



AGENDA

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical Center
1700 Mount Vernon Avenue
Conference Room 1058
Bakersfield, California 93306**

Regular Meeting
Wednesday, May 15, 2019

11:30 A.M.

BOARD TO RECONVENE

Board Members: Alsop, Berjis, Bigler, Brar, McLaughlin, Pelz, Sistrunk
Roll Call:

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY KERN COUNTY HOSPITAL AUTHORITY STAFF. THE "CA" REPRESENTS THE CONSENT AGENDA. CONSENT ITEMS WILL BE CONSIDERED FIRST AND MAY BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS



PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. In addition, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))

RECOGNITION

- 3) Presentation by the Chief Executive Officer recognizing the Kern Medical Center residents, fellows, medical students, nurses, pharmacists, research assistants and faculty physicians for their outstanding research studies –
MAKE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on March 20, 2019 –
APPROVE

CA

- 5) Proposed Amendment No. 4 to Agreement 14818 with Healthcare Performance Group, Inc., an independent contractor, for consulting services related to the Cerner Millennium project for the period June 11, 2018 through November 29, 2019, extending the term for one month through December 29, 2019, and increasing the maximum payable by \$643,720, from \$953,896 to \$1,597,616, to cover the term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 6) Proposed Agreement with Central Admixture Pharmacy Services, Inc., an independent contractor, containing nonstandard terms and conditions, for compounded sterile solutions from May 15, 2019 through May 14, 2022, in an amount not to exceed \$500,000 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 7) Proposed Post Employment Health Plan with Nationwide Retirement Solutions, Inc., an independent contractor, for a tax-exempt post-retirement health plan for non-collectively bargained employees –
APPROVE; ADOPT RESOLUTION; AUTHORIZE CHAIRMAN TO SIGN THE POST EMPLOYMENT HEALTH PLAN FOR PUBLIC EMPLOYEES, EMPLOYER PARTICIPATION AGREEMENT FOR THE POST EMPLOYMENT HEALTH PLAN FOR NON-COLLECTIVELY BARGAINED PUBLIC EMPLOYEES, EMPLOYER DATA SHEET, AND DISCLOSURE AND ACKNOWLEDGMENT FORM

CA

- 8) Proposed acceptance of donation from Health Care Interpreter Network (HCIN), an independent contractor, for travel and related expenses to cover all costs for two Kern Medical Center employees to attend the HCIN “National Quality Assurance Conference” in Marina del Rey, California, on May 16 and 17, 2019 –
APPROVE; ADOPT RESOLUTION

CA

- 9) Proposed Engagement Letter from Moss-Adams, LLP, an independent contractor, regarding the audit Kern Medical Center financial statements for the fiscal year ended June 30, 2019, in an amount not to exceed \$145,000 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

- 10) Kern County Hospital Authority Chief Financial Officer report –
RECEIVE AND FILE

- 11) Proposed Kern County Hospital Authority operating and capital budget for Fiscal Year 2019-2020 –
APPROVE; REFER TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL

- 12) Kern County Hospital Authority Chief Executive Officer report –
RECEIVE AND FILE

CA

- 13) Claims and Lawsuits Filed as of April 30, 2019 –
RECEIVE AND FILE

ADJOURN TO CLOSED SESSION

CLOSED SESSION

- 14) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –

- 15) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Martin L. Goldman, M.D., an individual v. Kern County Hospital Authority, et al., Kern County Superior Court Case No. BCV-18-100390 SDS –
- 16) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Resource Anesthesiology Associates of California, A Medical Corporation, a California corporation v. County of Kern, et al., Kern County Superior Court Case No. BCV-17-101504 DRL –
- 17) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Eric vanSonnenberg, M.D. v. County of Kern, et al., Kern County Superior Court Case No. BCV-15-100859 TSC -
- 18) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(2).) Number of cases: Three (3)
Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances, including, but not limited to, an accident, disaster, incident, or transactional occurrence that might result in litigation against the Authority and that are known to a potential plaintiff or plaintiffs –
- 19) Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, JUNE 19, 2019, AT 11:30 A.M.

SUPPORTING DOCUMENTATION FOR AGENDA ITEMS

All agenda item supporting documentation is available for public review at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, 93306 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

AMERICANS WITH DISABILITIES ACT (Government Code Section 54953.2)

The Kern Medical Center Conference Room is accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the Kern County Hospital Authority Board of Governors may request assistance at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, California, or by calling (661) 326-2102. Reasonable efforts will be made to accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

13) CLAIMS AND LAWSUITS FILED AS OF APRIL 30, 2019 –
RECEIVE AND FILE

- A) Claim in the matter of Victoria Flores, M.D.
- B) Claim in the matter of Dana Dorene Milam
- C) Claim in the matter of Kerri-Anne Escobedo
- D) Claim in the matter of Dylan Carrillo
- E) Application for Leave to File Late Claim in the matter of Jared Bookout

Congratulations

to the
2019 Research Forum Finalists

Winner



Ronald Crandall

Medical Student, Ross University School of Medicine

"Automated and Standardized Quantification of Mild Cerebral Small Vessel Disease in Computed Tomography"



Simmer Kaur MD

Department of Medicine

"Rigorous and Practical Quality Indicators in Sickle Cell Disease Care at Kern Medical"



Samir Salameh MD

Department of Medicine

"BMI as an Indicator of Outcome in ICU Patients with Acute Respiratory Failure"



SUMMARY OF PROCEEDINGS

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical Center
1700 Mount Vernon Avenue
Conference Room 1058
Bakersfield, California 93306**

Regular Meeting
Wednesday, April 10, 2019

11:30 A.M.

BOARD RECONVENED

Board Members: Alsop, Berjis, Bigler, Brar, McLaughlin, Pelz, Sistrunk
ROLL CALL: 5 Present; 2 Absent - McLaughlin, Sistrunk

NOTE: The vote is displayed in bold below each item. For example, Alsop-McLaughlin denotes Director Alsop made the motion and Director McLaughlin seconded the motion.

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" WERE CONSIDERED TO BE ROUTINE AND APPROVED BY ONE MOTION.

BOARD ACTION SHOWN IN CAPS

NOTE: Director McLaughlin arrived after the vote on the consent agenda

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. In addition, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**
NO ONE HEARD

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))
NO ONE HEARD

RECOGNITION

- 3) Presentation by the Chief Executive Officer recognizing the Kern Medical Auxiliary –
MADE PRESENTATION; SYLVIA WALKER, VOLUNTEER SERVICES MANAGER,
HEARD

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on March 20, 2019 –
APPROVED
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

CA

- 5) Proposed Amendment No. 1 to Agreement 004-2019 with Patrick G. Pieper, M.D., a contract employee, for professional medical services in the Department of Surgery for the period February 1, 2019 through January 31, 2022, changing the methodology for payment of call coverage, and increasing the maximum payable by \$100,000, from \$1,791,000 to \$1,891,000, to cover the term –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 021-2019
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

CA

- 6) Proposed retroactive Amendment No. 10 to Agreement 185-2011 with Weatherby Locums, Inc., an independent contractor, for temporary physician staffing services for the period March 29, 2011 through March 27, 2019, extending the term for 90 days from March 28, 2019 through June 25, 2019, and increasing the maximum payable by \$500,000, from \$4,600,000 to \$5,100,000, to cover the extended term –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 022-2019
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

CA

- 7) Proposed amendment to the Kern County Hospital Authority Bylaws for Governance, reflecting recent changes to the enabling ordinance –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN; REFERED TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

CA

- 8) Proposed reappointment of Director Russell Bigler to the Kern County Hospital Authority Board of Governors, term to expire June 30, 2022 – REFERRED TO KERN COUNTY BOARD OF SUPERVISORS TO MAKE APPOINTMENT
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

CA

- 9) Proposed reappointment of Director Philip McLaughlin to the Kern County Hospital Authority Board of Governors, term to expire June 30, 2022 – REFERRED TO KERN COUNTY BOARD OF SUPERVISORS TO MAKE APPOINTMENT
Pelz-Brar: 5 Ayes; 2 Absent - McLaughlin, Sistrunk

- 10) Kern County Hospital Authority Chief Financial Officer report – RECEIVED AND FILED
Brar-Pelz: 6 Ayes; 1 Absent - Sistrunk

- 11) Kern County Hospital Authority Chief Executive Officer report – RECEIVED AND FILED
McLaughlin-Berjis: 6 Ayes; 1 Absent - Sistrunk

ADJOURNED TO CLOSED SESSION

Pelz-Brar

CLOSED SESSION

- 12) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW
- 13) Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW
- 14) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code Section 54956.9(d)(2), (e)(2).) Number of cases: Two (2) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances, including, but not limited to, an accident, disaster, incident, or transactional occurrence that might result in litigation against the Authority and that are known to a potential plaintiff or plaintiffs – SEE RESULTS BELOW
- 15) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organizations: Service Employees International Union, Local 521 (Government Code Section 54957.6) – SEE RESULTS BELOW

- 16) Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION

Alsop-McLaughlin

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

Item No. 12 concerning Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT (MOTION BY DIRECTOR BRAR, SECOND BY DIRECTOR PELZ; 1 ABSTENTION - DIRECTOR BERJIS; 1 ABSENT - DIRECTOR SISTRUNK), THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR INITIAL APPOINTMENT, REAPPOINTMENT, RELEASE OF PROCTORING, VOLUNTARY RESIGNATION OF PRIVILEGES, AND AUTOMATIC TERMINATION OF PRIVILEGES; NO OTHER REPORTABLE ACTION TAKEN

Item No. 13 concerning Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 14 concerning CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code Section 54956.9(d)(2), (e)(2).) Number of cases: Two (2) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances, including, but not limited to, an accident, disaster, incident, or transactional occurrence that might result in litigation against the Authority and that are known to a potential plaintiff or plaintiffs – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 15 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organizations: Service Employees International Union, Local 521 (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 16 concerning Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, MAY 15, 2019, AT 11:30 A.M.

Brar

/s/ Mona A. Allen
Authority Board Coordinator

/s/ Russell E. Bigler
Chairman, Board of Governors
Kern County Hospital Authority



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed Amendment No. 4 to Agreement for Professional Consulting Services with Healthcare Performance Group, LLC

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern Medical requests your Board approve the proposed Amendment No. 4 with Healthcare Performance Group, LLC (HPG) to provide additional consultants and an extension of the current consultants’ term as required to meet the CERNER electronic medical record project.

Previous Agreements	Purpose of Amendment	Variance
Original Agreement, dated May 7, 2018	Schedule A-1, Jacqui Pada, EHR Consultant for Clinical and Nursing Support	\$232,576
Amendment No. 1, dated September 19, 2018	Schedule A-2, Kayla Smith, EHR Consultant for HIM and 3M Support	\$217,000
Amendment No. 2, dated January 16, 2019	Schedule A-3, Nicole Van Luchene, EHR Consultant for Informatics and Physician Adoption Support	\$300,240
Amendment No. 3, dated March 20, 2019	Amendment to Schedule A-1, EHR Consultant for Clinical and Nursing Support	\$203,896
Amendment No. 4, dated May 15, 2019	<u>Schedule A-5</u> Diane Justice – Clinical Application Expertise - April 1, 2019 through August 30, 2019 - \$146,776 <u>Schedule A-6</u> Elizabeth (Betsy) Hlavac – Clinical Application Expertise – April 8, 2019 through August 30, 2019 - \$140,104 <u>Schedule A-7</u> Kim Green – Clinical Application Expertise – April 15, 2019 through August 30, 2019 - \$133,432 <u>Jacqui Pada’s Extension</u> – Clinical Application Expertise – November 29, 2019 through December 20, 2019 – \$17,920. <u>Kayla Smith’s Extension</u> – Cerner Millennium HIM – June 10 through December 20, 2019 - \$185,472 <u>Nicole Van Luchene’s Extension</u> – Clinical Informatics Expertise – November 29, 2019 through December 20, 2019 - \$20,016.	\$643,720

Therefore, it is recommended that your Board approve Amendment No. 4 to the Agreement for Professional Services with (HPG) for additional professional services for the period April 1, 2019 through December 29, 2019, effective May 15, 2019, increasing the maximum payable by \$643,720, from \$953,896 to \$1,597,616 for the professional fees and travel expenses, and authorize the Chairman to sign.

Amendment No. 4 To
Agreement for Professional Consulting Services
(Healthcare Performance Group, Inc. – Kern County Hospital Authority)

This Amendment No. 4 to the Agreement for Professional Consulting Services is entered into this 15th day of May 2019, by and between Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center (Customer) and Healthcare Performance Group (HPG).

RECITALS

- A. Customer and HPG have heretofore entered into an Agreement for Professional Consulting Services (Customer Agt.#14818, dated May 11, 2018). Amendment No. 1 (Customer Agt.#062-2018, dated September 19, 2018), Amendment No. 2 (Customer Agt.#005-2019, dated January 16, 2019); and Amendment No. 3 (Customer Agt.#018-2019, dated March 20, 2019), for the period of April 1, 2019 through November 29, 2019 to provide professional consulting services; and
- B. Customer requires additional services of HPG and HPG has agreed to provide these services; and
- C. The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and
- D. The Agreement is amended effective May 15, 2019;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follow:

- 1. Term shall be deleted in its entirety and superseded by the following:

“Term

The term of this Agreement shall begin on June 11th, 2018 and will terminate on December 29, 2019, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.”

- 2. Schedules A-5, A-6, and A-7 to Amendment No. 4 is added to the Agreement and incorporated herein by this reference.
- 3. Exhibit A is added to the Agreement and incorporated herein by this reference.
- 4. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 4 have the meaning set forth in the Agreement.
- 5. This Amendment No. 4 shall be governed by and construed in accordance with the laws of the state of California.
- 6. This Amendment No. 4 may be executed in counterparts, each of which shall be

deemed an original, but all which taken together shall constitute one and the same instrument.

7. Except as provided herein, all other terms, conditions, and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

[Signatures to Follow]

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 4 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

By _____
Russell Bigler
Chairman, Board of Governors

HEALTHCARE PERFORMANCE GROUP, INC.

Chad
By Terstriep
Printed Name: Chad Terstriep
Title/Position: President

Digitally signed by Chad
Terstriep
Date: 2019.05.06
09:54:54 -05'00'

APPROVED AS TO CONTENT
Kern Medical Center

By _____
Reynaldo Lopez
Chief Information Officer

APPROVED AS TO FORM
Legal Services Department

By  _____
Hospital Counsel
Kern County Hospital Authority

Schedule "A-5"

Kern Medical (CUSTOMER) and Healthcare Performance Group, (HPG), wish to attach this Schedule as an addendum to the Agreement between the parties in order to define the services to be provided by HPG to CUSTOMER.

Project Background

CUSTOMER has licensed the Millennium clinical applications from Cerner Corporation and is in the process of implementing and supporting these applications. CUSTOMER requires additional support in the capacity of a Senior Millennium Consultant, Diane Justice. Key responsibilities of this project engagement are as follows:

PROJECT ROLE AND DETAILS TO BE APPROVED BY CUSTOMER:

- Provide technical and clinical expertise for testing and integrated testing
- Provide best practice education on creation and execution of test scripts
- Lead the efforts for taking the current and future state workflow to integrate into testing
- Provide expertise around best practices for workflows
- Provide Cerner Millennium design, build, testing, implementation and training
- Diane will work with CUSTOMER to facilitate meetings, tasks and project deliverables for this project
- Diane will provide additional expertise to other Millennium applications as requested by CUSTOMER
- Diane will also follow the Cerner EHR Consultant Job Description that will be attached to the Master Service Agreement.

Engagement Scope and Approach

HPG will provide the services of Diane Justice. Diane will assist the CUSTOMER in the project as described above and will report to Mr. Reynaldo Lopez. Diane will begin this engagement starting Monday, April 1st, 2019 and provide services on a continuous, ongoing and full-time basis. CUSTOMER agrees to provide HPG with a 45 day notice of termination for these services of termination for these services.

Fees, Timing & Payment

The professional service fee for these services is \$139 per hour. CUSTOMER commits to a total of 880 hours for this project. Additional hours will require an addendum for extension. This Schedule A-5 has a not-to-exceed amount is \$146,776 including professional fees and estimated travel expenses.

Professional services fees and reasonable travel and out of pocket expenses in accordance with Schedule I, will be invoiced biweekly. Should this engagement extend beyond 12 consecutive months, HPG may adjust the rate based upon agreement by both parties, but no more than 5%. The Invoice will be sent to the attention of Brenda Reed, at Brenda.Reed@KernMedical.com.

Payment is expected by either () electronic payment* or by (X) check and is due within 30 days of the Invoice Date. Any unpaid balances still due 30 days from the Invoice Date will accrue a late charge at a rate of 1.0% per month. HPG does not accept credit card payments.

This Schedule A-5 is an addition to the Master Service Agreement and Schedule A-1 (Jacqui Pada), Schedule A-2 (Kayla Smith), Schedule A-3 (Nicole Van Luchene), and Schedule A-4 (Jacqui Pada Extension).

All other terms and conditions of the original Agreement remain unchanged.

ACCEPTED by:

CUSTOMER:

SIGNATURE: _____ DATE: _____

HPG:

SIGNATURE: Chad Terstriep Digitally signed by Chad Terstriep
Date: 2019.05.06
09:55:35 -05'00' DATE: 5/6/19

***ABA routing number: 101100045; *Account number: 005048626030; Address: Healthcare Performance Group, Inc., P.O. Box 588, Spring Hill, KS 66083**

Schedule "A-6"

Kern Medical (CUSTOMER) and Healthcare Performance Group, (HPG), wish to attach this Schedule as an addendum to the Agreement between the parties in order to define the services to be provided by HPG to CUSTOMER.

Project Background

CUSTOMER has licensed the Millennium clinical applications from Cerner Corporation and is in the process of implementing and supporting these applications. CUSTOMER requires additional support in the capacity of a Senior Millennium Consultant, Betsy (Elizabeth) Hlavac. Key responsibilities of this project engagement are as follows:

PROJECT ROLE AND DETAILS TO BE APPROVED BY CUSTOMER:

- Provide technical and clinical expertise for PharmNet and Pharmacy initiatives
- Provide best practice workflows for Cerner Model Experience
- Provide design, build, testing, training, and implementation expertise for PharmNet and integrated points
- Lead the efforts for taking the current and future state workflow to integrate into testing
- Betsy will work with CUSTOMER to facilitate meetings, tasks and project deliverables for this project
- Betsy will provide additional expertise to other Millennium applications as requested by CUSTOMER
- Betsy will also follow the Cerner EHR Consultant Job Description that will be attached to the Master Service Agreement.

Engagement Scope and Approach

HPG will provide the services of Betsy (Elizabeth) Hlavac. Betsy will assist the CUSTOMER in the project as described above and will report to Mr. Reynaldo Lopez. Diane will begin this engagement starting Monday, April 8th, 2019 and provide services on a continuous, ongoing and full-time basis. CUSTOMER agrees to provide HPG with a 45 day notice of termination for these services of termination for these services.

Fees, Timing & Payment

The professional service fee for these services is \$139 per hour. CUSTOMER commits to a total of 840 hours for this project. Additional hours will require an addendum for extension. This Schedule A-6 has a not-to-exceed amount is \$140,104 including professional fees and estimated travel expenses.

Professional services fees and reasonable travel and out of pocket expenses in accordance with Schedule I, will be invoiced biweekly. Should this engagement extend beyond 12 consecutive months, HPG may adjust the rate based upon agreement by both parties, but no more than 5%. The Invoice will be sent to the attention of Brenda Reed, at Brenda.Reed@KernMedical.com.

Payment is expected by either () electronic payment* or by (X) check and is due within 30 days of the Invoice Date. Any unpaid balances still due 30 days from the Invoice Date will accrue a late charge at a rate of 1.0% per month. HPG does not accept credit card payments.

This Schedule A-6 is an addition to the Master Service Agreement and Schedule A-1 (Jacqui Pada), Schedule A-2 (Kayla Smith), Schedule A-3 (Nicole Van Luchene), Schedule A-4 (Jacqui Pada Extension) and Schedule A-5 (Diane Justice).

All other terms and conditions of the original Agreement remain unchanged.

ACCEPTED by:

CUSTOMER:

SIGNATURE: _____ DATE: _____

HPG:

SIGNATURE: **Chad Terstriep** Digitally signed by Chad Terstriep Date: 2019.05.06 09:56:00 -05'00' DATE: 5/6/19

***ABA routing number: 101100045; *Account number: 005048626030; Address: Healthcare Performance Group, Inc., P.O. Box 588, Spring Hill, KS 66083**

Schedule "A-7"

Kern Medical (CUSTOMER) and Healthcare Performance Group, (HPG), wish to attach this Schedule as an addendum to the Agreement between the parties in order to define the services to be provided by HPG to CUSTOMER.

Project Background

CUSTOMER has licensed the Millennium clinical applications from Cerner Corporation and is in the process of implementing and supporting these applications. CUSTOMER requires additional support in the capacity of a Senior Millennium Consultant, Kim Green. Key responsibilities of this project engagement are as follows:

PROJECT ROLE AND DETAILS TO BE APPROVED BY CUSTOMER:

- Provide technical and clinical expertise for PathNet applications
- Provide best practice education for PathNet modules
- Provide expertise on testing for the lab and the PathNet modules within Cerner Millennium
- Provide expertise around best practices for workflows
- Provide Cerner Millennium PathNet design, build, testing, implementation and training
- Kim will work with CUSTOMER to facilitate meetings, tasks and project deliverables for this project
- Kim will provide additional expertise to other Millennium applications as requested by CUSTOMER
- Kim will also follow the Cerner EHR Consultant Job Description that will be attached to the Master Service Agreement.

Engagement Scope and Approach

HPG will provide the services of Kim Green. Kim will assist the CUSTOMER in the project as described above and will report to Mr. Reynaldo Lopez. Kim will begin this engagement starting Monday, April 15th, 2019 and provide services on a continuous, ongoing and full-time basis. CUSTOMER agrees to provide HPG with a 45 day notice of termination for these services of termination for these services.

Fees, Timing & Payment

The professional service fee for these services is \$139 per hour. CUSTOMER commits to a total of 800 hours for this project. Additional hours will require an addendum for extension. This Schedule A-7 has a not-to-exceed amount is \$133,432 including professional fees and estimated travel expenses.

Professional services fees and reasonable travel and out of pocket expenses in accordance with Schedule I, will be invoiced biweekly. Should this engagement extend beyond 12 consecutive months, HPG may adjust the rate based upon agreement by both parties, but no more than 5%. The Invoice will be sent to the attention of Brenda Reed, at Brenda.Reed@KernMedical.com.

Payment is expected by either () electronic payment* or by (X) check and is due within 30 days of the Invoice Date. Any unpaid balances still due 30 days from the Invoice Date will accrue a late charge at a rate of 1.0% per month. HPG does not accept credit card payments.

This Schedule A-7 is an addition to the Master Service Agreement and Schedule A-1 (Jacqui Pada), Schedule A-2 (Kayla Smith), Schedule A-3 (Nicole Van Luchene), Schedule A-4 (Jacqui Pada Extension) Schedule A-5 (Diane Justice) and Schedule A-6 (Betsy Hlavac).

All other terms and conditions of the original Agreement remain unchanged.

ACCEPTED by:

CUSTOMER:

SIGNATURE: _____ DATE: _____

HPG:

SIGNATURE: **Chad Terstriep** Digitally signed by Chad Terstriep Date: 2019.05.06 09:56:26 -05'00' DATE: 5/6/19

***ABA routing number: 101100045; *Account number: 005048626030; Address: Healthcare Performance Group, Inc., P.O. Box 588, Spring Hill, KS 66083**

Exhibit A

Kern Medical (CUSTOMER) and Healthcare Performance Group, Inc. (HPG) wish to attach this Exhibit A to the Agreement between the parties in order to define the services to be provided by HPG to CUSTOMER.

Project Scope and Details:

Kern Medical (CUSTOMER) requests to extend the following contracts. Below are details for extension dates and estimated associate costs.

- Jacqueline (Jacqui) Pada -
 - Cerner Millennium Clinical Application Expertise
 - Current Contract Schedule: A-4; Agreement #018-2019
 - Current project engagement end date: November 29, 2019
 - Extension project engagement date: December 20, 2019
 - Estimated costs for extension: \$17,920
- Kayla Smith -
 - Cerner Millennium HIM
 - Current Contract Schedule: A-2; Agreement #062-2018
 - Current project engagement end date: June 10, 2019
 - Extension project engagement date: December 20, 2019
 - Estimated costs for extension: \$185,472
- Nicole Van Luchene -
 - Cerner Millennium Clinical Informatics Expertise
 - Current Contract Schedule: A-3; Agreement #005-2019
 - Current project engagement end date: November 29, 2019
 - Extension project engagement date: December 20, 2019
 - Estimated costs for extension: \$20,016
- Diane Justice -
 - Cerner Millennium Clinical Application Expertise
 - Current Contract Schedule: A-5
 - Engagement start date: April 1, 2019
 - Engagement end date: August 30, 2019
 - Estimated costs for engagement: \$146,776
- Elizabeth (Betsy) Hlavac -
 - Cerner Millennium Clinical Application Expertise
 - Current Contract Schedule: A-6
 - Engagement start date: April 8, 2019
 - Engagement end date: August 30, 2019
 - Estimated costs for engagement: \$140,104
- Kim Green -
 - Cerner Millennium Clinical Application Expertise
 - Current Contract Schedule: A-7
 - Engagement start date: April 15, 2019
 - Engagement end date: August 30, 2019
 - Estimated costs for engagement: \$133,432

All other conditions remain the same pertaining to the Agreement and each contract addendum listed above.



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed Agreement with Central Admixture Pharmacy Services, Inc. for Sterile Compounded Preparations

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern Medical requests your Board approve an agreement with Central Admixture Pharmacy Services, Inc. (CAPS) for certain sterile compounded preparations. When Kern Medical is unable to acquire the needed compounding components for in-house preparation, CAPS provides Kern Medical with patient-specific sterile compounded preparations. CAPS also provides non-patient specific compounding components for in-house sterile compounding. The term of the agreement is for three (3) years and contains a minimum purchase amount of \$50,000. The maximum not-to-exceed amount for the three (3) year agreement is \$500,000.

The Agreement contains non-standard terms and cannot be approved as to form by Counsel due to no indemnification terms, limitation of liability to the actual price paid for the order in which such claim or action arose, automatic renewal of agreement, and interest on late payments.

CAPS IV SERVICES AGREEMENT

1. **Purpose.** The purpose of this Agreement is to establish the terms and conditions of the compounded sterile preparation services for Kern County Hospital Authority ("Customer") to be provided by Central Admixture Pharmacy Services, Inc. ("CAPS").

2. **Term.** This Agreement covers a three year term beginning May 15, 2019 through May 14, 2022, and will continue thereafter from year to year unless either party provides the other party with at least sixty (60) days prior written notice of its intent to terminate this Agreement at the end of the then-current term.

3. **Services and Pricing.** CAPS will provide directly to Customer the compounded sterile preparations (sometimes referred to herein as "Solutions") and delivery services in accordance with the pricing set forth on Attachment A hereto. Additional Solutions may be added to Attachment A from time to time as mutually agreed. Pricing will remain firm during the first year of this Agreement. Thereafter, pricing is subject to an increase in each year through the end of the contract term not to exceed seven percent (7%) per year. Notwithstanding the foregoing, in the event of an unusual increase in the cost of transportation, energy, raw materials, drugs, compounding, or other costs, fees or taxes due to any governmental act or regulation, event of nature or other event beyond the reasonable control of CAPS, CAPS may increase its prices on the affected Solutions after providing written notice to Customer. Specifically, without limitation, in the event that either (a) the "U.S. Regular Gasoline Retail Prices (Cents per Gallon)", as reported by the Department of Energy in "This Week in Petroleum" (the "Index Price"), is greater than or equal to Three Dollars (\$3.00) or (b) CAPS is assessed a fuel surcharge or other increase related to increased cost of fuel by its couriers, CAPS shall have the right to charge a delivery surcharge (the "Fuel Surcharge") of up to Seven Dollars (\$7.00) per weekly invoice, plus an additional One Dollar (\$1.00) per invoice for every Fifty Cents (\$0.50) by which the Index Price exceeds Three Dollars (\$3.00). All Fuel Surcharges charged by CAPS will be separately identified on the applicable invoice delivered to Customer.

4. **Purchase Commitment.** In consideration of the pricing set forth in Attachment A, Customer agrees to purchase from CAPS at least 80% of its total requirements of the Committed Solutions (as defined below) and at least an aggregate amount of \$50,000 of Committed Solutions during each annual period under this Agreement (the "Minimum Requirement"). All calculations of purchases shall be net of any credits, discounts, incentives, rebates, returns, allowances, freight, handling and taxes. If Customer fails to purchase the Minimum Requirement during any annual period of this Agreement, Customer agrees to pay CAPS an amount equal to twenty percent (20%) of the difference between (a) the applicable Minimum Requirement and (b) the actual aggregate dollar amount of Committed Solutions purchased and paid for by Customer during such annual period; provided, however, that such obligation shall be contingent upon CAPS' ability to supply Committed Solutions. Customer shall be required to pay such amount within ten (10) days following the receipt of written notice of the amount of such charge from CAPS. Customer agrees to abide by "own use" doctrine, utilizing batch compounded drugs provided by CAPS for its own qualified patients only. "Committed Solutions" shall mean products listed on Attachment A.

5. **Payments.** Payment terms are net 30 days. All invoices that have not been paid will be assessed a 1.5% late charge on the outstanding balance on each monthly statement as allowed under applicable law. In the event the late charge is not paid, CAPS will assess the account at the time of invoicing an amount of 1.5% for each line item, until such time as the account has paid all outstanding amounts then due. CAPS cannot accept any returns for credit. If payments are not made within the credit terms, or if Customer becomes insolvent or bankrupt, CAPS, in addition to its other available rights and remedies, may withhold further shipment until all overdue balances are made current, and may require prepayment of future orders prior to shipment. Customer shall reimburse CAPS for any costs and expenses incurred for collection of overdue amounts or enforcement of its rights, including reasonable attorneys' costs and fees. **The remittance address is as follows: Central Admixture Pharmacy Services, Inc., P.O. Box 780404, Philadelphia, PA 19178-0404.**

6. **Information Transfer.** Customer will send via facsimile, personal computer, web-based ordering system using CAPS proprietary software, or direct computer interface the appropriate orders necessary for CAPS to accurately admix. Initiation of an order must be executed by authorized personnel of Customer. Changes in personnel authorized to execute an order must be communicated to CAPS in writing. Doses provided to Customer from CAPS will contain labeling that includes compounding information.

7. **Confidentiality.** Each party acknowledges that certain information it will acquire from the other party is of a special and unique character and constitutes Confidential Information. For purposes of this Agreement, Confidential Information means any business, marketing, and financial information not generally known about the business or readily ascertainable by proper means by others, including without limitation, all methods, processes, trade secrets, formularies, employee or subcontractor information, and all patient identifiable information (including without limitation, any medical or billing information). Having acknowledged the foregoing, each party agrees: (a) to exercise the same degree of care and protection (but no less than a reasonable degree of care and protection) with respect to the other party's Confidential Information as each party exercises with respect to its own Confidential Information, and in accordance with applicable law; and (b) not to, directly or indirectly, disclose, copy, transfer or allow access to any Confidential Information of the other party. Notwithstanding anything to the contrary herein, each party may disclose Confidential Information to its employees and to third parties performing services for such party related to the purposes of this Agreement who have a need to know and who have a contractual or legal duty to protect such Confidential Information, subject to applicable law.

CAPS is not a business associate of Customer, as that term is defined under Public Law 104-191, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended, and the regulations promulgated thereunder at 45 C.F.R. Parts 160-164 (the "HIPAA Regulations"). The parties further agree to amend this Agreement as necessary to comply with any future additions, amendments or guidance on HIPAA and HIPAA Regulations.

8. **Responsibilities.** CAPS will provide the Solutions in accordance with the order given or transmitted to CAPS. Customer understands and agrees that it is a sophisticated user of the Solutions listed on Attachment A and that it is aware of the uses, benefits, limitations, hazards and potential injurious properties of such Solutions. Customer and its physicians have independently evaluated the safety and clinical use of the Solutions listed on Attachment A, and have deemed these formulations to be clinically appropriate. In agreeing to admit the Solutions listed on Attachment A, CAPS is relying upon Customer and its physicians' determination that these formulations are appropriate, and neither Customer nor its physicians are relying upon CAPS for this determination. For Solutions prepared by CAPS in accordance with the order given or transmitted to CAPS, Customer and its physicians assume all liability and risk arising in connection with the use of these Solutions, including, without limitation, any patient injury directly or indirectly arising from the use of the Solutions. CAPS makes no representation or warranty as to the formulation or labeling of the Solutions except that such formulation and labeling will be in accordance with the order given or transmitted by Customer. As such, Customer is solely responsible for, and holds CAPS harmless against, any damage or bodily injury (including death) arising from any mislabeling by, or failure of Customer to warn its patients of the uses, benefits, limitations, hazards and potential injurious properties of the Solutions, and for the development, use or administration of the Solution prepared by CAPS at Customer's direction, unless such injury is caused solely by CAPS' failure to prepare and/or label the Solution in accordance with the order given or transmitted to CAPS by Customer.

9. **Compliance with Applicable Laws, Regulations and Standards.** CAPS shall comply with all applicable federal and state laws in connection with providing services under this Agreement. In connection with providing patient-specific Solutions pursuant to this Agreement, CAPS will comply with applicable State Board of Pharmacy regulations and USP Chapter <797>. In connection with providing non-patient specific Solutions pursuant to this Agreement, CAPS will comply with applicable good manufacturing practices for 503(B) registered outsourcing facilities.

Each party represents that it and its officers, directors and employees (i) are not currently excluded, debarred, or otherwise ineligible to participate in the federal health care programs as defined in 42 U.S.C. §1320a-7b(f) (the "federal healthcare programs"), and (ii) have not been convicted of a criminal offense related to the provision of healthcare items or services but have not yet been excluded, debarred, or otherwise declared ineligible to participate in the federal healthcare programs. Each party shall immediately notify the other party in writing of any change in the status of the representations set forth in this section, and in any such event, the other party shall have the right to terminate this Agreement by providing written notice thereof.

10. **Quality Assurance & Accreditation.** CAPS understands that Customer may be accredited by an accreditation body that establishes standards pertaining to the safety and effectiveness of the services provided herein ("Standards"). Customer may notify CAPS of any Standards and CAPS shall make commercially reasonable efforts to cooperate with Customer's compliance with the Standards, including but not limited to responding in an accurate, thorough, and timely manner to Customer's requests for information and negotiating in good faith with Customer to establish quality measures ("Quality Measures") and performance goals ("Benchmarks") applicable to the services. If CAPS is unable to satisfy Customer's compliance with such Standards, Customer's sole remedy shall be to terminate this Agreement upon ninety (90) days' written notice to CAPS. The parties shall review and assess the Quality Measures annually and, if necessary following such review, shall work in good faith to mutually establish a corrective action plan to address any deficiencies in reaching the Benchmarks or any needed adjustments to the Quality Measures.

11. **Force Majeure.** In the event CAPS' production of deliveries of goods are prevented, impaired, reduced or restricted by labor disputes, fire, act of God, or any other similar or dissimilar cause, including but not limited to the unavailability of such goods, transportation, shortages of materials or fuel, delay in delivery or failure to deliver by CAPS' suppliers, loss of facilities of distribution, the voluntary foregoing of the right to acquire or use any materials in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any governmental authority (whether in furtherance of national defense or war activities or to meet any other emergency, or the compliance with any law, order, ruling, regulation, instruction or requirements of any governmental authority or any political subdivision or agency thereof, or for any other cause whether of the same or different character than herein specified), CAPS, without liability or obligation, may reduce or eliminate the quantities herein specified in proportion to the prevention, impairment, reduction or restriction upon CAPS' production or delivery, on a pro rata basis among all users of its goods during the period of any such disability. In any such case, the goods which CAPS is unable to supply shall be eliminated from this contract by written notice describing the amounts eliminated and to the estimated time period during which deliveries are to be suspended; and CAPS hereto shall be relieved of any liability with respect thereto during such time CAPS may not be able to deliver the goods in question.

12. **Disclosure.** If the pricing under this Agreement constitutes a discount or other reduction in price under Section 1128(b)(3)(A) of the Social Security Act 42 U.S.C. 1320a-7b(b)(3)(A), and 42 C.F.R. § 1001.952(h), Customer shall disclose the discount or reduction in price to the full extent required under any state or federal program which provides cost or charge based reimbursement to Customer for the IV solutions covered by this Agreement. This Act requires, among other things, that Customer fully and accurately report on any claim or request for payment it submits to Medicare and Medicaid the actual purchase price paid by Customer for products, net of any discounts, rebates or allowances provided to Customer hereunder. Customer may also be required, upon request, to provide documentation of the discount or other reduction in price to the Secretary of Health and Human Services.

13. **Access to Books and Records.** To the extent that 42 U.S.C. SEC 1395x(v)(1)(I) applies to this Agreement, until expiration of five (5) years after the furnishing of services hereunder, the Secretary of the Department of Health and Human Services and the Comptroller General of the United States, or the designees or duly authorized representative of either of them shall have access to all books and records of the parties pertaining to the subject matter of this Agreement and the provision of service under it, in accordance with the criteria presently or hereafter developed by the Department of Health and Human Services as provided in Section 952 of the Omnibus Reconciliation Act of 1980. Upon request by governmental authority, the parties shall make available (at reasonable times and places during normal business hours) this Agreement, and

all books, documents and records of the parties that are necessary to verify the nature and extent of the costs and services provided under this Agreement.

14. **Limitation of Liability.** CAPS shall not be liable to Customer for any indirect, incidental, special, punitive or consequential loss, damage or expense (including any damage for lost profits, or otherwise) directly or indirectly arising out of or in connection with the furnishing of services hereunder, or the development, use of, or inability to use any Solution, or otherwise, whether based in contract, warranty, tort, including without limitation, negligence, or any other legal or equitable theory. CAPS' total liability for any claim or action shall not exceed the amount paid for the order out of which such a claim or action arose. Notwithstanding anything to the contrary, CAPS' limitation of liability shall not apply to, affect, or limit any third party claims to the extent arising from CAPS' failure to prepare and/or label the Solution in accordance with the order given or transmitted to CAPS by Customer

15. **Notices.** All notices, invoices, requests, or other communications required hereunder shall be in writing and shall be deemed to have been given when presented personally, on the date two (2) business days after sent by a nationally recognized overnight courier service or mailed by certified, return receipt mail addressed to:

Customer: Kern Medical Center
Address: 1700 Mount Vernon Avenue
City/State: Bakersfield, CA 93306
Attn: Tina Anderson
Title:
Telephone Number: 661-862-8191
Fax Number:
E-Mail: contracts@kernmedical.com

Central Admixture Pharmacy Services, Inc.
Corporate Office
16800 Aston St., Suite 150
Irvine, CA 92606
Attn: Contracts Dept.
Telephone Number: (949) 660-2277
Fax Number: (949) 660-2361
E-Mail: Anne.Pomije@bbraunusa.com

16. **Amendment; Assignment.** Any changes to this Agreement shall be mutually agreed upon in writing and duly executed by both parties. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns; provided, however, that no assignment of this Agreement or the rights and obligations hereunder shall be valid without the specific written consent of both parties hereto. Notwithstanding anything herein to the contrary, either party shall have the right to assign this Agreement and the rights and obligations hereunder to an entity that is controlled by, under common control with, or that controls that party, or that is formed as the result of an internal restructuring of said party and/or its affiliates, by providing written notice thereof to the other party.

17. **Arbitration.** Any dispute, controversy or claim arising from or related to this Agreement, the IV solutions or any other relationship or arrangement between the parties may be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The decision of the arbitrator shall be final and binding upon the parties and judgment upon the award may be entered in any court having jurisdiction thereof. Each party hereby waives its right to a trial by jury with respect to any claim between the parties in connection with this Agreement.

18. **Severability.** The invalidity or unenforceability of any provision or portion of any provision of this Agreement shall not affect the validity or enforceability of the remainder of the same provision or any other provision of this Agreement and each provision hereof or portion of such shall be enforced to the fullest extent permitted by applicable law.

19. **Entire Agreement.** This Agreement along with the Attachments contain the entire agreement of the parties with respect to the subject matter covered by this Agreement, and supersedes any previous agreements between the parties relating to the subject matter hereof. No other agreement, statement, or promise made by either party, or an employee, officer, or agent of the party, which is not contained in this Agreement shall be binding or valid unless executed in writing. Sections 5, 7, 8, 11, 13, 14, 15, 16, 17, 18, and 19 shall survive termination of this Agreement.

The terms of this Agreement have been approved and accepted:

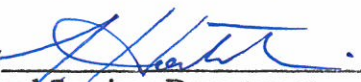
Customer: Kern County Hospital Authority

CENTRAL ADMIXTURE PHARMACY SERVICES, INC.

By: _____
Name: Russell Bigler
Title: Chairman, Board of Governors

By: _____
Name: Michael A. Koch, R.Ph, MBA
Title: Senior Vice President, Professional Services

**REVIEWED ONLY
NOT APPROVED AS TO FORM**

By: 
Legal Services Department

By: _____
Name: Thomas J. Wilverding, R.Ph, MBA
Title: President

Kern Medical Center

Attachment A
Effective: May 15, 2019
Page 1 of 2

503A: Patient-specific TPN

Ingredient	TPN Volume	CAPS Price
Trophamine® / Freamine® / Plenamine® / Hepatamine®	1-1000 mL	\$ 56.18
	1001-1500 mL	\$ 60.67
	1501-2000 mL	\$ 64.04
	2001-2500 mL	\$ 67.41
	2501-3000 mL	\$ 73.03
	3001 mL or greater	\$ 73.03
Nutrilipid® 20% Fat Emulsion	per 100 mL	\$ 4.67

TPN pricing includes amino acids (FreAmine® / PlenAmine™ 15% / TrophAmine® / HepatAmine®), dextrose, water, Hyperlyte, insulin, and heparin.

All other additives are added at CAPS drug price (Pricing subject to change and updated quarterly).

Latex Precautions Surcharge (if needed) is \$75.00 per bag.

503A Delivery

Appropriate delivery fees may be applied.

503B: Batch Compounded Products

Pricing for all 503B products is quoted on a per dose basis and includes shipping, end product testing (Sterility, Endotoxin, and Potency), and access to a Certificate of Release for each lot number ordered. End product testing is required of 503B Outsourcing Facilities per federal regulations. In the event CII products are ordered, the customer will need to submit the DEA 222 form via CSOS or mail to the CAPS Outsourcing Facility prior to the initiation of an order. Orders can then be placed via CAPS Link. Orders received must be limited to quantities of each drug listed on the DEA 222 Form. Orders must be executed by authorized personnel of customer.

*CAPS drug price is subject to change in the event of an unusual increase in the cost of raw materials, drugs, compounding, etc. beyond the reasonable control of CAPS

**Products are now listed with product codes rather than NDC's. The product label will include the full NDC which identifies the facility where it was compounded.
Lehigh Valley 71285 | Phoenix 72196 | San Diego 71286**

Product Code	Product Description	CAPS Price
6017-1	Calcium Gluconate 1 gram added to NS 50 mL in 100 mL PAB Bag	\$11.10
6030-1	Epinephrine 2 mg added to D5W 250 mL in 250 mL Excel Bag	\$26.35
2071-4	Fentanyl 10 mcg/mL in NS 100 mL in 100 mL Hospira Bag	\$25.60
2082-2	Fentanyl 2 mcg/mL/Bupiv PF 0.125 % in NS 250 mL in 250 mL BBraun Pinnacle Bag	\$30.00
3022-1	Ketamine 10 mg/mL in NS 5 mL in 5 mL BD Syringe	\$5.65
4035-3	Midazolam 1 mg/mL in NS 100 mL in 100 mL Hospira Bag	\$22.20
2040-6	Morphine 1 mg/mL in NS 100 mL (100 mg added to 100 mL) in 100 mL Hospira Bag	\$11.50
6038-1	Oxytocin 20 Unit added to LR 1000 mL in 1000 mL Excel Bag	\$11.65
0418-1	Trophamine 2.5%/Dextrose 10% w/ Calcium Gluconate 3.75 mEq & Heparin 125 units 250 mL	\$48.30
0419-1	Trophamine 3%/Dextrose 5% w/ Calcium Gluconate 3.75 mEq & Heparin 125 units 250 mL	\$48.40
6074-1	Vancomycin 1.25 gram added to NS 250 mL in 250 mL Excel Bag	\$13.65
6076-1	Vancomycin 1.5 gram added to NS 250 mL in 250 mL Excel Bag	\$15.30



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed Post Employment Health Plan with Nationwide Retirement Solutions, Inc.

Recommended Action: Approve; Adopt Resolution; Authorize Chairman to sign

Summary:

The Authority requests your Board approve the Post Employment Health Plan (Plan) with Nationwide Retirement Solutions, Inc. for a post-retirement health plan for non-collectively bargained employees. Nationwide will manage the operation and administration of the Plan in accordance with the terms of the Plan document.

The Plan is a tax-exempt Voluntary Employees' Beneficiary Association (VEBA) Trust, which provides employee benefits authorized by Internal Revenue Code Section 501(c)(9). Participation in the Plan is voluntary. The Plan will allow employees to set aside 25% of their unused sick leave (extended illness bank) into an insurance premium reimbursement account to pay for post-retirement medical expenses. This is a one-time deferral at time of retirement. There are no employer contributions and no cost to the Authority to maintain or administer the Plan; costs to administer the Plan will be deducted from the account of each participating retired employee. The Authority may terminate the Plan at any time by notice to Nationwide.

Therefore, it is recommended that your Board approve the Post Employment Health Plan with Nationwide Retirement Solutions, Inc., adopt the attached resolution, and authorize the Chairman to sign the Post Employment Health Plan for Public Employees, the Employer Participation Agreement for the Post Employment Health Plan for Non-Collectively Bargained Public Employees, the Employer Data Sheet, and the Disclosure and Acknowledgment Form.

**BEFORE THE BOARD OF GOVERNORS
OF THE KERN COUNTY HOSPITAL AUTHORITY**

In the matter of:

Resolution No. _____

**POST EMPLOYMENT HEALTH PLAN
FOR PUBLIC EMPLOYEES PROGRAM**

I, MONA A. ALLEN, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director _____, seconded by Director _____, was duly and regularly adopted by the Board of Governors of the Kern County Hospital Authority at an official meeting thereof on the 15th day of May, 2019, by the following vote, and that a copy of the Resolution has been delivered to the Chairman of the Board of Governors.

AYES:

NOES:

ABSENT:

MONA A. ALLEN
Authority Board Coordinator
Kern County Hospital Authority

Mona A. Allen

RESOLUTION

Section 1. WHEREAS:

(a) Pursuant to Health and Safety Code Section 101855, subdivision (a)(6), the Board of Governors of the Kern County Hospital Authority (“Authority”) is authorized to prescribe the compensation and other terms and conditions of employment for all employees; and

(b) All employees classified as management, mid-management and confidential are not represented by a recognized employee organization; and

(c) A Post Employment Health Plan for Public Employees (“PEHP” or “Plan”) has been established for eligible public employees, pursuant to section 501(c)(9) of the Internal Revenue Code permitting such plans; and

(d) The Plan may be funded with employer contributions, mandatory eligible employee contributions or combination of both on behalf of the eligible employees in a manner permitted under the Plan; and

(e) Under the PEHP program, Nationwide Retirement Solutions, Inc. (“Nationwide”) will provide administrative services in exchange for a fee as agreed upon by the Authority and Nationwide; and

(f) The Board of Governors desires to implement a PEHP program on behalf of unrepresented employees classified as management, mid-management and confidential.

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Governors of the Kern County Hospital Authority, as follows:

1. This Board finds the facts recited herein are true, and further finds that this Board has jurisdiction to consider, approve, and adopt the subject of this Resolution.

2. This Board hereby adopts this PEHP program on behalf of the eligible employees of the Authority.

3. The Chairman is hereby authorized to execute, on behalf of the eligible employees of the Authority, a participation agreement with Nationwide, authorizing Nationwide to act as the Administrator of the Plan and the agent of the Authority, and other such agreements and contracts as are necessary to implement the program.

4. All unrepresented employees classified as management, mid-management and confidential will be eligible to enroll in the PEHP program as follows:

- a) Participation in the PEHP program is voluntary;
- b) The Plan will allow eligible employees to set aside 25% of their unused sick leave (extended illness bank) into an insurance premium reimbursement account to pay for post-retirement medical expenses;
- c) This is a one-time deferral at time of retirement;
- d) There are no employer contributions;
- e) There is no cost to the Authority to maintain or administer the Plan;
- f) Costs to administer the Plan will be deducted from the account of each participating retired employee; and
- g) The Authority may terminate the Plan at any time by notice to Nationwide.

5. The Human Resources Department is hereby directed to implement the provisions of this Resolution.

6. The Authority Board Coordinator shall provide copies of this Resolution to the following:

Kern Medical Center
Human Resources Department
Legal Services Department
Nationwide Retirement Solutions, Inc.

**The Post Employment Health Plan
for Public Employees**

Copyright 2015, 2014
Nationwide Retirement Solutions, Inc.
All Rights Reserved

ARTICLE I
DEFINITIONS

As used in this Plan, and except as otherwise provided herein, the following terms shall have the meaning hereinafter set forth:

- 1.1. **“Account”** means an account established for a Participant or Eligible Employee pursuant to Section 6.1 hereof.
- 1.2. **“Administrator”** means the person or entity designated by the Plan as possessing authority to manage the operation and administration of the Plan in accordance with the Plan document adopted by the Employer. The Administrator shall be Nationwide Retirement Solutions, Inc., its successors and assigns (NRS) unless and until NRS resigns or is removed by the Advisory Committee representatives (as defined in the Trust Agreement) in accordance with Article 8.
- 1.3. **“Advisory Committee”** means a group made up of one representative of each participating employee group and one representative for each participating employer, participating in the associated Trust evidenced by the Trust Agreement issued to the Employer by the Administrator, The employee and the employer representative shall not be the same individual. Representatives of the employee groups are referred to as Employee Advisory Committee members. Representatives of Employers are referred to as Employer Advisory Committee members.
- 1.4. **“Association”** refers to the National Association of Police Organizations.
- 1.5. **“Benefit”** means any payment made pursuant to Article 5 hereof.
- 1.6. **“Code”** means the Internal Revenue Code of 1986, as amended from time to time.
- 1.7. **“Contribution”** means any contribution made to the Plan pursuant to Article 4 hereof.
- 1.8. **“Dependent”** means the Participant’s spouse or any person who, in relation to the Participant, satisfies the requirements under Code Section 152(a).
- 1.9. **“Effective Date”** means the date on which the fully executed Participation Agreement is processed by NRS.
- 1.10. **“Eligible Employee”** means a current employee of the employer who receives contributions under the Plan on his or her behalf.
- 1.11. **“Employee”** means an individual who is employed by the Employer.
- 1.12. **“Employer”** means a state or local government or political subdivision thereof in that adopts the Plan by entering into a Participation Agreement with the Administrator.
- 1.13. **“Entry Date”** means the date the Employer makes the first contribution to the Plan on behalf of such Eligible Employee.
- 1.14. **“Health Care Insurance Premium”** means any amount used to purchase insurance coverage for health benefits, hospitalization, or other medical care as defined in Code Section 213(d)(1).
- 1.15. **“Mandatory Employee Contribution”** means Eligible Employee contributions which are to be made as a condition of employment with the Employer and required to be made under terms of the Employer’s Participation Agreement. Such contributions shall be picked up by the Employer and are deemed to be employer contributions and are not taxable income to the employee.
- 1.16. **“Participant”** means a former Employee, or the surviving Dependents thereof, who has an Account under the Plan and is eligible to receive distributions under the Plan or who may receive contributions under the Plan on his or her behalf.
- 1.17. **“Participation Agreement”** means the agreement between the Employer and the Administrator by which the Employer adopts the Plan, which sets forth the responsibilities of the Administrator, and

the terms of the Employer's adoption of the Plan, including: (a) the Employer's rate of contribution to the Plan, and (b) the Employees of the Employer who are eligible to receive contributions and participate in the Plan.

- 1.18. **"Plan"** means The Post Employment Health Plan for Public Employees, as set forth in this document.
- 1.19. **"Plan Year"** means the calendar year.
- 1.20. **"Post-Employment Health Benefit"** means a payment made pursuant to Section 5.1 hereof.
- 1.21. **"Qualifying Medical Care Expenses"** means those expenses incurred solely for "medical care," as defined in Code Section 213(d)(1), rendered to the Participant or his Dependents from the time the Participant is an Eligible Employee entitled to receive a contribution under the Plan.
- 1.22. **"Trust Agreement"** means the agreement described in Article 2 hereof, establishing the Trust for The Post Employment Health Plan for Public Employees.
- 1.23. **"Trust Fund"** means all money and assets held by the Trust for the Post Employment Health Plan for Public Employees, and all earnings and profits thereon, less the payments made therefrom in accordance with the terms of this Plan.
- 1.24. **"Trustee"** means the Trustee, or any successor Trustee, designated in accordance with the terms of the Trust Agreement.
- 1.25. **"Valuation Date"** means each day in which the New York Stock Exchange and the Administrator's home office are open for business.

ARTICLE II

TRUST

- 2.1. **Trust Agreement.** All Contributions shall be paid into, and all Benefits provided for herein shall be paid from, the Trust Fund. The Trust Agreement shall be in such form and contain such provisions as the parties may deem appropriate, including, but not limited to, provisions with respect to the powers and authority of the Trustee, the authority of the Administrator and Trustee to amend the Trust Agreement, the authority of the Administrator to settle the accounts of the Trustee on behalf of all persons having an interest in the Trust Fund, and the authority to remove a Trustee and appoint a successor trustee. When entered into, the Trust Agreement shall form a part of the Plan, and all rights and benefits that may accrue to any person under the Plan shall be subject to all the terms and provisions of the Trust Agreement.
- 2.2. **Trust Fund.** In no event shall any part of the principal or income of the Trust Fund be paid to or reinvested in the Employer, or be used for any purpose whatsoever other than the exclusive benefit of the Participants, Eligible Employees and their Dependents and defraying the reasonable expenses of the Plan. Notwithstanding the preceding, Contributions shall be returned to the Employer only under the following circumstances:
 - a. If the Employer makes a Contribution by a mistake of fact, acknowledging such mistake of fact in writing to the Administrator and within one year of the mistaken Contribution;
 - b. If the Internal Revenue Service determines that the Trust is not tax-exempt under Code Section 501(a); or
 - c. If the Internal Revenue Service determines that the Trust has unrelated business taxable income under Code Section 512(a)(3)(E).
- 2.3. **Investment of Trust Fund.** The Trustee shall invest and reinvest the Trust Fund and the income therefrom in accordance with the terms of the Trust Agreement.

- 2.4. **Valuation of the Trust Fund.** The value of the Trust Fund shall be determined as of each Valuation Date, if applicable, as follows:
- a. The value per share of a security listed for trading on a national securities exchange shall be the closing price per share at which such security was traded on the exchange on the day as of which the value is to be determined (or, if such security was not traded on that day, on the last preceding day on which it was traded); provided, that if a security is listed for trading on two or more national securities exchanges, the national securities exchange upon which principally it is traded shall be deemed to be the only such exchange on which it is listed;
 - b. The value of any other investment shall be the fair market value thereof on the day as of which the value is to be determined, as determined by the Trustee, the Administrator or the agent of either the Trustee or Administrator; and
 - c. There shall be added/deducted from the value of the investments any income or liabilities due or accrued and properly chargeable thereto.

ARTICLE III

ELIGIBILITY TO PARTICIPATE

- 3.1. **Eligibility to Participate.** Each Employee shall become an Eligible Employee as determined by the Employer and shall be entitled to receive a contribution to the Plan as set forth in the Participation Agreement on the Entry Date coincident with or next following the later of (a) the date on which he becomes an Eligible Employee, or (b) the Effective Date of this Plan.
- 3.2. **Contributions Required for Eligible Employees.** Subject to Section 9.2, the Employer shall make Contributions on behalf of each Eligible Employee as determined by the Employer in accordance with to the terms of the Participation Agreement.
- 3.3. **Dispute as to Eligibility.** In the event of a dispute as to the eligibility of any individual to receive a contribution to the Plan, the decision of the Employer with respect to such eligibility shall be final and conclusive for all purposes.

ARTICLE IV

CONTRIBUTIONS

- 4.1. **Contributions to the Plan.** The Employer shall make contributions to the Plan on behalf of each Eligible Employee or Participant in such amount as the Employer determines and communicates to the Administrator from time to time to fund Post Employment Health Benefits.

Amounts contributed may not be used for any purpose other than as provided by Code Sections 105, 106, 501(c)(9) and applicable Treasury regulations. All Contributions shall be made in a manner which satisfies the nondiscrimination rules found in Code Section 105(h) or other applicable law, provided however that Contributions determined as a percentage of the Eligible Employee's compensation and earnings thereon shall be accounted for separately and shall be used under Section 5.1 only to reimburse Health Care Insurance Premiums.
- 4.2. **Lump sum Contributions.** If the Employer has a compensated absence policy under which all Employees accumulate compensated absence pay, it may require all or a specified portion of accumulated compensated absence benefits be contributed to the Plan. Compensated absence may include any combination of vacation pay, sick pay, or other accumulated absence pay as specified by the Employer.

- 4.3. **Mandatory Employee Contributions.** The Employer may require that all Eligible Employees contribute Mandatory Employee Contributions to the Plan as a condition of employment with the Employer. In the event Contributions are required of Eligible Employees, the Employer shall specify the amount of the Contribution either as a dollar amount or as a percentage of the Eligible Employee's compensation. Such amount or percentage shall not be subject to change on the part of the Eligible Employee, and the Eligible Employee shall not be entitled to receive such Contributions in the form of cash or other benefit. The Employer shall remit such contributions to the Trustee.
- 4.4. **Determination of Amount of Contributions.** The Trustee and the Administrator shall not be under any duty to inquire into the correctness of the Contributions paid over to the Trustee hereunder; nor shall the Trustee or Administrator be under any duty to enforce the payment of the Contributions to be made hereunder. The Eligible Employees and their bargaining unit shall have sole responsibility and duty to enforce Employer's contribution obligations.
- 4.5. **Transfers from other Health Reimbursement Arrangements.** The Plan may accept, as permitted by law, transfers of assets held in other health reimbursement arrangements including other arrangements being administered by the Administrator, provided that such assets were contributed to a plan providing permissible benefits. The Administrator may develop procedures necessary to comply with the requirements of this Section 4.5.

ARTICLE V

BENEFITS

- 5.1. **Post-Employment Health Benefits.** Upon an Eligible Employee's severance from employment with the Employer for any reason, including death, the Eligible Employee or his Dependents shall become a Participant in the Plan. Upon such time the Participant shall be entitled to be reimbursed from the Plan for Qualifying Medical Care Expenses and for Health Care Insurance Premiums incurred by the Participant or Dependents subject to the limits set forth in Section 5.3 hereof, provided that such expenses will not be taken as a deduction on the Participant's or Dependents' federal income tax return. If at any time following the Eligible Employee's severance from employment, he or she is reemployed by the Employer, the Participant shall no longer be entitled to reimbursement under the Plan until the Participant once again severs employment with the Employer. Post-Employment Health Benefits shall be funded in accordance with Article 4 hereof into the Plan from which benefits will be paid and in accordance with the Code.
- 5.2. **Notice by Employer.** The Employer shall certify to the Administrator the date of a Eligible Employee's severance from employment with the Employer. The Administrator shall rely on any such certification in determining when the Eligible Employee becomes a Participant and the extent to which a Participant or his Dependents shall be entitled to a Benefit under the Plan. In the case of an Eligible Employee's or Participant's death, the Trustee shall require proof of the Eligible Employee's or Participant's death prior to paying any Benefit to a Dependent or medical service provider on behalf of a deceased Eligible Employee under this Article 5
- 5.3. **Benefit Limits.** Any Qualifying Medical Care Expense or Health Care Insurance Premium paid in accordance with Section 5.1 hereof is limited to the Participant's respective account balance as of the Valuation Date immediately preceding the date the claim for such Benefit is submitted to the Trustee. If a claim for Benefits exceeds the account balance at such date, the Trustee will pay the claim to the extent of the account balance. If the Participant's account balance subsequently increased, the Participant must resubmit a current claim form for reimbursement.

Only claims for Qualifying Medical Care Expenses and Health Care Insurance Premium Reimbursements incurred from the time the Participant is an Eligible Employee entitled to receive a contribution hereunder will be payable under the Plan.

- 5.4. **Timing and Method of Benefit Payment.** All Benefit payments shall be made via check or direct deposit as specified by the Participant or service provider receiving payment directly on behalf of a deceased Eligible Employee and as soon as administratively practicable following the date a claim for Benefits is submitted to the Administrator.
- 5.5. **Prohibition on Alienation.** The rights of a Participant or Dependent to receive a Benefit shall not be subject to alienation or assignment, and shall not be subject to anticipation, encumbrance or claims of creditors except to the extent required by applicable law.
- 5.6. **Forfeitures.** If an Eligible Employee or Participant has no Dependents on the date notice of death is provided to the Administrator and no Dependent is identified and no request to pay Qualifying Medical Care Expenses directly to a service provider, on behalf of a deceased Eligible Employee, is received within 180 days of the date on which the Administrator was notified of an Eligible Employee or Participant's death, the balance in the Participant's account will be forfeited.
- Benefit payments for Qualifying Medical Care Expenses which, if paid, would result in discrimination in violation of Code Section 105(h), its regulations or any other applicable provision of law shall also be forfeited. A Participant's account may also be forfeited if the Administrator is unable to locate the Participant within 36 months after the Administrator sends a letter by certified U. S. mail, postage prepaid, to the Participant's last known address.
- Any amount forfeited under this Section 5.6 shall be allocated as soon as administratively practicable following, the date on which the Administrator determines that a forfeiture has occurred to the Accounts of all other Eligible Employees and Participants who (i) are (or were) employed by the Employer and (ii) have an account balance on the Valuation Date. Forfeitures shall be allocated among the Eligible Employee and Participants in accordance with procedures established by the Administrator.
- 5.7. **Designation of Beneficiaries Prohibited.** Unless otherwise permitted by law, designation of beneficiaries under the Plan is not permitted.

ARTICLE VI

ELIGIBLE EMPLOYEE AND PARTICIPANT ACCOUNTS

- 6.1. **Separate Accounts and Records.** The Administrator shall maintain separate Accounts in the name of each Eligible Employee and Participant having an interest in the Trust Fund. For all Eligible Employees or Participants with an account balance, a statement of that Eligible Employee's or Participant's Account as of the last day of each calendar quarter shall be distributed or made available within 15 days after the end of each quarter showing:
- The Eligible Employee's or Participant's account balance;
 - Contributions credited to the Eligible Employee's or Participant's Account;
 - Qualifying Medical Care Expenses and Health Care Insurance Premiums paid from the Participant's Account; and
 - Administrative fees paid from the Eligible Employee's or Participant's Account gains and losses of the Trust Fund allocated to the Eligible Employee's or Participant's Account.
- 6.2. **Valuation of Accounts.** As of each Valuation Date, all income and gains (realized and unrealized) of the Trust Fund for the period since the immediately preceding Valuation Date (or, if there is no prior Valuation Date, since the Effective Date) shall be credited to, and all losses (realized and unrealized) and expenses of the Trust Fund for such period shall be charged to, the Eligible Employee's or Participants' Accounts in proportion to their balances as of the next preceding Valuation Date (or as of the Effective Date, if there is no prior Valuation Date), provided, however, that if there has been a withdrawal from a Participant's Account since the next preceding Valuation Date, such Participant's

Account balance at the Valuation Date, rather than the next preceding Valuation Date, shall be used to allocate income, gains, losses and expenses to such Participant's Account.

6.3. Participant Transfers to another Plan.

- a. Subject to Section 6.3(b), if an Eligible Employee is no longer entitled to receive contributions from the Employer but remains employed by the Employer and as a result of such employment contributions on behalf of the Eligible Employee is required to another Voluntary Employees' Beneficiary Association (VEBA) which is established pursuant to Section 501(c)(9) and administered by the Administrator, then the Eligible Employee may elect to transfer his or her Account to the other VEBA.
- b. A transfer contemplated in Section 6.3(a) shall only be permitted if such transferred assets will be used to provide benefits similar to those provided by this Plan and the transfer does not jeopardize the tax-exempt status of the Trust.

ARTICLE VII

CLAIMS PROCEDURE

- 7.1. **Written Claims.** All claims for Benefits shall be made in writing in accordance with such procedures as the Administrator shall prescribe, including deadlines, documentation requirements and forms.
- 7.2. **Denied Claims.** If a claim for Benefits is denied in whole or in part, the Administrator shall furnish the claimant a written notice setting forth the reason for the denial, including reference to pertinent Plan provisions, describing any additional material or information that is required from the claimant and explaining why it is required, and explaining the review procedure set forth in Section 7.3 hereof. Such notice shall be given within five (5) business days of the denial.
- 7.3. **Review Procedure for Denied Claims.** Within 60 days of the written notice of the denial of any claim for Benefits, a claimant may file a written request for a review of such denial by the Administrator. Any claimant seeking review of a denied claim is required to submit comments in writing. Within 60 days after its receipt of a request for review of a denied claim, the Administrator shall render a written decision on its review which references the Plan provisions on which its decision is based.

ARTICLE VIII

ADMINISTRATION OF THE PLAN

- 8.1. **The Administrator.** The Administrator shall be NRS unless and until NRS resigns or is removed. The Administrator shall have the authority to control and manage the operation and administration of the Plan in accordance with this plan document and the responsibility of filing and distributing reports and returns with or to government agencies and Eligible Employees and Participants, and their Dependents as required under the Code and other applicable law.

The Administrator, by a written instrument, may delegate its responsibilities to control and manage the operation and administration of the Plan and the responsibility to file reports and returns.

To the extent permitted by law, the Trust shall indemnify each employee of the Administrator and any agent or person who has been appointed by the Administrator, against any liability (not reimbursed by insurance) incurred in the course of the administration of the Plan, except liability arising from his own negligence or willful misconduct.

- 8.2. **Agents.** The Trustee may employ such agents, including counsel, as it may deem advisable for the administration of the Plan. Such agents may not be Eligible Employees or Participants.
- 8.3. **Removal or Resignation of Administrator.** The Administrator may resign as administrator at any time by a written instrument delivered to all Advisory Committee representatives giving notice of such resignation. The Administrator may be removed, for cause relating to performance that fails to meet

generally accepted standards, practices and procedures applicable to persons providing similar types of administrative services. The Administrator shall be removed for the reasons stated above via a majority vote process. Each Employee Advisory Committee representative's vote is multiplied by the number of Eligible Employee and Participants represented by that committee member and similarly the Employer Advisory Committee representative's vote is multiplied by the number of Eligible Employees and Participants covered by that Employer, for each plan participating in the relevant trust. The Advisory Committee shall remove the Administrator by a written notice delivered to the Administrator. In the event of a dispute over the execution of the duties of the Administrator, the dispute shall be subject to arbitration between the Administrator and a representative(s) established by the Advisory Committee. The Administrator shall be granted 180 days to cure any deficiencies identified by the arbitrator before any removal may be considered effective. Any notice of removal or resignation of the Administrator shall be effective 60 days after receipt by the Administrator or Advisory Committee representatives, as the case may be, or at such other time as is agreed to by the Administrator and the Advisory Committee representatives. In addition, a majority of the Advisory Committee representatives may remove the Administrator without cause during the last month of each Plan Year. If, within 60 days after notice of resignation or removal of the Administrator, the Advisory Committee representatives have not designated a successor Administrator, the Administrator may apply to any court of competent jurisdiction for the appointment of a successor Administrator.

- 8.4. **Successor Administrator.** The Administrator, subject to the veto right described below, may appoint a successor Administrator. The Administrator shall provide 30 days' advance notice to the Advisory Committee that it has designated a successor Administrator. Based on a majority vote, where each Employee Advisory Committee representative's vote is multiplied by the number of Eligible Employees and Participants and similarly the Employer Advisory Committee representative's vote is multiplied by the number of Participants and Eligible Employees for each plan participating in the relevant trust, is used to determine voting outcomes. If sufficient objecting votes are submitted in writing to the Administrator within 30 days after the date of the Administrator's notification mailing, the designation shall not become effective. If there is no sufficient objection, the Administrator shall deliver to the Trustee copies of: (a) a written instrument executed by the Administrator appointing such successor, and (b) a written instrument executed by the successor in which it accepts such appointment. Such instruments shall indicate their effective date.

If a vacancy in the office of Administrator occurs and the Administrator has not appointed a successor Administrator in accordance with the preceding paragraph, the Advisory Committee representatives in accordance with the voting procedures described in the preceding paragraph shall appoint a successor Administrator and shall deliver to the Trustee copies of (a) a written instrument executed by Advisory Committee representatives appointing such successor, and (b) a written instrument executed by the successor in which it accepts such appointment. Such instruments shall indicate their effective date. If the Administrator is removed by Advisory Committee representatives in accordance with Section 8.3 hereof, the written instrument removing the Administrator shall also appoint a successor Administrator. Any successor Administrator shall have all the powers and duties of the original Administrator.

- 8.5. **Administrative Fees.** The Administrator shall be paid from the Trust Fund an administrative fee for each Eligible Employees and Participant equal to an amount specified in the Participation Agreement between the Administrator and the Employer. Such fees shall be charged against the Eligible Employees' and Participants' Account balances.
- 8.6. **Powers of the Administrator.** The Administrator shall have all such powers as may be necessary to carry out the provisions of the Plan, and the actions taken and the decisions made by the

Administrator shall be final and binding upon all parties. The powers of the Administrator shall include, but not be limited to, the following:

- a. To determine, in accordance with the plan document, all questions relating to the amount of any Benefits and all questions pertaining to claims for Benefits and procedures for claim review;
 - b. To prescribe procedures, in accordance with the plan document, to be followed by Participants in filing claims for Benefits;
 - c. To prepare and distribute information, in accordance with the plan document, explaining the Plan to Eligible Employees and Participants;
 - d. To appoint or employ individuals to assist the Administrator in the administration of the Plan and any other agents deemed advisable, including banking, legal, accounting, and actuarial counsel;
 - e. To resolve all other questions arising under the Plan, in accordance with the plan document;
 - f. To take any such further action as the Trustee shall deem advisable in the administration of the Plan in accordance with the plan document; and
 - g. To direct the Trustee to pay claims for Benefits either by issuing claims checks or by delegating the authority to issue claims checks in accordance with Section 7.1 hereof.
- 8.7. **Records.** The acts and decisions of the Administrator including such records as may pertain to the computation of Benefits of any claimant shall be duly recorded.
- 8.8. **Defect or Omission.** The Administrator shall notify the Employer of, and shall assist Employer with the cure of any defect, omission or inconsistency in this Plan for correction.
- 8.9. **Liability of Administrator.** Except for its own negligence or willful misconduct, neither any Employee of the Administrator nor any agent or other person appointed by the Administrator shall be liable to anyone for any act or omission in the course of the administration of the Plan.

ARTICLE IX

AMENDMENT AND TERMINATION

- 9.1. **Amendments.** The Administrator reserves the right to amend this Plan at any time in such manner as it may be necessary or advisable in order to qualify and retain the qualification of the Trust Fund as a voluntary employees' beneficiary association (Association) in accordance with Code section 501(c)(9) or to comply with applicable law upon 60 days written notice to the Employer. Any such amendment may, by its terms, be retroactive; and to amend, alter, modify or suspend, in whole or in part, any provision or provisions of this Plan at any time, retroactively or otherwise, by written notice to the Trustee, the Employers and the Association representatives. In any event, no such amendment shall:
- a. increase the duties or obligations of the Trustee or Employer without their written consent;
 - b. decrease any Participant or Eligible Employee's Account balance; or
 - c. cause or permit any portion of the corpus or income of the Trust to revert to, or become the property of, or be used for the benefit of the Employer, or divert any portion of the corpus or income of the Trust for purposes other than the exclusive benefit of the Participants, Eligible Employees and their Dependents.
- 9.2. **Termination and Discontinuance of Contributions.** The Employer may terminate or discontinue contributions to the Plan at any time by notice to the Administrator and Trustee. Upon termination of the Plan and subject to Section 9.3, the Administrator shall maintain the Accounts of each Participant and Eligible Employee who is or was an Employee of such Employer, and shall pay Benefits to each such Participant in accordance with the terms of the Plan or as permitted by law. Expenses of the

Trust fund and administrative fees shall be charged against such Participants' and Eligible Employees' Accounts for as long as such Accounts are maintained by the Administrator.

- 9.3. **Employer Transfers to another Plan.** The Employer may request that the assets held in the Plan be transferred to another Association or Administrator provided that the Employer provides evidence to the Administrator that the following conditions are met:
- a. The transferee Association is exempt under Code Section 501(c)(9);
 - b. The transferred assets will be used to provide similar benefits;
 - c. The participants of each trust Association share an employment-related bond;
 - d. The transfer is not used to avoid the applicable requirements of Code Section 501(c)(9) and the regulations thereunder that otherwise would apply to each association;
 - e. The receiving Association or Administrator has agreed to receive the transfer; and
 - f. The Employer, in writing, holds harmless the Administrator for acting on Employer's instructions to transfer the Plan to another Association or Administrator.

When, to the satisfaction of the Administrator, the Employer has produced evidence sufficient to satisfy the conditions of this Section 9.3, the Administrator will transfer the assets of the Plan to the other Association or Administrator as soon as administratively practical. In no event shall such transfer occur later than one hundred and eighty (180) days following the Administrator's receipt of the sufficient evidence contemplated by this Section. Additionally, the Administrator may develop procedures in connection with this Section 9.3 including, without limitation, what documentation is necessary to evidence satisfaction of the requirements of this section. Expenses of providing such evidence shall be paid by the Employer. In the event a transfer of the Plan assets is authorized, the Administrator may retain sufficient funds for the satisfaction of all current reported claims.

ARTICLE X

MISCELLANEOUS

- 10.1. **Rights of All Interested Parties Determined by Terms of the Plan.** The Plan and Trust are voluntarily entered into by the Employer. The Trust shall be the sole source of Benefits provided under the Plan, and in no event shall the Administrator or the Employer be liable or responsible therefore. The Plan shall be binding upon all parties thereto and all Participants and Eligible Employees, and upon their respective heirs, executors, administrators, successors, and assigns, and upon all persons having or claiming to have any interest of any kind or nature under the Plan or the Trust.
- 10.2. **No Employment Rights Created.** The creation and maintenance of the Plan shall not confer any right to continued employment on any Employee, and all Employees shall remain subject to discharge to the same extent as if the Plan had never been established.
- 10.3. **Number and Gender.** Where necessary or appropriate to the meaning hereof, the singular shall be deemed to include the plural, the plural to include the singular, the masculine to include the feminine and neuter, the feminine to include the masculine and neuter, and the neuter to include the masculine and feminine.
- 10.4. **Notice to Employees.** Notice of the existence and the provisions of this Plan and amendments thereto shall be communicated by the Employer to all persons who are, or who become Eligible Employees or Participants.
- 10.5. **Notification of Address.** Each person eligible to receive Benefits shall notify the Administrator in writing of his address and any change of address thereafter. Any communication, statement or notice addressed to such person at his last address as filed with the Administrator (or if no address was filed with the Administrator, then his last address shown by the Employer's payroll records) will be binding

upon such person for all purposes of this Plan, and neither the Employer nor the Administrator shall be obligated to search for or ascertain the whereabouts of any such person.

10.6. **Headings.** The headings and subheadings in this Plan are inserted for convenience and reference only and are not intended to be used in construing this Plan or any provision hereof.

10.7. **Governing Law.** This Plan shall be construed according to the law of the State of Ohio and applicable Federal Law and all provisions hereof shall be administered according to the law of the State of Ohio and applicable federal law.

IN WITNESS WHEREOF, the undersigned has executed this Plan to become effective the _____ day of _____, 20____ for the:

(Plan Name)

By: _____
(Signature)

(Printed Name)

(Title)

**Employer Participation Agreement
for the Post Employment Health Plan
for Non-Collectively Bargained Public Employees**

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Nationwide Retirement Solutions, Inc.
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This Participation Agreement (“Agreement”), effective as of the _____ day of _____, 20_____, (the “Effective Date”), by and between the undersigned employer (the “Employer”), and Nationwide Retirement Solutions (“NRS”), as the administrator (the “Administrator”) of the Post Employment Health Plan for Non-Collectively Bargained Public Employees (the “Plan”).

WITNESSETH:

WHEREAS, the Employer is a State or a political subdivision thereof, or an agency or instrumentality of any of the foregoing; and

WHEREAS, the Plan provides post-retirement reimbursement of Qualifying Medical Care Expenses and Health Care Insurance Premiums (as defined in the Plan) for the benefit of eligible government employees who become participants in the Plan, and their dependents; and

WHEREAS, pursuant to this Agreement, the Employer agrees to make contributions pursuant to and in compliance with the Plan and this Agreement and subject to the Internal Revenue Code of 1986, as amended (“Code”), and its accompanying regulations for work performed by its eligible employees (“Contributions”); and

WHEREAS, the Contributions will be held in trust by the Trustee, or its successor, designated under the Trust for the Post Employment Health Plan for Public Employees (the “Trust”) for the exclusive benefit of eligible employees, Plan participants, and their dependents; and

WHEREAS, the Employer adopts the Plan by entering into this Participation Agreement with the Administrator; and

WHEREAS, the Administrator accepts the Employer as an Employer under the Plan upon the terms and conditions set forth in the Plan, the Trust and this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants in this Agreement, the Employer and the Administrator hereby agree as follows:

1. By execution of this Agreement, the Employer adopts and agrees to be bound by all of the terms and provisions of the Plan, this Agreement and the Declaration of Trust governing the Trust (the “Trust Agreement” a copy of which the Employer acknowledges receipt thereof) and such subsequent amendments which are adopted as provided in the Trust Agreement. The Employer agrees to be bound by all actions taken by the Administrator and the Trustee pursuant to the powers granted them by the Plan and Trust Agreement. The Employer further acknowledges that under the terms of the Plan, the Administrator’s resolution regarding questions relating to administration of the Plan is final and binding upon the Employer, eligible employees and participants.
2. By execution of this Agreement with the Employer, the Administrator agrees to carry out the responsibilities of the Administrator as set forth in the Plan, this Agreement and the Trust Agreement.
3. This Agreement authorizes the Administrator or Trustee to enforce any rights which are provided as a matter of law in favor of the Plan, its eligible employees and participants and their dependents or the Trustee. This provision notwithstanding, if, in the opinion of the Administrator, the terms of the Employer’s participation in the Plan conflict or come to conflict with the Code and accompanying regulations, the Administrator may refuse Contributions until such time as the conflict is cured. If an Employer desires to change the terms of its participation in the Plan, such change must be submitted to the Administrator for acceptance prior to its becoming effective and binding on the Administrator. Such acceptance shall not be unreasonably withheld.
4. This Agreement shall apply to only those employees and participants that the Employer has determined are eligible and for whom the Employer agrees to make Contributions to the Plan. The Employer agrees that in determining who is eligible to receive Contributions under the Plan, the Employer will comply with Code section 105(h) and will not discriminate in favor of highly compensated individuals. The

Employer acknowledges that the Administrator has no responsibility to determine which employees or participants of the Employer are eligible to receive contributions under the Plan or to enforce the Employer's compliance with Code section 105(h).

5. Subject to Section 8 of this Agreement, this Agreement shall remain in effect until such time as the Employer withdraws from the Plan pursuant to the withdrawal provision of the Plan document (see Section 9.2). The Employer acknowledges that withdrawal from the Plan, and exhaustion of the assets associated with that Plan will no longer entitle the Employer's representative or its employees' representative to participate in the Advisory Committee created under the terms of the Trust. The Administrator, however, reserves the right to terminate the Employer's participation in the Plan for any of the following reasons:
 - a. should the Employer fail to make Contributions to the Plan;
 - b. if at any time the Employer's terms of participation in the Plan are modified in a manner which affects the operation or administration of the Plan in a manner which is unacceptable to the Administrator or Trustee;
 - c. if at any time the Employer's terms of participation in the Plan are modified in a manner which, in the opinion of the Administrator, jeopardizes the tax qualification of the Trust or the regulatory approval of the Plan or would conflict with applicable law; or
 - d. as otherwise provided in the Plan or Trust Agreement.
6. The commencement and continuation of the Employer's participation in the Plan is contingent upon such commencement or continuation of participation not impairing the attainment, or retention, of the tax exempt status of the Trust under Code section 501(c)(9) .
7. The commencement and continuation of the Employer's participation in the Plan is further contingent upon such commencement or continuation of participation not violating any provisions of the Internal Revenue Code and its regulations or any ruling or guidance published by the Internal Revenue Service ("IRS") applicable to the Plan, including the terms of any IRS ruling issued to the Plan or other applicable law. The Employer acknowledges that failure to comply with the terms of the Plan and Trust may subject it and its employees to adverse tax consequences.
8. In order to provide for the payment of benefits under the Plan, the Employer hereby agrees to make Contributions to the Trust, as it specifies in the attached Employer Data Sheet. The Employer may change its Contributions from time to time, consistent with the objectives of the Plan and applicable law by a mutually agreeable method between the Employer and the Administrator (which method could include updating the PEHP Employer Data Sheet).

With each Contribution to the Plan, the Employer will provide the Administrator with a Contribution Summary Sheet (or similar report) which lists the full name of each employee or participant for whom contributions are made, his or her Social Security number, the amounts to be allocated on behalf of each such employee or participant and whether the contributions should be credited to the 05 or 06 sub-accounts as defined in the Plan document. The Administrator or its designee shall record the Contribution and reconcile the Employer's Contribution Summary Sheet or other report.

The Administrator may reject Contributions that do not comply with the requirements of the Plan, the Trust and the Code. If the Administrator rejects any Contributions, the Contributions and the Contribution Summary Sheet will be returned to the Employer for resolution. The Administrator shall instruct the Trustee to transfer the Contributions in good order from the lockbox to the Trust investment account upon completion of such recording and reconciliation. Contributions shall not accrue income or share in investment gains or losses while they are in the lockbox prior to the transfer to the Trust investment account or while the Administrator seeks resolution of Contributions not received in good order. The Employer understands that failure to make Contribution in a timely manner may result in

sanctions permitted by law, as well as the termination of its participation in the Plan, as provided in rules established in this Agreement.

9. The Employer hereby appoints, and approves of, NRS to provide claims payment services and to act as the Administrator for the Plan. The Employer further agrees that the Administrator's compensation for its services shall be an annual charge per participant or eligible employee of **\$30.00**. The Employer represents and warrants that it has advised its eligible employees or participants of the annual charge. Such charge shall be assessed to each participant or eligible employee's account on the anniversary date, which is one year after the date the initial contribution to the Plan was made, and each succeeding anniversary of such date. The Administrator's annual charge shall remain fixed for the duration of this Agreement unless the Employer and Administrator mutually agree in writing to adjust the charge. The Employer acknowledges that other fees may apply to the Plan, eligible employee or the participant accounts law as described in Section 11 or as required by applicable law.
10. The Employer hereby acknowledges that the Trustee of the Trust will be the Trustee identified in the Trust Agreement, and hereby ratifies the terms of the Trust Agreement, a copy of which has been provided to the Employer. The Employer further acknowledges that the Trust Agreement sets forth the method for appointment and removal of the Trustee.
11. The Employer hereby acknowledges that it has received and reviewed the Group Variable Annuity Contract (the "Variable Annuity") for the Post Employment Health Plans which serves as the funding vehicle for the Trust. The Employer understands and agrees that part of the arrangement between NRS as the Administrator and product provider Nationwide Life Insurance Company includes fees. The Employer further acknowledges that, in addition to the annual charge described in Section 9, a fee equaling an annual rate up to a maximum of 0.50% of the daily net asset value will be assessed on every participant or eligible employee's fund balance in the Variable Annuity. In the Fixed Annuity, this fee is included in the calculation of the net crediting rate.
12. The Employer hereby acknowledges it has received the "Disclosure and Acknowledgement Form" (the "Form") which is incorporated into this Agreement, and further agrees to be bound by the Form.
13. The parties agree that no waiver of any default in performance on the part of the Administrator or the Employer or any breach or series of breaches of any of the terms of this Agreement shall constitute a waiver of any subsequent breach. The parties further agree that resort to any remedies referred to herein shall not be construed as a waiver or any other rights and remedies to which the Administrator is entitled under this Agreement or otherwise.
14. Should any part of this Agreement for any reason be declared invalid, such determination shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in force and effect as if this Agreement had been executed without the invalid portion.
15. The Employer shall indemnify and hold the Administrator harmless for and against all losses, damages, liabilities or expenses (including, but not limited to, reasonable attorney's fees and litigation expenses) which the Administrator may incur as a result of claims based upon any breach by the Employer, its affiliates, agents or employees of any provisions of this Agreement, the Plan Document or related items that are within their reasonable control.
16. The Administrator shall indemnify and hold the Employer harmless for and against all losses, damages, liabilities or expenses (including, but not limited to reasonable attorney's fees and litigation expenses) which the Employer may incur as a result of claims based upon any breach by the Administrator, its affiliates, agents or employees of any provisions of this Agreement, the Plan Document or related items that are within their reasonable control.

- 17. This Agreement shall be interpreted, and the rights and liabilities of the parties determined, in accordance with the laws of the State of Ohio. The parties consent to the jurisdiction of any Local, State or Federal Court located within Ohio.
- 18. This Agreement, together with the Plan and the Trust Agreement, contain the entire agreement between the Employer and the Administrator with respect to the respective rights and obligations contemplated herein, and no representation, promise, inducement, or statement of intention relating to the respective rights and obligations contemplated by this agreement has been made by either party which is not set forth herein. This Agreement supersedes in all respects all prior agreements among the parties any may not be modified or amended, except by a duly executed instrument in writing.

IN WITNESS WHEREOF, the Employer has caused this Agreement to be executed on its behalf by a duly authorized officer, and a duly authorized representative of NRS executed this Agreement on behalf of the Administrator.

By: _____
(Employer Printed Name)

(Employer Signature)

Date: _____

By: _____
(Officer of Nationwide as Administrator)

Date: _____



1. Plan Type

Select one: NACo City IAFF-FC Program Other: Kern County Hospital Authority

Select one: Collectively Bargained Non-Collectively Bargained

2. Employer Information

Employer Name: Kern County Hospital Authority Employer Number: _____

Physical Address:

Street: 1700 Mount Vernon Ave

City: Bakersfield State: CA ZIP: 93306

Mailing Address (for priority/overnight): same as physical address

Street: _____

City: _____ State: _____ ZIP: _____

Number of Eligible Employees: _____ Employer Tax ID Number (from W2): _____

Employer Contact:

Name: Lori Ambrose Title: HR Director

Phone: 661-862-7504 Email: lori.ambrose@kernmedical.com

3. Advisory Committee Information

Employer/Management Representative:

Name: _____ Title: _____

Mailing Address: _____

City: _____ State: _____ ZIP: _____

Phone: _____ Email: _____

Employee/Union Representative: N/A

Name: _____ Title: _____

Mailing Address: _____

City: _____ State: _____ ZIP: _____

Phone: _____ Email: _____

4. Funding Options

Equal Dollar Contributions to the Universal Reimbursement Account (05)

\$ _____ per eligible employee

Weekly Bi-Weekly Monthly Semi-Monthly Other: _____

Equal Percentage of Salary Contributions to the Insurance Premium Reimbursement Account (06)

_____ % per eligible employee

Weekly Bi-Weekly Monthly Semi-Monthly Other: _____

Unused Sick Leave/Vacation Contributions to the Insurance Premium Reimbursement Account (06)

25 % per eligible employee

Annually At Retirement

5. Benefits Center Information

Center Name: Human Resources
Mailing Address: 1700 Mount Vernon Ave
City: Bakersfield State: CA ZIP: 93306

Benefits Center Contact:
Name: Maitlyn Deford Phone: _____
Fax: _____ Email: Maitlyn.Deford@kenmedical.com

6. Certification

I certify that the information listed on this form is true and accurate. I understand I am responsible for updating this information should it change. I also certify that I have the authority to make the designations I have provided on this form.

Plan Sponsor:

Name (please print): _____ Title: _____

Signature: _____ Date: _____

Financial Service Representative (FSR):

Name (please print): _____ Title: _____

Signature: _____ Date: _____

Agent Number (if applicable): _____



Disclosure and Acknowledgment Form Post Employment Health Plan (PEHP)

PO Box 182797, Columbus, OH 43218-2797
Phone: 877-677-3678 • Fax: 877-677-4329 • NRSforu.com

As with all plans receiving favorable tax treatment under the Internal Revenue Code, the Nationwide Post Employment Health Plan (PEHP) offers you and your employees' significant benefits that also come with important limitations. Your Nationwide representative is prepared to help you understand the Plan's benefits and limitations. Please understand Nationwide nor its representatives may give legal or tax advice. You should consult with your legal and tax advisers before making decisions about establishing PEHP for your employees.

PEHP is funded through a voluntary employees beneficiary association (VEBA), a tax-exempt trust authorized by IRC Section 501(c)(9). PEHP, as a Health Reimbursement Arrangement (HRA), must also comply with the regulatory requirements of HRAs. PEHP is not a retirement plan nor is it a Deferred Compensation Plan. To operate within IRS requirements, PEHP must comply with requirements different than those of retirement plans. Some of those requirements are outlined below:

Please read and initial the following:

1. _____ Contributions must be made solely by the Employer or as a mandatory employee contribution. Contributions of unused vacation and sick leave conversion benefits are permitted, if required of all eligible employees.
2. _____ Benefits paid from the Qualifying Medical Care Expense Sub-account may not discriminate in favor of highly compensated employees. Only equal dollar amount contributions to this Sub-account for all Eligible Employees will be accepted.
3. _____ PEHP is not permitted to accept beneficiary designations. Following an Eligible Employee's or Participant's death, payment of benefits is limited to the Employee's surviving spouse and qualifying dependents. Any account balance remaining after the death(s) of the Employee, any spouse or qualifying dependents will be forfeited and allocated among your remaining Eligible Employees and plan participants, under Rule 152(a) of the Code.
4. _____ Your PEHP is governed by an Advisory Committee comprised of one employer representative and one eligible employee representative. All changes to the Plan, except those required by law, must be approved by the Advisory Committee.

This page is a legal document and part of your PEHP contract. The undersigned has read this document and fully understands its binding effect.

Employer:

Name (please print): _____

Signature: _____ Date: _____

Nationwide Representative:

Name (please print): _____

Signature: _____ Date: _____



Nationwide®

Nationwide Retirement Solutions PEHP Electronic Payment Instructions

Employer Information

Employer/Plan Name: <i>Kern County Hosp Authority</i>	
Employer Contact Name:	Employer Number (from Nationwide):
Email:	
Employer Contact Phone:	

Option 1: Debit ACH

We offer you the ability to allow us to Debit your accounts to make it convenient to submit payroll deposits without cost.

Sign me up for Debit ACH

Bank Name:	
Name on bank account:	Type of Account: <input type="checkbox"/> Checking or <input type="checkbox"/> Savings
Bank ABA Routing #:	
Bank Account #:	

Account Information: Upon receipt of notification from the customer, Nationwide Retirement Solutions will access the bank account above and process an Automated Clearing House (ACH) transaction for the amount of the contributions submitted.

Authorization: The Trustee/Name Fiduciary of the above named Plan hereby authorizes Nationwide Retirement Solutions, to access the customer's bank account for the purpose of executing an ACH debit for the total amount of the contributions submitted.

Authorized Name (Print):	
Authorized Signature:	Date:

Option 2: Wire or Credit ACH

Debit ACH Opt Out Instructions

Unable to use Debit ACH

Instead of signing up for Debit ACH, the total of your deferrals may be transferred to the PEHP Clearing Account, in one transaction, using the following information:

	ACH*	Wire*
Transfer To:	JP Morgan Chase, 100 East Broad St., Columbus, OH	JP Morgan Chase, 100 East Broad St., Columbus, OH
ABA	#044000037	#021000021
Credit To:	Nationwide Life Insurance Co. FBO: PEHP Plans	Nationwide Life Insurance Co. FBO: PEHP Plans
Account #	#981762752 (Checking)	#981762752

*The addendum or OBI record should include your plan number, your company/department name, and pay period ending 00/00/00.

Form Return

Please complete and return to: Nationwide, Attn: Automation Technical Support, Fax: 877-677-4329.
If you have questions, please call 1-877-496-1630.



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed acceptance of donation of travel and related expenses from Health Care Interpreter Network (HCIN) for attendance at annual HCIN National Quality Assurance Conference

Recommended Action: Approve; Adopt Resolution

Summary:

The Authority's conflict of interest policy prohibits employees from receiving or accepting money or any other consideration from anyone other than the Authority for the performance of an act which the employee would be required or expected to render in the regular course of his or her employment.

HCIN is Kern Medical's primary provider of video and audio interpretation services. Interpretation of healthcare critical information must be provided to our patients in their language of preference. The conference is held annually as a way of updating all user hospitals of the latest services offered by HCIN as well as receiving feedback from user hospitals who have suggestions for improvement of services. HCIN, through donations received from various California healthcare organizations who provide support to HCIN, has offered to donate to the Authority reimbursement for car travel and hotel for two Kern Medical employees to attend the annual conference to be held on May 16 and May 17, 2019, in Marina del Rey, California.

Kern Medical recommends your Board adopt the attached proposed resolution to accept the travel donations from HCIN for travel and lodging and authorize the Chief Executive Officer to designate two employees to attend this important conference.

**BEFORE THE BOARD OF GOVERNORS
OF THE KERN COUNTY HOSPITAL AUTHORITY**

In the matter of:

Resolution No. _____

**ACCEPTANCE OF DONATION OF
TRAVEL AND RELATED EXPENSES
FROM HCIN FOR HCIN NATIONAL
QUALITY ASSURANCE CONFERENCE**

I, MONA A. ALLEN, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director _____, seconded by Director _____, was duly and regularly adopted by the Board of Governors of the Kern County Hospital Authority at an official meeting thereof on the 15th day of May, 2019, by the following vote, and that a copy of the Resolution has been delivered to the Chairman of the Board of Governors.

AYES:

NOES:

ABSENT:

MONA A. ALLEN
Authority Board Coordinator
Kern County Hospital Authority

Mona A. Allen

RESOLUTION

Section 1. WHEREAS:

(a) The conflict of interest policy for the Kern County Hospital Authority (“Authority”) prohibits Authority employees from receiving or accepting money or any other consideration from anyone other than the Authority for the performance of an act which the employee would be required or expected to render in the regular course of his or her employment; and

(b) The Authority contracts with Health Care Interpreter Network (HCIN) to provide video and audio interpretation services to Kern Medical Center patients; and

(c) HCIN, through donations from various California healthcare organizations that provide support to HCIN, has offered to donate to the Authority all travel and related expenses for two Authority employees to attend the HCIN “National Quality Assurance Conference” in Marina del Rey, California, on May 16-17, 2019; and

(d) The training session is necessary in connection with official Authority business; and

(e) The Authority desires to obtain the donation of travel and related expenses to the Authority and will retain full control over the use of the donation; and

(f) HCIN has not imposed any restrictions as to how the donation may be used.

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Governors of the Kern County Hospital Authority, as follows:

1. This Board finds the facts recited herein are true, and further finds that this Board has jurisdiction to consider, approve, and adopt the subject of this Resolution.

2. This Board hereby accepts from HCIN the donation of travel and related expenses to cover all costs for two Authority employees to travel to Marina del Rey, California, to attend the HCIN “National Quality Assurance Conference” on May 16-17, 2019.

3. This Board authorizes the Chief Executive Officer to designate two Authority employees to attend the HCIN “National Quality Assurance Conference” on May 16-17, 2019, in Marina del Rey, California.

4. The Authority Board Coordinator shall provide copies of this Resolution to the following:

Chief Financial Officer
Legal Services Department
Human Resources Department



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed Engagement letter from Moss-Adams, LLP

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern Medical requests your Board approve the proposed Engagement letter from Moss-Adams, LLP, an independent contractor, for financial auditing services for fiscal year ending June 30, 2019.

The primary purpose of an external financial audit is to conduct an audit sufficient to express an opinion as to whether the Kern County Hospital Authority's financial statements are fairly presented in accordance with Generally Accepted Accounting Principles and whether supplementary information is fairly presented in relation to the basic financial statements. The audit will include an evaluation and report of the authority's internal control for the purpose of identifying areas of weakness or noncompliance.

Therefore, it is recommended that your Board approve the Engagement letter from Moss-Adam, LLP and authorize the Chairman to sign.

April 16, 2019

Russell E. Bigler, Chairman, Board of Directors
Andy Cantu, Chief Financial Officer
Kern County Hospital Authority
1700 Mount Vernon Avenue
Bakersfield, CA 93306-4018

Re: Audit and Nonattest Services

Dear Chairman Bigler:

Thank you for the opportunity to provide services to Kern County Hospital Authority (“you,” “your,” and “Company”), a local unit of government and a subdivision of the state of California. This engagement letter (“Engagement Letter”) and the attached August 9, 2018, 2018 Agreement for Professional Services between Moss Adams LLP (“Moss Adams,” “we,” “us,” and “our”) and the Company (“PSA”), which is incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams will provide to you.

Scope of Services – Audit

You have requested that we audit the Company’s financial statements, which comprise the statement of net position as of June 30, 2019, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (“RSI”), such as management’s discussion and analysis, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Company’s RSI in accordance with auditing standards generally accepted in the United States of America. We will not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. The following RSI will be subjected to certain limited procedures, but will not be audited:

- 1) Management’s Discussion and Analysis
- 2) Schedule of the proportionate share of OPEB liability for Kern Medical
- 3) Schedule of Funding Progress for the County of Kern
- 4) Actuarial Assumptions and Methodology for the County of Kern
- 5) Schedule of Contributions for the County of Kern
- 6) Schedule of the Proportionate Share of the Net Pension Liability

7) Schedule of Contributions

Scope of Services and Limitations – Nonattest

We will provide the Company with the following nonattest services:

- Assist you in drafting the financial statements and related footnotes as of and for the year ended June 30, 2019. Although we will assist in drafting the financial statements and related footnotes, our fee estimate included in this engagement letter is based on management providing a substantially complete working draft of the financial statements and required footnotes. Should you request additional assistance, we can discuss the additional fees that may be required prior to commencing additional work.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Company management must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the nonattest services performed.
- Accept responsibility for the results of the nonattest services performed.

It is our understanding that Andy Cantu, the Company's Chief Financial Officer, has been designated by the Company to oversee the nonattest services and that in the opinion of the Company is qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Timing

Stelian Damu is responsible for supervising the engagement and authorizing the signing of the report. We expect to be onsite the weeks of August 19, 2019 and August 26, 2019 for planning, interim, and the start of final test work, and again starting the week of October 28, 2019 to continue our final fieldwork. We expect to issue our report no later than December 31, 2019. As we reach the conclusion of the audit, we will coordinate with you the date the audited financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the financial statements are available for issuance, (2) you will disclose in the notes to the financial statements the date through which subsequent events have been considered, and (3)

the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services.

Fees

We have agreed to the following payment schedule for the services based on a total fee estimate of \$135,000 - \$145,000. You will also be billed for expenses at our cost as incurred for travel, meals, mileage, and other direct expenses, and a flat fee of \$1,000 for indirect expenses for processing and copying as well as estimated clerical and equipment costs.

Month Due	Amount
July 2019	\$ 30,000
September 2019	35,000
October 2019	35,000
November 2019	35,000 – 45,000
Total	\$135,000 – \$145,000

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the Company's records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments, and/or untimely assistance will result in an increase of our fees.

Reporting

We will issue a written report upon completion of our audit of the Company's financial statements. Our report will be addressed to the Board of Directors of the Company. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our report on your financial statements for the year ended June 30, 2019.

Objectives of the Audit

The objective of our audit is the expression of an opinion on the financial statements. The objective also includes reporting on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards.

The report on internal control and compliance will include a statement that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance, that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance, and, accordingly, it is not suitable for any other purpose.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. It will include tests of your accounting records and other procedures we consider necessary to enable us to express an opinion on the financial statements and to render the required reports. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Pursuant to Government Auditing Standards, we will not provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements or noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS and Government Auditing Standards. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that do not

have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws, regulations, contracts and grant agreements that come to our attention, unless clearly inconsequential. We will also inform you of any other conditions or other matters involving internal control, if any, as required by Government Auditing Standards. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Company and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control and accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of the Company's financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced or otherwise distributed without the written permission of Moss Adams.

Management's Responsibility

As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for informing us about all known or suspected fraud affecting the Company involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any

allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators or others.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for establishing and maintaining internal control over compliance with the provisions of laws, regulations, contracts, and grant agreements, and for identifying and ensuring that you comply with such provisions. Management is also responsible for addressing the audit findings and recommendations, establishing and maintaining a process to track the status of such findings and recommendations, and taking timely and appropriate steps to remedy any fraud and noncompliance with the provisions of laws, regulations, contracts, and grant agreements or abuse that we may report.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this Agreement, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available, but being available upon request is not considered readily available.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the Company's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made

during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the Company's financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the Company's management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the Company further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the Company's financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to us by any member of the Company's management.

Use of Moss Adams' Name

The Company may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,



Stelian Damu, for
Moss Adams LLP

Enclosures
SD/ep



Russell E. Bigler, Chairman, Board of Directors
Andy Cantu, Chief Financial Officer
Kern County Hospital Authority
April 16, 2019
Page 9 of 9

Accepted and Agreed:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of Kern County Hospital Authority with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: _____

Print Name: Russell E. Bigler

Title: Chairman, Board of Governors

Date: May 15, 2019

Client: #636216
v. 2/18/2019



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Comments Regarding Budget Variances – March 2019

Recommended Action: Receive and File

Summary:

The following items have budget variances for the month of March 2019:

Indigent Funding:

Indigent funding revenue has a favorable budget variance for the month and year-to-date due to a decision to reserve less revenue from the indigent programs in FY 2019 than was planned when the budget was prepared. Additional information received about these programs after the budget was prepared supports a high likelihood that these funds will be received. This will also more properly match revenue with the periods earned.

Other Operating Revenue:

Other operating revenue has a favorable budget variance for the month of March due to the receipt of grant funding provided by Kern Health Systems to the Kern Medical GROW Clinic.

Registry Nurses:

Registry nurses expense has an unfavorable budget variance for the month and year-to-date. Kern Medical continues to rely on contracted nurse staffing to supplement the nursing departments while maintaining nurse recruiting efforts.

Medical Fees:

Medical fees are in line with budget for March 2019. Medical fees are over budget on a year-to-date basis due to higher than expected costs for Locum Tenens contracted physician services.

Other Professional Fees:

Other professional fees have a favorable budget variance for March due to a reclassification to capitalize contracted labor expense associated with the Cerner EHR project. On a year-to-date basis, other professional fees are over budget mainly due to higher than anticipated contracted labor expenses throughout the hospital and clinics.

Supplies Expense:

Supplies expenses have an unfavorable budget variance for the month of March, mainly due to above average expenses for pharmaceuticals. On a year-to-date basis, pharmaceutical expenses, prostheses expenses, and general surgical supplies expenses are the primary drivers of the unfavorable budget variance.

Purchased Services:

Purchased services have an unfavorable budget variance for the month primarily because of a Hall Ambulance invoice received charging Kern Medical for 2018 patient offload delays. These are services that were not previously billed by Hall. The invoice was accrued for, but not yet paid and is pending review by hospital administration. Purchased services expenses are in line with the budget on a year-to-date basis.

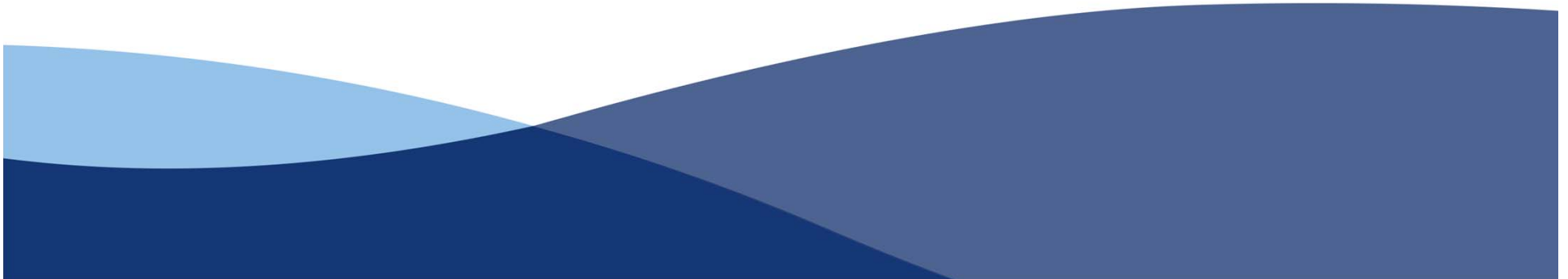
Other Expenses:

Other expenses have a slightly favorable budget variance for the month due to lower than average gas and utilities expenses. On a year-to-date basis repairs and maintenance expenses and new IT equipment rental expenses contribute to the unfavorable budget variance.



**BOARD OF GOVERNORS' FINANCIAL REPORT
KERN MEDICAL – MARCH 2019**

MAY 2019



3-Month Trend Analysis: Revenue & Expense

March 31, 2019

	JANUARY	FEBRUARY	MARCH	BUDGET MARCH	VARIANCE POS (NEG)	PY MARCH
Gross Patient Revenue	\$ 71,720,473	\$ 68,113,426	\$ 78,766,158	\$ 75,378,971	4%	\$ 71,374,336
Contractual Deductions	(53,460,661)	(52,093,544)	(61,567,851)	(56,847,655)	8.3%	(52,568,656)
Net Revenue	18,259,812	16,019,882	17,198,307	18,531,317	(7%)	18,805,681
Indigent Funding	13,103,493	13,118,738	12,512,380	9,577,936	31%	8,967,443
Correctional Medicine	2,552,068	2,552,068	2,552,068	2,419,175	5%	1,976,127
County Contribution	285,211	285,211	285,211	285,602	(0.1%)	285,211
Incentive Funding	250,000	250,000	250,000	250,000	0%	0
Net Patient Revenue	34,450,584	32,225,899	32,797,967	31,064,030	6%	30,034,462
Other Operating Revenue	1,859,567	1,727,476	1,458,737	1,113,512	31%	682,047
Other Non-Operating Revenue	12,166	8,229	788	44,503	(98%)	105,302
Total Operating Revenue	36,322,317	33,961,604	34,257,492	32,222,045	6%	30,821,811
Expenses						
Salaries	13,956,940	13,122,109	13,495,760	13,367,870	1.0%	12,746,803
Employee Benefits	7,620,527	6,110,200	6,194,242	5,866,454	6%	5,776,504
Contract Labor	1,555,430	1,421,214	1,706,862	1,098,865	55%	1,357,755
Medical Fees	2,202,076	1,413,379	1,649,889	1,610,285	2%	1,694,457
Other Professional Fees	1,762,976	2,049,298	1,244,227	1,608,837	(23%)	(94,873)
Supplies	5,583,195	4,942,447	5,044,606	4,579,799	10%	5,036,748
Purchased Services	1,498,561	1,889,691	2,050,502	1,924,555	7%	1,941,242
Other Expenses	1,191,513	1,323,894	1,356,210	1,396,786	(3%)	1,426,456
Operating Expenses	35,371,217	32,272,233	32,742,299	31,453,452	4.10%	29,885,093
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	951,100	1,689,371	1,515,193	768,594	97%	936,719
EBIDA Margin	3%	5%	4%	2%	85%	3%
Interest	33,080	56,772	86,783	50,504	72%	33,539
Depreciation	513,469	503,894	512,303	519,292	(1%)	513,869
Amortization	59,455	59,455	61,746	41,352	49%	49,343
Total Expenses	35,977,221	32,892,354	33,403,131	32,064,600	4.2%	30,481,843
Operating Gain (Loss)	345,097	1,069,250	854,361	157,445	443%	339,968
Operating Margin	1.0%	3.1%	2.5%	0.49%	410%	1.1%

Year-to-Date: Revenue & Expense

March 31, 2019

	ACTUAL FYTD	BUDGET FYTD	VARIANCE POS (NEG)	PY FYTD	PY VARIANCE POS (NEG)
Gross Patient Revenue	\$ 644,421,441	667,742,709	(3.0%)	\$ 640,941,788	0.5%
Contractual Deductions	(489,145,953)	(499,888,891)	(2.1%)	(473,034,197)	3.4%
Net Revenue	155,275,488	167,853,818	-7%	167,907,591	
Indigent Funding	116,299,407	86,201,428	35%	81,088,127	43%
Correctional Medicine	22,088,942	21,772,572	1%	17,422,858	27%
County Contribution	2,566,899	2,570,420	(0.1%)	2,566,899	0%
Incentive Funding	5,314,060	2,250,000	136%	0	0%
Net Patient Revenue	301,544,797	280,648,239	7%	268,985,475	12%
Other Operating Revenue	11,264,129	9,842,010	14%	8,882,790	27%
Other Non-Operating Revenue	320,441	393,348	(19%)	454,626	(30%)
Total Operating Revenue	313,129,366	290,883,597	8%	278,322,891	13%
Expenses					
Salaries	120,012,318	121,772,444	(1%)	110,764,381	8%
Employee Benefits	55,324,907	53,640,637	3%	49,183,050	12%
Contract Labor	13,919,429	9,822,311	42%	10,883,993	28%
Medical Fees	16,306,106	14,286,431	14%	12,588,371	30%
Other Professional Fees	15,544,730	14,479,534	7%	11,261,041	38%
Supplies	46,029,739	40,796,404	13%	40,045,358	15%
Purchased Services	17,190,080	17,010,584	1%	17,936,128	(4%)
Other Expenses	13,502,845	12,346,208	9%	12,752,390	6%
Operating Expenses	297,830,153	284,154,553	5%	265,414,712	12%
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	15,299,213	6,729,044	127%	12,908,179	19%
EBIDA Margin	5%	2%	111%	5%	5%
Interest	2,591,794	454,535	470%	197,471	1,212%
Depreciation	4,627,644	4,673,630	(1%)	4,660,418	(1%)
Amortization	519,576	372,167	40%	301,830	72%
Total Expenses	305,569,167	289,654,886	5%	270,574,431	13%
Operating Gain (Loss)	7,560,199	1,228,712	515%	7,748,459	(2%)
Operating Margin	2%	0.4%	472%	3%	(13%)

3-Month Trend Analysis: Cash Indicators

March 31, 2019

		JANUARY	FEBRUARY	MARCH	GOALS MARCH	PY MARCH
Cash						
	Total Cash	19,376,420	16,762,129	6,628,517	4,017,236	32,236,003
	Days Cash On Hand	16	16	6	4	30
	Days In A/R - Gross	87.40	84.12	81.52	70.00	82.49
	Patient Cash Collections	\$ 17,771,247	\$ 15,788,618	\$ 17,155,135	\$ 17,537,664	\$ 20,517,781
Indigent Funding Liabilites Due to the State						
	FY 2007 Waiver Payable (County Responsibility)	\$ (745,824)	\$ (745,824)	\$ (745,824)	N/A	\$ (745,824)
	FY 2008 Waiver Payable (County Responsibility)	\$ (6,169,000)	\$ (6,169,000)	\$ (6,169,000)	N/A	\$ (6,169,000)
	FY 2009 Waiver Payable (County Responsibility)	\$ (2,384,000)	\$ (2,384,000)	\$ (2,384,000)	N/A	\$ (2,384,000)
	FY 2011 Waiver Payable (County Responsibility)	\$ (10,493,878)	\$ (10,493,878)	\$ (10,493,878)	N/A	\$ (10,493,878)
	Total County Responsibility	\$ (19,792,702)	\$ (19,792,702)	\$ (19,792,702)		\$ (19,792,702)
	FY 2015 Waiver Payable (Kern Medical Responsibility)	\$ (11,223,792)	\$ (11,223,792)	\$ (11,223,792)	N/A	\$ (11,223,792)
	FY 2016 Waiver Payable (Kern Medical Responsibility)	\$ (2,819,361)	\$ (2,819,361)	\$ (2,819,361)	N/A	\$ (2,819,361)
	DSH Payable (Kern Medical Responsibility)	\$ (42,388,763)	\$ (42,388,763)	\$ (42,388,763)	N/A	\$ (24,746,355)
	Total Kern Medical Responsibility	\$ (56,431,916)	\$ (56,431,916)	\$ (56,431,916)		\$ (38,789,508)
	Total Indigent Funding Liabilites Due to the State	\$ (76,224,618)	\$ (76,224,618)	\$ (76,224,618)	N/A	\$ (58,582,210)

3-Month Trend Analysis: Operating Metrics

March 31, 2019

		JANUARY	FEBRUARY	MARCH	BUDGET MARCH	VARIANCE POS (NEG)	PY MARCH
Operating Metrics							
Total Expense per Adjusted Admission		24,859	20,241	20,021	20,509	(2%)	20,672
Total Expense per Adjusted Patient Day		4,518	4,173	3,989	4,081	(2%)	3,924
Supply Expense per Adjusted Admission		3,858	3,041	3,024	2,929	3%	3,416
Supply Expense per Surgery		2,562	1,668	1,555	1,472	6%	1,601
Supplies as % of Net Patient Revenue		16%	15%	15%	15%	4%	17%
Pharmaceutical Cost per Adjusted Admission		1,735	1,602	1,518	1,296	17%	1,469
Net Revenue Per Adjusted Admission		\$ 12,617	\$ 9,858	\$ 10,308	\$ 11,853	-0.130334993	\$ 12,754

Year-to-Date: Operating Metrics

March 31, 2019

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
Operating Metrics						
	Total Expense per Adjusted Admission	21,519	20,554	5%	19,588	10%
	Total Expense per Adjusted Patient Day	4,268	4,090	4%	3,941	8%
	Supply Expense per Adjusted Admission	3,242	2,895	12%	2,899	12%
	Supply Expense per Surgery	1,968	1,504	31%	1,544	36%
	Supplies as % of Net Patient Revenue	15%	15%	5%	15%	2.5%
	Pharmaceutical Cost per Adjusted Admission	1,503	1285.910691	17%	1,251	20%
	Net Revenue Per Adjusted Admission	\$ 10,935	11,911	(9%)	\$ 12,156	(10%)

INDIGENT PATIENT CARE FUNDING - MTD & YTD

FOR THE MONTH MARCH 31, 2019

MTD ACTUAL	MTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %	DESCRIPTION	YTD ACTUAL	YTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %
(305,524)	316,667	(622,191)	-196%	MEDI-CAL HOSPITAL QUALITY ASSURANCE FEE	3,125,206	2,850,000	275,206	10%
2,375,592	1,250,311	1,125,280	90%	MEDI-CAL RATE-RANGE REVENUE	21,706,411	11,252,803	10,453,608	93%
150,417	158,333	(7,917)	-5%	PHYSICIAN SPA REVENUE	1,353,750	1,425,000	(71,250)	-5%
278,271	292,917	(14,646)	-5%	AB 915 OUTPATIENT SUPPLEMENTAL PROGRAM	3,753,778	2,636,250	1,117,528	42%
2,259,417	2,259,417	0	0.0%	PRIME - NEW WAIVER	20,334,750	20,334,750	0	0.0%
2,369,458	2,369,458	0	0.0%	GPP - NEW WAIVER	21,392,763	21,325,125	67,638	0.3%
1,242,917	1,242,917	0	0.0%	WHOLE PERSON CARE	11,186,250	11,186,250	0	0.0%
1,399,167	1,064,583	334,583	31%	EPP REVENUE	16,242,500	9,581,250	6,661,250	70%
2,742,667	623,333	2,119,333	340%	QIP REVENUE	17,204,000	5,610,000	11,594,000	207%
12,512,380	9,577,936	2,934,444	31%	SUB-TOTAL - GOVERNMENTAL REVENUE	116,299,407	86,201,428	30,097,979	35%
2,552,068	2,419,175	132,894	5.5%	CORRECTIONAL MEDICINE	22,088,942	21,772,572	316,370	1.5%
285,211	285,602	(391)	-0.1%	COUNTY CONTRIBUTION	2,566,899	2,570,420	(3,521)	-0.1%
15,349,659	12,282,713	3,066,946	25%	TOTAL INDIGENT CARE & COUNTY FUNDING	140,955,248	110,544,420	30,410,828	28%

OTHER REVENUE

FOR THE MONTH MARCH 31, 2019

OTHER OPERATING REVENUE

	<u>MTD ACTUAL</u>	<u>MTD BUDGET</u>	<u>VARIANCE</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
MEDICAL POSTGRAD EDUCATION TUITION	256,940	282,810	(25,870)	2,302,460	2,499,676	(197,216)
STAFF DEVELOPMENT EDUCATION FEES	0	1,235	(1,235)	3,865	10,919	(7,054)
CAFETERIA REVENUE	84,843	81,321	3,522	728,947	718,771	10,176
FINANCE CHARGES-PATIENT AR	9,592	19,907	(10,315)	110,240	175,956	(65,716)
REBATES AND REFUNDS	71,767	83,853	(12,086)	630,287	741,150	(110,863)
PHOTOCOPY FEES	6,969	1,944	5,025	23,423	17,183	6,239
MEDICAL RECORDS FEES	0	4,601	(4,601)	17,741	40,670	(22,930)
ADMINISTRATIVE FEES-PAYROLL	66	0	66	690	0	690
PHYSICIAN PRO FEE-ER LOCKBOX	1,156	2,658	(1,502)	50,734	23,491	27,243
OTHER REVENUE	27,710	38,316	(10,606)	791,486	338,660	452,826
LASER CENTER REVENUE	23,442	50,959	(27,517)	165,587	450,411	(284,824)
CANCELLED OUTLAWED WARRANTS	0	5,508	(5,508)	(15,112)	48,681	(63,794)
GRANTS - KHS	590,143	219,493	370,650	2,199,896	1,940,032	259,864
MADDY FUNDS-EMERG MEDICAL SERVICES	96,745	34,472	62,273	205,722	304,684	(98,962)
PRIMARY CARE & OTHER INCENTIVE	0	2,055	(2,055)	90,545	18,162	72,383
VETERANS ADMIN REVENUE	408	3,061	(2,653)	28,164	27,060	1,104
JAMISON CENTER MOU	23,457	23,162	295	236,732	204,726	32,006
MENTAL HEALTH MOU	258,466	223,904	34,562	2,636,778	1,979,020	657,758
PATERNITY DECLARATION REVENUE	0	1,082	(1,082)	9,510	9,560	(50)
PEDIATRIC FORENSIC EXAMS	0	8,281	(8,281)	47,300	73,192	(25,892)
FOUNDATION CONTRIBUTIONS	0	3,535	(3,535)	29,342	31,241	(1,900)
DONATED EQUIPMENT	0	9,095	(9,095)	168,019	80,392	87,627
PAY FOR PERFORMANCE	0	10,859	(10,859)	218,990	95,979	123,011
PROPOSITION 56 DIRECTED PAYMENTS	0	0	0	552,789	0	552,789
WORKERS COMPENSATION REFUNDS	0	14	(14)	0	124	(124)
TOTAL OTHER OPERATING REVENUE	1,458,737	1,113,512	345,225	11,264,129	9,842,010	1,422,118

OTHER NON-OPERATING REVENUE

OTHER MISCELLANEOUS REVENUE	788	228	560	(26,375)	2,012	(28,387)
INTEREST ON FUND BALANCE	0	44,275	(44,275)	346,816	391,336	(44,520)
TOTAL OTHER NON-OPERATING REVENUE	788	44,503	(43,715)	320,441	393,348	(72,907)

**KERN MEDICAL
BALANCE SHEET**

	March 2019	March 2018
CURRENT ASSETS:		
CASH	\$6,628,517	\$32,236,003
CURRENT ACCOUNTS RECEIVABLE (incl. CLINIC CHARGES RECEIVABLE)	198,004,420	190,222,022
ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES - CURRENT	(151,281,504)	(147,153,917)
-NET OF CONTRACTUAL ALLOWANCES	46,722,916	43,068,106
CORRECTIONAL MEDICINE RECEIVABLE	0	0
MD SPA	6,586,006	5,453,324
HOSPITAL FEE RECEIVABLE	(101,535)	234,842
CPE - O/P DSH RECEIVABLE	4,272,971	5,359,296
BEHAVIORAL HEALTH MOU	930,733	677,232
MANAGED CARE IGT (RATE RANGE)	44,252,538	11,710,388
RECEIVABLE FROM LIHP	(6,547,536)	(6,547,536)
OTHER RECEIVABLES	5,354,073	3,050,711
PRIME RECEIVABLE	19,536,254	17,888,874
AB85/75% DEFAULT PCP RECEIVABLE	-	9,712,402
GPP (Global Payment Program)	9,382,577	8,895,686
WPC (Whole Person Care)	11,879,751	11,128,910
EPP (Enhanced Payment Program)	35,242,500	0
QIP (Quality Incentive Program)	17,204,000	0
INTEREST ON FUND BALANCE RECEIVABLE	18,531	185,013
MANAGED CARE IGT (SPD)	0	(1,438,996)
WAIVER RECEIVABLE FY07	(745,824)	(745,824)
WAIVER RECEIVABLE FY08	(6,169,000)	(6,169,000)
WAIVER RECEIVABLE FY09	(2,384,000)	(2,384,000)
WAIVER RECEIVABLE FY10	579,696	579,696
WAIVER RECEIVABLE FY11	(10,493,878)	(10,493,878)
WAIVER RECEIVABLE FY12	679,308	679,308
WAIVER RECEIVABLE FY15	(11,223,792)	(11,223,792)
WAIVER RECEIVABLE FY16	(2,819,361)	(2,819,361)
PREPAID EXPENSES	3,773,290	4,502,601
PREPAID MORRISON DEPOSIT	813,320	813,320
INVENTORY AT COST	5,610,487	4,340,607
TOTAL CURRENT ASSETS	178,982,543	118,693,932
PROPERTY, PLANT & EQUIPMENT:		
LAND	1,683,786	170,401
EQUIPMENT	52,582,536	49,293,389
BUILDINGS	89,144,495	82,462,625
CONSTRUCTION IN PROGRESS	31,570,041	14,555,345
LESS: ACCUMULATED DEPRECIATION	(93,942,379)	(88,272,357)
NET PROPERTY, PLANT & EQUIPMENT	81,038,479	58,209,403
NET INTANGIBLE ASSETS		
INTANGIBLE ASSETS	14,743,166	13,903,109
ACCUMULATED AMORTIZATION INTANGIBLES	(11,526,812)	(10,852,199)
NET INTANGIBLE ASSETS	3,216,354	3,050,910
LONG-TERM ASSETS:		
LONG-TERM PATIENT ACCOUNTS RECEIVABLE		
DEFERRED OUTFLOWS - PENSIONS	70,895,681	72,002,645
INVESTMENT IN SURGERY CENTER	3,043,659	0
CASH HELD BY COP IV TRUSTEE	922,330	912,973
TOTAL LONG-TERM ASSETS	74,861,670	72,915,618
TOTAL ASSETS	\$338,099,046	\$252,869,862

**KERN MEDICAL
BALANCE SHEET**

	March 2019	March 2018
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$36,804,401	\$20,018,026
ACCRUED SALARIES & EMPLOYEE BENEFITS	26,145,893	23,560,428
INTEREST PAYABLE	3,312,028	250,803
OTHER ACCRUALS	3,369,158	4,909,358
CREDIT LINE PAYABLE - PNC BANK	15,000,000	0
CURRENT PORTION - CAPITALIZED LEASES	910,109	479,920
CURR LIAB - COP 2011 PAYABLE	1,131,693	1,085,718
CURR LIAB - P.O.B.	722,119	668,708
MEDICARE COST REPORT LIABILITY PAYABLE	0	699,619
MEDI-CAL COST REPORT LIABILITY	845,580	948,437
INDIGENT FUNDING PAYABLE	9,548,150	16,596,504
DSH PAYABLE	42,388,763	24,746,355
CREDIT BALANCES PAYABLES	3,147,465	5,536,057
DEFERRED REVENUE - COUNTY CONTRIBUTION	7,223,776	2,739,701
TOTAL CURRENT LIABILITIES	150,549,136	102,239,633
LONG-TERM LIABILITIES:		
LONG-TERM LIABILITY-COP 2011	0	1,131,693
NET UNAMORTIZED DISCOUNT COP	39,985	59,978
LONG-TERM LIABILITY - CAPITAL LEASES	6,267,636	5,321,944
NET OPEB (OTHER POST EMPLOYMENT BENEFITS)	4,306,044	4,201,203
NET PENSION LIABILITY	293,255,458	329,935,445
L.T. LIAB. - P.O.B. INTEREST PAYABLE 08	14,842,004	14,722,232
L.T. LIAB. - P.O.B. INTEREST PAYABLE 03	4,329,041	3,917,723
L.T. P.O.B. PAYABLE 95	11,590,866	16,695,541
L.T. P.O.B. PAYABLE 08	5,392,893	5,392,893
ACCRUED PROFESSIONAL LIABILITY	6,683,394	3,474,640
ACCRUED WORKERS' COMPENSATION PAYABLE	8,511,000	6,773,000
DEFERRED INFLOWS - PENSIONS	69,247,058	22,238,926
PENSION OBLIGATION BOND PAYABLE	2,643,205	3,678,145
ACCRUED COMPENSATED ABSENCES	3,830,085	3,830,085
TOTAL LONG-TERM LIABILITIES	430,938,669	421,373,447
NET POSITION		
RETAINED EARNINGS - CURRENT YEAR	36,714,021	39,814,215
RETAINED EARNINGS - PRIOR YEAR	(280,102,781)	(310,557,433)
TOTAL NET POSITION	(243,388,759)	(270,743,218)
TOTAL LIABILITIES & NET POSITION	\$338,099,046	\$252,869,862



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Proposed Kern County Hospital Authority Operating and Capital Budget for Fiscal Year 2019-2020

Recommended Action: Approve; Refer to Kern County Board of Supervisors for Approval

Summary:

Summary of FY 2019-20 Recommended Budget

Kern Medical budgeted \$414 million total net revenue from all sources and \$413.1 million in expenses with EBIDA of \$13.7 million and net income of \$1 million. Kern Medical is also planning on \$8 million in capital expenditures with the funds coming from operations.

Net Revenues

Kern Medical budgeted \$414 million for total operating revenue for FY 2019-20. Budgeted operating revenue includes \$220.3 million from patient revenue net of contractual adjustments and bad debt from services to Medi-Cal, Medicare, private pay patients and insurance. This budget is a decrease over prior year due to anticipated initial, short-term disruption caused by the go live of the Cerner Millennium project. Total operating revenue also includes \$144.6 million in net State and federal funding and \$3.4 million in County funding to reimburse Kern Medical for providing services to indigent patients. Other operating revenue includes cafeteria sales, reimbursement from medical education and services provided to other County departments. The budget also includes reimbursement of \$26.2 million from the County for Kern Medical to provide inpatient and outpatient services to adult inmates and juvenile detainees.

State and Federal Funding Program Changes

Uncertainty regarding potential changes in the health care landscape due to the continued administration of the Affordable Care Act (ACA), Medicaid waiver programs, and changes in state health care policy are creating a much more challenging environment in which Kern Medical must operate as a public safety net hospital. Kern Medical's transition to a Hospital Authority was considered a crucial step in preparing the hospital to meet the demands of the post-ACA health care environment and become a provider of choice for local patients.

In FY 2018-19, Kern Medical participated in two new governmental programs, the Quality Incentive Program (QIP) and Enhanced Payment Program (EPP). The QIP program is expected to be a quality program that ties payments to designated performance metrics in primary care, specialty care, in-patient care and resource utilization. The EPP program is based upon overall utilization of contracted services with Medi-Cal managed care plans. These two programs replaced two existing governmental funding streams: the SPD-IGT and MCE to Cost programs, which allows Kern Medical to draw down additional revenue related to its care of specific patient classes within our managed Medi-Cal population. The preliminary impact of this change is an estimated net increase in funding to Kern Medical of approximately \$20 million. This amount may change and are at risk due to Kern Medical's ability to reach the relevant metrics necessary to draw down all available funding.

Kern Medical will continue participating in the GPP, PRIME, and WPC waiver programs. Net revenue for PRIME in FY 2019-20 is estimated at \$24.2 million. Net GPP allocations for FY 2019-20 are budgeted at \$24.6 million. WPC is a five-year program with \$300 million of federal funds available to its participants on an annual basis. Kern Medical is expected to receive a net of \$15.7 million of these funds this budget year. All funding sources associated with the pending 1115 Waiver renewal are best estimates pending revisions from the State. Due to potential changes in healthcare funding at the federal level, funding could potentially be shifted away from the Section 1115 Medicaid Waiver programs. Kern Medical is continuing to explore strategies and opportunities to that maximize patient revenue and minimize any potential changes to government subsidies.

The FY 2019-20 budget includes approximately \$65 million in Intergovernmental Transfers (IGTs) to the State that will be used to draw down federal funding. The IGT amounts represent the non-federal share of programs. Matching contributions to the State, as well as the return of the initial IGT investment are reported in the budget under other charges and intergovernmental revenue, respectively.

Kern Medical is also funded by an allocation of Health Program Realignment revenue from the State to help cover the costs of services provided to adult indigent patients. The State implemented optional Medi-Cal expansion to those individuals with incomes up to 138% of the Federal Poverty Level via the ACA beginning January 2014. Some individuals previously covered by the County as indigent residents have since gained health care coverage under Medi-Cal expansion, resulting in some savings for the County. Since January 2014, California has begun to reduce its Realignment allocations to counties. The state government continues to assume that counties will eventually achieve enough savings from expanded Medi-Cal eligibility to offset the State's reductions in Realignment funding. Due to the hospital's improved reimbursement from Medi-Cal, the hospital is not expecting any realignment funds in FY 2019-20.

As part of Kern Medical's strategic goals to both develop an integrated delivery system and meet certain regulatory requirements in primary care as a public hospital, Kern Medical has entered into a capitation agreement with Kern Health Systems for certain services related to primary care. It is estimated that the net impact of this agreement will be an additional \$3 million.

Operating and Other Expenses

Budgeted operating expenses total \$413.1 million. Staffing costs account for \$259.1 million, which are Kern Medical's largest expense. The remaining \$151.9 million in operating expenses are comprised primarily of medical supplies, contracted physician fees, purchased medical services, external provider care services, insurance, utilities, and equipment rental and maintenance. Other expenses also include recruiting, advertising, and legal expenses. The following specified annual obligations and amounts are included in the operating and other expenses: 2011 Refunding Certificates of Participation in the amount of \$1.2 million; US Bancorp leases for Da Vinci XI and Care Fusion that total \$500 thousand; Pension Obligation bonds that total 12.14% of payroll; and, approximately \$15,000 per covered employee for health and retiree health benefits.

Staffing and Authorized Positions

The proposed budget provides funding for all authorized positions. Although all recommended positions are funded in FY 2019-20, it is important to note that Kern Medical budgets for staffing based on patient census and full time equivalents (FTEs), not authorized positions. Mandated staff-to-patient ratios and the correct allocation of FTEs drive the hospital's staffing costs, as is customary in virtually all hospital settings.

The hospital has 2,003 authorized positions for FY 2019-20. As of the creation of our budget, 1,806 of these positions have been filled with 197 being vacant. We anticipate a 10% vacancy rate due to staff turnover and recruiting issues.

Planned Capital Expenditures

Kern Medical is budgeting \$8 million in capital expenditures for FY 2019-20 funded by operations. Of the \$8 million, \$1 million is for the replacement or upgrade of existing operating equipment. \$1 million is anticipated to be used to continue upgrading and modernizing our IT infrastructure. The hospital remains committed to significant capital investment to address deficiencies to the buildings and patient care areas with \$1.5 million budgeted for capital building and construction projects to address areas of immediate concern. Approximately \$4 million has been budgeted for the completion of the Cerner Millennium project.

Summary of Changes in Net Position

Kern Medical is projected to have a net position of negative \$278.6 million as of June 30, 2019. This negative amount is due to the long term liabilities primarily related to pension obligations and some capital leases incurred prior to the formation of the Kern County Hospital Authority. These liabilities reduce the net position by \$421.4 million. Adjusting for the effect of these liabilities leaves a budgetary net position of \$152.8 million. With the budgeted \$415 million in revenues from all sources and total expenses of \$413.1 million along with \$8 million in capital expenditures, the planned change in net position is a decrease of \$4.4 million with an estimated budgetary balance of \$136.7 million.

New Services Offered

Kern Medical has continued to expand its services and access to care this past year, particularly in the outpatient areas. This expansion is due to both improvements in operational efficiencies, as well as the establishment of new services. The following summarizes a selection of new services and improvements:

- The purchase of a new clinical building which should provide for better patient experience and clinical throughput.
- The opening of the Valley Fever Institute.
- Additional psychiatry specialists have been recruited to support outpatient clinics at the Department of Behavioral Health and Recovery Services, formerly known as Kern County Mental Health.
- The opening of an ambulatory surgery center.

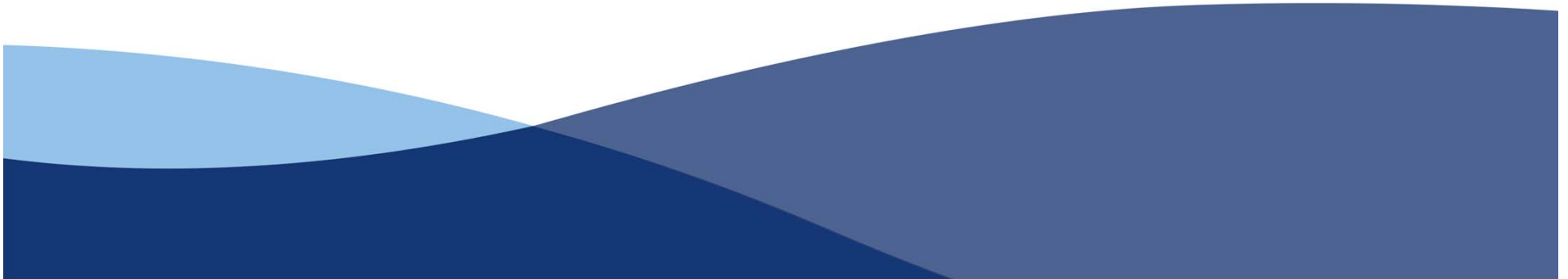
In addition to these expanded physician specialties and services, Kern Medical has continued its operation of patient centered medical homes, which focus on medically fragile patients and patients with a behavioral health component to their care.

The organization continues to increase outreach and community education, particularly in the areas of secondary education for concussion prevention and treatment and physicals. Kern Medical has also renewed our partnership with the Kern County Fair and will continue to maintain a visible presence there to educate and outreach to the community.

It is vitally important for Kern Medical to fulfill its mission and make use of its relative strengths such as capitalizing on its position in the local market as the only trauma center, teaching hospital, and safety net hospital, while continuing to expand and strengthen relationships with local plans and community partners. Through these efforts, Kern Medical seeks to demonstrate its value, experience, and outcomes to the community.



**KERN COUNTY HOSPITAL AUTHORITY
Operating and Capital Budget
Fiscal Year 2019-2020**



KERN MEDICAL

Hospital Operations Indicator Report

Revenue

Volume	Actual 2017	Actual 2018	Project 2019	Budget 2020	Financial Overview	Actual 2017	Actual 2018	Project 2019	Budget 2020
Admits - Acute	9,659	9,735	9,529	9,862	EBIDA	25,947	40,574	17,288	13,685
Patient Days - Acute	48,841	48,491	48,374	48,737	NOI	17,157	30,643	6,935	873
LOS - Acute	5.1	5.0	5.0	5.0	Operating Margin %	2.1%	3.6%	0.8%	0.1%
Adjusted Admissions	18,127	18,247	18,917	19,360	EBIDA Margin %	3.2%	4.7%	2.0%	1.5%
		<i>Change in Adj. Admissions:</i>		<i>2.3%</i>	Debt Coverage Ratio				1.99
Births	2,604	2,481	2,734	2,500	Gross Revenue per APD	8,837	9,442	8,939	9,229
Surgeries - Inpatient	2,935	2,792	2,298	2,344	Outpatient Revenue %	46.7%	46.6%	49.6%	49.1%
Surgeries - Outpatient	3,083	2,949	3,017	3,047					
ER Visits	44,707	49,112	50,405	50,654					
Outpatient Visits	129,696	143,934	157,328	161,715					
Reimbursement	Actual 2017	Actual 2018	Project 2019	Budget 2020	Payor Mix	Actual 2017	Actual 2018	Project 2019	Budget 2020
Net Patient Rev	199,852	221,934	206,845	220,300	3RD PARTY	4.4%	3.6%	4.9%	4.9%
Indigent Funding	121,917	149,837	153,066	144,623	3RD PARTY MANAGED CARE	5.9%	5.5%	6.0%	6.0%
County Contribution	3,433	3,422	3,419	3,419	MEDI-CAL	26.4%	28.3%	30.0%	30.0%
Correctional Medicine	23,702	23,894	29,425	26,200	MEDI-CAL MANAGED CARE	40.3%	40.7%	40.9%	40.9%
Capitation Revenue	0	0	6,064	3,000	MEDICARE	8.9%	11.1%	10.1%	10.1%
Ambulatory Surgery Center	0	0	(1,014)	1,000	MEDICARE MANAGED CARE	1.1%	1.3%	2.1%	2.1%
Other Operating Revenue	11,364	12,202	15,005	15,000	COUNTY RESPONSIBILITY	0.8%	0.8%	0.8%	0.8%
Net Rev	360,268	411,289	412,810	413,542	COUNTY RESP/CORRECTIONAL MED	2.1%	2.1%	0.6%	0.6%
Net Patient Rev Yield	24.7%	25.9%	24.1%	24.9%	SELF-PAY/INDIGENT	6.6%	6.6%	4.6%	4.6%
Net Patient Rev Per AA	11,025	12,163	10,934	11,379					
		<i>Change In Net Revenue per AA:</i>		<i>4.1%</i>					

KERN MEDICAL

Hospital Operations Indicator Report

Expenses

Labor*	Actual 2017	Actual 2018	Project 2019	Budget 2020	Supplies	Actual 2017	Actual 2018	Project 2019	Budget 2020
Labor Costs including Benefits	204,455	226,142	233,570	242,461	Supply Costs	50,608	53,593	61,317	62,142
Productive FTE's (Excl. Contract Labor)	1,343.4	1,449.4	1,497.9	1,525.0	Supplies as a % of Net Pt Rev	14.0%	13.0%	14.9%	15.0%
Non-Productive FTE's	234.4	213.6	223.3	227.0	Supplies per AA	2,792	2,937	3,241	3,210
Contract Labor % of Total Prod	5.1%	6.0%	6.3%	5.8%	<i>Change in Supply Cost per AA:</i>				<i>-1.0%</i>
Overtime % of Prod HRs (Excl CL)	5.0%	5.0%	4.3%	4.6%	Pharmaceutical Cost per AA	1,076	1,262	1,503	1,608
Total FTE's per AOB	6.30	6.68	6.54	6.68					
Labor Cost per FTE (Inc Benefits)	129,582	135,981	135,700	138,391					
		<i>Change in Labor Cost per FTE:</i>		<i>2.0%</i>					
Lbr Cost (Inc Ben) % of Total Exp	60.0%	60.9%	59.0%	59.3%					
Benefits % of Labor Costs, Excl Contract	34.6%	34.6%	31.6%	31.6%					
*note: All labor metrics include medical staff									
Pur Ser & Other Expenses	Actual 2017	Actual 2018	Project 2019	Budget 2020	Other Key Statistics	Actual 2017	Actual 2018	Project 2019	Budget 2020
Medical Fees	16,846	18,240	21,722	19,177	Adjusted patient Days	91,660	90,888	96,031	95,675
Other Professional Fees	21,251	15,815	20,707	20,725	Adjusted Occupied Beds	250.4	249.0	263.1	262.1
Purchased Services	18,486	24,163	22,104	21,389	Gross Days in AR, Excl Cap	72	72	72	65
Other Expenses	18,704	18,653	17,987	17,703					
Depreciation and Amortization	5,995	6,861	6,857	8,706					
Capital Expenses	Budget 2020								
Funded through operations									
Equipment	1,000								
IS Equipment	1,500								
Facility Construction	1,500								
One Time Cerner Costs	4,000								

Kern County Hospital Authority
Budget for Fiscal Year 2020
Exhibit A - Projected Income Statement

	ACTUAL FY19 JUL - Mar	PROJECTED YEAR END FY19	BUDGET FY20
Total Gross Charges	\$ 644,421,441	\$ 858,444,620	\$ 883,000,000
Total Patient Revenue Deductions	(489,145,953)	(651,599,535)	(662,700,000)
Net Patient Revenue	<u>155,275,488</u>	<u>206,845,085</u>	<u>220,300,000</u>
Indigent Funding			
Correctional Medicine	22,088,942	29,425,050	26,200,000
County Indigent Funding	2,566,899	3,419,409	3,419,409
State and Federal Indigent Funding	116,299,407	153,065,876	144,622,907
Total Indigent Funding	<u>140,955,248</u>	<u>185,910,335</u>	<u>174,242,316</u>
Capitation Premium Revenue	5,314,060	6,064,060	3,000,000
Income From Other Healthcare Related Entity	(760,221)	(1,013,627)	1,000,000
Other Operating Revenue	<u>11,264,129</u>	<u>15,005,135</u>	<u>15,000,000</u>
Total Operating Revenue	<u>312,048,704</u>	<u>412,810,988</u>	<u>413,542,316</u>
Expenses			
Salaries	120,012,318	159,870,423	165,956,446
Benefits	55,324,907	73,699,238	76,504,855
Registry Nurses	13,919,429	18,542,305	16,688,074
Medical Fees	16,306,106	21,721,638	19,177,478
Purchased Services	17,190,080	22,104,266	21,388,580
Supplies	46,029,739	61,316,988	62,141,623
Other Professional Fees	15,544,730	20,707,396	20,724,725
Other Expenses	13,502,845	17,987,367	17,702,551
Depreciation and Amortization	5,147,220	6,856,698	8,706,067
Operating Expenses	<u>302,977,374</u>	<u>402,806,319</u>	<u>408,990,399</u>
Gain/(Loss) From Operations	9,071,330	10,004,669	4,551,917
Interest Expense	(2,591,794)	(3,496,795)	(4,105,399)
Non-Operating Revenue	320,441	426,865	426,865
Total Non-Operating Revenue/(Expense)	<u>(2,271,353)</u>	<u>(3,069,930)</u>	<u>(3,678,534)</u>
Earnings Before Interest Depreciation and Amortization	<u>\$ 14,538,991</u>	<u>\$ 17,288,232</u>	<u>\$ 13,684,849</u>
Net Income/(Loss)	<u>\$ 6,799,977</u>	<u>\$ 6,934,739</u>	<u>\$ 873,383</u>

Kern County Hospital Authority
 Budget for Fiscal Year 2020
 Exhibit B - Projected Change in Net Position

<u>Projected Year end Retained Earnings for FY19-20</u>		
Estimated Ending Fund Balance Available as of June 30		\$ (278,582,714)
<u>Long Term Accounts</u>		
22400274	LONG TERM DEBT-CAP LEASES	5,321,944
22500270	LONG TERM L-COP 2011	1,131,693
22500271	LONG TERM L-POB 2003	16,695,541
22500272	LONG TERM L-POB 1995	3,678,145
22500273	LONG TERM L-POB 2008	5,392,893
22700000	NET PENSION L	329,935,445
22701000	DEFERRED INFLOW-PENSIONS	22,238,926
22702000	NET UNAMORTIZED DISCOUNT COP	59,978
22750271	LT INTEREST L-POB 2003	3,917,723
22750272	LT INTEREST L-POB 1995	14,722,232
22760000	OTHER POST EMPLOYMENT BENEFITS	4,201,203
22761000	ACCRUED COMP ABSENCES LT	3,830,085
22762000	WORKERS COMP PAYABLE LT	6,773,000
22763000	PROFESSIONAL LIABILITY LT	3,474,640
		<hr/>
Budgetary Retained Earnings		\$ 142,790,733
		<hr/>
<u>BUDGET FY 19-20</u>		
Estimated Budgetary Retained Earnings Balance		142,790,733
<u>Sources and uses</u>		
Total FY 19-20 Estimated Revenues		414,969,181
Total FY 19-20 Outside Financing for Capital		-
Total FY 19-20 Estimated Expenses		(413,095,798)
Total FY 19-20 Estimated Capital Expenditures		(8,000,000)
Total Estimated Change in Net Position		<hr/> (6,126,617)
		<hr/>
Estimated Ending Balance		\$ 136,664,116
		<hr/>

Kern County Hospital Authority
Budget for Fiscal Year 2020
Exhibit C - Summary of Capital Expenditures

<u>Uses of Capital</u>				
<u>Operating Equipment</u>	<u>IT Capital Projects</u>	<u>Cerner</u>	<u>Capital Building and Construction</u>	<u>Total</u>
\$ 1,000,000	\$ 1,500,000	\$ 4,000,000	\$ 1,500,000	\$ 8,000,000

<u>Sources of Capital</u>	
<u>Operations</u>	
\$ 8,000,000	

Kern County Hospital Authority
Budget for Fiscal Year 2020
Exhibit D - Position Summary

<u>Division</u>	<u>Authorized</u>	<u>Filled</u>	<u>Vacant</u>	<u>Total</u>
Kern Medical Center	2,003	1,806	197	2,003





**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

May 15, 2019

Subject: Kern County Hospital Authority, Chief Executive Officer Report

Recommended Action: Receive and File

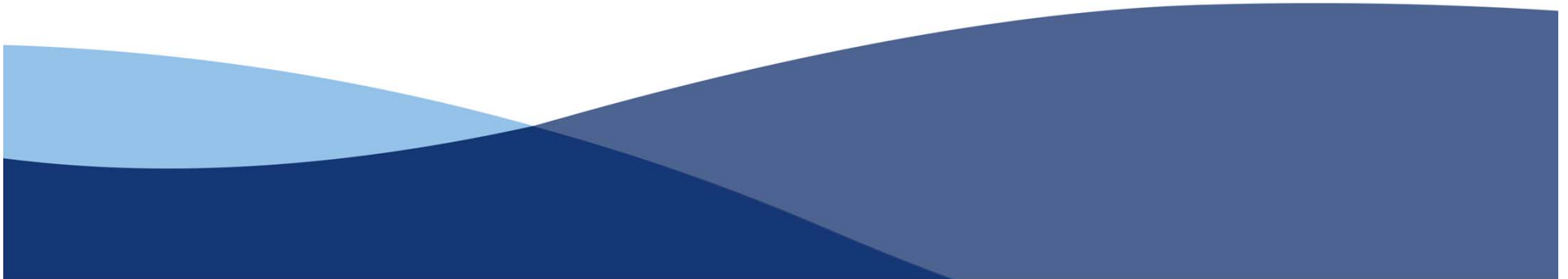
Summary:

The Chief Executive Officer has provided the attached 3-month trend Analysis: Volume and Strategic Indicators for Kern Medical



**BOARD OF GOVERNORS' VOLUMES REPORT
KERN MEDICAL – MARCH 2019**

MAY 2019



3-Month Trend Analysis: Volume and Strategic Indicators

March 31, 2019

	JANUARY	FEBRUARY	MARCH	BUDGET MARCH	VARIANCE POS (NEG)	PY MARCH
VOLUME						
Adjusted Admissions (AA)	1,447	1,625	1,668	1,563	7%	1,475
Adjusted Patient Days	7,963	7,883	8,374	7,857	7%	7,768
Admissions	785	797	794	846	(6%)	757
Average Daily Census	139	138	129	137	(6%)	129
Patient Days	4,319	3,866	3,985	4,252	(6%)	3,988
Available Occupancy %	65.1%	64.5%	60.1%	64.1%	(6%)	60.1%
Average LOS	5.5	4.9	5.0	5.0	(0.1%)	5.3
Surgeries						
Inpatient Surgeries (Main Campus)	182	129	162	243	(33%)	243
Outpatient Surgeries (Main Campus)	253	246	282	252	12%	252
Outpatient Surgeries (Surgery Center)	0	0	2	0	0%	0
Total Surgeries	435	375	446	495	(10%)	495
Births	211	214	181	218	(17%)	163
ER Visits						
Admissions	416	415	452	439	3%	417
Treated & Released	3,723	3,716	4,279	4,182	2.3%	3,670
Total ER Visits	4,139	4,131	4,731	4,621	2%	4,087
Trauma Activations	193	220	220	243	(10%)	254
Outpatient Clinic Visits						
Total Clinic Visits	13,814	13,721	14,223	12,804	11%	12,754
Total Unique Patient Clinic Visits	10,108	10,180	10,373	9,369	11%	9,333
New Unique Patient Clinic Visits	1,718	1,838	1,884	1,712	10%	1,781

Year-to-Date: Volume and Strategic Indicators

March 31, 2019

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
VOLUME						
	Adjusted Admissions (AA)	14,200	14,093	0.76%	13,813	3%
	Adjusted Patient Days	71,589	70,826	1.1%	68,649	4%
	Admissions	7,153	7,707	(7%)	7,410	(3%)
	Average Daily Census	132	141	(7%)	135	(3%)
	Patient Days	36,062	38,734	(7%)	37,022	(3%)
	Available Occupancy %	61.5%	66%	(7%)	63.1%	(3%)
	Average LOS	5.0	5.0	0%	5.0	0.9%
	Surgeries					
	Inpatient Surgeries (Main Campus)	1,726	2,121	(19%)	2,114	(18%)
	Outpatient Surgeries (Main Campus)	2,266	2,172	4%	2,165	5%
	Outpatient Surgeries (Surgery Center)	2	0	0%	0	0%
	Total Surgeries	3,994	4,293	(7%)	4,279	(7%)
	Births	2,026	1,985	2%	1,901	7%
	ER Visits					
	Admissions	3,690	3,790	(2.6%)	3,894	(5%)
	Treated & Released	34,147	36,096	(5%)	32,949	4%
	Total ER Visits	37,837	39,886	(5%)	36,843	2.7%
	Trauma Activations	2,003	2,098	(5%)	2,195	(9%)
	Outpatient Clinic Visits					
	Total Clinic Visits	118,417	110,561	7%	105,262	12%
	Total Unique Patient Clinic Visits	88,057	85,559	3%	81,398	8%
	New Unique Patient Clinic Visits	16,480	17,476	(6%)	16,845	(2%)

3-Month Trend Analysis: Payor Mix

March 31, 2019

					BUDGET	VARIANCE	PY
		JANUARY	FEBRUARY	MARCH	MARCH	POS (NEG)	MARCH
PAYOR MIX - Charges							
	Commercial FFS/HMO/PPO	7.6%	8.1%	7.6%	10.4%	(27%)	11.1%
	Medi-Cal	30.7%	30.8%	30.5%	30.0%	2%	30.7%
	Medi-Cal HMO - Kern Health Systems	31.5%	31.7%	31.3%	30.8%	2%	31.5%
	Medi-Cal HMO - Health Net	9.2%	9.3%	9.2%	9.0%	2%	9.2%
	Medi-Cal HMO - Other	1.1%	1.1%	1.1%	0.4%	163%	1.1%
	Medicare	11.4%	8.7%	9.5%	10.5%	(10%)	9.6%
	Medicare - HMO	2.9%	4.0%	4.1%	2.1%	99%	1.7%
	County Programs	0.3%	0.3%	0.3%	0.3%	4%	1.5%
	Workers' Compensation	0.25%	0.26%	0.36%	0.5%	(26%)	0.0%
	Self Pay	5.0%	5.7%	6.1%	6.0%	1%	3.5%
	Total	100.0%	100.0%	100.0%	100.0%		100.0%

Year-to-Date: Payor Mix

March 31, 2019

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
PAYOR MIX - Charges						
	Commercial FFS/HMO/PPO	8.3%	10.4%	(20%)	10.9%	(24%)
	Medi-Cal	30.0%	30%	0.3%	30.0%	0.2%
	Medi-Cal HMO - Kern Health Systems	30.9%	31%	0.3%	30.8%	0.2%
	Medi-Cal HMO - Health Net	9.1%	9%	0.3%	9.0%	0.2%
	Medi-Cal HMO - Other	1.1%	0%	159%	1.1%	0.2%
	Medicare	10.2%	10%	(2%)	10.1%	1%
	Medicare - HMO	3.2%	2%	54%	2.1%	53%
	County Programs	0.3%	0.3%	16%	0.6%	(47%)
	Workers' Compensation	0.3%	0.5%	(29%)	0.8%	(59%)
	Self Pay	6.6%	6%	6%	4.6%	44%
	Total	100.0%	100%		100.0%	

3-Month Trend Analysis: Labor and Productivity Metrics

March 31, 2019

		JANUARY	FEBRUARY	MARCH	BUDGET MARCH	VARIANCE POS (NEG)	PY MARCH
Labor Metrics							
	Productive FTEs	1,413.60	1,476.59	1,483.39	1,475.08	1%	1,396.67
	Non-Productive FTEs	229.93	177.48	184.13	213.94	(14%)	201.63
	Contract Labor FTEs	84.26	86.31	111.45	76.47	46%	90.41
	Total FTEs	1,643.53	1,654.07	1,667.52	1,689.02	(1%)	1,598.30
	FTE's Per AOB Paid	5.97	5.88	6.17	6.66	(7%)	6.38
	FTE's Per AOB Worked	5.14	5.24	5.49	5.82	(6%)	5.57
	Labor Cost/FTE (Annualized)	152,319.55	134,938.90	137,664.60	133,362.26	3%	134,230.23
	Benefits Expense as a % of Benefitted Labor Expense	70%	65%	62%	63%	(3%)	68%
	Salaries & Benefits as % of Net Patient Revenue	67%	64%	65%	65%	(0%)	66%

Year-to-Date: Labor and Productivity Metrics

March 31, 2019

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
Labor Metrics						
	Productive FTEs	1,430.15	1,483	(4%)	1,364.12	5%
	Non-Productive FTEs	223.30	215	4%	213.70	4%
	Contract Labor FTEs	93.95	77	21%	87.33	8%
	Total FTEs	1,653.45	1,698	(3%)	1,577.82	5%
	FTE's Per AOB Paid	6.28	7	(4%)	6.27	0.3%
	FTE's Per AOB Worked	5.44	6	(5%)	5.42	0.3%
	Labor Cost/FTE (Annualized)	136,200.20	132,878	3%	129,312.68	5%
	Benefits Expense as a % of Benefitted Labor Expense	65%	61%	5%	62%	4%
	Salaries & Benefits as % of Net Patient Revenue	63%	66%	(5%)	64%	(1%)

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Health and Safety Code Section 101855(j)(2)

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on May 15, 2019, to discharge its responsibility to evaluate and improve the quality of care rendered by health facilities and health practitioners. The closed session involves:

 X Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on May 15, 2019, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

 X CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Martin L. Goldman,
M.D., an individual v. Kern County Hospital Authority, et al., Kern County Superior
Court Case No. BCV-18-100390 SDS –

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on May 15, 2019, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

 X CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Resource Anesthesiology Associates of California, A Medical Corporation, a California corporation v. County of Kern, et al., Kern County Superior Court Case No. BCV-17-101504 DRL –

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on May 15, 2019, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

 X CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Eric vanSonnenberg,
M.D. v. County of Kern, et al., Kern County Superior Court Case No. BCV-15-
100859 TSC –

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on May 15, 2019, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

- X CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(2).) Number of cases: Three (3)
Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances, including, but not limited to, an accident, disaster, incident, or transactional occurrence that might result in litigation against the Authority and that are known to a potential plaintiff or plaintiffs –

**KERN COUNTY HOSPITAL AUTHORITY
BOARD OF GOVERNORS
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Health and Safety Code Section 101855(e)(1)

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on May 15, 2019, the premature disclosure of which would create a substantial probability of depriving the authority of a substantial economic benefit or opportunity. The closed session involves:

 X Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) –