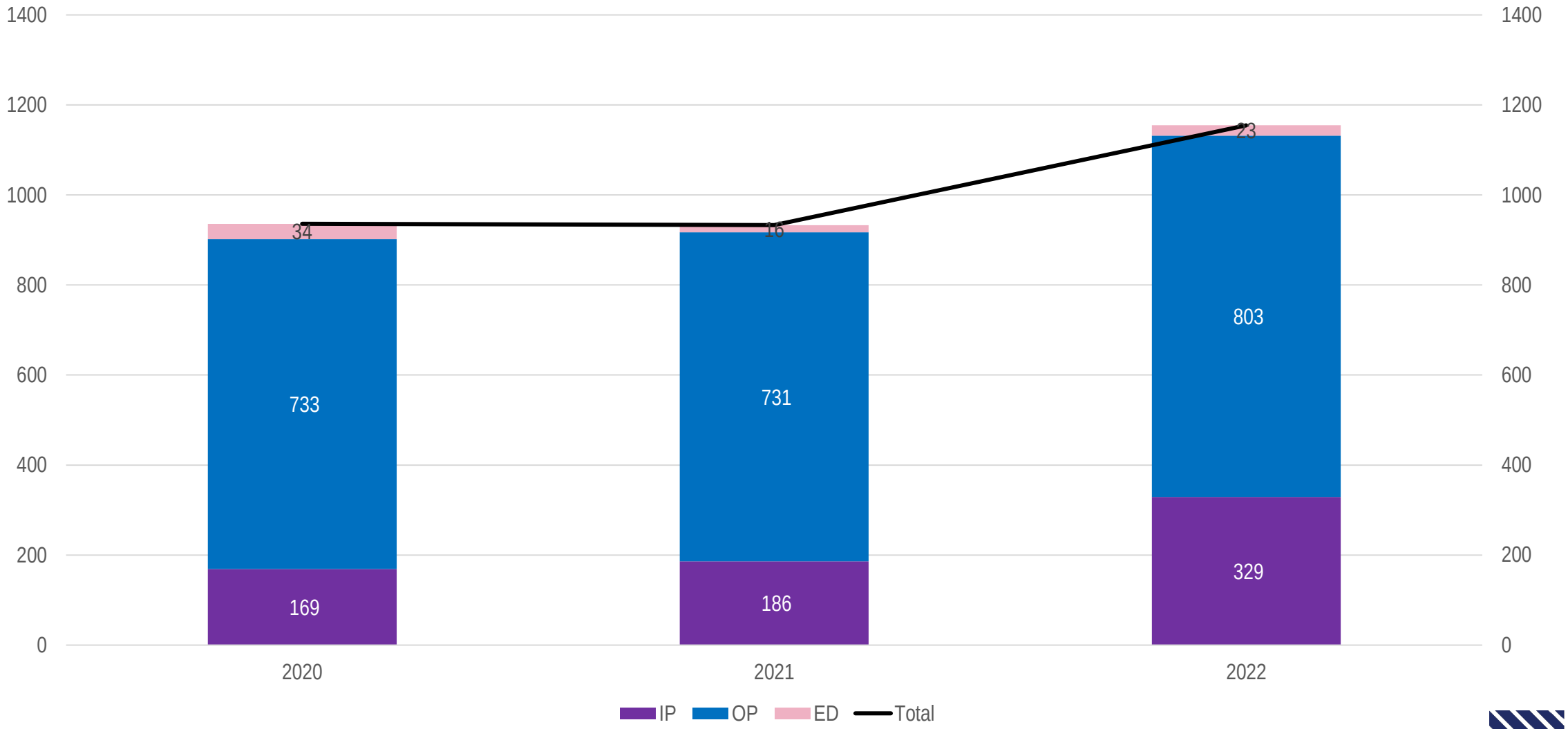
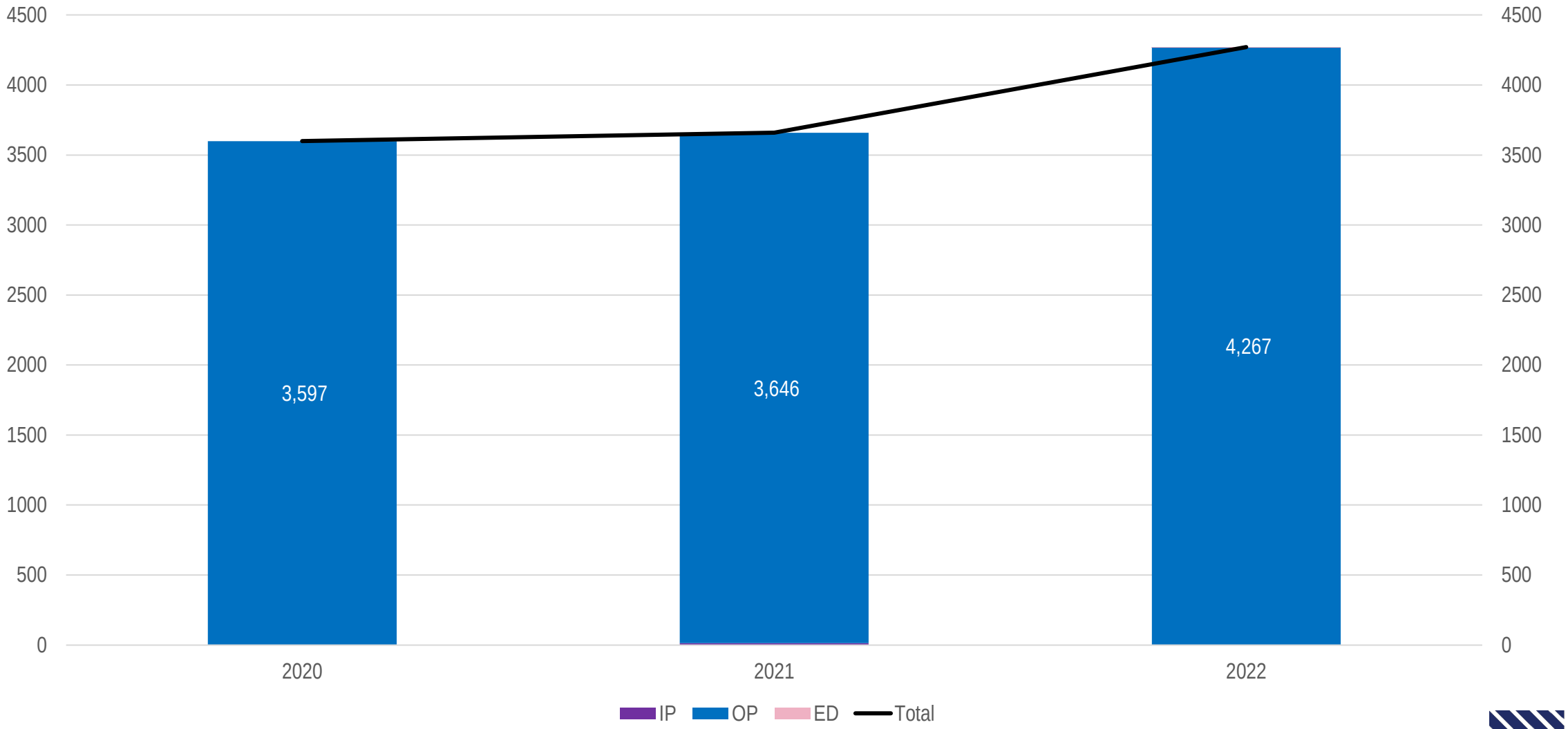






Mammo



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Provider Base

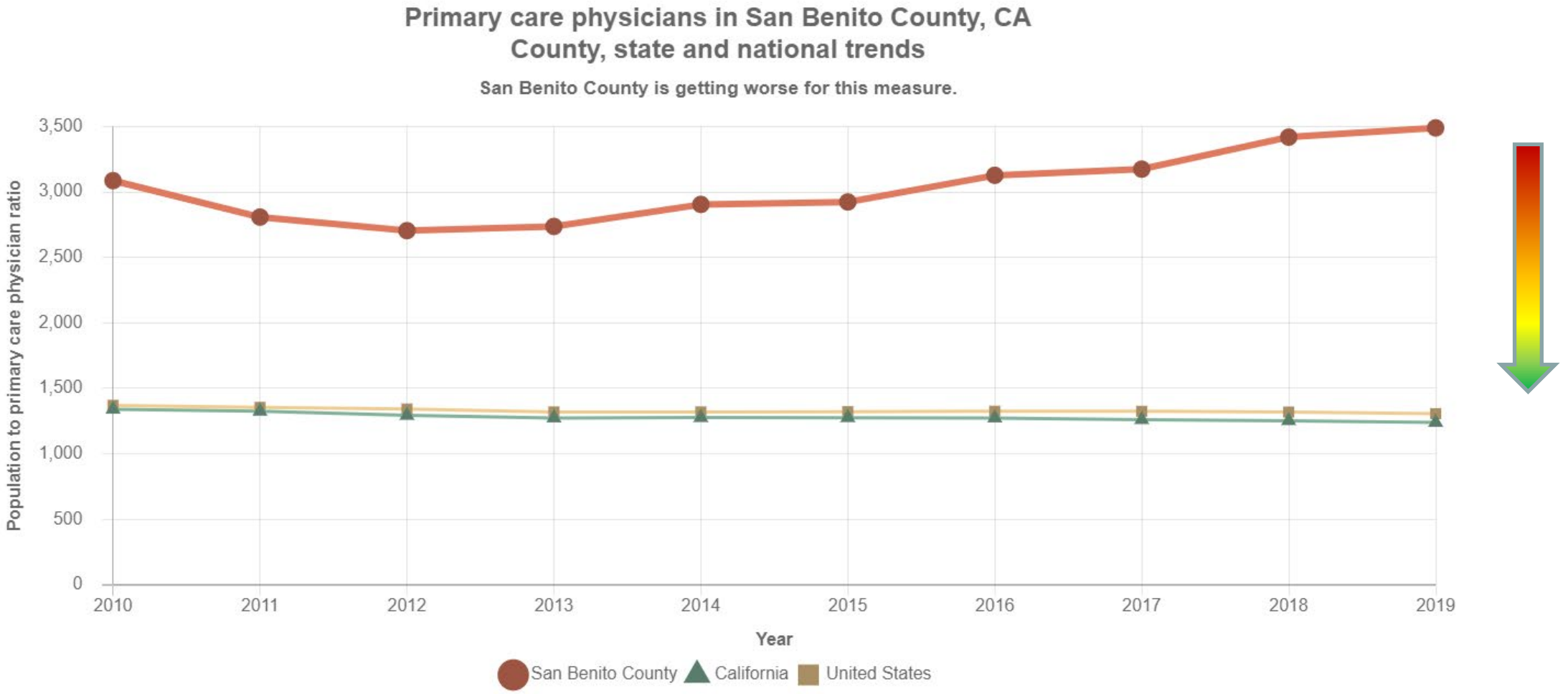
ADAMS®

	San Benito (SN) County	Trend	Error Margin	Top U.S. Performers	California
Clinical Care					
Uninsured	9%		8-10%	6%	9%
Primary care physicians	3,490:1			1,010:1	1,240:1
Dentists	2,000:1			1,210:1	1,130:1
Mental health providers	780:1			250:1	240:1
Preventable hospital stays	2,575			2,233	3,067
Mammography screening	39%			52%	37%
Flu vaccinations	48%			55%	43%
Other primary care providers	2,560:1			580:1	1,370:1

	San Benito (SN) County	Trend	Error Margin	Top U.S. Performers	California
Health Behaviors					
Adult smoking	12%		10-14%	15%	10%
Adult obesity	30%		29-32%	30%	26%
Food environment index	9.2			8.8	8.9
Physical inactivity	25%		23-28%	23%	22%
Access to exercise opportunities	82%			86%	93%
Excessive drinking	20%		19-21%	15%	19%
Alcohol-impaired driving deaths	28%		21-35%	10%	28%
Sexually transmitted infections	436.3			161.8	599.1
Teen births	16		14-18	11	16
Frequent physical distress	12%		11-14%	10%	11%
Frequent mental distress	12%		11-14%	13%	12%
Diabetes prevalence	11%		10-12%	8%	9%

- High Level Primary Care analysis shows that the market is significantly understaffed.

Source: County Health Rankings & Roadmaps



Notes:
The data in this table reflect the average population served by a single primary care physician.

Source: County Health Rankings & Roadmaps

- Provider needs models are based on a mixture of population and productivity models for your specific market. Key consideration is given to:
  - Demographics; Age and Sex
  - Uninsured population
- Provider FTEs were compiled with the assistance of the facility to ensure all providers were accounted for:
  - Advanced Practice Providers are accounted for as a percentage of the Physician FTE capacity, based on specialty group.

Provider Needs
Summary

Specialty Group	Provider Specialty	Provider Demand		APP Supply		Physician Supply		Effective Provider Supply		Expected Provider Retirement	Percent Provider Retirement	Provider Surplus (Shortage)		Recommended Recruitment	
		2022	2027	2022	2027	2022	2027	2022	2027			2022	2027	Physician	APP
Primary Care	Family Practice	23.7	24.7	7.8	7.0	9.3	8.9	13.2	12.4	(0.80)	-6.1%	(10.5)	(12.3)	3.0	3.0
Primary Care	Geriatric Medicine	2.1	2.2	0.0	0.0	1.0	1.0	1.0	1.0	-	0.0%	(1.1)	(1.2)	1.0	0.4
Primary Care	Internal Medicine	17.8	18.5	1.0	1.0	4.0	3.0	4.5	3.5	(1.00)	-22.2%	(13.3)	(15.0)	4.0	4.0
Primary Care	Pediatrics	10.5	11.0	1.4	1.4	2.0	2.0	2.7	2.7	-	0.0%	(7.8)	(8.3)	2.0	2.0
Primary Care	Hospitalist	2.2	2.3	0.0	0.0	2.9	2.8	2.9	2.8	(0.10)	-3.4%	0.7	0.5	0.0	0.0
Primary Care	**Primary Care**	56.3	58.6	10.2	9.4	19.2	17.7	24.3	22.4	(1.90)	-7.8%	(32.0)	(36.2)	10.0	9.4
Medical Specialties	Allergy/Immunology	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(0.8)	(0.8)	0.5	0.0
Medical Specialties	Cardiology	3.0	3.2	0.0	0.0	1.4	0.8	1.4	0.8	(0.60)	-44.4%	(1.7)	(2.4)	1.0	0.0
Medical Specialties	Dermatology	2.1	2.2	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(2.1)	(2.2)	1.0	0.0
Medical Specialties	Endocrinology	0.7	0.8	0.0	0.0	1.0	1.0	1.0	1.0	-	0.0%	0.3	0.2	0.0	0.0
Medical Specialties	Gastroenterology	1.8	1.9	0.0	0.0	0.4	0.4	0.4	0.4	-	0.0%	(1.4)	(1.5)	1.0	0.0
Medical Specialties	Hematology/Oncology	1.5	1.6	0.0	0.0	0.2	0.2	0.2	0.2	-	0.0%	(1.3)	(1.4)	1.0	0.0
Medical Specialties	Infectious Disease	0.6	0.6	0.0	0.0	0.4	0.4	0.4	0.4	-	0.0%	(0.2)	(0.2)	0.0	0.0
Medical Specialties	Nephrology	0.8	0.8	0.0	0.0	0.2	0.1	0.2	0.1	(0.15)	-65.2%	(0.5)	(0.7)	0.0	0.0
Medical Specialties	Neurology	1.7	1.8	0.0	0.0	1.0	1.0	1.0	1.0	-	0.0%	(0.7)	(0.8)	0.0	0.0
Medical Specialties	Physical Medicine	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(1.2)	(1.2)	0.0	0.0
Medical Specialties	Psychiatry	7.2	7.4	0.0	0.0	1.0	1.0	1.0	1.0	-	0.0%	(6.2)	(6.4)	1.0	2.0
Medical Specialties	Pulmonology	1.2	1.3	0.0	0.0	0.4	0.4	0.4	0.4	-	0.0%	(0.8)	(0.9)	0.6	0.0
Medical Specialties	Radiation Therapy	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(0.6)	(0.7)	0.0	0.0
Medical Specialties	Rheumatology	0.7	0.8	0.0	0.0	0.5	0.5	0.5	0.5	-	0.0%	(0.3)	(0.3)	0.0	0.0
Medical Specialties	Other Medical Specialties	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(0.9)	(0.9)	0.0	0.0
Medical Specialties	**Medical Specialties**	24.9	25.9	0.0	0.0	6.4	5.7	6.4	5.7	(0.75)	-11.7%	(18.4)	(20.2)	6.1	2.0

- Note:
  - APP Providers in Primary Care are considered to manage 50% of a Physician's Workload

Provider Needs
Summary

Specialty Group	Provider Specialty	Provider Demand		APP Supply		Physician Supply		Effective Provider Supply		Expected Provider Retirement	Percent Provider Retirement	Provider Surplus (Shortage)		Recommended Recruitment	
		2022	2027	2022	2027	2022	2027	2022	2027			2022	2027	Physician	APP
Surgical Specialties	Cardiothoracic Surgery	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(0.5)	(0.5)	0.0	0.0
Surgical Specialties	General Surgery	7.3	7.6	0.6	0.6	3.0	3.0	3.1	3.1	-	0.0%	(4.2)	(4.5)	2.0	1.0
Surgical Specialties	Neurosurgery	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(1.0)	(1.0)	0.0	0.0
Surgical Specialties	OB/GYN	7.6	8.0	1.8	1.8	2.9	2.4	3.3	2.8	(0.50)	-15.0%	(4.3)	(5.1)	3.0	2.0
Surgical Specialties	Opthalmology	4.0	4.2	0.0	0.0	1.8	0.8	1.8	0.8	(1.00)	-57.1%	(2.3)	(3.4)	0.0	0.0
Surgical Specialties	Orthopedic Surgery	4.6	4.7	1.0	1.0	1.8	1.3	2.0	1.5	(0.50)	-25.0%	(2.6)	(3.2)	2.0	1.0
Surgical Specialties	Otolaryngology	1.5	1.6	0.0	0.0	0.1	0.1	0.1	0.1	-	0.0%	(1.5)	(1.5)	0.8	0.0
Surgical Specialties	Plastic Surgery	1.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(1.1)	(1.2)	0.0	0.0
Surgical Specialties	Urology	2.3	2.4	0.0	0.0	0.3	0.3	0.3	0.3	-	0.0%	(2.1)	(2.2)	1.0	0.0
Surgical Specialties	Vascular Surgery	0.9	1.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%	(0.9)	(1.0)	0.0	0.0
Surgical Specialties	Other Surgical Specialties	3.1	3.2	0.0	0.0	2.0	2.0	2.0	2.0	-	0.0%	(1.1)	(1.2)	0.0	0.0
Surgical Specialties	**Surgical Specialties**	34.0	35.4	3.3	3.3	11.7	9.7	12.5	10.5	(2.00)	-16.0%	(21.5)	(24.9)	8.8	4.0
Hospital-Based	Anesthesiology	12.7	13.2	2.0	0.0	1.8	1.8	3.8	1.8	(2.00)	-53.3%	(8.9)	(11.4)	1.3	1.3
Hospital-Based	Emergency	8.7	9.1	0.3	0.3	2.0	1.8	2.1	1.9	(0.25)	-11.8%	(6.6)	(7.2)	3.3	0.0
Hospital-Based	Radiology	13.4	13.9	0.0	0.0	0.8	0.8	0.8	0.8	-	0.0%	(12.6)	(13.2)	0.0	0.0
Hospital-Based	Pathology	8.5	8.9	0.0	0.0	1.0	1.0	1.0	1.0	-	0.0%	(7.5)	(7.9)	0.0	0.0
Hospital-Based	**Hospital-Based**	43.3	45.0	2.3	0.3	5.5	5.3	7.6	5.4	(2.25)	-29.5%	(35.7)	(39.7)	4.6	1.3

Clinic	Type	Exam Rooms	Max Providers/Day: Physician	APP	Other Provider	Target Exam Rooms 3/MD, 2/APP
First Street	Primary Care	7	2	6	1	20
Fourth Street	Primary Care/OB	7	2	4		14
San Juan Bautista	Primary Care	3	1	1		5
Sunset / Annex	Primary Care	9	7	3		27
Barragan Center	Primary Care/Endocrine	6	4	2	1	18
Multi-Specialty (MSC)	Specialist Clinic	6	6	0		18
Orthopedic Specialty	Surgical Specialists	6	3	0		9
Current Exam Room Needs		***44***				***111***
Recruitment Plan	Primary Care		10	10		50
	Medical Specialists		6		2	22
	Surgical Specialists		3	4		17
						89
Exam Room Needs-2026						***200***

Note: Target Exam Rooms 3/MD, 2/APP, 1 Office for Virtual/Prov

- Current State:
  - Current facilities lack adequate exam room space.
  - Buildings are relatively small and lack a cohesive appearance/attachment to HHMH.
- Impact of Recruitment Plan:
  - Significant additional clinic space needs to be acquired.
- Evolving Care Models:
  - Expansion of Virtual Care will impact the types/numbers of rooms needed for providers.

- Target Recruitment Areas:
  - Primary Care:
    - 10 MDs plus 10 APPs
  - Specialists:
    - OB/GYN & APP support
    - Ortho & APP support
    - GI
    - ENT
    - Urology

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Barriers/Missing Services

ADAMS®

- What service limitations at Hazel Hawkins result in patients being sent to other systems for care?

Market Opportunity Summary

Opportunity Identification

Procedural Splitting

- **$9.2M** in additional procedural opportunity from loyalist & splitter physicians within Hazel Hawkins Memorial Hospital's defined primary markets

PCP Referral Opportunity

- **$32.6M** in remaining downstream PCP referral opportunity from all PCPs based within the above-defined market

Outreach Execution

- Develop **initiatives** around prioritized action items
- Plan **approach strategy** and develop **talking points** for conversations
- Log **visit reports** on physician or practice group level
- **Track change in referral/procedural activity** to Hazel Hawkins Memorial Hospital over a user-defined time period

Small changes can drive quick returns

$9.2M Estimated Procedural Opportunity	+	**$32.6M** PCP Downstream Opportunity	x	1%	=	**$454K** Estimated Potential Return

Data covers May 2021 – April 2022
Source: Optum Market Advantage

- Physician Offices
  - Option 1: 3rd Floor Women's Center
    - 30 exam rooms
    - Capacity for up to 10 providers at a time
  - Option 2: Medical Office Complex
    - Developer Build?
    - Existing Space Lease?

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Revenue Building Strategies

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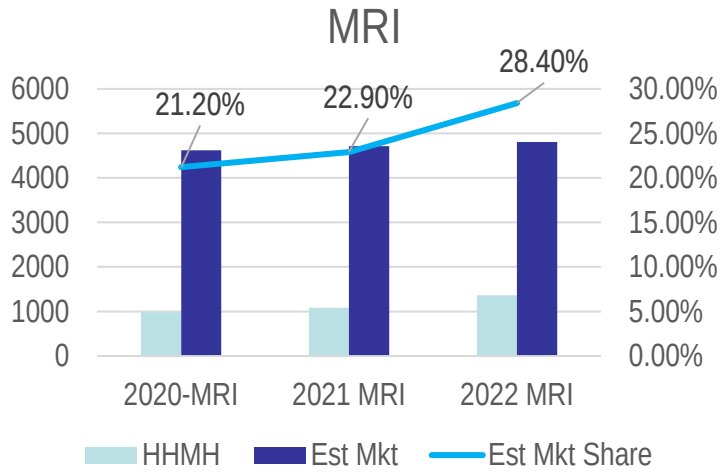
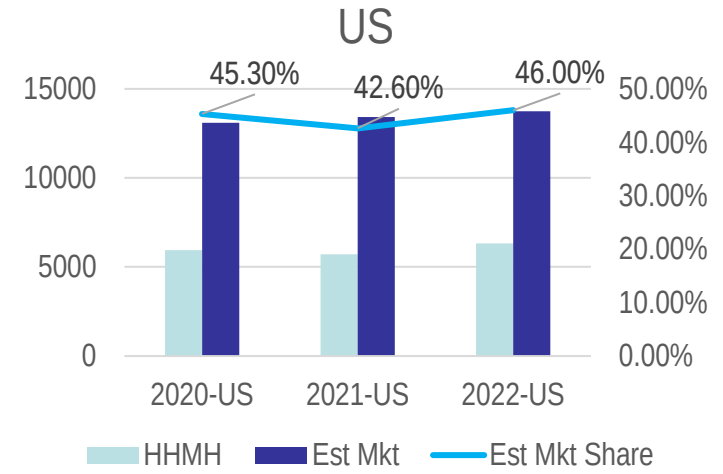
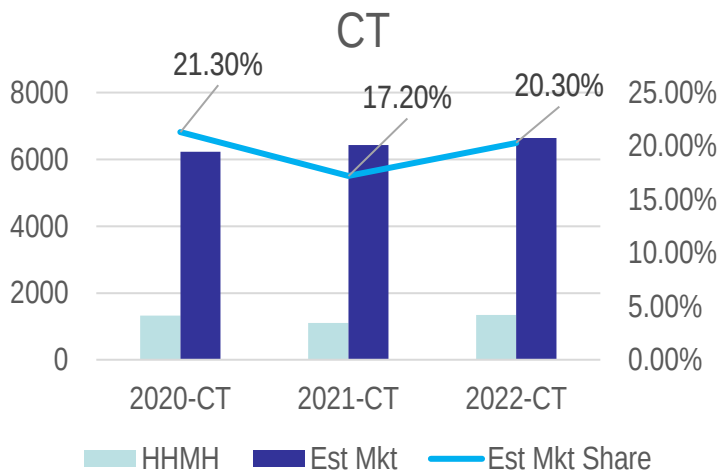
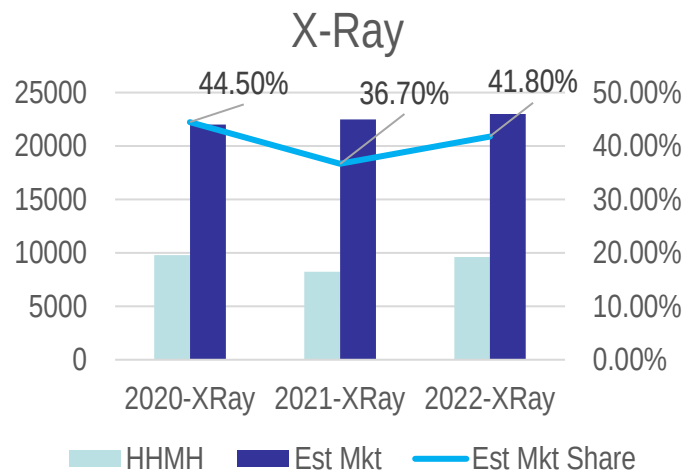
- Provider Recruitment Strategies:
  - Precepting APP Students
  - Precepting Medical Students
  - National Search Firms
  - Internal Provider Recruiter

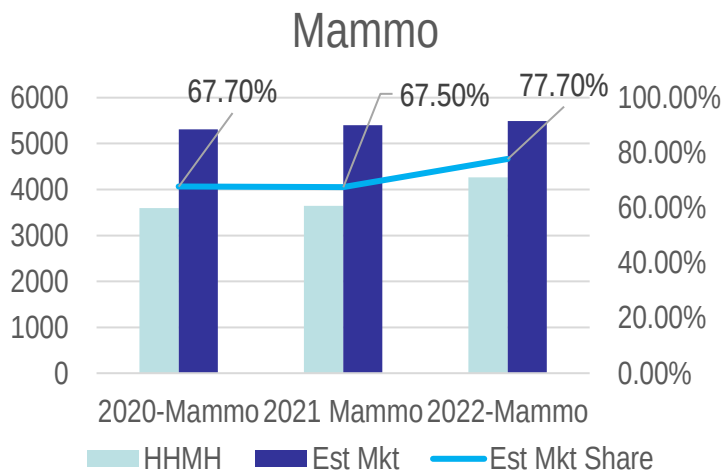
- Outpatient Imaging
  - Payor preference for non-hospital services which don't exist in Hollister.



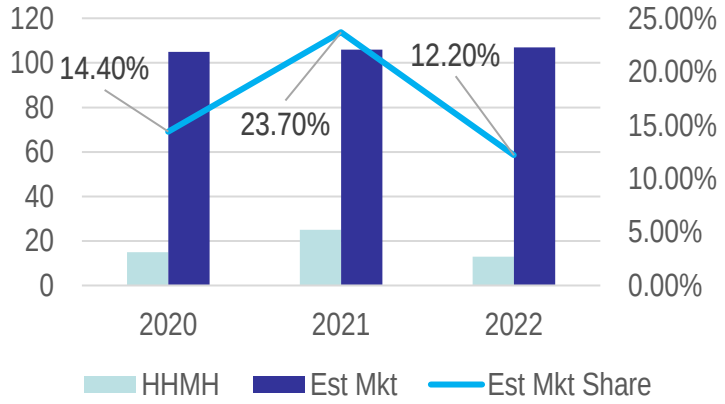








Breast Surgery



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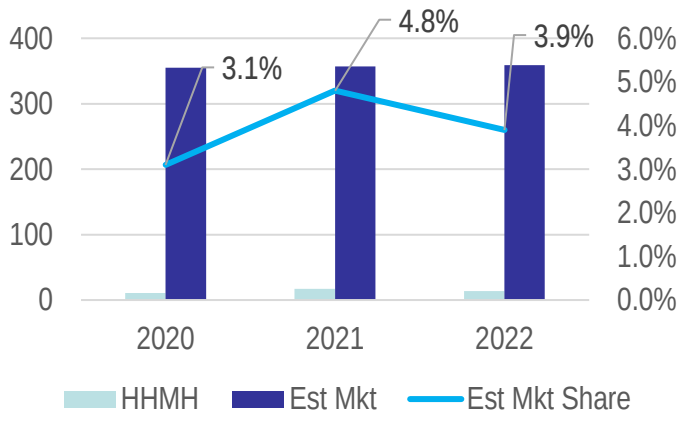
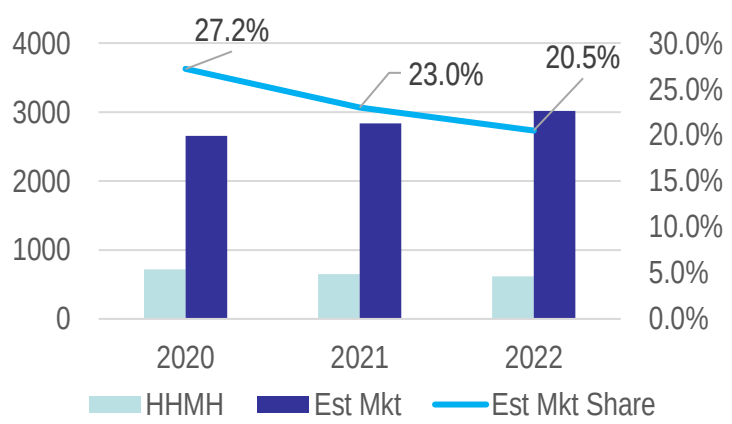


GI/Endo



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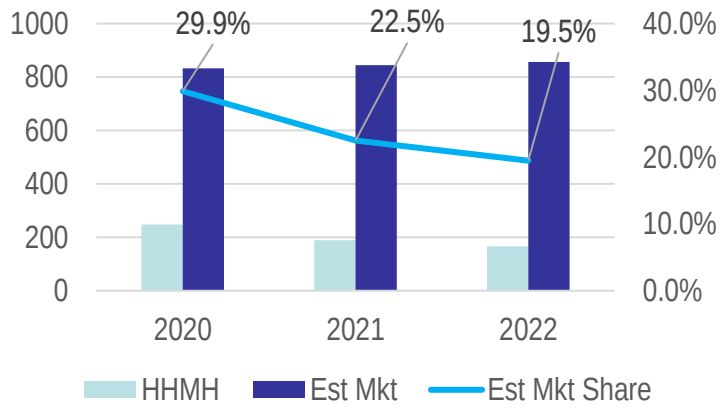
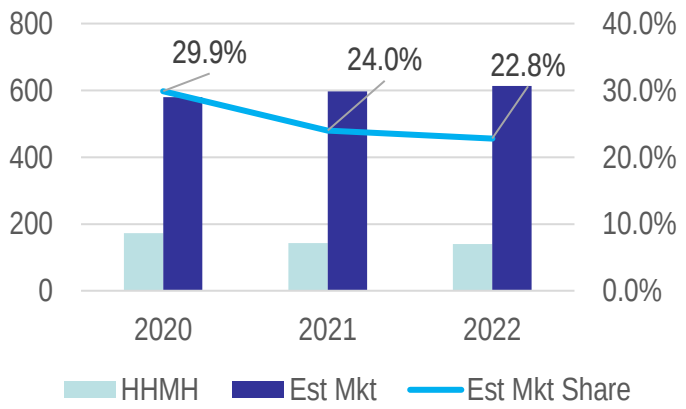
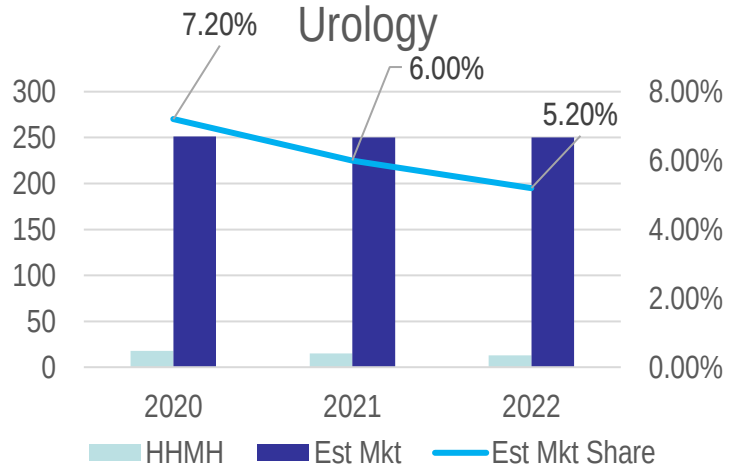


Ortho



Urology



- Surgical Services:
  - General Surgery
    - Breast Program Development
    - Bariatrics
  - Orthopedic Surgery
    - Joint Replacement
- Gastroenterology
  - Endo Procedures
- Urology
  - Lithotripsy
  - Prostate

- Medical Oncology
  - Infusion
  - Clinic
- Non-Chemo Infusion
- Cardiac Imaging/NI Vascular

- Other Ideas/Considerations?

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Course Direction

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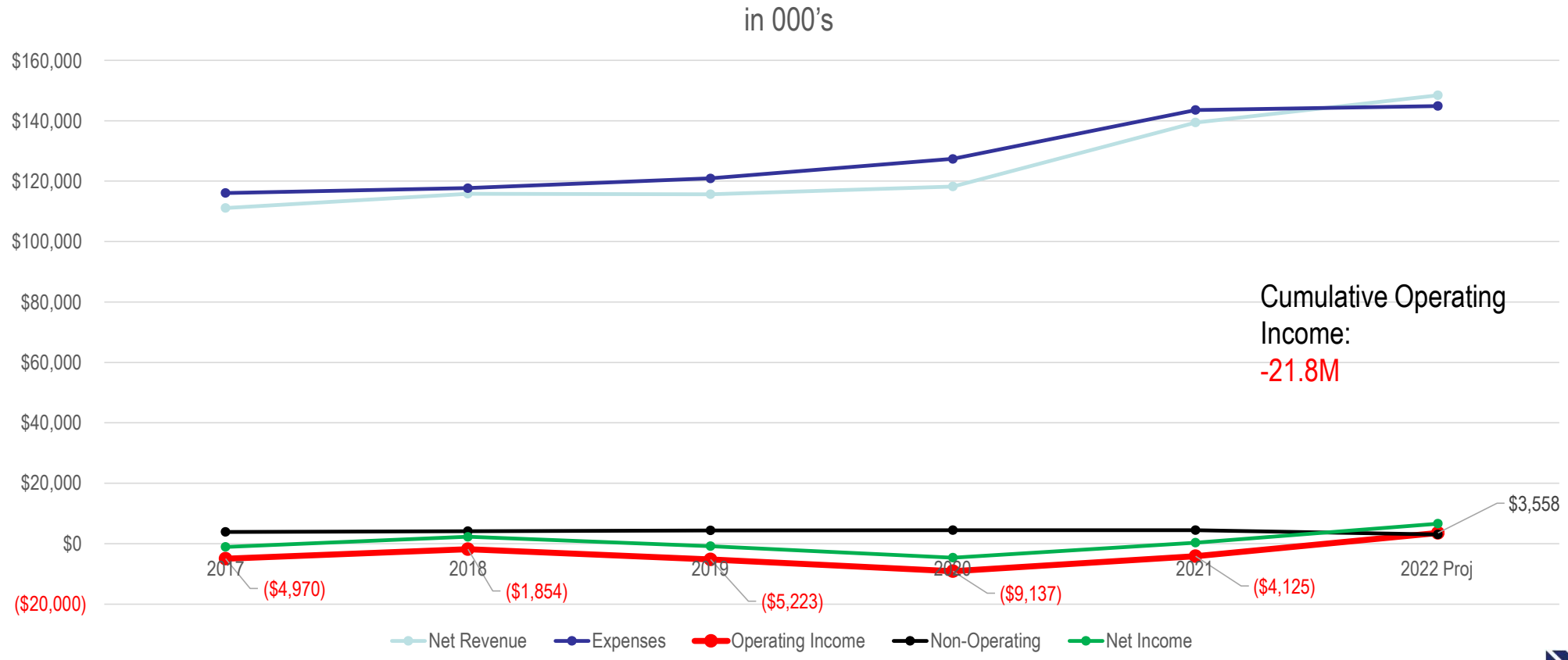
- Priorities from workshop:
  1) Provider Recruitment
     A) Primary Care Recruitment
     B) Medical Office Building Development
  2) Practice Management
  3) Breast Surgery Program
  4) Outpatient GI
  5) Outpatient Imaging

- Re-Ordered Priorities, considering cost and time factors:
  1) Outpatient GI
     - Relatively low cost of expanding services in current GI Procedure room in ASC.
     - Contract opportunity in progress.
  2) Breast Surgery Program
     - Relatively low cost of adding Mammotome to expand service capabilities.
  3) Practice Management
     - Work on referral patterns for surgical and GI services.
       – Data Sources (Optum vs. Internal)
     - Imaging data sharing to improve reporting of imaging back to providers.
  4) Provider Recruitment
     - Primary Care Providers
     - New Primary Care office in same complex as MSC, if space is still available for lease.

ADAMS Salaries and Benefits Analysis

HHMH Financial Trends



2020 Comparison to CA Hospitals Fiscal Year 2020	Revenues/Expenses per Adjusted Patient Day Hazel Hawkins Memorial Hospital	Best Comparable Non-System Facilities	Broader Comparison Group	Variance to Best Comparables		Variance to Broader Comparison Group	
Gross Patient Revenue	$ 2,537.05	$ 2,485.48	$ 2,763.20	$ 51.57	$ 6,029,049	$(226.15)	$ (26,439,197)
Deductions from Revenue	$ 1,644.99	$ 1,522.77	$ 1,689.12	$ 122.22	$ 14,288,740	$ (44.13)	$ (5,159,238)
Net Patient Revenue	$ 892.06	$ 962.71	$ 1,074.08	$ (70.65)	$ (8,259,691)	$(182.02)	$ (21,279,958)
Other Operating Revenue	$ 108.39	$ 70.72	$ 58.28	$ 37.67	$ 4,404,000	$ 50.11	$ 5,858,360
Total Operating Revenue	$ 1,000.45	$ 1,033.43	$ 1,132.36	$ (32.98)	$ (3,855,692)	$(131.91)	$ (15,421,598)
Expenses							
Salaries & Wages	$ 419.10	$ 384.92	$ 407.03	$ (34.18)	$ (3,995,984)	$ (12.07)	$ (1,411,104)
Employee Benefits	$ 234.24	$ 151.27	$ 150.12	$ (82.97)	$ (9,700,023)	$ (84.12)	$ (9,834,469)
Physician Pro. Fees	$ 122.20	$ 92.15	$ 77.46	$ (30.05)	$ (3,513,146)	$ (44.74)	$ (5,230,553)
Other Pro. Fees	$ 34.88	$ 47.59	$ 47.93	$ 12.71	$ 1,485,926	$ 13.05	$ 1,525,676
Supplies	$ 91.18	$ 115.09	$ 110.27	$ 23.91	$ 2,795,318	$ 19.09	$ 2,231,812
Purchased Services	$ 92.66	$ 105.91	$ 164.28	$ 13.25	$ 1,549,058	$ 71.62	$ 8,373,094
Depreciation	$ 35.63	$ 49.32	$ 42.41	$ 13.69	$ 1,600,498	$ 6.78	$ 792,650
Leases & Rentals	$ 15.24	$ 14.58	$ 18.53	$ (0.66)	$ (77,161)	$ 3.29	$ 384,634
Insurance	$ 2.32	$ 7.86	$ 7.95	$ 5.54	$ 647,681	$ 5.63	$ 658,203
Interest	$ 15.24	$ 16.47	$ 19.81	$ 1.23	$ 143,799	$ 4.57	$ 534,279
All Other Expenses	$ 26.49	$ 50.89	$ 60.04	$ 24.40	$ 2,852,604	$ 33.55	$ 3,922,331
Total Operating Expenses	$ 1,089.18	$ 1,036.05	$ 1,105.83	$ (53.13)	$ (6,211,428)	$ 16.65	$ 1,946,551
Operating Income	$ (88.73)	$ (2.62)	$ 26.53	$ (86.11)	$ 2,355,737	$(115.26)	$ (17,368,150)
Non-Operating Income/Expense	$ 48.93	$ 80.91	$ 86.74	$ (31.98)	$ (3,738,782)	$ (37.81)	$ (4,420,367)
Net Income	$ (39.80)	$ 78.29	$ 113.27	$(118.09)	$ (1,383,045)	$(153.07)	$ (21,788,517)
Salaries & Wages (% Net Rev)	41.9%	37.2%	35.9%				
Benefits Load (% Salaries & Wages)	55.9%	39.3%	36.9%				

Source: HCAi

2020 Comparison to CA Hospitals Fiscal Year 2020	Hazel Hawkins Memorial Hospital	Best Comparable Non-System Facilities	Broader Comparison Group
Hours per Adjusted Patient Day			
Management & Supervision	0.85	1.09	1.14
Technical & Specialist	1.77	2.06	2.11
Registered Nurses	1.63	1.81	1.95
Licensed Voc. Nurses	0.32	0.44	0.59
Aides & Orderlies	1.10	1.04	1.26
Clerical & Other Admin.	1.42	2.13	1.84
Environ. & Food Services	0.92	0.95	0.99
All Other Employees	0.31	1.00	0.84
Total Productive Hours	8.32	10.52	10.72
Total Paid Hours	9.95	12.09	12.31
% Non Productive	*16.4%*	*13.0%*	*12.9%*
Patient Days	*35,895*	*24,474*	*21,078*
General Acute	*4,267*	*3,189*	*3,172*
Psych	-	-	584
Rehab	-	-	-
LTC	31,628	21,285	17,322
% LTC	*88.1%*	*87.0%*	*82.2%*
Adjusted Patient Days	116,910	72,932	54,614

Source: HCAi

2020 Benchmark Comparison

Best Comparable Non-System Facilities	Broader Comparison Group
BARTON MEMORIAL HOSPITAL	ALAMEDA HOSPITAL
CENTRAL VALLEY SPECIALTY HOSPITAL	BARTON MEMORIAL HOSPITAL
EASTERN PLUMAS HEALTH CARE	BEAR VALLEY COMMUNITY HOSPITAL
GEORGE L. MEE MEMORIAL HOSPITAL	CATALINA ISLAND MEDICAL CENTER
HAZEL HAWKINS MEMORIAL HOSPITAL	CENTRAL VALLEY SPECIALTY HOSPITAL
KERN VALLEY HOSPITAL DISTRICT	CHILDREN'S HEALTHCARE ORGANIZATION OF NO CA - PEDIATRIC HOSP
LOMPOC VALLEY MEDICAL CENTER	EASTERN PLUMAS HEALTH CARE
MAYERS MEMORIAL HOSPITAL	GEORGE L. MEE MEMORIAL HOSPITAL
MODOC MEDICAL CENTER	HAZEL HAWKINS MEMORIAL HOSPITAL
OAK VALLEY HOSPITAL DISTRICT	HEALDSBURG DISTRICT HOSPITAL
OJAI VALLEY COMMUNITY HOSPITAL	HEALTHBRIDGE CHILDREN'S HOSPITAL - ORANGE
ORCHARD HOSPITAL	JEROLD PHELPS COMMUNITY HOSPITAL
RIDGECREST REGIONAL HOSPITAL	JOHN C. FREMONT HEALTHCARE DISTRICT
SONOMA VALLEY HOSPITAL	KERN VALLEY HOSPITAL DISTRICT
TAHOE FOREST HOSPITAL	LOMPOC VALLEY MEDICAL CENTER
	MAYERS MEMORIAL HOSPITAL
	MODOC MEDICAL CENTER
	MOUNTAINS COMMUNITY HOSPITAL
	OAK VALLEY HOSPITAL DISTRICT
	OJAI VALLEY COMMUNITY HOSPITAL
	ORCHARD HOSPITAL
	PACIFICA HOSPITAL OF THE VALLEY
	POMERADO HOSPITAL
	RIDGECREST REGIONAL HOSPITAL
	SENECA HEALTHCARE DISTRICT
	SONOMA VALLEY HOSPITAL
	SOUTHERN INYO HOSPITAL
	SURPRISE VALLEY COMMUNITY HOSPITAL
	TAHOE FOREST HOSPITAL
	TRINITY HOSPITAL
	WEST COVINA MEDICAL CENTER

Source: HCAi

ADAMS®

ADAMS Financial Pro-Forma Projection

Hazel Hawkins
MEMORIAL HOSPITAL

Financial Pro-Forma Projection

Hazel Hawkins Memorial Hospital

February 14, 2022

ADAMS®

- Critical Access Status:
  - Critical Access status remains through FY 2022.
  - IP Revenue per case returns to pre-CAH status averages in FY 2023.
- Revenues:
  - Gross charges increase 2% annually.
  - Annual net revenue/case increases 2%.
- Expenses:
  - Variable expenses grow with volumes plus 2% inflation.
  - Fixed expenses grow by 2% inflation.

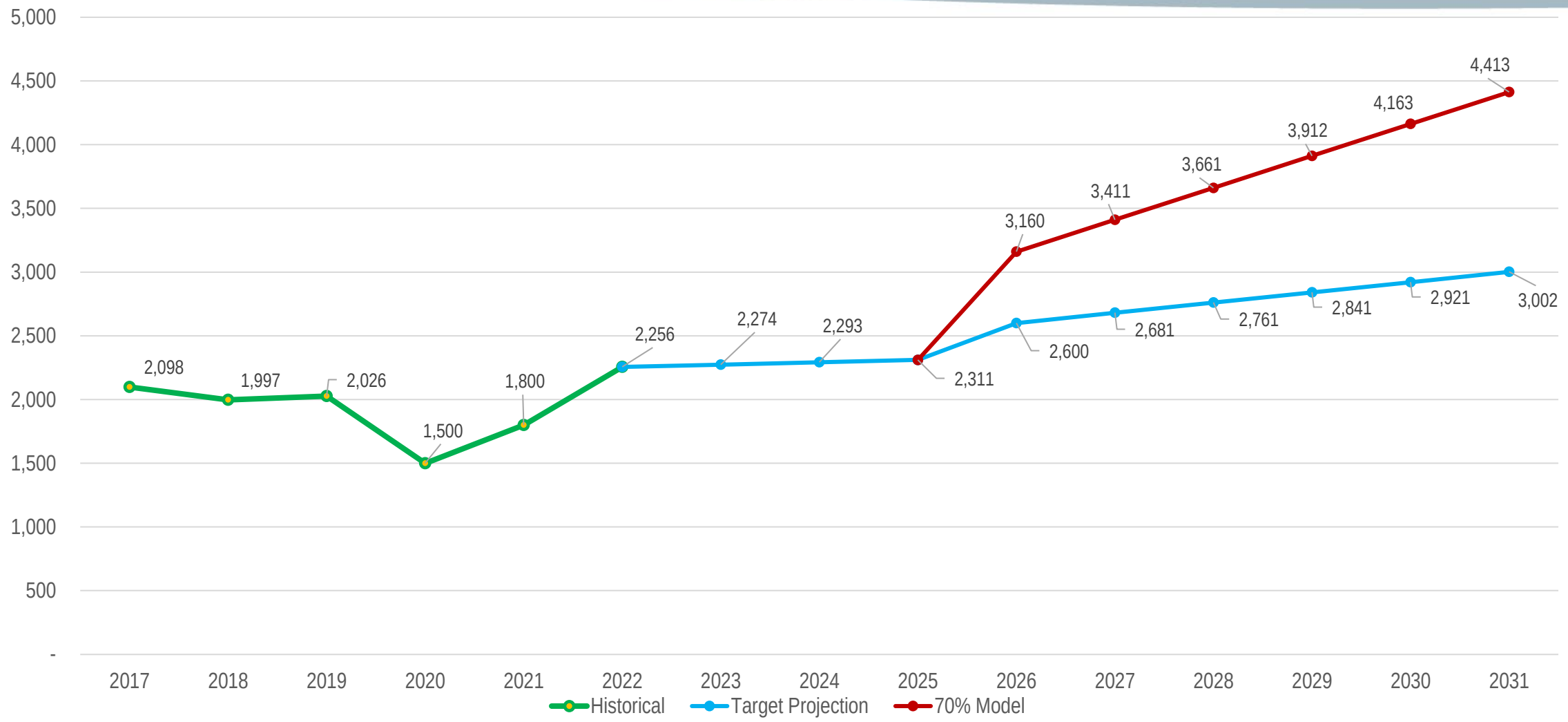
- Salaries & Wages:
  - Variable departments grow with volumes.
  - Wages increase annually at the lower of prior 3 years rate or 4%.
  - Productivity & Registry targets from Quorum report achieved over 5 years.
- Benefits:
  - Health Benefits inflate at 5% plus change in FTEs (historical average-9%).
  - All other benefits inflate based on historical percentage of paid Salaries & Wages.
- Volume Models:
  - Target Model from Master Plan is the low-performance model.
  - 70% Model from Master Plan is the high-performance model.
- Capital Investment is based on a greenfield replacement facility.
  - Includes development of ambulatory property currently under consideration.

Hazel Hawkins
MEMORIAL HOSPITAL

Financial Model Comparisons

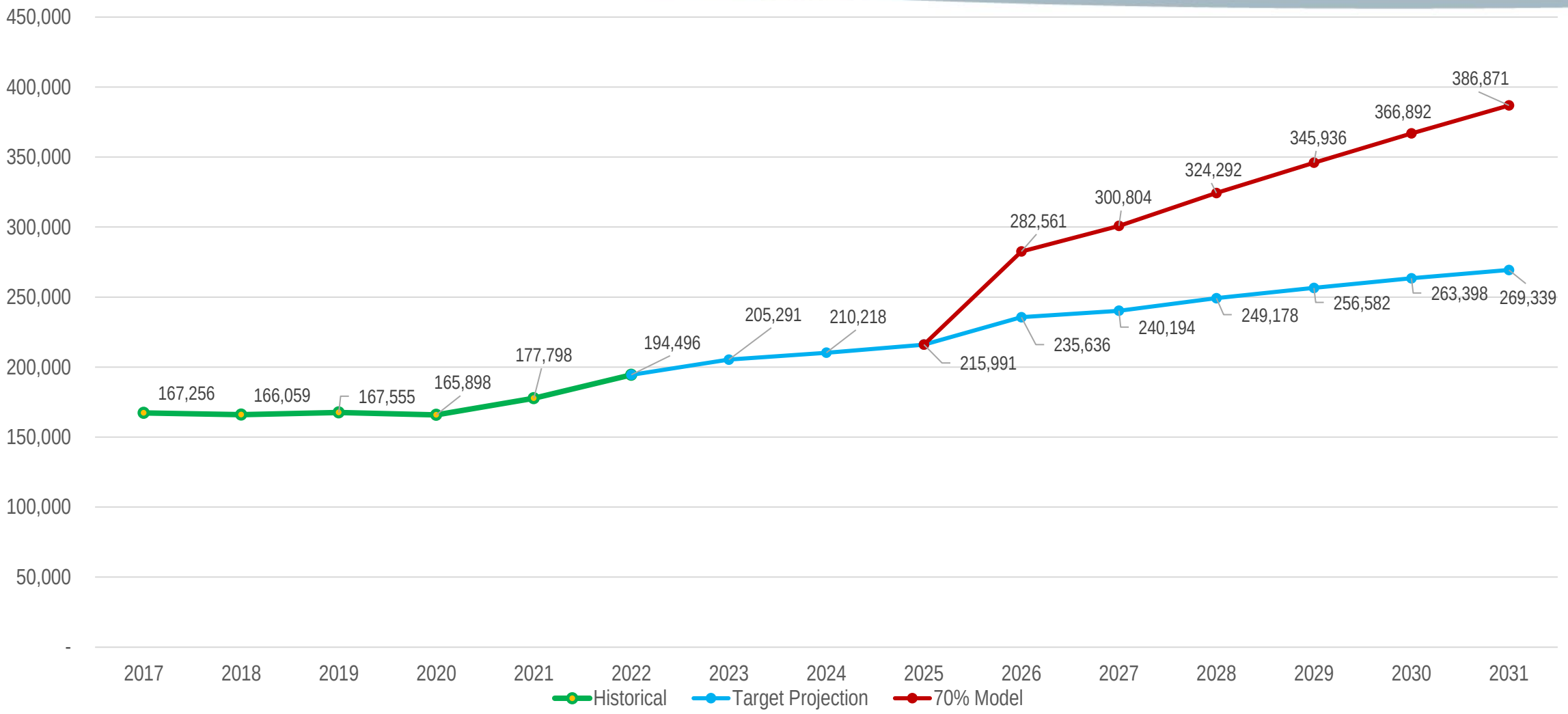
ADAMS®

IP Discharges
2017-2031



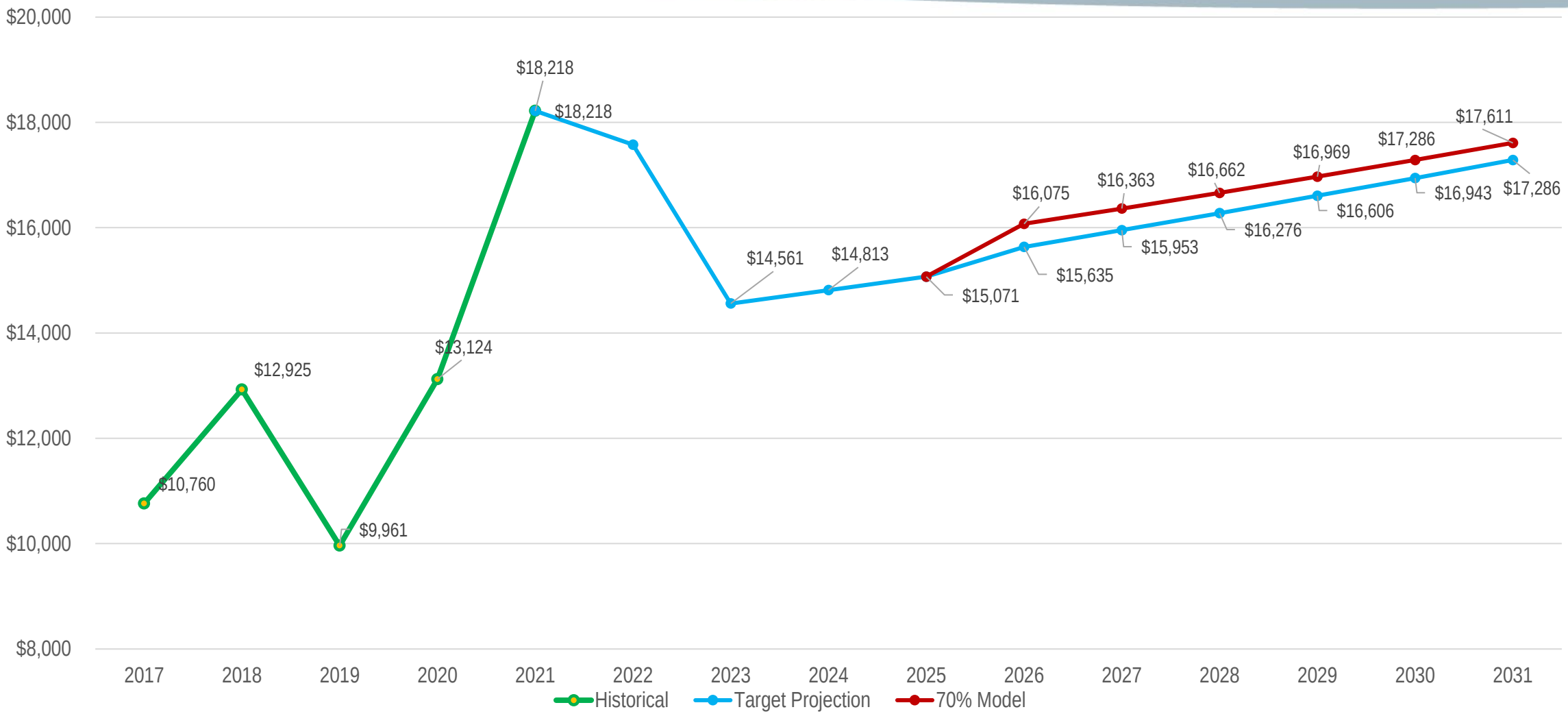
Outpatient Encounters

2017-2031



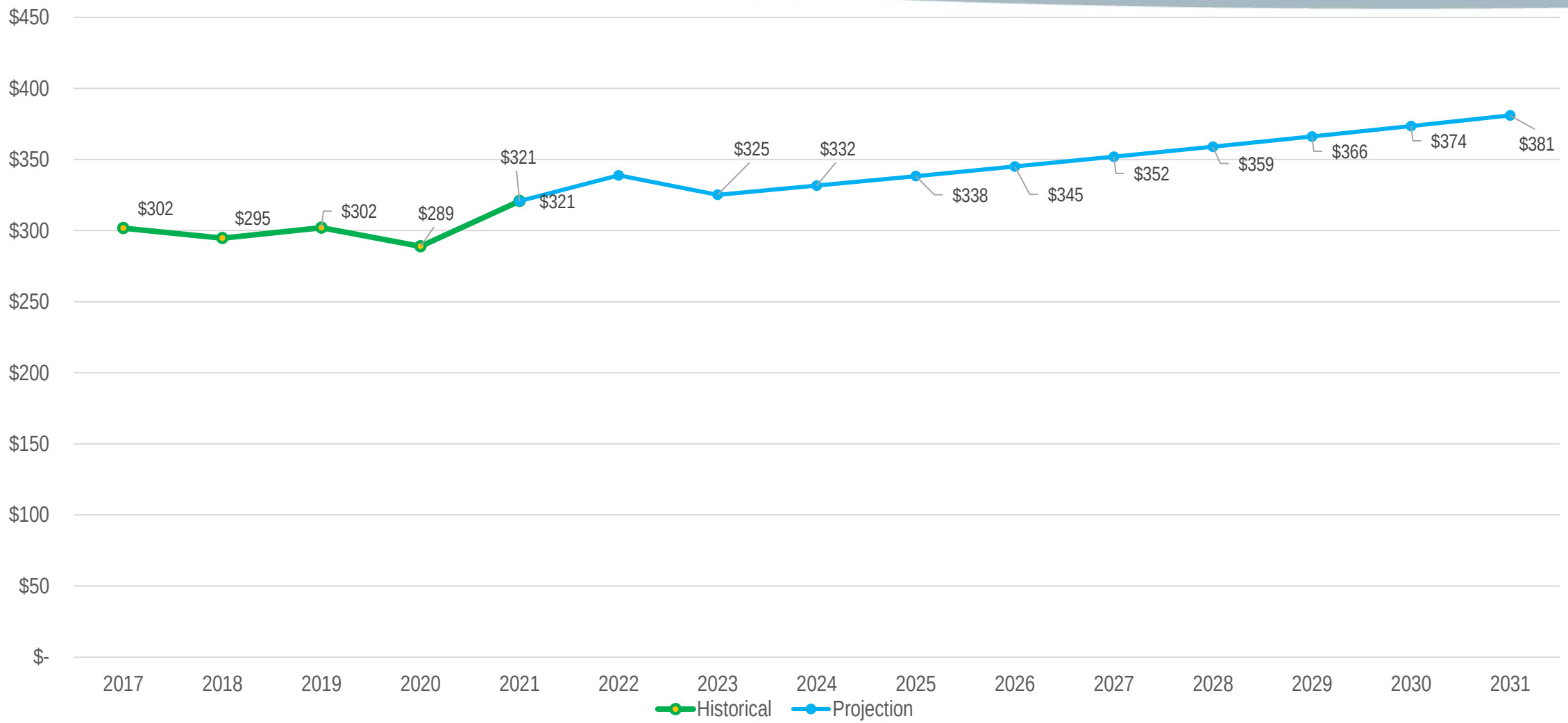
IP Net Revenue per Case

2017-2031

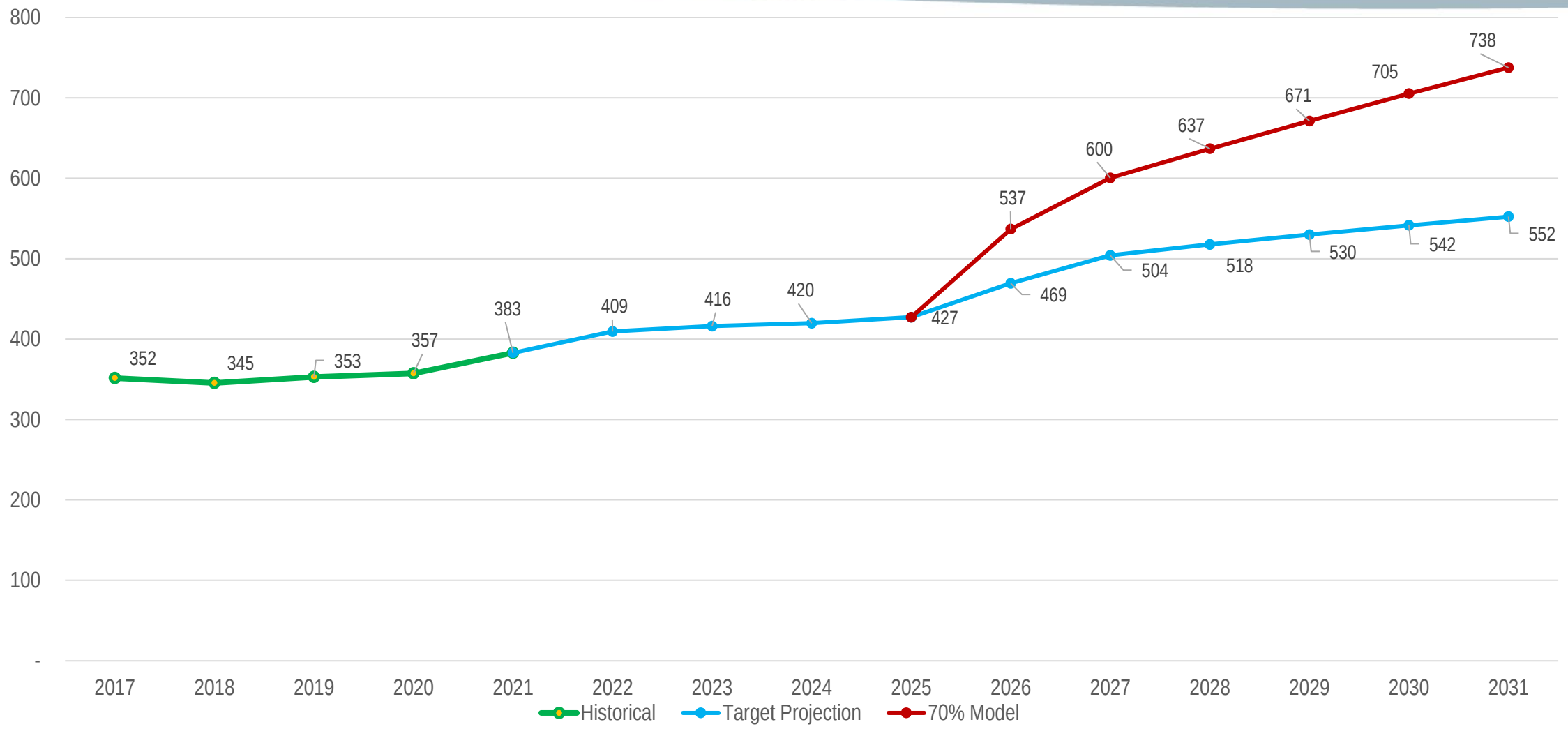


OP Net Revenue per Encounter

2017-2031



Hospital FTEs
2017-2031



Hazel Hawkins Memorial Hospital Income Statement Projections-Target Model Volumes FYE 06/30	2017	2018	2019	2020	2021	Projection Period 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues															
Gross Charges	$ 356,475,851	$ 358,711,116	$ 351,936,025	$ 300,688,046	$ 338,361,316	$ 399,502,192	$ 426,914,739	$ 447,366,754	$ 469,603,941	$ 528,695,201	$ 553,569,223	$ 585,441,303	$ 616,218,179	$ 647,122,034	$ 677,829,235
Contractuals	(247,934,800)	(245,441,158)	(239,383,563)	(192,314,789)	(207,277,580)	(253,174,567)	(282,503,359)	(295,406,323)	(309,563,841)	(350,673,246)	(367,813,803)	(390,208,503)	(411,781,275)	(433,533,389)	(455,137,728)
Net Patient Revenues	108,541,051	113,269,957	112,552,463	108,373,257	131,083,736	146,327,625	144,411,380	151,960,431	160,040,099	178,021,955	185,755,420	195,232,800	204,436,905	213,588,645	222,691,507
Other Operating Revenues	2,563,675	2,552,266	3,124,099	9,864,665	8,328,243	2,190,864	2,208,681	2,226,855	2,245,392	2,264,299	1,083,585	1,103,257	1,123,322	1,143,789	1,164,665
Net Revenues	**111,104,726**	**115,822,223**	**115,676,562**	**118,237,922**	**139,411,979**	**148,518,489**	**146,620,061**	**154,187,285**	**162,285,491**	**180,286,254**	**186,839,005**	**196,336,057**	**205,560,227**	**214,732,434**	**223,856,172**
Expenses															
Salaries & Wages	46,049,464	46,856,060	49,053,172	51,645,119	60,520,498	61,924,816	65,711,032	69,186,115	73,405,931	82,348,672	89,961,998	95,225,165	100,550,012	105,995,612	111,573,579
Benefits	23,187,583	23,503,771	24,818,372	27,385,123	30,371,736	32,008,550	34,301,726	35,852,249	37,707,233	41,578,793	44,610,542	46,509,569	48,388,531	50,264,259	52,154,536
Professional Fees	13,382,296	13,890,751	14,200,621	15,596,203	16,613,614	17,062,349	18,084,699	19,251,372	20,421,379	21,523,359	22,628,809	23,666,369	24,707,539	25,609,536	26,515,288
Supplies	10,622,928	10,836,043	10,522,582	10,942,052	12,451,021	14,063,786	14,828,311	15,455,059	16,138,543	17,975,480	18,677,425	19,593,734	20,462,266	21,317,482	22,155,341
Purchased Services	11,392,844	11,417,173	11,181,312	10,868,872	12,387,120	11,858,401	12,112,553	12,354,804	12,601,901	12,853,939	13,111,017	13,373,238	13,640,702	13,913,516	14,191,787
Occupancy Expenses	8,931,809	8,896,579	8,772,217	8,665,122	8,924,134	9,324,813	9,509,975	9,700,174	9,894,178	10,092,061	10,293,902	10,499,780	10,709,776	10,923,971	11,142,451
Other Expenses	514,928	353,448	538,462	525,090	453,845	592,413	609,878	622,075	634,517	647,207	660,151	673,354	686,821	700,558	714,569
Interest Expense	1,993,088	1,921,985	1,813,128	1,747,885	1,814,927	1,562,309	1,421,162	1,301,347	1,175,373	1,043,261	904,611	767,163	637,461	500,484	430,853
Total Expenses	**116,074,941**	**117,675,809**	**120,899,867**	**127,375,465**	**143,536,895**	**148,397,437**	**156,579,336**	**163,723,195**	**171,979,053**	**188,062,772**	**200,848,455**	**210,308,372**	**219,783,108**	**229,225,419**	**238,878,404**
Other Non Operating Revenues/Expenses	**3,875,060**	**4,119,445**	**4,394,431**	**4,484,948**	**4,424,968**	**3,745,613**	**3,820,525**	**3,896,936**	**3,974,874**	**4,054,372**	**4,135,459**	**4,218,168**	**4,302,532**	**4,388,582**	**4,476,354**
Net Income	**(1,095,155)**	**2,265,859**	**(828,873)**	**(4,652,595)**	**300,052**	**3,866,664**	**(6,138,750)**	**(5,638,975)**	**(5,718,687)**	**(3,722,146)**	**(9,873,991)**	**(9,754,147)**	**(9,920,350)**	**(10,104,403)**	**(10,545,878)**
Additional Depreciation	-	-	-	-	-	-	-	258,333	258,333	11,529,167	12,471,301	12,471,301	12,471,301	12,471,301	12,471,301
Additional Interest Expense	-	-	-	-	-	-	-	187,500	184,015	8,992,899	9,655,424	9,466,157	9,269,792	9,066,063	8,854,695
Adjusted Net Income	**$ (1,095,155)**	**$ 2,265,859**	**$ (828,873)**	**$ (4,652,595)**	**$ 300,052**	**$ 3,866,664**	**$ (6,138,750)**	**$ (6,084,808)**	**$ (6,161,036)**	**$ (24,244,212)**	**$ (32,000,717)**	**$ (31,691,605)**	**$ (31,661,443)**	**$ (31,641,768)**	**$ (31,871,874)**
Net Income by Funstional Operation															
Hosptial	$ 2,611,772	$ 6,571,353	$ 3,538,511	$ 1,824,253	$ 9,906,866	$ 13,052,042	$ 3,711,998	$ 5,054,485	$ 5,904,846	$ (11,217,566)	$ (15,905,563)	$ (14,311,889)	$ (12,921,515)	$ (11,599,365)	$ (10,458,703)
Clinics	(3,920,092)	(4,841,989)	(5,789,250)	(7,721,191)	(7,044,144)	(7,902,691)	(8,387,032)	(9,446,826)	(10,069,481)	(10,644,090)	(13,020,735)	(13,560,297)	(14,113,110)	(14,558,308)	(15,019,317)
Home Health	239,744	480,952	184,387	513,293	(755,801)	(589,117)	(732,660)	(813,854)	(902,434)	(998,742)	(1,106,177)	(1,221,783)	(1,346,120)	(1,479,779)	(1,623,392)
SNF	(26,579)	55,544	1,237,479	731,051	(1,806,870)	(693,570)	(731,055)	(878,613)	(1,093,967)	(1,383,813)	(1,968,243)	(2,597,636)	(3,280,698)	(4,004,316)	(4,770,462)
Net Income	**$ (1,095,155)**	**$ 2,265,859**	**$ (828,873)**	**$ (4,652,595)**	**$ 300,052**	**$ 3,866,664**	**$ (6,138,750)**	**$ (6,084,808)**	**$ (6,161,036)**	**$ (24,244,212)**	**$ (32,000,717)**	**$ (31,691,605)**	**$ (31,661,443)**	**$ (31,641,768)**	**$ (31,871,874)**

Hazel Hawkins Memorial Hospital Income Statement Projections-70% Volume Model FYE 06/30	2017	2018	2019	2020	2021	Projection Period 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues															
Gross Charges	$ 356,475,851	$ 358,711,116	$ 351,936,025	$ 300,688,046	$ 338,361,316	$ 399,502,192	$ 426,914,739	$ 447,366,754	$ 469,603,941	$ 629,349,606	$ 684,937,609	$ 750,053,374	$ 815,173,803	$ 881,793,469	$ 949,629,650
Contractuals	(247,934,800)	(245,441,158)	(239,383,563)	(192,314,789)	(207,277,580)	(253,174,567)	(282,503,359)	(295,406,323)	(309,563,841)	(424,998,983)	(464,804,287)	(511,787,914)	(558,814,165)	(607,090,570)	(656,324,348)
Net Patient Revenues	108,541,051	113,269,957	112,552,463	108,373,257	131,083,736	146,327,625	144,411,380	151,960,431	160,040,099	204,350,623	220,133,322	238,265,460	256,359,639	274,702,898	293,305,301
Other Operating Revenues	2,563,675	2,552,266	3,124,099	9,864,665	8,328,243	2,190,864	2,208,681	2,226,855	2,245,392	2,264,299	1,083,585	1,103,257	1,123,322	1,143,789	1,164,665
Net Revenues	**111,104,726**	**115,822,223**	**115,676,562**	**118,237,922**	**139,411,979**	**148,518,489**	**146,620,061**	**154,187,285**	**162,285,491**	**206,614,923**	**221,216,908**	**239,368,717**	**257,482,961**	**275,846,687**	**294,469,966**
Expenses															
Salaries & Wages	46,049,464	46,856,060	49,053,172	51,645,119	60,520,498	61,924,816	65,731,246	69,228,160	73,471,521	91,203,812	102,831,683	111,547,652	120,493,384	129,753,433	139,224,173
Benefits	23,187,583	23,503,771	24,818,372	27,385,123	30,371,736	32,008,550	34,304,229	35,857,454	37,715,353	45,373,860	50,061,407	53,297,265	56,524,421	59,768,719	63,005,372
Professional Fees	13,382,296	13,890,751	14,200,621	15,596,203	16,613,614	17,062,349	18,084,699	19,251,372	20,421,379	21,523,359	22,628,809	23,666,369	24,707,539	25,609,536	26,515,288
Supplies	10,622,928	10,836,043	10,522,582	10,942,052	12,451,021	14,063,786	14,828,311	15,455,059	16,138,543	21,217,972	22,847,840	24,752,245	26,622,934	28,502,062	30,386,119
Purchased Services	11,392,844	11,417,173	11,181,312	10,868,872	12,387,120	11,858,401	12,112,553	12,354,804	12,601,901	12,853,939	13,111,017	13,373,238	13,640,702	13,913,516	14,191,787
Occupancy Expenses	8,931,809	8,896,579	8,772,217	8,665,122	8,924,134	9,324,813	9,509,975	9,700,174	9,894,178	10,092,061	10,293,902	10,499,780	10,709,776	10,923,971	11,142,451
Other Expenses	514,928	353,448	538,462	525,090	453,845	592,413	609,878	622,075	634,517	647,207	660,151	673,354	686,821	700,558	714,569
Interest Expense	1,993,088	1,921,985	1,813,128	1,747,885	1,814,927	1,562,309	1,421,162	1,301,347	1,175,373	1,043,261	904,611	767,163	637,461	500,484	430,853
Total Expenses	**116,074,941**	**117,675,809**	**120,899,867**	**127,375,465**	**143,536,895**	**148,397,437**	**156,602,052**	**163,770,445**	**172,052,763**	**203,955,470**	**223,339,420**	**238,577,067**	**254,023,038**	**269,672,280**	**285,610,611**
Other Non Operating Revenues/Expenses	**3,875,060**	**4,119,445**	**4,394,431**	**4,484,948**	**4,424,968**	**3,745,613**	**3,820,525**	**3,896,936**	**3,974,874**	**4,054,372**	**4,135,459**	**4,218,168**	**4,302,532**	**4,388,582**	**4,476,354**
Net Income	**(1,095,155)**	**2,265,859**	**(828,873)**	**(4,652,595)**	**300,052**	**3,866,664**	**(6,161,466)**	**(5,686,225)**	**(5,792,397)**	**6,713,824**	**2,012,947**	**5,009,818**	**7,762,455**	**10,562,990**	**13,335,710**
Additional Depreciation	-	-	-	-	-	-	-	258,333	258,333	11,529,167	12,471,301	12,471,301	12,471,301	12,471,301	12,471,301
Additional Interest Expense	-	-	-	-	-	-	-	187,500	184,015	8,992,899	9,655,424	9,466,157	9,269,792	9,066,063	8,854,695
Adjusted Net Income	**$ (1,095,155)**	**$ 2,265,859**	**$ (828,873)**	**$ (4,652,595)**	**$ 300,052**	**$ 3,866,664**	**$ (6,161,466)**	**$ (6,132,058)**	**$ (6,234,746)**	**$ (13,808,241)**	**$ (20,113,779)**	**$ (16,927,640)**	**$ (13,978,638)**	**$ (10,974,375)**	**$ (7,990,287)**
Net Income by Funstional Operation															
Hosptial	$ 2,611,772	$ 6,571,353	$ 3,538,511	$ 1,824,253	$ 9,906,866	$ 13,052,042	$ 3,689,282	$ 5,007,235	$ 5,831,136	$ (781,595)	$ (4,018,625)	$ 452,077	$ 4,761,289	$ 9,068,028	$ 13,422,884
Clinics	(3,920,092)	(4,841,989)	(5,789,250)	(7,721,191)	(7,044,144)	(7,902,691)	(8,387,032)	(9,446,826)	(10,069,481)	(10,644,090)	(13,020,735)	(13,560,297)	(14,113,110)	(14,558,308)	(15,019,317)
Home Health	239,744	480,952	184,387	513,293	(755,801)	(589,117)	(732,660)	(813,854)	(902,434)	(998,742)	(1,106,177)	(1,221,783)	(1,346,120)	(1,479,779)	(1,623,392)
SNF	(26,579)	55,544	1,237,479	731,051	(1,806,870)	(693,570)	(731,055)	(878,613)	(1,093,967)	(1,383,813)	(1,968,243)	(2,597,636)	(3,280,698)	(4,004,316)	(4,770,462)
Net Income	**$ (1,095,155)**	**$ 2,265,859**	**$ (828,873)**	**$ (4,652,595)**	**$ 300,052**	**$ 3,866,664**	**$ (6,161,466)**	**$ (6,132,058)**	**$ (6,234,746)**	**$ (13,808,241)**	**$ (20,113,779)**	**$ (16,927,640)**	**$ (13,978,638)**	**$ (10,974,375)**	**$ (7,990,287)**

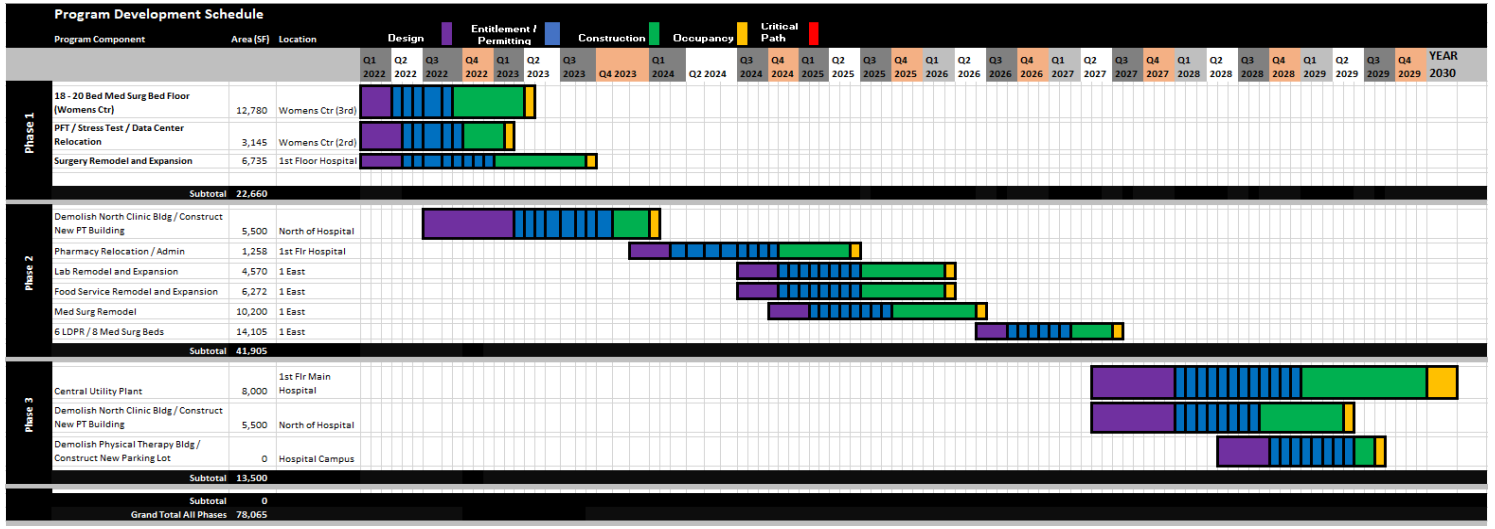
- Neither model represents a financeable scenario.

- 2020 Benchmark Comparison (CHHS Open Data) Shows:
  - Net Revenue:
    - For all comparable facilities, 12% below average. Approximately $14M negative variance. (Systems fare better on these metrics)
    - For comparable independent facilities, 1.7% below average. Approximately $1.9M negative variance.
  - Operating Expenses:
    - Salaries & Benefits expenses were $13M-$16M higher than benchmarks, whether compared to systems or independent facilities
      - FTEs did not drive this variance in 2020, Rates & Benefits were the drivers.
    - Purchased Services, Supplies & Professional Fees were favorable to benchmarks.
  - Overall Operating Income $9-$11M less than Benchmarks.

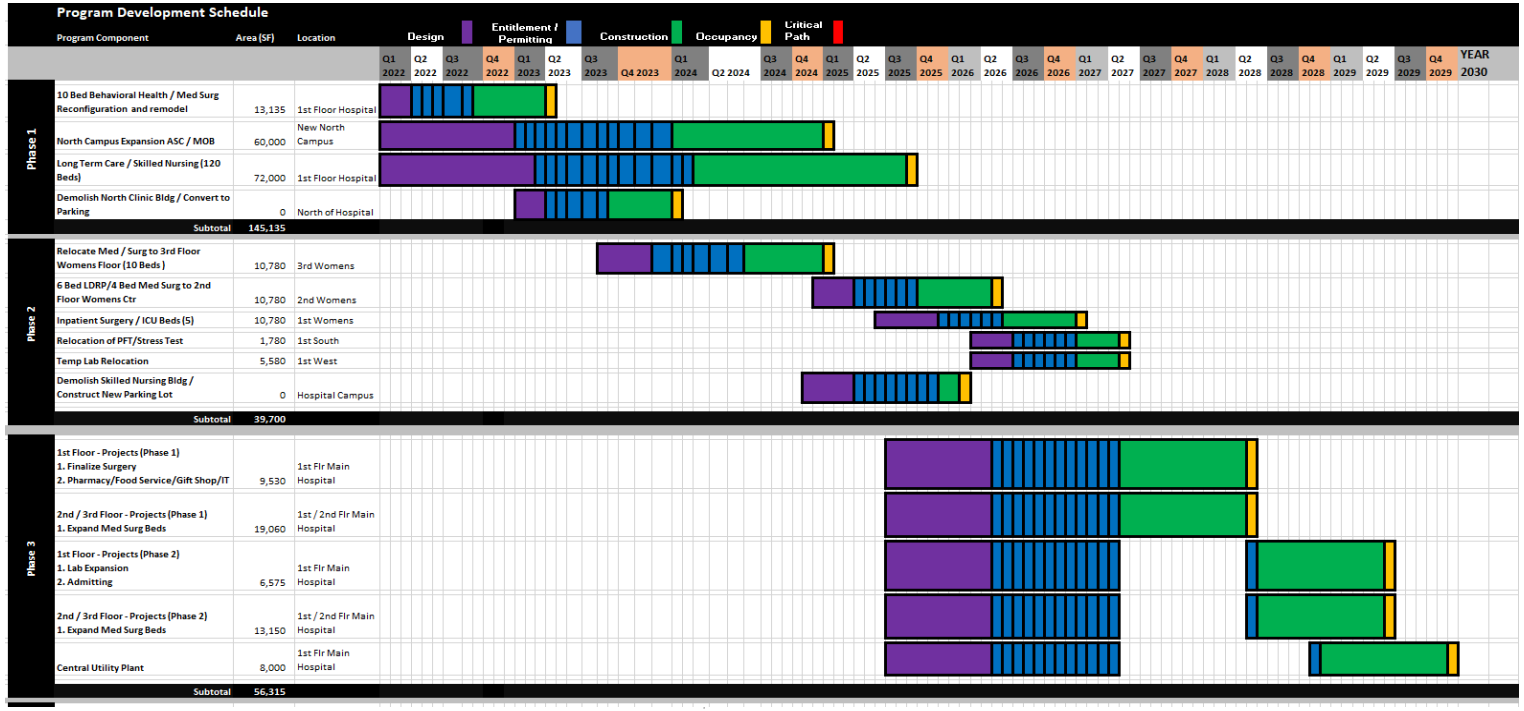
Hazel Hawkins Memorial Hospital Scenario 1 Option of Probable Costs	Total SF		Projected Costs
Construction	72,439		$ 67,893,399
Construction/Design Contingency			$ 7,730,404
Escalation		2-5 Years	$ 23,070,769
Site Costs (Demo/Parking Lot Exp)			$ 2,383,000
Soft Costs (Arch, Permits, Certification)			$ 13,001,134
Equipment & Furnishings			$ 10,225,838
IT Costs			$ 3,919,335
Project Contingency			$ 5,257,655
			$ 133,481,534
Medical Office Building			$ 79,590,364
Total Project			$ 213,071,899

- Projected Cost per Year of Life:
  - Hospital Only: $8.9M

- Renovation and Expansion of Facility:
  - Renovation will address Seismic Issues as well as accommodate ADA, Departmental adjacencies and other FGI Issues.
  - Expands capacity to approximately 60 Beds
  - Lengthy Phase Project
- Doesn't replace original infrastructure, likely 15-year life.



- Replacement of acute services located in buildings that are not compliant with seismic codes.
  - Expands capacity to approximately 60-70 Beds
  - Extremely disruptive to ongoing operations
- Doesn't replace all existing infrastructure, likely 25–30-year life.



Hazel Hawkins Memorial Hospital
Scenario 2
Option of Probable Costs

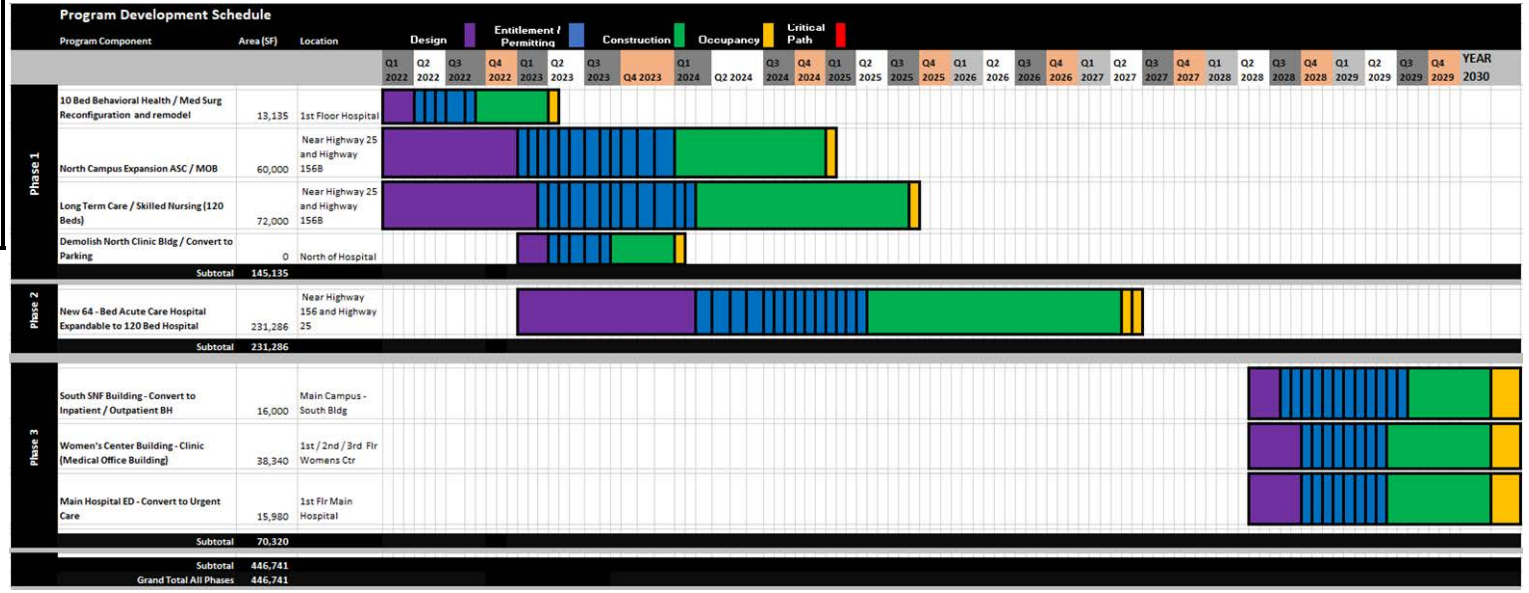
	Total SF		Projected Costs
Construction	94,252		$ 104,533,372
Construction/Design Contingency			$ 11,760,801
Escalation		2-5 Years	$ 28,110,124
Site Costs (Demo/Parking Lot Exp)			$ 2,383,000
Soft Costs (Arch, Permits, Certification)			$ 19,779,529
Equipment & Furnishings			$ 6,581,729
IT Costs			$ 7,068,900
Project Contingency			$ 7,605,367
			$ 187,822,822
Medical Office Building			$ 79,590,364
Total Project			$ 267,413,186

- Projected Cost per Year of Life:
  - Hospital Only: $6.3M

Hazel Hawkins Memorial Hospital
Recommended Direction-Replacement Hopsital
Option of Probable Costs

	Total SF		Projected Costs
Construction	100,000		$ 88,047,409
Construction/Design Contingency			$ 12,268,627
Escalation		4 Years	$ 43,295,447
Site Costs (Demo/Parking Lot Exp)			$ 23,485,560
Soft Costs (Arch, Permits, Certification)			$ 20,633,599
Equipment & Furnishings			$ 28,462,500
IT Costs			$ 7,500,000
Project Contingency			$ 9,019,885
			$ 232,713,026
Buildout of 3-WC into New Clinic		1 Year	$ 9,458,435
Renovation of 2-WC to Clinic		6 Years	$ 12,677,041
Total Project			$ 245,390,068

- Replacement of the Acute Care Infrastructure provides a number of benefits.
  - Lowest Impact on current operations and fastest scenario to completion.
  - Leverages the existing campus to become the Ambulatory and Administrative site for the system.
  - Existing Hospital infrastructure can be redeveloped into additional sub-acute beds. (SNF, Psych, etc.)
- New Hospital infrastructure has a projected life of 40-70 years.



- Projected Cost per Year of Life:
  - Hospital Only: $5.8M over 40 years

Hazel Hawkins
MEMORIAL HOSPITAL

Discussion

ADAMS®

Attachment C
Summary of Proposed Benefit Modifications

SUMMARY OF PROPOSED BENEFITS MODIFICATIONS
San Benito Health Care District d/b/a Hazel Hawkins Memorial Hospital

Prepared by:

Mary Casillas, Interim Chief Executive Officer
Mark Robinson, Chief Financial Officer
Carol Fox, Senior Managing Director, B. Riley Advisory Services

DISCLAIMER

This summary of proposed benefits modifications is submitted in connection with the Pendency Plan dated May 22, 2023 and should be reviewed in connection therewith. The below summary sets forth a proposal concerning employee benefits modifications and does not implement employee benefits modifications. The proposal is subject to material change and the District reserves the right to implement alternative proposals with respect to employee benefits or other labor expenses.

Importantly, the District has not yet modified its current benefits in accordance with the below summary. Moreover, the District cannot modify employee benefits for employees represented by unions under collective bargaining agreements or memoranda of understanding with the District unless the District obtains the voluntary consent of the affected unions or addresses the related agreements in a bankruptcy case. If you are an employee represented by a union, you should contact your union representative for more information.

Dated: May 22, 2023

I.

SUMMARY

This *Summary of Proposed Benefits Modifications* (the "Summary") outlines the proposed modifications to several categories of employee benefits (collectively, the "Benefits") necessary to effect a reduction in the labor costs of the San Benito Health Care District d/b/a Hazel Hawkins Memorial Hospital to achieve the cash flow targets set forth in the "Phase 1 Pendency Plan." The discussion of the proposed modifications are divided into five categories: (i) leave benefits; (ii) retirement plan benefits; (iii) health insurance benefits; (iv) standby compensation; and (v) education benefits.

As set forth more fully below, this Summary identifies the current Benefits with specific reference to the Benefits offered to each of the four unions (collectively, the "Unions") with represented employees at the District. The comparison is relevant because the agreements (collectively, the

"Agreements") the District maintains with the Unions establish a baseline of Benefits offered to both the represented employees and unrepresented employees.

The District's agreements and the associated Unions are as follows:

- The California Nurses Association ("CNA"), pursuant to that certain *Memorandum of Understanding Between San Benito Health Care District/Hazel Hawkins Hospital and The California Nurses Association (January 1, 2016 – December 31, 2019)* (the "CNA Agreement") as amended and supplemented by that certain *Tentative Agreement Reached July 18, 2022, Between the California Nurses Association and Hazel Hawkins Memorial Hospital* (the "CNA Ratified Agreement");

- National Union of Healthcare Workers ("NUHW"), pursuant to that certain *Collective Bargaining Agreement with San Benito Health Care District dba Hazel Hawkins Hospital (July 1, 2019 – June 30, 2022)* (the "NUHW Agreement");

- Engineers and Scientists of California, Local 20, IFPTE (AFL-CIO & CLC) ("ESC"), pursuant to that certain *Memorandum of Understanding* (as amended and supplemented from time to time, the "ESC Agreement");[3] and

- 17 active employees are represented by the California Licensed Vocational Nurses' Association, Inc. ("CLVNA" and, together with CNA, NUHW, and ESC, the "Unions"), pursuant to that certain *Memorandum of Understanding Between San Benito Health Care District and California Licensed Vocational Nurses' Association, Inc. (January 1, 2017 – November 30, 2018)* (the "CLVNA Agreement") as amended and supplemented by that certain *Tentative Agreement Reached August 28, 2022, between California Licensed Vocational LVNs' Association and Hazel Hawkins Memorial Hospital* (the "CLVNA Ratified Agreement").[4]

After identifying the relevant Benefits offered to represented employees of each Union under their respective Agreements, this Summary identifies the proposed modifications to the Benefits for all employees of the District. As set forth more fully in the accompanying Pendency Plan, the District anticipates that the Benefits modifications addressed in this Summary, if implemented, would result in an annual savings of $4.3 million to the District and permit the District to continue current operations, without a service reduction, through July 2024.

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[3] The District and ESC negotiated the *Tentative Agreement HHMH to Clinical Laboratory Scientists and Medical Laboratory Technicians 10/21/2022*; however, in light of the District's fiscal emergency, the District's Board never approved the tentative agreement.

[4] In light of their size, the District has not attached copies of the Agreements to this Summary and cites relevant portions herein.

Importantly, the District has held non-confidential discussions with each of the Unions outlining the proposed Benefits modifications. However, as of the date of this Summary, the District has not reached a voluntary agreement with any of the Unions to implement the Benefits modifications addressed herein.

II.

CURRENT BENEFITS AND PROPOSED MODIFICATIONS

A. Leave Benefits and Cash-Out Policy

The District currently provides two types of leave benefits to represented employees depending on the Union to which a represented employee is a member: (i)(a) vacation and holiday, or (b) paid time off ("PTO"); and (ii) sick leave (collectively, the "Leave Benefits"). The District also provides a "cash out" policy (the "Cash-Out Policy") that permits represented employees to "cash out" unused Leave Benefits. This section addresses the current Leave Benefits and Cash-Out Policy offered to represented employees of each Union and proposed modifications to the Leave Benefits and the Cash-Out Policy.

1. The District's Current Leave Benefits and Cash-Out Policy for Represented Employees

a. PTO and Cash-Out Policy (CNA & CLVNA)

CNA and CLVNA represented employees only accrue PTO. PTO accrual is based on seniority as follows:

CNA & CLVNA Vacation Accrual

Years of Service	PTO Days Accrued Per Year
1	20
2	21
3	22
4	23
5	30
6	31
7	32
8	33
9	34
10	35
20	38

See CNA Ratified Agmt., Arts. 15 & 17 at 4-5; CLVNA Ratified Agmt., Arts. 15-17 at 3. CNA and CLVNA represented employees may accrue up to a maximum of 304 PTO hours and are not eligible to "cash-out" PTO accrued in excess of the 304 PTO hour cap. *See* CNA Ratified Agmt., Arts. 15 & 17 at 5; CLVNA Ratified Agmt., Arts. 15-17 at 3. CNA and CLVNA represented employees are permitted to request "cash out" of up to 50 hours of accrued PTO hours every

December, provided that such represented employee has at least 40 hours of accrued PTO remaining following the "cash out." *See* CNA Ratified Agmt., Art. 15 & 17, § A.8. at 6; CLVNA Ratified Agmt., Art. 15 & 17, § A.8. at 4.

Under the CNA Ratified Agreement and the CLVNA Ratified Agreement, the District agreed that CNA and CLVNA Represented Employees would be authorized to retain their legacy accrued vacation and holiday leave (the "CNA and CLVNA Legacy Leave") and apply for payment of up to 100 accrued and unused hours in December 2022 and apply for payment of the balance of accrued and unused hours in July 2023 (the "CNA and CLVNA Legacy Leave Policy"). *See* CNA Ratified Agmt., Art. 15 & 17, § A.8. at 6; CLVNA Ratified Agmt., Art. 15 & 17, § A.8. at 4. In light of the District's fiscal emergency, the District informed CNA and CLVNA that it would freeze implementation of the CNA and CLVNA Legacy Leave Policy and has not made payments on account of CNA and CLVNA Legacy Leave.

b. Vacation and Holiday and Cash-Out Policy (NUHW & ESC)

NUHW and ESC represented employees accrue both vacation and holiday leave. Vacation accrual is based on seniority as follows:

NUHW & ESC Vacation Accrual

Years of Service	Vacation Days Accrued Per Year
1	10
2	11
3	12
4	13
5	15
6	17
7	18
8	19
9	20
10	22
20	23

See NUHW Agmt., Art. 17 § 1 at 19; ESC Agmt., Art. 16, § 1 at 15. NUHW and ESC represented employees may accrue up to a maximum of 240 vacation hours, and the District is required to pay all accrued and unused vacation in excess of the 240 hour cap. *See* NUHW Agmt., Art. 17 § 5 at 20; ESC Agmt., Art. 16, § 4 at 16.

NUHW and ESC represented employees are entitled to 9 paid holidays per year. NUHW Agmt., Art. 15 §§ 1-4 at 17-18; ESC Agmt., Art. 14 §§ 1-4 at 13-14. The District is required to pay NUHW and ESC represented employees 100% of the value of paid holidays earned and unused in excess of a 40-hour cap. *See* NUHW Agmt., Art. 15 § 8 at 18; ESC Agmt., Art. 14 § 8 at 14.

Based on the foregoing, the combined vacation and holiday accruals for NUHW and ESC represented employees is as follows based on seniority:

NUHW & ESC Combined Leave Accrual

Years of Service	Combined Leave Days (Vacation & Holiday) Accrued Per Year
1	19
2	20
3	21
4	22
5	24
6	26
7	27
8	28
9	29
10	31
20	32

c. Sick Leave (All Unions)

Represented employees earn sick leave at the rate of one day per calendar month, e.g., 12 days per year, up to a total of 80 days, e.g., 640 hours. *See* CNA Agmt., Art. 16 § 1 at 18; NUHW Agmt., Art. 16 at 19; ESC Agmt., Art. 15 at 15; CLVNA Agmt., Art. 16 § B at 13. The District is required to pay NUHW represented employees 50% of the value of sick leave earned and unused in excess of the 640-hour cap. *See* NUHW Agmt., Art. 16 at 19. Pursuant to ratified agreements, CNA, CLVNA, and ESC represented employees are not entitled to earn sick leave in excess of the 640-hour cap. *See* ESC Agmt., Art. 15 at 15.

2. The District's Proposed Modifications to Leave Benefits and the Cash-Out Policy

Modification 1: Combined Leave Benefits Capped at 30 Days per Year. The District proposes to combine all paid leave—vacation, holiday, PTO, and sick leave—into a single paid category with accrual rates based on seniority. The combined paid leave category would be capped at total accrual of 30 days. The proposed policy for all employees is set forth below:

Years of Service	Combined Leave Benefits Accrued Per Year
1	20
2	21
3	22
4	23
5	30
6	30
7	30
8	30
9	30
10	30
20	30

Modification 2: Cap Cash-Out Policy at 30 Days. The District proposes to cap the Cash-Out Policy for accrued and unused Leave Benefits at 30 days, e.g., 240 hours, per year. This modification will not apply to earned and unused Leave Benefits eligible for cash-out under the prior Cash-Out Policy as of the effective date of the modification. Additionally, the District will honor accrued leave treated under the CNA and CLVNA Legacy Leave Policy, subject to a cash-out calendar consistent with the District's cash forecast.

3. Projected Financial Result of Proposed Modifications to Leave Benefits and Cash-Out Policy

The District estimates that these modifications to the Leave Benefits and Cash-Out Policy will result in approximately $2.8 in annual savings.

B. The Defined Benefit Plan

1. The District's Current Defined Benefit Plan

Effective January 1, 2005, the District began a single-employer defined benefit plan (the "Defined Benefit Plan"), commonly referred to as a "pension" plan.[5] The Defined Benefit Plan is defined as a "governmental plan," under 414(d) of title 26 of the United States Code (the "Internal Revenue Code") and § 3(32) of the Employee Retirement Income Security Act of 1974.

The Defined Benefit Plan became effective January 1, 2005 with a plan year end of December 31. Benefitted full and part-time employees are eligible to participate in the Defined Benefit Plan following three years of consecutive employment. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees during the period of 1999 through current at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

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[5] Through December 31, 2003, the District provided retirement benefits for substantially all of its full-time employees under a defined contribution matching plan (the "Defined Contribution Plan"). The Defined Contribution Plan became effective January 1, 1995 with a plan year end of December 31. The District's contributions matched the contributions of the employees up to a 3.5% limit, subject to certain limitations under the Defined Contribution Plan. In addition to the 3.5% contribution by the District, employees could have contributed up to $12,000. Employees become fully vested in the employer contributions after completion of 5 years of service. Total Defined Contribution Plan assets were $31,598,692 and $34,571,553 as of June 30, 2022 and 2021 respectively. No employer contributions have been made to this part of the Defined Contribution Plan after December 31, 2003. A part of the Defined Contribution Plan, however, still includes the 457 plan that employees still currently contribute. The District does not propose modifying the Defined Contribution Plan as part of this Proposal.

As of January 1, 2022, there were 280 active participants in the Defined Benefit Plan, 118 retired participants, 132 terminated vested participants entitled to future benefits, 22 active participants (frozen status) for a total of 552 total participants.

Pursuant to the Agreements, the District is required to "contribute an amount sufficient, in combination with any required employee contributions, to fund a benefit equal to one and three tenths percent (1.3%) of the employee's annual compensation in each calendar year" to the Defined Benefit Plan. *See* CNA Agmt., Art. 21 at 24; NUHW Agmt., Art. 20 § 5 at 23; ESC Agmt., Art. 19 § 5 at 19; CLVNA Agmt., Art. 21 at 19. As the required funded benefit is a percentage of the represented employee's annual compensation, negotiated annual wage and merit increases with the Unions necessarily result in a direct incremental increase in the District's Defined Benefit Plan funding requirements.

For the fiscal year ended June 30, 2021, the actuarially determined contributions for the District for the 2020 plan year was $3,545,809, which amount includes liabilities for the current plan year and accrued and unpaid long-term liabilities under the plan. For the fiscal year ended June 30, 2021, the District only made actual contributions of $2,702,669, which represent solely the current year plan liabilities and do not account for accrued, long term plan liabilities.

For the fiscal year ended June 30, 2022, the actuarially determined contributions for the District for the 2021 plan year was $3,438,240, which amount includes liabilities for the current plan year and accrued and unpaid long-term liabilities under the plan. For the fiscal year ended June 30, 2022, the District only made actual contributions of $2,738,385, which represent solely the current year plan liabilities and do not account for accrued, long term plan liabilities.

2. The District's Proposed Modifications to the Defined Benefit Plan

The District proposes terminating the Defined Benefit Plan with respect to going-forward participation and, as a result, will not include going-forward plan year contributions. However, the District will continue to satisfy the actuarially determined long-term liabilities of the Defined Benefit Plan to ensure current Defined Benefit Plan participants' current liabilities can be satisfied under the plan. The District will offer an alternative retirement policy, such as a 401(k) plan, for employees' going-forward retirement contributions.

The District expects the impact on vested employees and non-vested employees to be as follows with respect to amounts already contributed under the Defined Benefit Plan:

- **Vested Employees:** Employees that are vested in the Defined Benefit Plan will be entitled to the full amount of their benefits accrued under the Defined Benefit Plan through the date of termination. If the employee wishes to make contributions to a retirement plan going-forward, the employee will be eligible to make going-forward contributions to an alternative plan.

  Illustration: By way of example, an employee that has been employed by the District for 10 years and contributed to the Defined Benefit Plan for 10 years will expect to receive the benefit equal to 10 years of contributions upon eligibility to

withdraw under the Defined Benefit Plan. However, the employee will no longer be able to make contributions to the Defined Benefit Plan.

- **Nonvested Employees:** Employees that are not vested in the Defined Benefit Plan upon the date of its termination, but who have contributed to the Defined Benefit Plan, will be eligible to either withdraw the contributed funds or roll the contributed funds over to a new retirement plan. A withdrawal of contributed funds without rolling the funds over to a qualifying retirement plan may result in tax consequences.

  Illustration: By way of example, an employee that has been employed by the District for two years and contributed to the Defined Benefit Plan for two years is not yet vested in the Defined Benefit Plan. The employee may withdraw all contributed funds, but may face tax consequences, or may roll-over the contributed funds into an alternative, qualifying retirement plan such as a 401(k).

3. Projected Financial Result of Proposed Modifications to Leave Benefits and Cash-Out Policy

The District estimates that terminating going-forward, current liabilities under the Defined Benefit Plan will result in annual net savings of approximately $1.9 million. This figure represents the $2.7 million plan year funding liabilities that the District will no longer make, less the $800,000 of long-term funding liabilities the District will continue to make to satisfy long-term liabilities under the Defined Benefit Plan.

C. The Health Insurance Benefits

1. The District's Current Health Insurance Benefits

The District provides health benefits to Represented Employees through a self-funded plan financed by the District's operations (the "Self-Insured Plan"). Under the Self-Insured Plan, the District collects premiums from enrollees and takes on the responsibility of paying employees' and dependents' medical claims. Accordingly, the District currently bears the risk of payment for its members' medical claims.

The current premiums paid by represented employees on a per pay period basis are as follows:

Current Employee Health Insurance Premium (Per Pay Period)

	CNA & CLVNA		NUHW & ESC	
Tier	**Full-Time**	**Part-Time**	**Full-Time**	**Part-Time**
EE Only	$46.15	$69.23	$6.92	$35.19
EE +1	$92.31	$115.38	$41.54	$62.31
EE +2	$92.31	$115.38	$41.54	$62.31
EE +3	$92.31	$115.38	$41.54	$62.31

Additionally, non-Union hourly employees pay $15 per month for a single plan and $95 per month for a family plan. Exempt employees pay $125 per month for a single plan and $250 per month for a family plan.

2. The District's Proposed Modifications to the Health Insurance Benefits

The District's long-term objective is to transition from the Self-Insured Plan to a commercial or CalPERS health insurance plan to mitigate the risk the District bears for health insurance claims. The District currently incurs approximately $15 million in annual expenses associated with the Self-Insured Plan.

The District is continuing to obtain quotes for commercial or CalPERS insurance plans to replace the current Self-Insured Plan. However, the District has encountered difficulties obtaining quotes in light of the utilization it reports under the current Self-Insured Plan. In short, "utilization" refers to the extent to which members of a health insurance plan make claims on the plan. The District understands that the main driver of the utilization under the Self-Insured Plan are a combination of its generous benefits and significantly lower-than-market employee contributions under the Self-Insured Plan.

As a result of the delay in obtaining quotes, the District proposes a two-phased approach to transitioning from the Self-Insured Plan. ***First***, the District proposes continuing the Self-Insured Plan in the short term with immediate increases to premiums consistent with other commercial policies. The proposed premium rate increases are as follows for all employees:

Proposed Employee Health Insurance Premium
(Per Pay Period)

Tier	Full Time	Part Time
EE Only	$92.31	$115.38
EE +1	$138.46	$161.54
EE +2	$161.54	$184.62
EE +3	$184.62	$207.69

The District may also consider additional modifications during this interim period, including copayments and deductibles. ***Second***, the District anticipates changing to a commercial or CalPERS health insurance plan within the next year, which will replace the Self-Insured Plan in its entirety.

3. Projected Financial Result of Proposed Modifications to Health Insurance Benefits

The District estimates that the immediate interim modification to the health insurance benefits—the increases to premiums—will result in approximately $1.14 million in annualized savings. Additional interim modifications, including copayments and deductibles, will result in incremental additional savings. Without a commercial or CalPERS plan, the District cannot currently analyze the savings of its long-term transition from the Self-Insured Plan but anticipates it will be materially greater than the immediate interim modification to premiums.

D. Standby Compensation

1. Current Standby Compensation Policies

The Agreements provide the following compensation (the "Standby Compensation") for represented employees scheduled to stand by and be available for recall to the District's facilities, should the need arise as follows:

- **CNA.** CNA represented employees who are placed on standby duty beyond his or her regularly scheduled work day or work week are compensated for such standby time at **one-half (1/2) times the represented employee's straight time hourly rate**, regardless whether the represented employee is called in to work while on standby. *See* CNA Agmt., Art. 22 § 1.B. at 12. The standby rate increases to three-quarters (3/4) of the straight time hourly rate if the represented employee is on standby during a national holiday. *See id.*, § 1.D. at 12.

- **NUHW.** NUHW represented employees who are placed on standby duty beyond his or her regularly scheduled work day or work week are compensated for such standby time at **one-quarter (1/4) times the represented employee's straight time hourly rate**, increasing to one-half (1/2) times the represented employee's straight time hourly rate on national holidays, regardless whether the represented employee is called in to work while on standby. *See* NUHW Agmt., Art. 9 § 7.B., 7.D. at 9. Lead Surgical Technologists, MRI Technologists, Radiology Staff Technologists, Radiology Senior Technologists, Respiratory Care Practitioners, Surgical Technologists, and Ultrasound Technologists are compensated for standby time at **one-half (1/2) times the represented employee's straight time hourly rate**, increasing to three-fourths (3/4) times the represented employee's straight time hourly rate on national holidays, regardless whether the represented employee is called in to work while on standby. *See id.*

- **ESC.** ESC represented employees who are placed on standby duty beyond his or her regularly scheduled work day or work week are compensated for such standby time at **one-half (1/2) times the represented employee's straight time hourly rate**. *See* ESC Agmt., Art. 12 § 1.B. at 12.

- **CLVNA.** CLVNA represented employees who are placed on standby duty beyond his or her regularly scheduled work day or work week are allowed ***compensatory time off*** **equal to one-half (1/2) of the time on standby duty, *or compensated* for standby time at one-half (1/2) times the represented employee's straight time hourly rate**, regardless whether the represented employee is called in to work while on standby. *See* CLVNA Agmt., Art. 12 § A.2. at 9. The standby compensation rate increases to three-quarters (3/4) of the straight time hourly rate if the represented employee is on standby during a national holiday. *See id.*, Art. 12 § A.3. at 9.

2. The District's Proposed Modifications to Standby Compensation

The District proposes the following modifications to Standby Compensation: (i) reducing Standby Compensation for CNA represented employees to $25 per hour; and (ii) reducing Standby Compensation for all other employees to the California Minimum Wage. If called in to work while on standby, all employees will be entitled to their straight time hourly rate, unless the hours worked constituted overtime in which case the employee would be entitled to payment at overtime or applicable differential rates.

3. Projected Financial Result of Proposed Modifications to Standby Compensation

The District anticipates that the proposed modifications to Standby Compensation will result in $585,000 of annual savings.

E. Education Leave

1. Current Education Leave

The Agreements provide the following leave benefits for represented employees to obtain continuing education (the "Education Leave") that vary by Union:

- **CNA.** The CNA Ratified Agreement provides that CNA represented employees will receive **40 hours of Continuing Education Pay per year** which amount is forfeited if unused. *See* CNA Ratified Agmt., Art. 22 § 3.C. at 8. Educational leave for part-time represented employees is prorated. *See id.*

- **NUHW.** NUHW represented employees in certain full-time and part-time positions are eligible for reimbursement of up to **the minimum hours required to obtain necessary re-licensure** as part of the represented employee's position at the represented employee's straight time hourly rate. *See* NUHW Agmt., Art. 21 § K at 37.

- **ESC.** ESC represented employees in all full-time and part-time positions are eligible to receive 30 hours of educational leave on July 1 of each two year licensing cycle to attend classes/courses for the represented employee to maintain their license, e.g., **15 hours per year**. *See* ESC Agmt., Art. 31 at 44. Education leave for regular part-time represented employees is be prorated based upon their full-time equivalent status. *See id.*

- **CLVNA.** The CLVNA Ratified Agreement provides that CLVNA represented employees will receive **40 hours of Continuing Education Pay per year** which amount is forfeited if unused. *See* CLVNA Ratified Agmt., Art. 24 at 6. Educational leave for part-time represented employees was prorated. *See* CLVNA Agmt., Art. 22 § K.4.a. at 32.

2. The District's Proposed Modifications to Education Leave

The District proposes modifying Education Leave to offer 15 hours education pay per year to represented employees in all Unions for necessary re-licensure as part of the represented employee's position which amount is forfeited if not used in the applicable year. The District is willing to permit accrual, and waive forfeiture, where a licensing period is two years; however, forfeiture would apply if Education Leave is unused during the relevant two year licensure period.

3. Projected Financial Result of Proposed Modifications to Education Leave

The District anticipates that the proposed modifications to Education Leave will result in $208,000 of annual savings.

III.

CONCLUSION

The proposed Benefits modifications are projected to result in an annual aggregate savings of $4.3 million for the District. Assuming the Benefits modifications are implemented by July 1, 2023, the District anticipates that the Benefits modifications would result in $2.3 million of enhanced cash flow in calendar year 2023. This cash flow enhancement in 2023 is projected to result in a positive net cash flow for the year of $1.9 million rather than the currently-projected $600,000 cash flow shortfall. Importantly, the District would achieve these savings without modifying employee wages and salaries and while maintaining competitive Benefits offerings.

Attachment D
Phase 1 Pendency Plan Cash Forecast

San Benito Health Care District

Financial Forecast

2023 - Phase 1 Pendency Plan Cash Forecast

Description	Actual January	Actual February	Actual March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	Total
Recurring Revenue	$ 8,485,482	$ 8,818,794	$ 10,498,166	$ 11,908,253	$ 9,300,000	$ 9,300,000	$ 12,676,000	$ 9,110,000	$ 10,709,000	$ 9,095,000	$ 9,105,000	$ 11,756,000	$ 120,761,694
Net Supplemental Revenue	118,152	3,606,972	6,287,151	104,486	-	4,452,036	2,467,865	(1,138,622)	-	2,433,531	-	-	18,331,571
Total Cash Receipts	**8,603,634**	**12,425,766**	**16,785,317**	**12,012,739**	**9,300,000**	**13,752,036**	**15,143,865**	**7,971,378**	**10,709,000**	**11,528,531**	**9,105,000**	**11,756,000**	**139,093,266**
Operating Cash Disbursements	12,051,259	12,073,426	10,895,228	12,758,287	10,720,445	10,790,005	12,388,930	10,044,772	12,157,772	10,018,772	10,039,772	11,642,772	135,581,439
Operating Cash Flow	**(3,447,625)**	**352,340**	**5,890,089**	**(745,549)**	**(1,420,445)**	**2,962,031**	**2,754,935**	**(2,073,393)**	**(1,448,772)**	**1,509,759**	**(934,772)**	**113,228**	**3,511,826**
Restructuring Expenses	148,670	217,500	346,008	50,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,762,178
Other Non-Operating Expenses	120,868	12,002	91,156	19,762	150,000	200,000	250,000	200,000	250,000	200,000	200,000	250,000	1,943,788
Loans	3,059,185	-	-	-	-	-	-	-	-	-	-	-	3,059,185
Net Cash Flow	**$ (657,978)**	**$ 122,838**	**$ 5,452,925**	**$ (815,311)**	**$ (1,820,445)**	**$ 2,512,031**	**$ 2,254,935**	**$ (2,523,393)**	**$ (1,948,772)**	**$ 1,059,759**	**$ (1,384,772)**	**$ (386,772)**	**$ 1,865,045**
% of Revenue	*-8%*	*1%*	*32%*	*-7%*	*-20%*	*18%*	*15%*	*-32%*	*-18%*	*9%*	*-15%*	*-3%*	*1%*
Beginning Cash Balance	**$ 5,724,320**	**$ 5,066,342**	**$ 5,189,180**	**$ 10,642,105**	**$ 9,826,794**	**$ 8,006,349**	**$ 10,518,380**	**$ 12,773,315**	**$ 10,249,921**	**$ 8,301,150**	**$ 9,360,909**	**$ 7,976,137**	**$ 5,724,320**
Net Cash Flow	(657,978)	122,838	5,452,925	(815,311)	(1,820,445)	2,512,031	2,254,935	(2,523,393)	(1,948,772)	1,059,759	(1,384,772)	(386,772)	1,865,045
Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	**$ 5,066,342**	**$ 5,189,180**	**$ 10,642,105**	**$ 9,826,794**	**$ 8,006,349**	**$ 10,518,380**	**$ 12,773,315**	**$ 10,249,921**	**$ 8,301,150**	**$ 9,360,909**	**$ 7,976,137**	**$ 7,589,365**	**$ 7,589,365**

San Benito Health Care District

Financial Forecast

2024 - Phase 1 Pendency Plan Cash Forecast

Description	Forecast January	Forecast February	Forecast March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	Total
Recurring Revenue	$ 8,500,000	$ 8,800,000	$ 10,500,000	$ 11,900,000	$ 9,300,000	$ 9,300,000	$ 12,700,000	$ 9,100,000	$ 10,700,000	$ 9,100,000	$ 9,100,000	$ 11,800,000	$ 120,800,000
Net Supplemental Revenue	100,000	2,600,000	6,300,000	100,000	-	1,600,000	2,500,000	(1,100,000)	-	2,400,000	-	-	14,500,000
Total Cash Receipts	**8,600,000**	**11,400,000**	**16,800,000**	**12,000,000**	**9,300,000**	**10,900,000**	**15,200,000**	**8,000,000**	**10,700,000**	**11,500,000**	**9,100,000**	**11,800,000**	**135,300,000**
Operating Cash Disbursements	10,840,000	10,840,000	12,960,000	10,840,000	10,840,000	10,840,000	10,840,000	12,960,000	10,840,000	10,840,000	10,840,000	10,840,000	134,320,000
Operating Cash Flow	**(2,240,000)**	**560,000**	**3,840,000**	**1,160,000**	**(1,540,000)**	**60,000**	**4,360,000**	**(4,960,000)**	**(140,000)**	**660,000**	**(1,740,000)**	**960,000**	**980,000**
Restructuring Expenses	250,000	250,000	250,000	250,000	250,000	-	-	-	-	-	-	-	1,250,000
Other Non-Operating Expenses	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow	**$ (2,590,000)**	**$ 210,000**	**$ 3,490,000**	**$ 810,000**	**$ (1,890,000)**	**$ (40,000)**	**$ 4,260,000**	**$ (5,060,000)**	**$ (240,000)**	**$ 560,000**	**$ (1,840,000)**	**$ 860,000**	**$ (1,470,000)**
% of Revenue	*-30%*	*2%*	*21%*	*7%*	*-20%*	*0%*	*28%*	*-63%*	*-2%*	*5%*	*-20%*	*7%*	*-1%*
Beginning Cash Balance	**$ 7,589,365**	**$ 4,999,365**	**$ 5,209,365**	**$ 8,699,365**	**$ 9,509,365**	**$ 7,619,365**	**$ 7,579,365**	**$ 11,839,365**	**$ 6,779,365**	**$ 6,539,365**	**$ 7,099,365**	**$ 5,259,365**	**$ 7,589,365**
Net Cash Flow	(2,590,000)	210,000	3,490,000	810,000	(1,890,000)	(40,000)	4,260,000	(5,060,000)	(240,000)	560,000	(1,840,000)	860,000	(1,470,000)
Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	**$ 4,999,365**	**$ 5,209,365**	**$ 8,699,365**	**$ 9,509,365**	**$ 7,619,365**	**$ 7,579,365**	**$ 11,839,365**	**$ 6,779,365**	**$ 6,539,365**	**$ 7,099,365**	**$ 5,259,365**	**$ 6,119,365**	**$ 6,119,365**

Hazel Hawkins
MEMORIAL HOSPITAL

Board of Directors Contract Review Worksheet

Agreement for Professional Services with Zainab M. Malik, M.D.

Executive Summary: Dr. Zainab Malik is a double board-certified adult, adolescent & child psychiatrist who has been providing full-time clinic-based psychiatry and behavioral health services at the Mabie First Street clinic since 2019 under a professional services agreement with *Your Medical Group, Inc*. Since that agreement is ending on 6/1/2023, the District wishes to continue offering this vital service to the community without interruption.

Recommended Board Motion: It is recommended the hospital Board approve the Professional Services Agreement with Zainab M. Malik, M.D. at a rate of $162 per hour.

Services Provided: Full-time (40 hours/week) clinic-based psychiatry and behavioral health services.

Agreement Terms:

Contract Term	Effective Date	FMV %ile	Base Monthly Cost	Estimated Annual Cost	Term clause
1 year	6/1/2023	Median	$28,080	$336,960	60 days

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("Agreement") is entered into and effective as of **June 1, 2023** ("Effective Date"), by and between **San Benito Health Care District**, a local health care district organized and operated pursuant to Division 23 of the California Health and Safety Code ("SBHCD"), and **Zainab M. Malik, M.D.** ("Physician").

RECITALS

A. SBHCD owns and operates Hazel Hawkins Memorial Hospital, a licensed general acute care facility located at 911 Sunset Drive, Hollister, California ("Hospital"). Hospital provides inpatient and outpatient services to residents of the San Benito Health Care District and surrounding communities which constitute the Hospital's service area ("Hospital Service Area").

B. SBHCD owns and operates rural health clinics as defined in Title 22, California Code of Regulations section 51115.5 to provide services to patients in the Hospital Service Area ("Clinics"). Clinics operate under the name "Hazel Hawkins Community Health Clinics".

C. Physician is licensed to practice medicine in the State of California, is a member in good standing of the medical staff of Hospital, and is experienced and qualified to provide psychiatry services ("Services").

D. Section 32129 of the California Health and Safety Code provides that a health care district may contract with a physician to render professional health services in order to ensure that adequate health care is available to all residents within its service area.

E. SBHCD has determined that entering into this Agreement with Physician is in the best interests of the Hospital and the public health of the residents of the Hospital Service Area, and is an appropriate way to assure availability of rural health clinics' services to patients in the Hospital Service Area.

F. The parties desire to enter into this Agreement to set forth their respective responsibilities in connection with the Services provided by Physician in the Hospital Service Area during the term of this Agreement.

The parties hereby agree as follows:

1. DUTIES AND OBLIGATIONS OF PHYSICIAN

1.1 Professional Services. Physician shall provide all Services reasonably required for coverage, patient care, and the operation of the Clinics and will perform the duties of Clinic Physician as set forth in Exhibits A and B. Physician shall provide such services on a full-time (1.0 FTE) basis and pursuant to a mutually agreed upon schedule. If Physician cannot agree on such a schedule, SBHCD shall determine the schedule.

1.2 Qualifications of Physician. Physician shall: (i) be duly licensed to practice medicine by the State of California; (ii) be an active member in good standing of the Hospital's medical staff; (iii) have levels of competence, experience and skill comparable to those prevailing in the community; and (iv) not be excluded from any governmental healthcare program.

1.3 Compliance. In connection with the operation and conduct of the Clinics and rendition of Services, Physician shall, at all times, comply with the applicable terms of this Agreement and with all applicable federal, state and local laws, rules and regulations, including requirements for participation in the Medicare and Medi-Cal programs, and will at all times be aware of and participate in meeting the District Corporate Compliance program goals and objectives.

1.4 Credentialing. In order to be efficiently credentialed with payors contracted with SBHCD, Physician shall participate in the Council for Affordable Quality Healthcare ("CAQH") credentialing program and shall timely comply with requests from CAQH or SBHCD personnel for (i) credentialing information regarding Physician, and (ii) documents necessary for the credentialing of Physician.

1.5 Use of Premises. No part of the Clinics premises shall be used at any time by Physician as an office for the general or private practice of medicine.

1.6 Medical Records/Chart Notes. Physician shall provide appropriate and necessary documentation for each patient's medical record for all patient encounters in the Clinics.

1.7 Coding. Physician shall properly code all professional services rendered to patients for all visits to the Clinics. Physician's coding shall be used for purposes of billing for Services provided by Physician. All such coding shall be subject to review and audit by an independent auditing company mutually agreed upon by the parties.

2. DUTIES AND OBLIGATIONS OF SBHCD

2.1 Duties. SBHCD agrees to furnish at its own cost and expense, for the operation of the Clinics, the following:

2.1.1 Space and Equipment. Space and Equipment as may be reasonably required for the operation of the Clinics as approved by Hospital.

2.1.2 Services and Supplies. Maintenance, repair and replacement of equipment as are reasonably required; all utilities, including telephone, power, light, gas and water; and all supplies that may be reasonably required for the operation of the Clinics.

2.1.3 Non-physician Personnel. All non-physician personnel with appropriate education, training and experience required to operate the Clinics, including a qualified administrative manager. SBHCD shall have the sole right and responsibility for the hiring and termination of all its employees. SBHCD shall be responsible for the Clinics scheduling of non-physician Clinic personnel.

2.2 Eligibility. At all times during the term of this Agreement, Clinics shall remain eligible to participate in the Medicare and Medi-Cal programs.

2.3 Contracts. SBHCD shall be solely responsible for negotiating all contracts for the reimbursement of Services provided in the Clinics. SBHCD in its sole and absolute discretion shall determine the negotiation parameters for the terms, conditions and rates for such contracts.

2.4 Access to Records. Physician shall have access to the Clinics' patient medical and business records for quality of care and compliance purposes.

3. BILLING AND ASSIGNMENT OF REVENUE

3.1 Billing and Collection. SBHCD shall perform billing and collection services under this Agreement. Physician shall cooperate with SBHCD and shall use his/her best efforts to bill and collect for services in a diligent, timely, competent, effective, lawful, and commercially reasonable manner, maximizing the revenue to which Physician is legally and ethically entitled.

3.2 Assignment of Professional Service Revenues. Physician hereby assigns to SBHCD the right to all revenue from any and all patients, third-party payors, and governmental programs for all services rendered by Physician at the Hospital and the Clinics under this Agreement. The Parties intend that SBHCD may bill and collect directly from the Medicare carrier for Physician services to Medicare beneficiaries in compliance with Medicare Publication 100-04, Chapter 1, Sec. 30.2.7.

4. COMPENSATION FOR COVERAGE BY PHYSICIAN

4.1 Coverage Fee. As compensation for the provision of professional Services in the Clinics, SBHCD shall compensate Physician a rate of **One Hundred Sixty-Two Dollars ($162.00)** per hour. SBHCD shall pay Physician on a monthly basis in accordance with the normal SBHCD contract payment process, for Services provided by Physician during the immediately preceding monthly period. Physician shall not bill for facility fees, administrative, supervisory, medical director, or similar services.

4.2 Schedule of Charges. SBHCD, in its sole and absolute discretion, shall decide upon the schedule of charges for the Clinics. Pursuant to California Health and Safety Code Section 32129, the SBHCD Board of Directors may review the fees and charges for Services provided at the Clinics to ensure such fees and charges are reasonable, fair, and consistent with the basic commitment of SBHCD to provide adequate health care to all residents within the Hospital Service Area.

5. TERM AND TERMINATION

5.1 Term. The term of this Agreement shall commence on the Effective Date and continue for a period of one (1) year from the Start Date, unless terminated earlier as provided in this Agreement, and shall automatically renew for successive one (1) year periods until terminated. Either party shall have the right to terminate this Agreement without stating a cause or reason and without cost or penalty upon sixty (60) days prior written notice to the other party. If this Agreement is terminated prior to expiration of the initial year of the term, the parties shall not enter into any new agreement or arrangement during the remainder of such year.

5.2 Termination for Cause. Either party shall have the right to terminate the Agreement for cause upon not less than thirty (30) days written notice (provided that in the case of (i) Sections 5.3.3, 5.3.4, and 5.3.5, no additional notice beyond that specified therein shall be required, (ii) Section 5.3.6, no notice shall be required and this Agreement will terminate effective as of the date of such exclusion, suspension, debarment from, or ineligibility for, any federal or state health care program, and/or of such conviction of a criminal offense related to conduct that would or could trigger an exclusion from any federal or state health care program, and (iii) insolvency or bankruptcy described in Section 5.3.2, as of the date of such insolvency or declaration of bankruptcy, as applicable).

5.3 Definition of Cause. For purposes of this Agreement, "cause" shall include, but not be limited to, the occurrence of any of the following events:

5.3.1 SBHCD or Physician is in breach of any material term or condition of this Agreement and such breach has not been cured within thirty (30) days following notice of such breach.

5.3.2 SBHCD or Physician becomes insolvent or declares bankruptcy.

5.3.3 The license to practice medicine or to prescribe controlled substances of Physician is revoked or suspended, or Physician is suspended or removed from the Medical Staff of the Hospital, or no longer maintains the required membership status on the Medical Staff of the Hospital.

5.3.4 SBHCD fails to carry or reinstate the insurance required in Article 8 of this Agreement or such coverage is cancelled or revoked within ten (10) days following notice of revocation from its insurance carrier.

5.3.5 Upon the determination that Physician has violated a material term of Article 9 of this Agreement.

5.3.6 The performance by either party of any term, condition, or provision of this Agreement which jeopardizes the licensure of Hospital, Hospital's participation in Medicare, Medi-Cal or other reimbursement or payment program, or Hospital's full accreditation by The Joint Commission or any other state or nationally recognized accreditation organization, or the tax-exempt status of Hospital's bonds, or if for any other reason such performance violates any statute, ordinance, or is otherwise deemed illegal, or is deemed unethical by any recognized body, agency, or association in the healthcare fields, and the jeopardy or violation has not been or cannot be cured within sixty (60) days from the date notice of such jeopardy or violation has been received by the parties.

5.4 Termination/Expiration Not Subject to Fair Hearing. It is agreed between the parties that should either party exercise its right to terminate this Agreement such decision to terminate, and the actual termination or expiration of this Agreement, shall apply to rights under this Agreement only and not to Physician's medical staff privileges or membership on the medical staff of Hospital. The termination or expiration of this Agreement shall not be subject to the Fair Hearing Plan of the Medical Staff Bylaws, the hearing procedures provided by Healthcare District Law, or any other fair hearing procedure regarding medical staff appointments or privileges.

6. INDEPENDENT CONTRACTOR

6.1 Independent Contractor Status. Physician is engaged in an independent contractor relationship with SBHCD in performing all work, services, duties and obligations pursuant to this Agreement. Neither SBHCD nor Hospital shall exercise any control or direction over the methods by which Physician performs Physician's work and functions, except that Physician shall perform at all times in strict accordance with

then currently approved methods and practices of Physician's professional specialty. SBHCD's sole interest is to ensure that Physician performs and renders services in a competent, efficient and satisfactory manner in accordance with high medical standards.

6.2 Independent Contractor Responsibilities. The parties expressly agree that no work, act, commission or omission of Physician pursuant to the terms and conditions of this Agreement shall be construed to make or render Physician, the agent or employee of SBHCD or Hospital. Physician shall not be entitled to receive from SBHCD or Hospital vacation pay, sick leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or any other employee benefit.

7. REPRESENTATIONS AND WARRANTIES OF PARTIES

7.1 SBHCD for itself, and its directors, officers, employees and agents (collectively, "Agents"), and Physician (for Physician and Physician's Agents) hereby warrants and represent as follows:

7.1.1 Neither it nor any of its Agents (i) is excluded, suspended or debarred from, or otherwise ineligible for, participation in any federal or state health care program including, without limitation, Medicare or Medi-Cal, or (ii) has been convicted of a criminal offense related to conduct that would or could trigger an exclusion from any federal or state health care program including, without limitation, Medicare or Medi-Cal; and

7.1.2 It shall, and it shall ensure that each of its Agents shall, notify the other parties thereto immediately in writing of (i) any threatened, proposed or actual exclusion, suspension or debarment, and/or (ii) any conviction of a criminal offense related to conduct that would or could trigger an exclusion, of it or any of its Agents from any federal or state health care program.

8. LIABILITY/MALPRACTICE INSURANCE COVERAGE

8.1 SBHCD and Hospital shall maintain general and professional liability insurance coverage commencing on the Start Date and continuing for the term of this Agreement in minimum amounts of $1,000,000 per occurrence and $3,000,000 annual aggregate. In the event the coverage that SBHCD and/or Hospital obtains to comply with this Section of this Agreement is a "claims made" policy, and SBHCD or Hospital, as applicable, changes insurance carriers or terminates coverage upon or after termination of this Agreement, SBHCD or Hospital, as applicable, shall immediately obtain and shall maintain "tail" coverage in the amounts otherwise required under this Section for at least seven (7) years following termination of this Agreement.

9. PROTECTED HEALTH INFORMATION

9.1 Protected Health Information. Physician shall maintain the confidentiality of all Protected Health Information ("PHI") in accordance with all applicable federal, state and local laws and regulations, including, but not limited to, the California Confidentiality of Medical Information Act and the Federal Health Insurance Portability and Accountability Act of 1996 and regulations promulgated thereunder ("HIPAA"). Without limiting the foregoing, Physician agrees to maintain PHI, as defined from time to time under HIPAA, which may be made available to or received by Physician pursuant to this Agreement, in accordance with the requirements of HIPAA. Physician agrees that Physician shall:

9.1.1 Not use or further disclose PHI in a manner that would violate HIPAA if done by Hospital or violate the requirements of applicable laws or this Agreement;

9.1.2 Use appropriate safeguards to prevent use or disclosure of PHI except as permitted by law and the terms of this Agreement, and report to Hospital any use or disclosure of PHI not permitted by law or by this Agreement of which Physician becomes aware;

9.1.3 Comply with the elements of any compliance program established by Hospital that applies to the use or disclosure of PHI and ensure that any subcontractors or agents to whom Physician provides PHI agree to the same restrictions and conditions that apply to Physician with respect to such PHI;

9.1.4 In accordance with HIPAA, (i) make available PHI to the subject Patient; (ii) make available PHI for amendment and incorporate any amendments to PHI; and (iii) make available the information required to provide an accounting of disclosures of PHI to the subject Patient;

9.1.5 Make Physician's internal practices, books, and records relating to the use and disclosure of PHI available to the Secretary of the United States Department of Health and Human Services for purposes of determining Hospital's and Physician's compliance with HIPAA;

9.1.6 At termination of this Agreement, return or destroy all PHI received from or created by SBHCD and retain no copies of such PHI or, if return or destruction is not permissible under law or the terms of this Agreement, continue to maintain all PHI in accordance with the provisions of this Section and limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible.

9.2 Electronic Protected Health Information ("EPHI"). Physician agrees that Physician will: (i) implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that Physician creates, receives, maintains, or transmits on behalf of SBHCD; (ii) report to SBHCD any security incident with respect to EPHI of which Physician becomes aware; and (iii) ensure that any agent, including a subcontractor, to whom Physician provides EPHI agrees to implement reasonable and appropriate safeguards to protect such information.

10. GENERAL PROVISIONS

10.1 Notices. Any notice to be given to any party hereunder shall be deposited in the United States Mail, duly registered or certified, with return receipt requested, with postage paid, and addressed to the party for which intended, at the following addresses, or to such other address or addresses as the parties may hereafter designate in writing to each other.

SBHCD: San Benito Health Care District
Office of the Chief Executive Officer
911 Sunset Drive
Hollister, CA 95023

Physician: Zainab M. Malik, M.D.
5340 Manderston Drive
San Jose, CA 95138

10.2 No Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

10.3 Governing Law and Venue. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California. Venue shall be in the County of San Benito, California.

10.4 Ownership of Patient Records. All Clinics' patient records shall be maintained by SBHCD and are the property of SBHCD. Physician shall have the right to access such records during normal business hours.

10.5 Exclusive Property of SBHCD. All data, files, records, documents, specifications, promotional materials and similar items relating to the business of SBHCD, whether prepared by or with the assistance of Physician or otherwise coming into Physician's possession shall remain the exclusive property of SBHCD and shall not be removed from SBHCD's facilities under any circumstances without the prior written consent of SBHCD.

10.6 No Referrals. Nothing in this Agreement is intended to obligate or induce any party to this Agreement to refer patients to any other party.

10.7 Confidentiality. The parties acknowledge and agree that during the term of this Agreement and in the course of the discharge of Physician's duties hereunder, Physician shall have access to and become acquainted with information concerning the operation of District, and information which, pursuant to

applicable law and regulation, is deemed to be confidential, including, but not limited to, trade secrets, medical records, patient medical and personal information, and personnel records. Physician agrees that such information shall not be disclosed either directly or indirectly to any other person or entity used by Physician in any way either during the term of this Agreement or at any other time thereafter, except as is required herein Physician understands breach of this article will be an irremediable breach of this Agreement. Such breach will result in immediate termination of this Agreement.

10.8 Binding Agreement; No Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties to it and their respective legal representatives, successors and permitted assigns. No party may assign this Agreement or any rights hereunder, or may they delegate any of the duties to be performed hereunder without the prior written consent of the other party.

10.9 Dispute Resolution. If any dispute, controversy or claim arises out of this Agreement, for a period of thirty (30) days following written notice of the dispute, controversy or claim from one party to the other, the parties will use their good faith efforts to resolve the dispute, controversy or claim. If the matter cannot be resolved by the parties in this fashion, then such dispute, claim or controversy shall be heard in San Benito County, California, pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1, inclusive. The hearing shall be final and binding to the greatest extent permitted by law, and the cost thereof, including reasonable attorneys' fees, shall be borne by the losing party in such proportions as the referee may decide. Judgment on the award may be entered in any court having jurisdiction thereof.

10.10 Section 952 of Omnibus Budget Reconciliation Act of 1980. In accordance with Section 952 of the Omnibus Reconciliation Act of 1980 (PL 96-499), Physician agrees that the books and records of Physician will be available to the Secretary of Department of Health and Human Services and the Comptroller General of the United States, or their duly authorized representatives, for four (4) years after termination of this Agreement. In the event that any of the services to be performed under this Agreement are performed by any subcontractor of Physician at a value or cost of $10,000 or more over a twelve (12) month period, Physician shall comply and assure that such subcontractor complies with the provisions of Section 952 of the Omnibus Reconciliation Act of 1980. If regulations are issued at a later time which would determine that Section 952 of PL 96-499 is not applicable to this Agreement, this Section shall automatically be repealed.

10.11 Entire Agreement; Amendment. This Agreement, its exhibits, and all referenced documents constitute the entire agreement between the parties pertaining to the subject matter contained herein. This Agreement supersedes all prior and contemporaneous agreements, representations and understandings of the parties which relate to the subject matter of this Agreement. No supplement, amendment or modification of this Agreement shall be binding unless executed in writing by all of the parties.

The parties hereby executed this Agreement as of the Effective Date first set forth above.

SBHCD
San Benito Health Care District

By:_____
Mary T. Casillas, Interim Chief Executive Officer

Date: _____

Physician
Zainab M. Malik, M.D.

_____
Zainab M. Malik, M.D.

Date: _____

EXHIBIT A

PHYSICIAN RESPONSIBILITIES
COMMUNITY HEALTH CLINICS

The duties of Physician shall include, but not be limited to, the following, as may be required by the SBHCD:

1. Rendering professional psychiatry healthcare/medical services to patients of the Clinics.

2. Responsibility for the delivery of psychiatry healthcare/medical services at the Clinics including:

   a) Ensuring the quality, availability, and expertise of medical services rendered in the Clinics, and at Clinic-related activities;

   b) Supervising behavioral health physician assistants and nurse practitioners (collectively referred to as "Mid-Level Practitioners") as necessary for reimbursement; or consultant in the extended absence of the Medical Director as determined by SBHCD for Clinic patients to provide adequate coverage.

   c) The coordination of behavioral health medical activities of the Clinics as a whole to be accomplished through continuous communication with appropriate District administrative personnel regarding matters relating to the medical administration of the Clinics;

   d) Assisting with the development of a plan for behavioral health quality assurance for the Clinics;

   e) Provide required chart review and audits of appropriate mid-level practitioner staff for Clinic behavioral health patients.

EXHIBIT B

SCHEDULE and CONTINUING MEDICAL EDUCATION

1. **Schedule**. Physician shall provide Physician Services to SBHCD patients on a full-time equivalent (1.0 FTE) basis, Monday through Friday, forty (40) hours per week up to forty-eight (48) weeks per year. Physician is permitted to provide Physician Services remotely up to one (1) day per week during the term of this Agreement.

1.1 **Absences**. Physician is entitled to four (4) weeks of time off for vacation, Clinic-observed holidays, illness, continuing education, etc. each contract year without reduction in Compensation. Physician must provide forty-five (45) days' notice for vacations and/or desired schedule changes that would leave an extended gap in coverage. Physician is responsible for negotiating/scheduling coverage changes and assuring adequate coverage is in place during any absences.

2. **Continuing Medical Education**. For each contract year during the term of this Agreement, Physician shall be entitled reimbursement for continuing medical education ("CME") expenses incurred during the contract year up to a maximum of two thousand five hundred dollars ($2,500). Reimbursable expenses include registration fees, books, or other course materials, and specifically excludes travel, lodging or food expenses. Unused CME expense reimbursement funds do not roll over to the following year nor may they be cashed out or paid out upon termination of this Agreement. Payment for reimbursable CME expenses shall be made in accordance with applicable SBHCD policies following receipt of appropriate documentation. Physician shall be responsible for maintaining Physician's CME documentation.

Hazel Hawkins
MEMORIAL HOSPITAL

Board of Directors Contract Review Worksheet

Agreement for Professional Services with Vivek Jain, M.D.

Executive Summary: Dr. Vivek Jain is a board-certified neurologist who has been providing full-time neurology services within the hospital, skilled nursing facilities, rural health & specialty clinics since 2015 under a professional services agreement with *Your Medical Group, Inc*. Since that agreement is ending on 6/1/2023, the District wishes to continue offering this vital service to the community without interruption.

Recommended Board Motion: It is recommended the hospital Board approve the Professional Services Agreement with Vivek Jain, M.D. at a rate of $192.31 per hour.

Services Provided: Full-time (40 hours/week) neurology services within the hospital, skilled nursing facilities, and clinics.

Agreement Terms:

Contract Term	Effective Date	FMV %ile	Base Monthly Cost	Estimated Annual Cost	Term clause
1 year	6/1/2023	65th	$33,333	$400,000	60 days

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("Agreement") is entered into and effective as of **June 1, 2023** ("Effective Date"), by and between **San Benito Health Care District**, a local health care district organized and operated pursuant to Division 23 of the California Health and Safety Code ("SBHCD"), and **Vivek Jain, M.D.** ("Physician").

RECITALS

A. SBHCD owns and operates Hazel Hawkins Memorial Hospital, a licensed general acute care facility located at 911 Sunset Drive, Hollister, California ("Hospital"). Hospital provides inpatient and outpatient services to residents of the San Benito Health Care District and surrounding communities which constitute the Hospital's service area ("Hospital Service Area").

B. SBHCD owns and operates rural and specialty health clinics as defined in Title 22, California Code of Regulations section 51115.5 to provide services to patients in the Hospital Service Area ("Clinics"). Clinics operate under the name "Hazel Hawkins Community Health Clinics" and "Hollister Multi-Specialty Clinic".

C. Physician is licensed to practice medicine in the State of California, is a member in good standing of the medical staff of Hospital, and is experienced and qualified to provide neurology services ("Services").

D. Section 32129 of the California Health and Safety Code provides that a health care district may contract with a physician to render professional health services in order to ensure that adequate health care is available to all residents within its service area.

E. SBHCD has determined that entering into this Agreement with Physician is in the best interests of the Hospital and the public health of the residents of the Hospital Service Area, and is an appropriate way to assure availability of hospital, skilled nursing facility, rural health and specialty clinic services to patients in the Hospital Service Area.

F. The parties desire to enter into this Agreement to set forth their respective responsibilities in connection with the Services provided by Physician in the Hospital Service Area during the term of this Agreement.

The parties hereby agree as follows:

1. DUTIES AND OBLIGATIONS OF PHYSICIAN

1.1 Professional Services. Physician shall provide all Services reasonably required for coverage, patient care, and operation of the Hospital, Skilled Nursing Facilities, and clinics and will perform the duties as set forth in Exhibits A and B. Physician shall provide such services on a full-time (1.0 FTE) basis and pursuant to a mutually agreed upon schedule. If Physician cannot agree on such a schedule, SBHCD shall determine the schedule.

1.2 Qualifications of Physician. Physician shall: (i) be duly licensed to practice medicine by the State of California; (ii) be an active member in good standing of the Hospital's medical staff; (iii) have levels of competence, experience and skill comparable to those prevailing in the community; and (iv) not be excluded from any governmental healthcare program.

1.3 Compliance. In connection with the operation and conduct of the Hospital, Skilled Nursing Facilities, and Clinics and rendition of Services, Physician shall, at all times, comply with the applicable terms of this Agreement and with all applicable federal, state and local laws, rules and regulations, including requirements for participation in the Medicare and Medi-Cal programs, and will at all times be aware of and participate in meeting the District Corporate Compliance program goals and objectives.

1.4 Credentialing. In order to be efficiently credentialed with payors contracted with SBHCD, Physician shall participate in the Council for Affordable Quality Healthcare ("CAQH") credentialing program and shall timely comply with requests from CAQH or SBHCD personnel for (i) credentialing information regarding Physician, and (ii) documents necessary for the credentialing of Physician.

1.5 Use of Premises. No part of the Clinics premises shall be used at any time by Physician as an office for the general or private practice of medicine.

1.6 Medical Records/Chart Notes. Physician shall provide appropriate and necessary documentation for each patient's medical record for all patient encounters in the Clinics.

1.7 Coding. Physician shall properly code all professional services rendered to patients for all visits to the Clinics. Physician's coding shall be used for purposes of billing for Services provided by Physician. All such coding shall be subject to review and audit by an independent auditing company mutually agreed upon by the parties.

2. DUTIES AND OBLIGATIONS OF SBHCD

2.1 Duties. SBHCD agrees to furnish at its own cost and expense, for the operation of the Clinics, the following:

2.1.1 Space and Equipment. Space and Equipment as may be reasonably required for the operation of the Clinics as approved by Hospital.

2.1.2 Services and Supplies. Maintenance, repair and replacement of equipment as are reasonably required; all utilities, including telephone, power, light, gas and water; and all supplies that may be reasonably required for the operation of the Clinics.

2.1.3 Non-physician Personnel. All non-physician personnel with appropriate education, training and experience required to operate the Clinics, including a qualified administrative manager. SBHCD shall have the sole right and responsibility for the hiring and termination of all its employees. SBHCD shall be responsible for the Clinics scheduling of non-physician Clinic personnel.

2.2 Eligibility. At all times during the term of this Agreement, Clinics shall remain eligible to participate in the Medicare and Medi-Cal programs.

2.3 Contracts. SBHCD shall be solely responsible for negotiating all contracts for the reimbursement of Services provided in the Clinics. SBHCD in its sole and absolute discretion shall determine the negotiation parameters for the terms, conditions and rates for such contracts.

2.4 Access to Records. Physician shall have access to the Clinics' patient medical and business records for quality of care and compliance purposes.

3. BILLING AND ASSIGNMENT OF REVENUE

3.1 Billing and Collection. SBHCD shall perform billing and collection services under this Agreement. Physician shall cooperate with SBHCD and shall use his/her best efforts to bill and collect for services in a diligent, timely, competent, effective, lawful, and commercially reasonable manner, maximizing the revenue to which Physician is legally and ethically entitled.

3.2 Assignment of Professional Service Revenues. Physician hereby assigns to SBHCD the right to all revenue from any and all patients, third-party payors, and governmental programs for all services rendered by Physician at the Hospital and the Clinics under this Agreement. The Parties intend that SBHCD may bill and collect directly from the Medicare carrier for Physician services to Medicare beneficiaries in compliance with Medicare Publication 100-04, Chapter 1, Sec. 30.2.7.

4. COMPENSATION FOR COVERAGE BY PHYSICIAN

4.1 Coverage Fee. As compensation for the provision of professional Services in the Clinics, Hospital and Skilled Nursing Facilities, SBHCD shall compensate Physician a rate of **One Hundred Ninety-Two Dollars and Thirty-One Cents ($192.31)** per hour. SBHCD shall pay Physician on a monthly basis in accordance with the normal SBHCD contract payment process, for Services provided by Physician during the immediately preceding monthly period. Physician shall not bill for facility fees, administrative, supervisory, medical director, or similar services.

4.2 Schedule of Charges. SBHCD, in its sole and absolute discretion, shall decide upon the schedule of charges for the Clinics. Pursuant to California Health and Safety Code Section 32129, the SBHCD Board of Directors may review the fees and charges for Services provided at the Clinics to ensure such fees and charges are reasonable, fair, and consistent with the basic commitment of SBHCD to provide adequate health care to all residents within the Hospital Service Area.

5. TERM AND TERMINATION

5.1 Term. The term of this Agreement shall commence on the Effective Date and continue for a period of one (1) year from the Start Date, unless terminated earlier as provided in this Agreement, and shall automatically renew for successive one (1) year periods until terminated. Either party shall have the right to terminate this Agreement without stating a cause or reason and without cost or penalty upon sixty (60) days prior written notice to the other party. If this Agreement is terminated prior to expiration of the initial year of the term, the parties shall not enter into any new agreement or arrangement during the remainder of such year.

5.2 Termination for Cause. Either party shall have the right to terminate the Agreement for cause upon not less than thirty (30) days written notice (provided that in the case of (i) Sections 5.3.3, 5.3.4, and 5.3.5, no additional notice beyond that specified therein shall be required, (ii) Section 5.3.6, no notice shall be required and this Agreement will terminate effective as of the date of such exclusion, suspension, debarment from, or ineligibility for, any federal or state health care program, and/or of such conviction of a criminal offense related to conduct that would or could trigger an exclusion from any federal or state health care program, and (iii) insolvency or bankruptcy described in Section 5.3.2, as of the date of such insolvency or declaration of bankruptcy, as applicable).

5.3 Definition of Cause. For purposes of this Agreement, "cause" shall include, but not be limited to, the occurrence of any of the following events:

5.3.1 SBHCD or Physician is in breach of any material term or condition of this Agreement and such breach has not been cured within thirty (30) days following notice of such breach.

5.3.2 SBHCD or Physician becomes insolvent or declares bankruptcy.

5.3.3 The license to practice medicine or to prescribe controlled substances of Physician is revoked or suspended, or Physician is suspended or removed from the Medical Staff of the Hospital, or no longer maintains the required membership status on the Medical Staff of the Hospital.

5.3.4 SBHCD fails to carry or reinstate the insurance required in Article 8 of this Agreement or such coverage is cancelled or revoked within ten (10) days following notice of revocation from its insurance carrier.

5.3.5 Upon the determination that Physician has violated a material term of Article 9 of this Agreement.

5.3.6 The performance by either party of any term, condition, or provision of this Agreement which jeopardizes the licensure of Hospital, Hospital's participation in Medicare, Medi-Cal or other reimbursement or payment program, or Hospital's full accreditation by The Joint Commission or any other state or nationally recognized accreditation organization, or the tax-exempt status of Hospital's bonds, or if for any other reason such performance violates any statute, ordinance, or is otherwise deemed illegal, or is deemed unethical by any recognized body, agency, or association in the healthcare fields, and the jeopardy or violation has not been or cannot be cured within sixty (60) days from the date notice of such jeopardy or violation has been received by the parties.

5.4 Termination/Expiration Not Subject to Fair Hearing. It is agreed between the parties that should either party exercise its right to terminate this Agreement such decision to terminate, and the actual termination or expiration of this Agreement, shall apply to rights under this Agreement only and not to Physician's medical staff privileges or membership on the medical staff of Hospital. The termination or expiration of this Agreement shall not be subject to the Fair Hearing Plan of the Medical Staff Bylaws, the hearing procedures provided by Healthcare District Law, or any other fair hearing procedure regarding medical staff appointments or privileges.

6. INDEPENDENT CONTRACTOR

6.1 Independent Contractor Status. Physician is engaged in an independent contractor relationship with SBHCD in performing all work, services, duties and obligations pursuant to this Agreement. Neither SBHCD nor Hospital shall exercise any control or direction over the methods by which Physician performs Physician's work and functions, except that Physician shall perform at all times in strict accordance with then currently approved methods and practices of Physician's professional specialty. SBHCD's sole interest is to ensure that Physician performs and renders services in a competent, efficient and satisfactory manner in accordance with high medical standards.

6.2 Independent Contractor Responsibilities. The parties expressly agree that no work, act, commission or omission of Physician pursuant to the terms and conditions of this Agreement shall be construed to make or render Physician, the agent or employee of SBHCD or Hospital. Physician shall not be entitled to receive from SBHCD or Hospital vacation pay, sick leave, retirement benefits, Social Security, workers' compensation, disability or unemployment insurance benefits or any other employee benefit.

7. REPRESENTATIONS AND WARRANTIES OF PARTIES

7.1 SBHCD for itself, and its directors, officers, employees and agents (collectively, "Agents"), and Physician (for Physician and Physician's Agents) hereby warrants and represent as follows:

7.1.1 Neither it nor any of its Agents (i) is excluded, suspended or debarred from, or otherwise ineligible for, participation in any federal or state health care program including, without limitation, Medicare or Medi-Cal, or (ii) has been convicted of a criminal offense related to conduct that would or could trigger an exclusion from any federal or state health care program including, without limitation, Medicare or Medi-Cal; and

7.1.2 It shall, and it shall ensure that each of its Agents shall, notify the other parties thereto immediately in writing of (i) any threatened, proposed or actual exclusion, suspension or debarment, and/or (ii) any conviction of a criminal offense related to conduct that would or could trigger an exclusion, of it or any of its Agents from any federal or state health care program.

8. LIABILITY/MALPRACTICE INSURANCE COVERAGE

8.1 SBHCD and Hospital shall maintain general and professional liability insurance coverage commencing on the Start Date and continuing for the term of this Agreement in minimum amounts of $1,000,000 per occurrence and $3,000,000 annual aggregate. In the event the coverage that SBHCD and/or Hospital obtains to comply with this Section of this Agreement is a "claims made" policy, and SBHCD or Hospital, as applicable, changes insurance carriers or terminates coverage upon or after termination of this Agreement, SBHCD or Hospital, as applicable, shall immediately obtain and shall maintain "tail" coverage in the amounts otherwise required under this Section for at least seven (7) years following termination of this Agreement.

9. PROTECTED HEALTH INFORMATION

9.1 Protected Health Information. Physician shall maintain the confidentiality of all Protected Health Information ("PHI") in accordance with all applicable federal, state and local laws and regulations, including, but not limited to, the California Confidentiality of Medical Information Act and the Federal Health Insurance Portability and Accountability Act of 1996 and regulations promulgated thereunder ("HIPAA"). Without limiting the foregoing, Physician agrees to maintain PHI, as defined from time to time under HIPAA, which may be made available to or received by Physician pursuant to this Agreement, in accordance with the requirements of HIPAA. Physician agrees that Physician shall:

9.1.1 Not use or further disclose PHI in a manner that would violate HIPAA if done by Hospital or violate the requirements of applicable laws or this Agreement;

9.1.2 Use appropriate safeguards to prevent use or disclosure of PHI except as permitted by law and the terms of this Agreement, and report to Hospital any use or disclosure of PHI not permitted by law or by this Agreement of which Physician becomes aware;

9.1.3 Comply with the elements of any compliance program established by Hospital that applies to the use or disclosure of PHI and ensure that any subcontractors or agents to whom Physician provides PHI agree to the same restrictions and conditions that apply to Physician with respect to such PHI;

9.1.4 In accordance with HIPAA, (i) make available PHI to the subject Patient; (ii) make available PHI for amendment and incorporate any amendments to PHI; and (iii) make available the information required to provide an accounting of disclosures of PHI to the subject Patient;

9.1.5 Make Physician's internal practices, books, and records relating to the use and disclosure of PHI available to the Secretary of the United States Department of Health and Human Services for purposes of determining Hospital's and Physician's compliance with HIPAA;

9.1.6 At termination of this Agreement, return or destroy all PHI received from or created by SBHCD and retain no copies of such PHI or, if return or destruction is not permissible under law or the terms of this Agreement, continue to maintain all PHI in accordance with the provisions of this Section and limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible.

9.2 Electronic Protected Health Information ("EPHI"). Physician agrees that Physician will: (i) implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that Physician creates, receives, maintains, or transmits on behalf of SBHCD; (ii) report to SBHCD any security incident with respect to EPHI of which Physician becomes aware; and (iii) ensure that any agent, including a subcontractor, to whom Physician provides EPHI agrees to implement reasonable and appropriate safeguards to protect such information.

10. GENERAL PROVISIONS

10.1 Notices. Any notice to be given to any party hereunder shall be deposited in the United States Mail, duly registered or certified, with return receipt requested, with postage paid, and addressed to the party for which intended, at the following addresses, or to such other address or addresses as the parties may hereafter designate in writing to each other.

SBHCD: San Benito Health Care District
Office of the Chief Executive Officer
911 Sunset Drive
Hollister, CA 95023

Physician: Vivek Jain, M.D.
16927 Del Monte Avenue #263
Morgan Hill, CA 95037

10.2 No Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

10.3 Governing Law and Venue. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California. Venue shall be in the County of San Benito, California.

10.4 Ownership of Patient Records. All Hospital, Skilled Nursing Facilities' and Clinics' patient records shall be maintained by SBHCD and are the property of SBHCD. Physician shall have the right to access such records during normal business hours.

10.5 Exclusive Property of SBHCD. All data, files, records, documents, specifications, promotional materials and similar items relating to the business of SBHCD, whether prepared by or with the assistance of Physician or otherwise coming into Physician's possession shall remain the exclusive property of SBHCD and shall

not be removed from SBHCD's facilities under any circumstances without the prior written consent of SBHCD.

10.6 No Referrals. Nothing in this Agreement is intended to obligate or induce any party to this Agreement to refer patients to any other party.

10.7 Confidentiality. The parties acknowledge and agree that during the term of this Agreement and in the course of the discharge of Physician's duties hereunder, Physician shall have access to and become acquainted with information concerning the operation of District, and information which, pursuant to applicable law and regulation, is deemed to be confidential, including, but not limited to, trade secrets, medical records, patient medical and personal information, and personnel records. Physician agrees that such information shall not be disclosed either directly or indirectly to any other person or entity used by Physician in any way either during the term of this Agreement or at any other time thereafter, except as is required herein Physician understands breach of this article will be an irremediable breach of this Agreement. Such breach will result in immediate termination of this Agreement.

10.8 Binding Agreement; No Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties to it and their respective legal representatives, successors and permitted assigns. No party may assign this Agreement or any rights hereunder, or may they delegate any of the duties to be performed hereunder without the prior written consent of the other party.

10.9 Dispute Resolution. If any dispute, controversy or claim arises out of this Agreement, for a period of thirty (30) days following written notice of the dispute, controversy or claim from one party to the other, the parties will use their good faith efforts to resolve the dispute, controversy or claim. If the matter cannot be resolved by the parties in this fashion, then such dispute, claim or controversy shall be heard in San Benito County, California, pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1, inclusive. The hearing shall be final and binding to the greatest extent permitted by law, and the cost thereof, including reasonable attorneys' fees, shall be borne by the losing party in such proportions as the referee may decide. Judgment on the award may be entered in any court having jurisdiction thereof.

10.10 Section 952 of Omnibus Budget Reconciliation Act of 1980. In accordance with Section 952 of the Omnibus Reconciliation Act of 1980 (PL 96-499), Physician agrees that the books and records of Physician will be available to the Secretary of Department of Health and Human Services and the Comptroller General of the United States, or their duly authorized representatives, for four (4) years after termination of this Agreement. In the event that any of the services to be performed under this Agreement are performed by any subcontractor of Physician at a value or cost of $10,000 or more over a twelve (12) month period, Physician shall comply and assure that such subcontractor complies with the provisions of Section 952 of the Omnibus Reconciliation Act of 1980. If regulations are issued at a later time which would determine that Section 952 of PL 96-499 is not applicable to this Agreement, this Section shall automatically be repealed.

10.11 Entire Agreement; Amendment. This Agreement, its exhibits, and all referenced documents constitute the entire agreement between the parties pertaining to the subject matter contained herein. This Agreement supersedes all prior and contemporaneous agreements, representations and understandings of the parties which relate to the subject matter of this Agreement. No supplement, amendment or modification of this Agreement shall be binding unless executed in writing by all of the parties.

The parties hereby executed this Agreement as of the Effective Date first set forth above.

SBHCD
San Benito Health Care District

By:_____
Mary T. Casillas, Interim Chief Executive Officer

Date: _____

Physician
Vivek Jain, M.D.

_____
Vivek Jain, M.D.

Date: _____

EXHIBIT A

PHYSICIAN RESPONSIBILITIES

The duties of Physician shall include, but not be limited to, the following, as may be required by the SBHCD:

1. Rendering professional neurology healthcare/medical services to patients of the Clinics.

2. Responsibility for the delivery of neurology healthcare/medical services at the Clinics including:

   a) Ensuring the quality, availability, and expertise of medical services rendered in the Clinics, and at Clinic-related activities;

   b) The coordination of neurology medical activities of the Clinics as a whole to be accomplished through continuous communication with appropriate District administrative personnel regarding matters relating to the medical administration of the Clinics;

   c) Assisting with the development of a plan for neurology quality assurance for the Clinics;

   e) Provide chart review and audits of appropriate mid-level practitioner staff for Clinic neurology patients, as needed.

3. Rendering professional neurology healthcare/medical services for patients of the District's emergency department, inpatient (Medical Surgical and Special Care Unit) departments, and skilled nursing facilities, as requested.

EXHIBIT B

SCHEDULE and CONTINUING MEDICAL EDUCATION

1. **Schedule**. Physician shall provide Physician Services to SBHCD patients on a full-time equivalent (1.0 FTE) basis, Monday through Friday, forty (40) hours per week at least forty-eight (48) weeks per year.

1.1 **Absences**. Physician is entitled to four (4) weeks of time off for vacation, Clinic-observed holidays, illness, continuing education, etc. each contract year without reduction in Compensation. Physician must provide forty-five (45) days' notice for vacations and/or desired schedule changes that would leave an extended gap in coverage. Physician is responsible for negotiating/scheduling coverage changes and assuring adequate coverage is in place during any absences.

2. **Continuing Medical Education**. For each contract year during the term of this Agreement, Physician shall be entitled reimbursement for continuing medical education ("CME") expenses incurred during the contract year up to a maximum of two thousand five hundred dollars ($2,500). Reimbursable expenses include registration fees, books, or other course materials, and specifically excludes travel, lodging or food expenses. Unused CME expense reimbursement funds do not roll over to the following year nor may they be cashed out or paid out upon termination of this Agreement. Payment for reimbursable CME expenses shall be made in accordance with applicable SBHCD policies following receipt of appropriate documentation. Physician shall be responsible for maintaining Physician's CME documentation.