



## **AGENDA**

### **KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS**

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

Regular Meeting  
Wednesday, October 17, 2018

11:30 A.M.

#### **BOARD TO RECONVENE**

Board Members: Berjis, Bigler, Brar, Lawson, 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. Also, 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 Information Officer recognizing the Kern Medical Center Subject Matter Experts for implementation of the Cerner electronic health record – **MAKE PRESENTATION**

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on September 19, 2018 – **APPROVE**

CA

- 5) Proposed retroactive Agreement with Moss-Adams LLP, an independent contractor, for financial auditing services from August 17, 2018 through August 16, 2021, in an amount not to exceed \$465,000 – **APPROVE; AUTHORIZE CHAIRMAN TO SIGN**

CA

- 6) Proposed retroactive Amendment No. 16 to Agreement 925-2002 with nThrive Solutions, Inc., an independent contractor, for oncology data management and abstracting services, for the period October 8, 2002 through June 30, 2018, extending the term for three years from July 1, 2018 through June 30, 2021, and increasing the maximum payable by \$803,835, from \$10,243,276 to \$11,047,111, to cover the extended term – **APPROVE; AUTHORIZE CHAIRMAN TO SIGN**

CA

- 7) Proposed retroactive Amendment No. 8 to Agreement 947-2008 with Toyon Associates, Inc., an independent contractor, for third-party reimbursement services for the period October 14, 2008 through October 13, 2018, extending the term for two years from October 14, 2018 through October 13, 2020, incorporating changes to the scope of work and hourly rates, and increasing the maximum payable by \$850,000, from \$2,490,000 to \$3,340,000, to cover payment of past invoices and the extended term –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 8) Proposed Amendment No. 3 to Agreement 051-2012 with Owens & Minor Distribution, Inc., an independent contractor, for clinical supply technology and centralized inventory management services for the period October 28, 2011 through October 27, 2018, extending the term for two years from October 28, 2018 through October 27, 2020, and increasing the maximum payable by \$290,000, from \$1,017,000 to \$1,307,000, to cover the extended term –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 9) Proposed acceptance of donation from CNA for travel and related expenses to cover all costs for one Kern Medical Center employee to attend the Health Care Compliance Association “Healthcare Enforcement Compliance Institute” in Washington, D.C., from November 4, 2018 through November 7, 2018 –  
APPROVE; ADOPT RESOLUTION

CA

- 10) Proposed retroactive acceptance of donation from Cerner Corporation for travel and related expenses for one Kern Medical Center employee to attend the “Cerner Health Conference 2018” in Kansas City Missouri, from October 6, 2018 through October 11, 2018 –  
APPROVE; ADOPT RESOLUTION

CA

- 11) Proposed Agreement with Naheedy and Zarandy Medical Group, Inc., an independent contractor, for professional medical services in Department of Radiology from November 1, 2018 through October 31, 2020, in an amount not to exceed \$730,000 –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

- 12) Proposed Resolution establishing regular meeting dates of the Kern County Hospital Authority Board of Governors for calendar year 2019 –  
APPROVE; ADOPT RESOLUTION

- 13) Report on graduate medical education at Kern Medical Center –  
RECEIVE AND FILE

- 14) Kern County Hospital Authority Chief Financial Officer report –  
RECEIVE AND FILE
- 15) Kern County Hospital Authority Chief Executive Officer report –  
RECEIVE AND FILE

CA

- 16) Claims and Lawsuits Filed as of September 30, 2018 –  
RECEIVE AND FILE
- 17) Proposed Amendment No. 9 to Agreement 911-2013 with Meridian Healthcare Partners, Inc., an independent contractor, for Chief Executive Officer and healthcare management services for the period December 16, 2013 through December 15, 2020, revising the management fee, and increasing the maximum payable by \$372,320, to cover the term –  
APPROVE; AUTHORIZE VICE CHAIRMAN OR SECRETARY TO SIGN

ADJOURN TO CLOSED SESSION

CLOSED SESSION

- 18) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –
- 19) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, NOVEMBER 14, 2018, 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. Every effort will be made to reasonably 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.

16) CLAIMS AND LAWSUITS FILED AS OF SEPTEMBER 30, 2018 –  
RECEIVE AND FILE

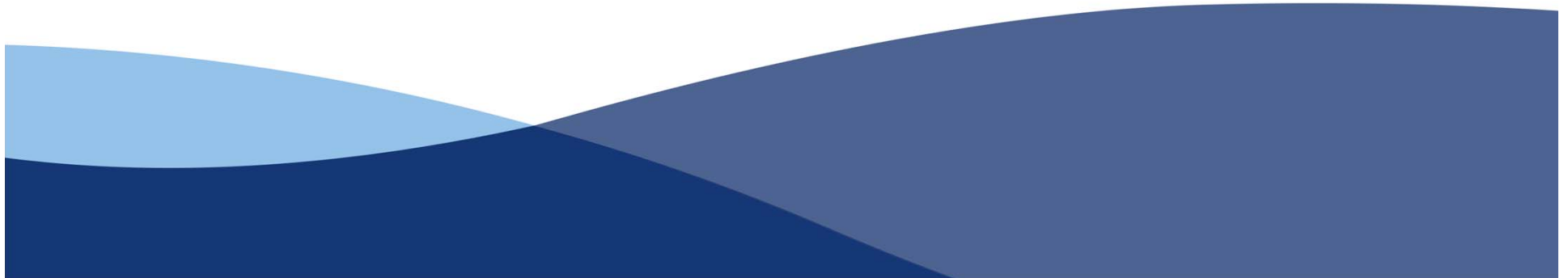
- A) Claim in the matter of Alizae Bagsby
- B) Claim in the matter of Agustin Fernando Trejo Guerrero
- C) Claim in the matter of Eric McAllise
- D) Claim in the matter of Jelihya Bell
- E) Claim in the matter of Manasa Kalluri
- F) Notice of Filing Discrimination Complaint in the matter of Maria Lopez Rodriguez




# SUMMIT

CERNER IMPLEMENTATION PROJECT  
**UPDATE**


Dr. Glenn Goldis  
Rey Lopez



Progress  
to date:



Complete	Name	Start Date	Finish Date
Complete	Executive Alignment	<b>2/5/2018</b>	2/7/2018
Complete	Fundamentals	3/12/2018	3/15/2018
Complete	Project Team Readiness & Workshop 0	3/19/2018	3/22/2018
Complete	Clinically Driven Revenue Cycle Module 1	3/26/2018	3/29/2018
Complete	Current State Review	4/2/2018	4/6/2018
Complete	Data Migration Workshop	4/9/2018	4/13/2018
Complete	Workshop 1	4/16/2018	4/19/2018
Complete	Working Session 1.1	4/23/2018	4/26/2018
Complete	Current State Leadership Debrief	5/8/2018	5/8/2018
Complete	Workshop 2	6/11/2018	6/14/2018
Complete	Working Session 2.1	6/18/2018	6/21/2018
Complete	Working Session 2.2	6/25/2018	6/28/2018
Complete	Working Session 2.3	7/9/2018	7/12/2018
Complete	Workshop 3	7/23/2018	7/26/2018
Complete	Working Session 3.2	8/6/2018	8/9/2018
Complete	Working Session 3.3	8/13/2018	8/16/2018
Complete	Workshop 4	8/27/2018	<b>8/30/2018</b>



# SUMMIT: By the Numbers

- Meetings to date – 1,348
- Project Data
  - 140 Issues resolved
  - 93% of project work complete (599/644 stories)
  - 42% of Design Decisions completed (591/1394)
  - 40% of Workflows approved (242/608 workflows)
- Kern Medical Engagement
  - Subject Matter Experts – 128
  - Project Managers - 6
  - IT Analysts – 10
  - Electronic Health Record Consultants – 10
  - Physician Champions - 5
- Go Live – 257 Days

# Recognizing the Lead Climbers

Department	Subject Matter Expert	
Emergency Department	Dr. Rick McPheeters	Michelle Peterson
	Dr. Manish Amin	
Inpatient Nursing	Toni Smith	
3c, 3d, DOU, PEDS	Leah Noriega	Jennifer Ignacio
ICU	Guadalupe Chavez	Jennifer Wold
Cath Lab	Ralph Macias	Meghan Coffey
ED	Elizabeth Choat	Chelsea Bunch
Surgery, PACU, PeriOp, Pre-Admit	Prab Gill	Sofia Angel
NICU	Laura Vickery	Christina Ramos
L&D, PeriNatal, Post-Partum	Kristen Bustamante	Laura Harrington
IPU (Behavioral Health)	Rachel Lapatka	George Pfister
Inpatient Pharmacy	Jessica Beck	Rajinder Kaur
	Jeremiah Joson	

Department	Subject Matter Expert	
Ancillary	Eric Santerre	Agnes Norombaba
	Suzanne Knight	
	Jina Pappas	
Dietary	Jordan Dennis	Maria Lagarde
BioMed	Dennis Wells	John Peirce
Employee Health & W/C	Monica Escamilla	
RT	David Kalish	Gill Tabano
PT	Michael Mar	Travis Eckard
Quality Reporting	Dianne McConnehey	Mike Friesen
	Kevin Jenson	
Sepsis (post-Go-Live)	Kristi Wood	Annelize Theron
Infection control	Dr. Royce Johnson	Kristi Wood
e-Prescribe	Jeff Jolliff	

# Recognizing the Lead Climbers

Department	Subject Matter Expert	
Regulatory (MU III)	Kathy Couch	
Ambulatory	Natalee Garrett	Alica Gaeta
	Carmie Magno	
Ambulatory Pharmacy	Jeff Jolliff	Raquel Aquirre
Population Health	Kevin Jenson	Sean Thompson
DTC, PreAdmit, Preop	Erin Thomas-Slayden	Myra Bajwa
Care Coordination	Misty Dominguez	Toni Ronquillo
	Candelaria Camarena	
Charge Services	Margaret Hardman	Sharon Grace
	Sharon Gumataotao	
Scheduling	Natalee Garrett	Judith Martinez
	Heather Powers	Sheri Soule

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Charge Services	Margaret Hardman	Sharon Grace
	Sharon Gumataotao	
Scheduling	Natalee Garrett	Judith Martinez
	Heather Powers	Sheri Soule

# Recognizing the Lead Climbers

Department	Subject Matter Expert	
Microbiology	Danna Meja	
Radiology	Suzanne Knight	Manny Acosta
	Dr. Arman Froush	Cami Thurston
Marketing & Communications	Miranda Whitworth	Margrette Michael
Education and Training (LAB)	Margrette Michael	Priscilla Zamarron
Interface FSI (Foreign System Interface)	Craig Witmer	Kirk Ryan
Device Integration	Craig Witmer	Hartono Irawan
Data Migration	Quan Jiang	Quynh-Nhu Tran
FetaLink	Marinda DuToit	Kyisha Clay-Roby
Content 360 (Document Scanning)	Angelina Reyes	Carrie Moor
	Sergio Sarmiento	





# The Journey Ahead



Complete	Name	Start Date	Finish Date
	Workshop 5	10/8/2018	10/11/2018
	Measurement Workshop	10/15/2018	10/17/2018
	Testing Preparation Session	10/22/2018	10/26/2018
	Working Session 5.2	10/22/2018	10/25/2018
	Clinical Process Review #1	10/29/2018	11/2/2018
	Workshop 6	11/12/2018	11/15/2018
	Clinical Process Review #2	11/19/2018	11/26/2018
	Readiness & Sustainment Planning	11/26/2018	11/30/2018
	Working Session 6.2	11/26/2018	11/29/2018
	Workshop 6.3	12/3/2018	12/6/2018
	System Testing	12/17/2018	3/25/2019
	Workshop 7	1/7/2019	1/10/2019
	Physician Roadshow & Ambulatory Roadshow	1/28/2019	2/1/2019
	Workshop 8	2/4/2019	2/7/2019
	Maintenance Training	3/4/2019	3/11/2019
	MS: Integration Test Scripts Complete	3/11/2019	3/11/2019
	Integration Testing 1 - Week 1	3/11/2019	3/15/2019
	Integration Testing 1 - Week 2	3/18/2019	3/22/2019
	Clinical Cutover Strategy	3/25/2019	3/29/2019
	Pharmacy Shelf Medication Scanning	4/1/2019	4/5/2019
	Integration Testing 2 - Week 1	4/22/2019	4/26/2019
	Integration Testing 2 - Week 2	4/29/2019	5/3/2019
	Clinically Driven Revenue Cycle Module 2	5/6/2019	5/9/2019
	<b>Go Live</b>	<b>7/8/2019</b>	<b>7/8/2019</b>
	Health Check	9/2/2019	9/6/2019
	Value Achievement Review	12/16/2019	12/16/2019



## **SUMMARY OF PROCEEDINGS**

### **KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS**

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

**Regular Meeting  
Wednesday, September 19, 2018**

11:30 A.M.

#### **BOARD RECONVENED**

Directors Present: Berjis, Bigler, Brar, Lawson, McLaughlin, Sistrunk  
Directors Absent: Pelz

NOTE: The vote is displayed in bold below each item. For example, Lawson-McLaughlin denotes Director Lawson made the motion and Vice Chair 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**

#### **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. Also, 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))

**DIRECTOR BERJIS REPORTED ON THE MEETING WITH REPRESENTATIVES OF UCLA TO DISCUSS OPPORTUNITIES TO STRENGTHEN THE RELATIONSHIP BETWEEN KERN MEDICAL AND UCLA, INCLUDING FACULTY APPOINTMENTS, FELLOWSHIP PROGRAMS, AND JOINT RECRUITMENTS. THOSE ATTENDING FROM KERN MEDICAL INCLUDED DR. BERJIS, MR. JUDD, DR. GOLDIS, AND DR. COBOS; UCLA REPRESENTATIVES IN ATTENDANCE INCLUDED DEAN MARTIN, VICE DEAN BRADDOCK, AND VICE CHAIR OF SURGERY TILLOU. DRS. MARTIN AND BRADDOCK INTEND TO VISIT KERN MEDICAL IN THE NEAR FUTURE AND BOARD MEMBERS WILL RECEIVE AN INVITATION TO ATTEND**

RECOGNITION

- 3) Presentation by the Chief Executive Officer recognizing Andrea Del Rio, Manager, Outpatient Clinic Registration and Ancillary Services as recipient of the California Association of Healthcare Admissions Management 2018 Carl Satterfield Award –  
MADE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on August 15, 2018 –  
APPROVED  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 5) Proposed updated Conflict of Interest policy and Conflict of Interest Code for the Kern County Hospital Authority –  
APPROVED; REFERED CONFLICT OF INTEREST CODE TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 6) Proposed retroactive Schedule No. 9 to Agreement 2016-036 with Cerner Corporation, an independent contractor, containing nonstandard terms and conditions, for purchase of registration modules for the Millennium Project, effective August 28, 2018, in an amount not to exceed \$89,476 over seven years –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 058-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 7) Proposed retroactive Schedule No. 10 to Agreement 2016-036 with Cerner Corporation, an independent contractor, containing nonstandard terms and conditions, for purchase of correctional medicine modules for the Millennium Project, effective August 31, 2018, for a term of 73 months, in an amount not to exceed \$3,816,000 – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 059-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 8) Proposed Amendment No. 16 to Agreement 180-99 with 3M Company, an independent contractor, for purchase of physician coding software, reimbursement logic and encoder for integration with the electronic health record, effective September 19, 2018, extending the term two months from July 17, 2023 through September 18, 2023, and increasing the maximum payable by \$1,405,891 – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 060-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 9) Proposed Amendment No. 2 to Agreement 06018 with Clarity Technology Partners, LLC, an independent contractor, for technology-related temporary staffing and contingent search services, increasing the maximum payable by \$370,000, from \$550,000 to \$920,000, effective September 24, 2018 – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 061-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 10) Proposed Amendment No. 1 to Agreement 14818 with Healthcare Performance Group, Inc., an independent contractor, for professional consulting services for the electronic health record for the period June 11, 2018 through June 10, 2019, increasing the maximum payable by \$217,000, from \$233,000 to \$450,000, effective September 19, 2018 – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 062-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 11) Proposed Statement of Work under the Agreement 00218 with Vector Resources, Inc. doing business as VectorUSA, an independent contractor, for the purchase of additional cabling, products and services for the Millennium Project, effective upon commencement of the project, in an amount not to exceed \$414,139 – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 063-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 12) Proposed Statement of Work under the Agreement 00218 with Vector Resources, Inc. doing business as VectorUSA, an independent contractor, for the purchase of additional Wi-Fi products and services, effective upon commencement of the project, in an amount not to exceed \$282,701 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 064-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 13) Proposed Amendment No. 2 to Agreement 20716 with J. Chandrasekhar, Inc., an independent contractor, for professional medical services in the Department of Medicine for the period October 15, 2016 through October 14, 2018, extending the term for one year from October 15, 2018 through October 14, 2019, and increasing the maximum payable by \$380,000, from \$760,000 to \$1,140,000, to cover the extended term –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 065-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 14) Proposed retroactive Agreement with Katayoun Sabetian, M.D., Inc., an independent contractor, for professional medical services in the Department of Medicine from September 1, 2018 through August 31, 2020, in an amount not to exceed \$610,000 –  
APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN AGREEMENT 066-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

CA

- 15) Proposed retroactive Amendment No. 1 to Agreement 2016-051 with Mission Linen Supply, an independent contractor, for linen supply and laundry services for the period August 1, 2016 through July 31, 2018, extending the term for two years from August 1, 2018 through July 31, 2020, and increasing the maximum payable by \$2,500,000, from \$1,880,000 to \$4,380,000, to cover the extended term –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 067-2018  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

- 16) Proposed Memorandum of Understanding with Service Employees International Union, Local 521, for bargaining units 1, 2, 3, 4, 5, and 6, effective September 19, 2018 through October 31, 2020, with changes to wages, hours, and terms and conditions of employment –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 068-2018;  
AUTHORIZED CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, AND HUMAN RESOURCES TO IMPLEMENT CHANGES  
**Sistrunk-Brar: 6 Ayes; 1 Absent - Pelz**

- 17) Kern County Hospital Authority Chief Financial Officer report –  
RECEIVED AND FILED  
**Berjis-McLaughlin: 6 Ayes; 1 Absent - Pelz**
- 18) Kern County Hospital Authority Chief Executive Officer report –  
RECEIVED AND FILED  
**Berjis-Sistrunk: 6 Ayes; 1 Absent - Pelz**
- CA
- 19) Claims and Lawsuits Filed as of August 31, 2018 –  
RECEIVED AND FILED  
**Lawson-Sistrunk: 6 Ayes; 1 Absent - Pelz**

ADJOURNED TO CLOSED SESSION  
**McLaughlin-Berjis**

CLOSED SESSION

- 20) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW
- 21) 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
- 22) CONFERENCE WITH REAL PROPERTY NEGOTIATORS - Kern County Assessor Parcel Number: 120-181-54; Property Owners: Mushtaq Ahmed and Rehmat Ahmed; Agency Negotiators: Russell V. Judd, Chief Executive Officer and Scott Thygerson, Chief Strategy Officer; Under Negotiation: Price and Terms of Payment (Government Code Section 54956.8) – SEE RESULTS BELOW
- 23) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Maria McCoy v. Kern Medical Center, Workers' Compensation Appeals Board Case No. ADJ7197264 – SEE RESULTS BELOW
- 24) 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

- 25) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organizations: Unrepresented Employees (Government Code Section 54957.6) – SEE RESULTS BELOW
- 26) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes and designated staff – Unrepresented Employee: Chief Executive Officer (Government Code Section 54957.6) – SEE RESULTS BELOW
- 27) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION

**Berjis-Sistrunk**

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

Item No. 20 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 LAWSON, SECOND BY DIRECTOR MCLAUGHLIN; 1 ABSTENTION - DIRECTOR BERJIS; 1 ABSENT - DIRECTOR PELZ), THE BOARD APPROVED ALL PROVIDERS RECOMMENDED FOR INITIAL APPOINTMENT, REAPPOINTMENT, RELEASE OF PROCTORING; REQUEST FOR ADDITIONAL PRIVILEGES, VOLUNTARY RESIGNATION OF PRIVILEGES, AND AUTOMATIC TERMINATION OF PRIVILEGES; NO OTHER REPORTABLE ACTION TAKEN

Item No. 21 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

Item No. 22 concerning CONFERENCE WITH REAL PROPERTY NEGOTIATORS - Kern County Assessor Parcel Number: 120-181-54; Property Owners: Mushtaq Ahmed and Rehmat Ahmed; Agency Negotiators: Russell V. Judd, Chief Executive Officer and Scott Thygerson, Chief Strategy Officer; Under Negotiation: Price and Terms of Payment (Government Code Section 54956.8) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 23 concerning CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Maria McCoy v. Kern Medical Center, Workers' Compensation Appeals Board Case No. ADJ7197264 – HEARD; NO REPORTABLE ACTION TAKEN



Item No. 24 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. 25 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organizations: Unrepresented Employees (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 26 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes and designated staff – Unrepresented Employee: Chief Executive Officer (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 27 concerning PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, OCTOBER 17, 2018, AT 11:30 A.M.

**McLaughlin**

/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**

October 17, 2018

**Subject:** Proposed retroactive Agreement with Moss-Adams, LLP, an independent contractor

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve an Agreement with Moss-Adams, LLP, an independent contractor for financial auditing services.

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.

The agreement is for a term of three years from August 17, 2018 through August 16, 2021, in an amount not to exceed \$465,000.

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

August 9, 2018

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, 2018, 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 Funding Progress for the County of Kern
- 3) Actuarial Assumptions and Methodology for the County of Kern
- 4) Schedule of Contributions for the County of Kern
- 5) Schedule of the Proportionate Share of the Net Pension Liability
- 6) 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, 2018. Although we will assist in the 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 20, 2018 and August 27, 2018 for planning, interim, and the start of final test work, and again starting the week of October 22, 2018 to continue our final fieldwork. We expect to issue our report no later than December 31, 2018. 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 \$130,000 - \$140,000. 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 2018	\$30,000
September 2018	\$35,000
October 2018	\$35,000
November 2018	\$30,000-\$40,000
<b>Total</b>	<b>\$130,000-\$140,000</b>

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, 2018.

### **Additional Services**

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.

**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.

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Russell E. Bigler, Chairman, Board of Governors  
Andy Cantu, Chief Financial Officer  
Kern County Hospital Authority  
August 9, 2018  
Page 9 of 9

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

Very truly yours,

Handwritten signature of Stacy J. Stelzriede in black ink.

Stacy J. Stelzriede, Partner  
Moss Adams LLP

Handwritten signature of Stelian Damu in blue ink.

Stelian Damu, Senior Manager  
Moss Adams LLP

Enclosures

**Accepted and Agreed:**

This Engagement Letter and the attached PSA 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: October 19, 2018

Client: #636216  
v. 11/20/2017

**AGREEMENT FOR PROFESSIONAL SERVICES  
INDEPENDENT CONTRACTOR  
(Kern County Hospital Authority – Moss Adams LLP)**

This Agreement is made and entered into this 17<sup>th</sup> day of October 2018, between the Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center (“KCHA”), and Moss Adams LLP, a Washington based limited liability partnership (“Contractor”), with a place of business at 999 Third Avenue, Suite 2800, Seattle, WA 98104.

**I.  
RECITALS**

(a) KCHA is authorized, pursuant to section 101852 of Part 4 of Division 101 of the Health and Safety Code, to contract for special services with individuals specially trained, experienced, expert, and competent to perform those services; and

(b) KCHA requires the assistance of Contractor to provide external auditing services to the KCHA, as such services are unavailable from KCHA resources, and Contractor, by reason of its qualifications and experience for doing the type of work herein contemplated, agrees to provide such services on the terms and conditions set forth in this Agreement;

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 as follows:

**II.  
TERMS AND CONDITIONS**

1. **Term.** The term of this Agreement shall commence August 17, 2018 (the “Effective Date”), and shall end August 16, 2021, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.

2. **Obligations of Contractor.**

2.1 **Specified Services.** Contractor shall perform the services set forth in Exhibit “A,” attached hereto and incorporated herein by this reference. Such services may be changed from time to time by agreement of the parties in accordance with the provisions of this Agreement. Each audit shall be documented in an engagement agreement (collectively, “Engagement Agreement”), which Engagement Agreement shall incorporate and be governed by the terms of this Agreement and attached as an exhibit to Exhibit “A” (starting with Exhibit “A-1,” followed by Exhibit “A-2” and “A-3” in subsequent audit years).

2.2 **Representations.** Contractor makes the following representations which are agreed to be material to and form a part of the inducement for this Agreement: (i) Contractor has

the expertise and support staff necessary to provide the services described in this Agreement; and (ii) Contractor does not have any actual or potential interests adverse to the KCHA nor does Contractor represent a person or firm with an interest adverse to the KCHA with reference to the subject of this Agreement; and (iii) Contractor shall diligently provide all required services in a timely and professional manner in accordance with the terms and conditions set forth in this Agreement.

2.3 Standard of Care. KCHA has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby agrees that all of its work will be performed and that its operations shall be conducted in accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Contractor's work by the KCHA shall not operate as a waiver or release.

2.4 Performance Standard. Contractor shall perform all services hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Contractor's profession. If KCHA determines that any of Contractor's work is not in accordance with such level of competency and standard of care, KCHA, in its sole discretion, shall have the right to do any or all of the following: (a) require Contractor to meet with KCHA to review the quality of the work and resolve matters of concern; (b) require Contractor to repeat the work at no additional charge until it is satisfactory; (c) terminate this Agreement pursuant to the provisions of section 35; or (d) pursue any and all other remedies at law or in equity.

2.5 Assigned Personnel. Contractor shall assign only competent personnel to perform the Services hereunder. In the event that at any time KCHA, in its sole discretion, desires the removal of any person or persons assigned by Contractor to perform the Services hereunder, Contractor shall remove such person or persons immediately upon receiving written notice from KCHA.

2.6 Taxes. Contractor agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes. Contractor agrees to indemnify and hold KCHA harmless from any liability which it may incur to the United States or to the state of California as a consequence of Contractor's failure to pay, when due, all such taxes and obligations. In case KCHA is audited for compliance regarding any withholding or other applicable taxes, Contractor agrees to furnish KCHA with proof of payment of taxes on these earnings.

2.7 Nonexclusive Services. Contractor understands and agrees that KCHA will utilize the services of Contractor pursuant to the terms of this Agreement on a non-exclusive basis. Contractor further agrees that KCHA shall retain the option to enter into agreements with other organizations for purposes of securing the services, in its sole discretion.

### 3. Obligations of Authority.

3.1 KCHA Designee. KCHA will designate a primary contact, who will arrange for Kern Medical Center staff assistance as may be required.

3.2 Control Retained in Kern Medical Center. In compliance with title 22, California Code of Regulations, section 70713 Kern Medical Center will retain professional and administrative responsibility for services rendered under this Agreement. Contractor shall apprise Kern Medical Center of recommendations, plans for implementation and continuing assessment through dated and signed reports which shall be retained by Kern Medical Center for follow-up action and evaluation of performance.

4. **Payment for Services.**

4.1 Fees and Charges. As consideration for the services provided by Contractor hereunder, KCHA will pay Contractor in accordance with the fee schedule set forth in Exhibit "B," attached hereto and incorporated herein by this reference. All services are payable in arrears.

4.2 Travel Reimbursement. Contractor will be reimbursed for all approved travel expenses, which approval will not be unreasonably withheld, incurred by Contractor on behalf of KCHA in an amount not to exceed \$10,000.00 each year over the three (3) year term of this Agreement. Reimbursement of travel expenses will include actual cost for lowest refundable coach round-trip airfare, local transportation (rental cars are reimbursable at actual cost for compact or midsize vehicles only; per mile reimbursement for personal vehicle use at the current privately owned vehicle [POV] mileage reimbursement rate established by the U.S. General Services Administration), meals and incidental expenses at the current domestic per diem rates established by the U.S. General Services Administration for Kern County, and reasonable hotel accommodations not to exceed the maximum allowable reimbursement rate including taxes established by KCHA. Travel-related expenses will be billed monthly, as incurred, and are payable in arrears within 30 days of receipt and approval of each invoice by Kern Medical Center.

4.3 Invoices. Invoices for payment shall be submitted in a form approved by KCHA and list each service performed. Invoices and receipts shall be sent to KCHA for review and processing within 60 days of the date of service or payment will not be made. Payment shall be made to Contractor within 30 days of receipt and approval of each invoice by Kern Medical Center.

4.4 Maximum Payable. The maximum payable under this Agreement will not exceed \$450,000.00 over the three (3) year term of this Agreement.

4.5 Taxpayer Identification. To ensure compensation is reported as paid to the proper party, Contractor will complete and execute IRS Form W-9 (Exhibit "C," attached hereto and incorporated herein by this reference), which identifies the taxpayer identification number for Contractor.

5. **Access to Books and Records.** Until the expiration of four (4) years after the expiration

or termination of this Agreement, Kern Medical Center and Contractor shall make available, upon written request of the Secretary of the United States Secretary of Health and Human Services (“Secretary”) or the Comptroller General of the United States General Accounting Office (“Comptroller General”), or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records of either party as are necessary to certify the nature and extent of costs of the services Contractor provided under this Agreement. Contractor further agrees that if it carries out any of its duties under this Agreement through a subcontract with a value or cost of \$10,000 or more over a 12-month period with a related organization, that such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request of the Secretary or the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents and records of such organization that are necessary to verify the nature and extent of such costs.

6. **Assignment.** Contractor shall not assign, delegate, sublet, or transfer any interest in or duty under this Agreement. Contractor shall not assign any money due or which becomes due to Contractor under this Agreement without the prior written approval of KCHA.

7. **Audits, Inspection and Retention of Records.** Contractor agrees to maintain and make available to KCHA accurate books and records relative to all its activities under this Agreement. Contractor shall permit KCHA to audit, examine and make excerpts and transcripts from such records, and to conduct audits or reviews of all invoices, materials, records or personnel or other data related to all other matters covered by this Agreement. Contractor shall maintain such data and records in an accessible location and condition for a period of not less than four (4) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last. The state of California or any federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon KCHA herein.

7.1 Notwithstanding the foregoing, or anything to the contrary in this Agreement, KCHA shall not have access to audit workpapers, in order to protect the integrity of the audit. If there is a question regarding any recommended audit adjustments, work papers may be made available to KCHA in support of conclusions made by Contractor.

8. **Authority to Bind the KCHA.** It is understood that Contractor, in its performance of any and all duties under this Agreement, has no authority to bind KCHA to any agreements or undertakings.

9. **Captions.** The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

10. **Change in Law.** In the event that a change in state or federal law or regulatory requirement (or the application thereof), any of which renders this Agreement illegal, impossible to perform, or commercially impracticable, the parties agree to negotiate immediately, in good faith, any necessary or appropriate amendment(s) to the terms of this Agreement. If the parties fail to reach a mutually agreeable amendment within 30 days of such negotiation period, this Agreement shall automatically terminate at the end of such 30-day period.

11. **Choice of Law/Venue.** The parties hereto agree that the provisions of this Agreement will be construed pursuant to the laws of the state of California. It is expressly acknowledged that this Agreement has been entered into and will be performed within the County of Kern. Should any suit or action be commenced to enforce or interpret the terms of this Agreement or any claim arising under it, it is expressly agreed that proper venue shall be in County of Kern, state of California.

12. **Compliance with Law.** Contractor shall observe and comply with all applicable County, state and federal laws, ordinances, rules and regulations now in effect or hereafter enacted, each of which is hereby made a part hereof and incorporated herein by reference.

13. **Confidentiality.**

13.1 **Use and Disclosure Restrictions.** Neither party shall, without the written consent of the other, communicate confidential information of the other, designated in writing or identified in this Agreement as such, to any third party and shall protect such information from inadvertent disclosure to any third party in the same manner that the receiving party would protect its own confidential information. The foregoing obligations will not restrict either party from disclosing confidential information of the other party: (i) pursuant to applicable law; (ii) pursuant to the order or requirement of a court, administrative agency, or other governmental body, on condition that the party required to make such a disclosure gives reasonable written notice to the other party to contest such order or requirement; and (iii) on a confidential basis to its employees, contractors, services providers, and legal or financial advisors.

13.2 **Trade Secrets.** The parties acknowledges that each party, in connection with its business, has developed certain operating manuals, symbols, trademarks, trade names, service marks, designs, patient lists, procedures, processes, and other copyrighted, patented, trademarked, or legally protectable information which is confidential and proprietary to the party that constitute its trade secrets. The parties shall not use any name, symbol, mark, or other proprietary information of the other party except as expressly permitted.

13.3 **Medical Records.** If applicable, the parties agree to maintain the confidentiality of all medical records pertaining to the provision of services under this Agreement in accordance with applicable federal and state laws and regulations including, but not limited to, the California Confidentiality of Medical Records Information Act, codified at section 56.1 of the California Civil Code, California Evidence Code sections 1156 and 1157, and the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations.

13.4 **Protected Health Information.** Contractor and KCHA recognize that in performing services, Contractor may receive, create or otherwise have access to protected health information (“PHI”) and thereby become a business associate of KCHA or Kern Medical Center (as defined by the privacy, security, breach notification, and enforcement rules at 45 C.F.R. Part 160 and Part 164). Accordingly, the parties shall protect PHI in accordance with the HIPAA Business Associate Addendum, attached as Exhibit “D” and incorporated herein by this

reference. In the event of a conflict between Exhibit “D” and any other confidentiality provision of this Agreement, Exhibit “D” shall control.

13.5 **Ownership of Records.** All final audit reports and other complete deliverables prepared by Contractor or Contractor’s assigned personnel during and in connection with this Agreement and provided to KCHA, excluding any Contractor Material (defined below) contained or embodied therein (hereafter, “Deliverables”), shall be the property of KCHA at all times. Upon the expiration or termination of this Agreement, Contractor shall promptly deliver to KCHA all such Deliverables, which have not already been provided to Authority in such form or format as the parties mutually agree. Such Deliverables shall be and will remain the property of KCHA, subject to any restriction or limitation set forth in the Engagement Agreement. In addition, KCHA may not alter or modify the audit report or any other Deliverable issued in Contractor’s name. Contractor may retain copies of the above described Deliverables but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of KCHA. Contractor shall own its workpapers and general accounting-related skills, know-how, expertise, ideas, concepts, methods, techniques, processes, software, materials or other intellectual property which may have been discovered, created, received, developed or derived by Contractor either prior to or as a result of providing services under the Agreement (collectively, "Contractor Materials"). KCHA shall have a non-exclusive, non-transferable license to use Contractor Materials for its own internal use and for the purposes for which they are delivered to the extent they form part of a Deliverable. Notwithstanding anything to the contrary in this Agreement, Contractor and its personnel are free to use and employ their general skills, know how, and expertise, and to use, disclose, and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of this Contract so long as they acquire and apply such information without any unauthorized use or disclosure of confidential or proprietary information of KCHA.

14. **Conflict of Interest.** Contractor covenants that it has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Contractor further covenants that in the performance of this Agreement no person having any such interests shall be employed. It is understood and agreed that if such a financial interest does exist at the inception of this Agreement, KCHA may immediately terminate this Agreement by giving written notice thereof.

15. **Consent.** Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

16. **Construction.** To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. Contractor and KCHA acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the



interpretation of this Agreement, the language of the Agreement will not be construed against one party in favor of the other. Contractor and KCHA acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

17. **Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

18. **Disqualified Persons.** The parties mutually represent and warrant to one another that they and their respective representatives are not: (i) currently excluded, debarred, or otherwise ineligible to participate in the federal health care programs as defined in 42 U.S.C. section 1320a-7b-(f) (the “Federal health care programs”) and/or present on the exclusion database of the Office of the Inspector General (“OIG”) or the Government Services Administration (“GSA”); (ii) convicted of a criminal offense related to the provision of health care items or services but have not yet been excluded, debarred, or otherwise declared ineligible to participate in the Federal health care programs; or (iii) debarred, suspended, excluded or disqualified by any federal governmental agency or department or otherwise declared ineligible from receiving federal contracts or federally approved subcontracts or from receiving federal financial and nonfinancial assistance and benefits. This shall be an ongoing representation and warranty during the term of this Agreement and a party shall immediately notify the other party of any change in the status of any of the representations and/or warranties set forth in this section. Any breach of this section shall give the non-breaching party the right to terminate this Agreement immediately.

19. **Enforcement of Remedies.** No right or remedy herein conferred on or reserved to KCHA is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.

20. **Immigration Compliance.** Contractor shall comply with all provisions of immigration law with respect to hiring, recruiting or referring for employment persons whose authorization for employment in the United States has been verified, and shall provide Kern Medical Center with confirmation of such verification required in 8 USCA section 1324a, if requested by KCHA. Without limiting the generality of the indemnification in section 21, Contractor agrees to indemnify, defend, and hold harmless KCHA, its agents, officers, and employees, from any liability, damages, or causes of action arising out of Contractor’s failure to comply with this section.

21. **Indemnification and Hold Harmless.** Contractor agrees to indemnify, defend and hold harmless KCHA and KCHA’s agents, board members, elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorneys’ fees of Hospital Counsel and counsel retained by KCHA, expert fees, costs of staff time, and investigation costs) of whatever kind or

nature, which arise out of or are in any way connected with personal injury (including death) or damage to real or tangible personal property, to the extent caused by any act or omission of Contractor or Contractor's officers, agents, employees, independent contractors, subcontractors of any tier, or authorized representatives. Without limiting the generality of the foregoing, the same shall include bodily and personal injury or death to any person or persons; damage to any property, regardless of where located, including the property of KCHA; and any workers' compensation claim or suit arising from or connected with any services performed pursuant to this Agreement on behalf of Contractor by any person or entity.

In addition, Contractor agrees to indemnify, defend and hold harmless KCHA and KCHA's agents, board members, elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorneys' fees of Hospital Counsel and counsel retained by KCHA, expert fees, costs of staff time, and investigation costs) of whatever kind or nature, to the extent arising out of or caused by a breach of confidentiality by Contractor or Contractor's officers, agents, employees, independent contractors, subcontractors of any tier, or authorized representatives.

As a condition to the foregoing indemnity obligations, the indemnified party shall provide Contractor with prompt notice of any claim for which indemnification shall be sought hereunder and shall cooperate in all reasonable respects with Contractor in connection with any such claim. Contractor shall be entitled to control the handling of any such claim and to defend any such claim, in its sole discretion, with counsel of its own choosing.

22. **Independent Contractor.** In the performance of the services under this Agreement, Contractor shall be, and acknowledges that Contractor is in fact and law, an independent contractor and not an agent or employee of KCHA. Contractor has and retains the right to exercise full supervision and control over the manner and methods of providing services to KCHA under this Agreement. Contractor retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting Contractor in the provision of services under this Agreement. With respect to Contractor's employees, if any, Contractor shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employment taxes whether federal, state or local, and compliance with any and all other laws regulating employment.

23. **Insurance.** With respect to performance of work under this Agreement, Contractor shall maintain and shall require its subcontractors, consultants, and other agents providing services to KCHA under this Agreement to maintain, insurance as described in Exhibit "E," attached hereto and incorporated herein by this reference.

24. **Liability of KCHA.** The liabilities or obligations of KCHA with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of KCHA and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California. California Health and Safety Code Section 101853(g)

25. **Modifications of Agreement.** This Agreement may be modified in writing only, signed by the parties in interest at the time of the modification.
26. **No Third Party Beneficiaries.** It is expressly understood and agreed that the enforcement of this Agreement and all rights of action relating to such enforcement, shall be strictly reserved to KCHA and Contractor. Nothing contained in this Agreement shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of KCHA and Contractor that any such person or entity, other than KCHA or Contractor, receiving services or benefits under this Agreement shall be deemed an incidental beneficiary only.
27. **Non-appropriation.** KCHA reserves the right to terminate this Agreement in the event insufficient funds are appropriated or budgeted for this Agreement in any fiscal year. Upon such termination, KCHA will be released from any further financial obligation to Contractor, except for services performed prior to the date of termination or any liability due to any default existing at the time this clause is exercised. Contractor will be given 30 days' prior written notice in the event that KCHA requires such an action.
28. **Non-collusion Covenant.** Contractor represents and agrees that it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this Agreement with KCHA. Contractor has received from KCHA no incentive or special payments, nor considerations, not related to the provision of services under this Agreement.
29. **Nondiscrimination.** Neither Contractor, nor any officer, agent, employee, servant or subcontractor of Contractor shall discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, ancestry, national origin, religion, sex, actual or perceived sexual orientation, marital status, age, pregnancy, medical condition, handicap or other prohibited basis, either directly, indirectly or through contractual or other arrangements.
30. **Non-solicitation.** During the term of this Agreement and for a period of one (1) year thereafter, neither party nor any of their affiliates shall, without the prior written approval of the other party, employ, retain, offer employment to or offer retention of any person who is or was employed by or under contract with the non-soliciting party during the term of this Agreement. The foregoing will not prevent a party from employing any such person who (i) ceases to be employed by the other party prior to any direct solicitation by or encouragement or (ii) responds to a general employment advertisement or other general solicitation or recruitment effort not specifically aimed at employees of the other party. Notwithstanding the foregoing, any offer of employment to members of the audit team prior to issuance of Contractor's report may impair independence, and may result in Contractor's inability to complete the engagement and issue a report.
31. **Non-waiver.** No covenant or condition of this Agreement can be waived except by the written consent of KCHA. Forbearance or indulgence by KCHA in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by Contractor. KCHA shall be entitled to invoke any remedy available to KCHA under this Agreement or by law or in equity

despite said forbearance or indulgence.

32. **Notices.** Notices to be given by one party to the other under this Agreement shall be given in writing by personal delivery, by certified mail, return receipt requested, or express delivery service at the addresses specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received four (4) days after deposit. A party may change the address to which notice is to be given by giving notice as provided above.

Notice to Contractor: Moss Adams LLP  
10960 Wilshire Blvd., Suite 1100  
Los Angeles, CA 90024  
Attn.: Stacy J. Stelzriede, CPA, Partner

With a copy to:  
Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
Attn: General Counsel

Notice to KCHA: Kern County Hospital Authority  
1700 Mount Vernon Avenue  
Bakersfield, California 93306  
Attn.: Chief Executive Officer

33. **Signature Authority.** Each party represents that they have full power and authority to enter into and perform this Agreement, and the person(s) signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement.

34. **Sole Agreement.** This Agreement, including all attachments hereto, contains the entire agreement between the parties relating to the services, rights, obligations and covenants contained herein and assumed by the parties respectively. No inducements, representations or promises have been made, other than those recited in this Agreement. No oral promise, modification, change or inducement shall be effective or given any force or effect.

35. **Termination.**

35.1 **Termination with Cause.** Either party may terminate this Agreement in the event of a material breach by the other; provided, however, the termination for the breach of this Agreement will not become effective unless and until the party not in default, has given the other party written notice of breach, which notice shall state the general nature of the breach, and the party allegedly in default will thereafter have a period of 30 days following the giving of said notice in which to remedy the default to the reasonable satisfaction of the other party. If the alleged default is of the kind that cannot be cured within 30 days, then the party allegedly in default will have an additional 30 days in which to remedy the breach as long as such party is acting in good faith and using diligent efforts to remedy such breach throughout the cure period.

35.2 Termination without Cause. Either party may terminate this Agreement, without cause, upon 30 days' prior written notice to the other party.

35.3 Immediate Termination. Notwithstanding the foregoing, KCHA shall have the right to terminate this Agreement effective immediately after giving written notice to Contractor, for any of the following reasons: (i) KCHA determines that Contractor does not have the proper credentials, experience or skill to perform the required services under this Agreement; (ii) continuation by Contractor in the providing of services may result in civil, criminal, or monetary penalties against KCHA or Kern Medical Center; (iii) the violation of any federal or state law or regulatory rule or regulation or condition of accreditation or certification to which KCHA or Kern Medical Center is subject; (iv) an unauthorized use or disclosure of confidential or proprietary information by Contractor which causes material harm to KCHA or Kern Medical Center; (v) commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty by Contractor against KCHA or Kern Medical Center; (vi) the loss or threatened loss of Kern Medical Center's ability to participate in any federal or state health care program, including Medicare or Medi-Cal, due to the actions of Contractor; or (vii) the failure of Contractor to cure a default within the time allowed in section 35.1.

36. **Effect of Termination.**

36.1 Payment Obligations. In the event of termination of this Agreement for any reason, KCHA shall have no further obligation to pay for any services rendered or expenses incurred by Contractor after the effective date of the termination, and Contractor shall be entitled to receive compensation for services satisfactorily rendered, calculated on a prorated basis up to the effective date of termination.

36.2 Vacate Premises. Upon expiration or earlier termination of this Agreement, Contractor shall immediately vacate Kern Medical Center, removing at such time any and all personal property of Contractor. KCHA may remove and store, at Contractor's expense, any personal property that Contractor has not so removed.

36.3 No Interference. Following the expiration or earlier termination of this Agreement, Contractor shall not do anything or cause any person to do anything that might interfere with any efforts by KCHA to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between KCHA and any provider that may replace Contractor.

37. **Time of Essence.** Time is hereby expressly declared to be of the essence of this Agreement and of each and every provision hereof, and each such provision is hereby made and declared to be a material, necessary and essential part of this Agreement.

IN WITNESS TO THE FOREGOING, the parties have executed this Agreement as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY    MOSS ADAMS LLP


By \_\_\_\_\_  
Chairman  
Board of Governors

By \_\_\_\_\_  
Stelian Damu  
Partner

APPROVED AS TO CONTENT:  
KERN MEDICAL CENTER

By \_\_\_\_\_  
Andy Cantu  
Chief Financial Officer

APPROVED AS TO FORM:  
Legal Services Department

By  \_\_\_\_\_  
Hospital Counsel  
Kern County Hospital Authority

**EXHIBIT “A”**  
**Description of Services**

The primary purpose of the financial audit will be to conduct an audit sufficient to express an opinion as to whether the KCHA 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 Report on the financial statements must state the scope of the audit and that the audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

The audit will include an evaluation and report of the KCHA’s internal control for the purpose of identifying areas of weakness or noncompliance. The purpose of this report is to: 1) report any significant deficiencies (including material weaknesses) which are identified as a result of performing an audit of the financial statements, and 2) report occurrences of noncompliance with provisions of laws, regulations, contracts and grants, which could have a direct and material effect on the required financial statements.

Moss Adams LLP will perform an audit of the financial records and statements of Kern Medical Center maintained in its HBO Star Financial System. Prior to the audit, Kern Medical Center will reconcile its records with the official County financial records for Kern Medical Center maintained by the Auditor-Controller-County Clerk. Kern Medical Center will prepare the draft annual financial statements after reconciliation has been prepared. Kern Medical Center will provide Moss Adams LLP with requested schedules and reconciliations of cash receipts and disbursements, accounts receivables, accounts payable, payroll, capital assets and related information.

The required completion date for the audit shall be coordinated with the audit of the County’s comprehensive annual financial report, but no later than six (6) months after the end of the fiscal year, which is June 30.

**Standards of field work**

During the period of time leading up to the year-end audit procedures, the designated Moss Adams LLP representative shall meet regularly with the Kern Medical Center Finance Team and Chief Financial Officer.

A draft copy of the reports should be delivered to Kern Medical Center Chief Financial Officer. The Chief Financial Officer will address potential findings identified in the Schedule of findings and provide clarifications or responses to the findings. Final draft reports should be submitted to the Chief Financial Officer within six (6) months after the fiscal year end.

Moss Adams LLP shall submit the following reports:

1. Client Assistance Schedule

2. Draft Independent Auditor's Report, report of Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performance in accordance with Government Auditing Standards

3. Final Reports to those charged with governance of Kern Medical Center



**EXHIBIT “B”  
Fee Schedule**

AUDIT YEAR	FEES
Fiscal year ended June 30, 2018	\$130,000-\$140,000
Fiscal year ended June 30, 2019	\$135,000-\$145,000
Fiscal year ended June 30, 2020	\$140,000-\$150,000

Contractor shall issue invoices based on the timeframe set forth in the Engagement Agreement or, if none, on a monthly basis.

KCHA acknowledges that the following circumstances may result in an increase in fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

Contractor will advise KCHA in the event these circumstances occur. In addition, to the extent future federal, state, or professional rule-making activities require modification of Contractor’s audit approach, procedures, scope of work, etc., Contractor will advise KCHA of such changes and the impact on fees.

**EXHIBIT "C"**

**IRS FORM W-9**

**EXHIBIT “D”  
BUSINESS ASSOCIATE AGREEMENT**

This Business Associate Agreement (“**BAA**”) is entered into by and between the Kern County Hospital Authority on behalf of Kern Medical Center (“**Covered Entity**”) and Moss Adams LLP (“**Business Associate**”) (each a “**Party**” and collectively the “**Parties**”), effective as of the effective date of the underlying agreement (“**Effective Date**”).

**RECITALS**

**WHEREAS**, Covered Entity is a “Covered Entity” as that term is defined under the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-91), as amended, (“**HIPAA**”), and the regulations promulgated thereunder by the Secretary of the U.S. Department of Health and Human Services (“**Secretary**”), including, without limitation, the regulations codified at 45 C.F.R. Parts 160, 162, and 164 (“**HIPAA Rules**”);

**WHEREAS**, Business Associate performs Services for or on behalf of Covered Entity, and in performing said Services, Business Associate may create, receive, maintain, or transmit Protected Health Information (“**PHI**”);

**WHEREAS**, the Parties intend to protect the privacy and provide for the security of PHI Disclosed by Covered Entity to Business Associate, or received or created by Business Associate, when providing Services in compliance with HIPAA, the Health Information Technology for Economic and Clinical Health Act (Public Law 111-005) (the “**HITECH Act**”) and its implementing regulations and guidance issued by the Secretary; and

**WHEREAS**, the Privacy and Security Rules (defined below) require Covered Entity and Business Associate to enter into a BAA that meets certain requirements with respect to the Use and Disclosure of PHI, which are met by this BAA.

**AGREEMENT**

**NOW THEREFORE**, in consideration of the Recitals and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

**ARTICLE I  
DEFINITIONS**

1.1 “**Breach**” shall have the meaning given under [45 C.F.R. § 164.402](#).

1.2 “**Breach Notification Rule**” shall mean the Breach Notification for Unsecured Protected Health Information interim final rule at 45 C.F.R. Parts 160 and 164, Subpart D, as may be amended from time to time.

1.3 “**Designated Record Set**” shall have the meaning given such term under [45 C.F.R. § 164.501](#).

1.4 “**Disclose**” and “**Disclosure**” mean, with respect to PHI, the release, transfer, provision of access to, or divulging in any other manner of PHI outside of Business Associate or to other than members of its Workforce, as set forth in [45 C.F.R. § 160.103](#).

1.5 “**Electronic PHI**” or “**e-PHI**” means PHI that is transmitted or maintained in electronic media, as set forth in [45 C.F.R. § 160.103](#).

1.6 “**Protected Health Information**” and “**PHI**” mean any information created, received or maintained by Business Associate on behalf of Covered Entity, whether oral or recorded in any form or medium, that: (a) relates to the past, present or future physical or mental health or condition of an Individual; the provision of health care to an Individual, or the past, present or future payment for the provision of health care to an individual; (b) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (c) shall have the meaning given to such term under the Privacy Rule at [45 C.F.R. § 160.103](#). Protected Health Information includes e-PHI.

1.7 “**Privacy Rule**” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 C.F.R. Parts 160 and 164, Subparts A and E, as may be amended from time to time.

1.8 “**Security Rule**” shall mean the Security Standards at 45 C.F.R. Parts 160 and 164, Subparts A and C, as may be amended from time to time.

1.9 “**Services**” shall mean the services for or functions on behalf of Covered Entity performed by Business Associate pursuant to any service agreement(s) between Covered Entity and Business Associate which may be in effect now or from time to time (the “**Underlying Agreement**”), or, if no such agreements are in effect, then the services or functions performed by Business Associate that constitute a Business Associate relationship, as set forth in [45 C.F.R. § 160.103](#).

1.10 “**SubContractor**” shall have the meaning given to such term under [45 C.F.R. § 160.103](#).

1.11 “**Unsecured PHI**” shall have the meaning given to such term under [42 U.S.C. § 17932\(h\)](#), [45 C.F.R. § 164.402](#), and guidance issued pursuant to the HITECH Act including, but not limited to the guidance issued on April 17, 2009 and published in 74 Federal Register 19006 (April 27, 2009) by the Secretary.

1.12 “**Use**” or “**Uses**” mean, with respect to PHI, the sharing, employment, application, utilization, examination or analysis of such PHI within Business Associate’s internal operations, as set forth in [45 C.F.R. § 160.103](#).

1.13 “**Workforce**” shall have the meaning given to such term under [45 C.F.R. § 160.103](#)

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to them in HIPAA or the HITECH Act, as applicable.

## ARTICLE II OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 Permitted Uses and Disclosures of Protected Health Information. Business Associate shall not Use or Disclose PHI other than as permitted or required by any Underlying Agreement, this BAA, or as Required by Law. Business Associate shall not Use or Disclose PHI in any manner that would constitute a violation of the Privacy Rule if so Used or Disclosed by Covered Entity, except that Business Associate may Use or Disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate, provided that with respect to any such Disclosure either: (a) the Disclosure is Required by Law; or (b) Business Associate obtains a written agreement from the person to whom the PHI is to be Disclosed that such person will hold the PHI in confidence and shall not Use and further Disclose such PHI except as Required by Law and for the purpose(s) for which it was Disclosed by Business Associate to such person, and that such person will notify Business Associate of any instances of which it is aware in which the confidentiality of the PHI has been breached. Business Associate may perform Services, including Data Aggregation for the Health Care Operations purposes of Covered Entity and de-identification of PHI in accordance with 45 C.F.R. § 164.514, if required by any Underlying Agreement or with the advance written permission of Covered Entity.

2.2 Adequate Safeguards of PHI. Business Associate shall implement and maintain appropriate safeguards to prevent Use or Disclosure of PHI other than as provided for by this BAA. Business Associate shall reasonably and appropriately protect the confidentiality, integrity, and availability of e-PHI that it creates, receives, maintains or transmits on behalf of Covered Entity and shall comply with Subpart C of 45 C.F.R. Part 164 to prevent Use or Disclosure of PHI other than as provided for by this BAA.

2.3 Reporting Non-Permitted Use or Disclosure.

2.3.1 Reporting Security Incidents and Non-Permitted Use or Disclosure. Business Associate shall report to Covered Entity in writing each Security Incident or Use or Disclosure that is made by Business Associate, members of its Workforce, or SubContractors that is not specifically permitted by this BAA no later than five (5) days after becoming aware of such Security Incident or non-permitted Use or Disclosure, in accordance with the notice provisions set forth herein. Notwithstanding the foregoing, Business Associate and Covered Entity acknowledge the ongoing existence and occurrence of attempted but ineffective Security Incidents that are trivial in nature, such as pings and other broadcast service attacks, and Covered Entity acknowledges and agrees that no additional notification to Covered Entity of such ineffective Security Incidents is required, as long as no such incident results in unauthorized access, Use or Disclosure of PHI. Business Associate shall investigate each Security Incident or non-permitted Use or Disclosure of Covered Entity's PHI that it discovers to determine whether such Security Incident or non-permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI. Business Associate shall document and retain records of its investigation of any suspected Breach. Business Associate shall take prompt corrective action and any action required by applicable state or federal laws and regulations relating to such Security Incident or non-permitted disclosure. If Business Associate determines that such Security Incident or non-

permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI, then Business Associate shall comply with the additional requirements of Section 2.3.2 below.

2.3.2 Breach of Unsecured PHI. If Business Associate determines that a reportable Breach of Unsecured PHI has occurred, Business Associate shall provide a written report to Covered Entity without unreasonable delay but no later than five (5) calendar days after discovery of the Breach. To the extent that information is available to Business Associate, Business Associate's written report to Covered Entity shall be in accordance with 45 C.F.R. §164.410(c). Business Associate shall cooperate with Covered Entity in meeting Covered Entity's obligations under the HIPAA Rules with respect to such Breach. Covered Entity shall have sole control over the timing and method of providing notification of such Breach to the affected individual(s), the Secretary and, if applicable, the media. Business Associate shall reimburse Covered Entity for the following reasonable and actual costs and expenses in providing the notification and as required by regulation, reasonable administrative costs associated with providing notice, printing and mailing costs, and one (1) year (or for the duration required by statute or regulation, if longer) of credit monitoring services for affected individuals whose PHI has or may have been compromised as a result of the Breach.

2.3.3 Data Breach Notification and Mitigation Under Other Laws. In addition to the requirements of Sections 2.3.1 and 2.3.2, Business Associate agrees to implement reasonable systems for the discovery and prompt reporting of any breach of individually identifiable information (including but not limited to PHI, and referred to hereinafter as "Individually Identifiable Information") that, if misused, disclosed, lost or stolen, would trigger an obligation under applicable state security breach notification laws ("State Breach") to notify the individuals who are the subject of the information. To the extent the State Breach is caused by or contributed to by Business Associate, Business Associate agrees to: (i) cooperate and assist Covered Entity with any investigation into any State Breach or alleged State Breach; (ii) cooperate and assist Covered Entity with any investigation into any State Breach or alleged State Breach conducted by a state agency or Attorney General; (iii) comply with Covered Entity's and Business Associate's obligations to mitigate to the extent practicable any potential harm to the individuals impacted by the State Breach; and (iv) assist with any legal requirement to notify individuals impacted or potentially impacted by a State Breach.

2.4 Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of PHI by Business Associate in violation of the requirements of this BAA.

2.5 Use of SubContractors. Business Associate shall require each of its SubContractors that creates, maintains, receives, or transmits PHI on behalf of Business Associate, to execute a Business Associate Agreement that imposes on such SubContractors substantially the same restrictions, conditions, and requirements that apply to Business Associate under this BAA with respect to PHI.

2.6 Access to Protected Health Information. To the extent that Business Associate maintains a Designated Record Set on behalf of Covered Entity and within fifteen (15) days of a request by Covered Entity, Business Associate shall make the PHI it maintains (or which is maintained by its SubContractors) in Designated Record Sets available to Covered Entity for

inspection and copying, or to an Individual to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524. If Business Associate maintains PHI in a Designated Record Set electronically, Business Associate shall provide such information in the electronic form and format requested by the Covered Entity if it is readily reproducible in such form and format, and, if not, in such other form and format agreed to by Covered Entity to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524(c)(2). Business Associate shall notify Covered Entity within five (5) days of receipt of a request for access to PHI from an Individual.

2.7 Amendment of Protected Health Information. To the extent that Business Associate maintains a Designated Record Set on behalf of Covered Entity and within fifteen (15) days of a request by Covered Entity, Business Associate shall amend the PHI it maintains (or which is maintained by its SubContractors) in Designated Record Sets to enable the Covered Entity to fulfill its obligations under 45 C.F.R. § 164.526. Business Associate shall notify Covered Entity within five (5) days of receipt of a request for amendment of PHI from an Individual.

2.8 Accounting. Within thirty (30) days of receipt of a request from Covered Entity or an Individual for an accounting of disclosures of PHI, Business Associate and its SubContractors shall make available to Covered Entity the information required to provide an accounting of disclosures to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.528 and 42 U.S.C. § 17935(c). Business Associate shall notify Covered Entity within five (5) days of receipt of a request by an Individual or other requesting party for an accounting of disclosures of PHI from an Individual.

2.9 Delegated Responsibilities. To the extent that Business Associate carries out one or more of Covered Entity's obligations under Subpart E of 45 C.F.R. Part 164, Business Associate must comply with the requirements of Subpart E that apply to the Covered Entity in the performance of such obligations.

2.10 Availability of Internal Practices, Books, and Records to Government. Business Associate agrees to make internal practices, books, and records, including policies and procedures and PHI, relating to the Use and Disclosure of PHI received from, created, maintained, or transmitted by Business Associate on behalf of Covered Entity promptly available for inspection and copying to the Secretary, in a time and manner designated by the Secretary, for purposes of the Secretary determining Covered Entity's or Business Associate's compliance with the HIPAA Rules. In addition, Business Associate shall respond to reasonable requests by Covered Entity for information relating to the Use and Disclosure of PHI provided, created, received, maintained or transmitted by Business Associate on behalf of Covered Entity for such purpose.

2.11 Minimum Necessary. Business Associate (and its SubContractors) shall, to the extent practicable, limit its request, Use, or Disclosure of PHI to the minimum amount of PHI necessary to accomplish the purpose of the request, Use or Disclosure, in accordance with 42 U.S.C. § 17935(b) and 45 C.F.R. § 164.502(b)(1) or any other guidance issued thereunder.

2.12 Acknowledgement. Business Associate acknowledges that it is obligated by law to comply and represents that it shall comply with HIPAA, the HITECH Act, and the HIPAA

Rules. Business Associate shall comply with all state privacy and security laws, to the extent that such state laws are applicable to Business Associate and are not preempted by HIPAA or the HITECH Act.

### **ARTICLE III OBLIGATIONS OF COVERED ENTITY**

#### **3.1 Covered Entity's Obligations.**

3.1.1 Covered Entity shall notify Business Associate of any limitation(s) in the Notice of Privacy Practices of Covered Entity under 45 C.F.R. 164.520, to the extent that such limitation may affect Business Associate's Use or Disclosure of PHI.

3.1.2 Covered Entity shall notify Business Associate of any changes in, or revocation of, the permission by an Individual to Use or Disclose his or her PHI, to the extent that such changes may affect Business Associate's Use or Disclosure of PHI.

3.1.3 In the event Covered Entity agrees with an Individual to any restrictions on Use or Disclosure of PHI pursuant to 45 C.F.R. § 164.522(a) or if Covered Entity determines that it is obligated to accommodate a reasonable request of an Individual to receive communications of PHI pursuant to 45 C.F.R. § 164.522(b), Covered Entity promptly shall notify Business Associate of the same, as well as any revocation or modification of the same, and Business Associate thereupon shall observe such restriction or accommodation (or revocation or modification, if any, thereof) to the extent applicable to its Use or Disclosure of PHI hereunder, notwithstanding any other provision hereof, except as otherwise required by law.

3.1.4 Covered Entity agrees to obtain any consent or authorization that may be required under HIPAA or any other applicable law and/or regulation prior to furnishing Business Associate with PHI.

3.1.5 Covered Entity shall not request Business Associate to make any Use or Disclosure of PHI that would not be permitted under HIPAA if made by Covered Entity. Covered Entity agrees to fulfill its obligations under this BAA in a timely manner.

### **ARTICLE IV TERM AND TERMINATION**

4.1 Term. Subject to the provisions of Section 4.1, the term of this BAA shall be the term of any Underlying Agreement.

#### **4.2 Termination of Underlying Agreement.**

4.2.1 A breach by Business Associate of any provision of this BAA, as determined by Covered Entity, shall constitute a material breach of the Underlying Agreement and shall provide grounds for immediate termination of the Underlying Agreement, any provision in the Underlying Agreement to the contrary notwithstanding.



4.2.2 Covered Entity may terminate the Underlying Agreement, effective immediately, if: (i) Business Associate is named as a defendant in a criminal proceeding for a violation of HIPAA, the HITECH Act, the HIPAA Rules or other security or privacy laws or (ii) a finding or stipulation that the Business Associate has violated any standard or requirement of HIPAA, the HITECH Act, the HIPAA Rules or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

4.3 Termination for Cause. In addition to and notwithstanding the termination provisions set forth in any Underlying Agreement, upon Covered Entity's knowledge of a material breach or violation of this BAA by Business Associate, Covered Entity shall either:

4.3.1 Notify Business Associate of the breach in writing, and provide an opportunity for Business Associate to cure the breach or end the violation within ten (10) business days of such notification; provided that if Business Associate fails to cure the breach or end the violation within such time period to the satisfaction of Covered Entity, Covered Entity may terminate this BAA and any Underlying Agreement upon thirty (30) calendar days written notice to Business Associate; or

4.3.2 Upon thirty (30) calendar day written notice to Business Associate, immediately terminate this BAA and any Underlying Agreement if Covered Entity determines that such breach cannot be cured.

4.4 Disposition of Protected Health Information Upon Termination or Expiration.

4.4.1 Upon termination or expiration of this BAA, Business Associate shall destroy all PHI received from, or created or received by Business Associate on behalf of Covered Entity, that Business Associate still maintains in any form and retain no copies of such PHI.

4.4.2 If destruction is not feasible, Business Associate shall: (a) retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities; (b) return to Covered Entity the remaining PHI that the Business Associate still maintains in any form; (c) continue to extend the protections of this BAA to the PHI for as long as Business Associate retains the PHI; (d) limit further Uses and Disclosures of such PHI to those purposes that make the return or destruction of the PHI not feasible and subject to the same conditions set out in Sections 2.1 and 2.2 above, which applied prior to termination. For the avoidance of doubt, Covered Entity agrees that it is infeasible for Business Associate to return or destroy PHI to the extent incorporated into Business Associate's working papers supporting its professional services for Covered Entity, and Business Associate shall be permitted to retain such PHI without further notice and shall maintain its confidentiality in accordance with this BAA.

## **ARTICLE V MISCELLANEOUS**

5.1 Regulatory References. A reference in this BAA to a section or other part of HIPAA, the HIPAA Rules, or the HITECH Act means, as of any point in time, the section or part as it may be amended or in effect at such time.

5.2 Amendment. The Parties agree to take such action as is necessary to amend this BAA from time to time as necessary for Covered Entity to implement its obligations pursuant to HIPAA, the HIPAA Rules, or the HITECH Act. Any amendment to this BAA must be made in writing and signed by both Parties.

5.3 Relationship to Underlying Agreement Provisions. In the event that a provision of this BAA is contrary to a provision of an Underlying Agreement, the provision of this BAA shall control. Otherwise, this BAA shall be construed under, and in accordance with, the terms of such Underlying Agreement, and shall be considered an amendment of and supplement to such Underlying Agreement.

5.4 Headings. The headings of the paragraphs and sections of this BAA are inserted solely for convenience of reference and are not a part or intended to govern, limit or aid in the construction of any term or provision hereof.

5.5 Equitable Relief. Business Associate understands and acknowledges that any Disclosure or misappropriation of any PHI in violation of this BAA will cause Covered Entity irreparable harm, the amount of which may be difficult to ascertain, and therefore agrees that Covered Entity shall have the right to apply to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any such further Disclosure or Breach and for such other relief as Covered Entity shall deem appropriate. Such right of Covered Entity is to be in addition to the remedies otherwise available to Covered Entity at law or in equity. Business Associate expressly waives the defense that a remedy in damages will be adequate and further waives any requirement in an action for specific performance or injunction for the posting of a bond by Covered Entity.

5.6 Insurance. In addition to any general and/or professional liability insurance required of Business Associate, Business Associate agrees to obtain and maintain, at its sole expense, cyber liability insurance, covering claims, liabilities, demands, damages, losses, costs and expenses arising from a breach of the security or privacy obligations of Business Associate, its officers, employees, agents and SubContractors under this BAA. Such insurance coverage will be maintained for the term of this BAA, and a certificate evidencing the policy shall be provided to Covered Entity at Covered Entity's request.

5.7 Assistance in Litigation or Administrative Proceedings. Provided Business Associate is not a party to the action or in an adversarial position with Covered Entity, Business Associate shall make itself and any SubContractors or members of its Workforce assisting Business Associate in the performance of its obligations under this BAA available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against Covered Entity, its directors, officers or employees based upon a claim of violation of the HIPAA or other applicable laws relating to privacy or security caused or contributed to by Business Associate, Business Associate's SubContractors or members of Business Associate's Workforce.

5.8 Indemnification. Notwithstanding anything to the contrary which may be contained in any Underlying Agreement, including but not limited to any limitations on liability contained therein, Business Associate hereby agrees to indemnify, defend, and hold harmless

Covered Entity and its respective officers, directors, managers, members, employees and agents from and against any and all losses, damages, fines, penalties, claims or causes of action and associated expenses (including, without limitation, costs of judgments, settlements, court costs and attorney's fees) resulting from Business Associate's (including its employees, directors, officers, agents, or other members of its Workforce, and its SubContractors) breach of PHI to the extent resulting from the violation of the terms of this BAA, including but not limited to failure of Business Associate to perform its obligations under this BAA, or to comply with HIPAA or applicable state privacy or security law.

Business Associate's rights and obligations of indemnity set forth above are conditioned on (i) the prompt written notification from the Covered Entity to Business Associate of the claim for which indemnity is sought and (ii) cooperation and assistance from Covered Entity, including reasonable disclosure of information and authority necessary to perform the above. In the event of a claim for which the Covered Entity may seek indemnification hereunder, Business Associate shall be entitled to control the handling of such claim and to defend or settle any such claim, in its sole discretion, with counsel of its own choosing. Business Associate agrees to pay any claims and losses awarded against the Covered Entity by final judgment of a court, or the amount of any agreed settlement regarding any such claims and losses.

5.9 Legal Actions. Promptly, but no later than five (5) business days after notice thereof, Business Associate shall advise Covered Entity of any actual or potential action, proceeding, regulatory or governmental orders or actions, or any material threat thereof that becomes known to it related to Business Associate's Use or Disclosure of PHI, and of any facts and circumstances that may be pertinent to the prosecution or defense of any such actual or potential legal action or proceeding, except to the extent prohibited by law.

5.10 Notice of Request or Subpoena for Data. Business Associate agrees to notify Covered Entity promptly, but no later than five (5) business days after Business Associate's receipt of any request or subpoena for PHI or an accounting thereof. Business Associate shall promptly comply with Covered Entity's instructions for responding to any such request or subpoena, unless such Covered Entity instructions would prejudice Business Associate. To the extent that Covered Entity decides to assume responsibility for challenging the validity of such request, Business Associate agrees to reasonably cooperate with Covered Entity in such challenge. The provisions of this Section shall survive the termination of this BAA.

5.11 Requests from Secretary. Promptly, but no later than five (5) calendar days after notice thereof, Business Associate shall advise Covered Entity of any inquiry by the Secretary concerning any actual or alleged violation of the Privacy Rule or the Security Rule related to Business Associate's Use or Disclosure of PHI.

5.12 Notices. Any notices required or permitted to be given hereunder by either Party to the other shall be given in writing: (1) by personal delivery; (2) by electronic mail or facsimile with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (3) by bonded courier or by a nationally recognized overnight delivery service; or (4) by United States first class registered or certified mail, postage prepaid, return receipt, in each case, addressed to a Party on the signature page(s) to this BAA, or to such

other addresses as the Parties may request in writing by notice given pursuant to this Section 5.12. Notices shall be deemed received on the earliest of personal delivery; upon delivery by electronic facsimile with confirmation from the transmitting machine that the transmission was completed; twenty-four (24) hours following deposit with a bonded courier or overnight delivery service; or seventy-two (72) hours following deposit in the U.S. mail as required herein.

Covered Entity's Notice Address:

Kern Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, CA 93306  
Attn: Chief Executive Officer

Business Associate's Notice Address:

Moss Adams LLP  
10960 Wilshire Blvd., Suite 1100  
Los Angeles, CA 90024  
Attn: Stacy J. Stelzriede, CPA, Partner

With a copy to:

Moss Adams LLP  
999 Third Avenue, Suite 3300  
Seattle, WA 98104  
Attn: General Counsel

5.13 Relationship of Parties. Notwithstanding anything to the contrary in any Underlying Agreement, Business Associate is an independent Consultant and not an agent of Covered Entity under this BAA. Business Associate has the sole right and obligation to supervise, manage, contract, direct, procure, perform or cause to be performed all Business Associate obligations under this BAA.

5.14 Survival. To the extent that Business Associate retains PHI, the respective rights and obligations of the Parties set forth in Sections 2.3, 4.4, 5.8, and 5.10 of this BAA shall survive the termination, expiration, cancellation, or other conclusion of the BAA or any Underlying Agreement.

5.15 Interpretation. Any ambiguity in this BAA shall be interpreted to permit the Parties to comply with HIPAA, the HITECH Act, and the HIPAA Rules.

5.16 Governing Law; Applicable Law and Venue. This BAA shall be construed in accordance with the laws of the State of California applicable to agreements made and to be performed in such state. Any dispute between the Parties shall be brought before the Superior Court of Kern County, California, which shall have jurisdiction over all such claims.

5.17 Waiver of Provisions. Any waiver of any terms and conditions hereof must be in writing and signed by the Parties hereto. A waiver of any of the terms and conditions hereof shall not be construed as a waiver of any other term or condition hereof.

5.18 Assignment and Delegation. Neither this BAA nor any of the rights or duties under this BAA may be assigned or delegated by either Party hereto.

5.19 Disclaimer. Neither Party represents or warrants that compliance by the other Party with this BAA, HIPAA, the HIPAA Rules, or the HITECH Act will be adequate or satisfactory for the other Party's own purposes. Each Party is solely responsible for its own decisions regarding the safeguarding of PHI.

5.20 Certification. To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligations pursuant to HIPAA relating to certification of its security practices, Covered Entity or its authorized agents or Consultants may, at Covered Entity's expense, request information from Business Associate regarding Business Associate's facilities, systems, procedures, and records, as may be necessary for such agents or Consultants to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Rules, the HITECH Act, or this BAA.

5.21 Counterparts. This BAA may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement, binding on both Parties hereto.

The Parties hereto have executed this BAA as of the Effective Date.

**COVERED ENTITY:**

The Kern County Hospital Authority on  
behalf of Kern Medical Center

**BUSINESS ASSOCIATE:**

Moss Adams LLP

\_\_\_\_\_  
Title: Chairman, Board of Governors

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

\_\_\_\_\_  
Title: Partner

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

## **EXHIBIT “E” INSURANCE**

With respect to performance of work under this Agreement, Contractor shall maintain and shall require its subcontractors, consultants, and other agents providing services to KCHA under this Agreement to maintain insurance as described below unless such insurance has been expressly waived in writing by KCHA. Any requirement for insurance to be maintained after completion of the work shall survive the termination or expiration of this Agreement.

KCHA reserves the right to review any and all of the required insurance policies (except for the declarations pages of such policies) and/or blanket endorsements, but has no obligation to do so. Failure to demand evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Contractor from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

### 1. Workers’ Compensation and Employers Liability Insurance:

- (a) Required if Contractor has employees. If Contractor currently has no employees, Contractor’s written confirmation of such will be required before execution of this Agreement. If Contractor engages any employees during the term of this Agreement or any extensions thereof, Contractor agrees to obtain the specified Workers’ Compensation and Employers Liability insurance.
- (b) Workers’ Compensation insurance with statutory limits as required by the California Labor Code.
- (c) Employers Liability with limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
- (d) Waiver of Subrogation: The Workers’ Compensation policy shall be endorsed with a waiver of subrogation in favor of KCHA (blanket endorsement is acceptable) for all work performed by Contractor, its employees, agents and subcontractors.
- (e) Required Evidence of Insurance: Certificate of Insurance.

### 2. General Liability Insurance:

- (a) Commercial General Liability Insurance on a standard occurrence form, no less broad than Insurance Services Office (ISO) form CG 00 01.
- (b) Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The required limits may be provided by a combination of General Liability Insurance and Commercial Umbrella Liability Insurance.
- (c) Contractor is responsible for any deductible for a claim that is covered under its General Liability Insurance or self-insured retention and shall fund it upon KCHA’s written request, regardless of whether Contractor has a claim against the insurance or is named as a party in any action involving KCHA.

- (d) KCHA shall be named as an additional insured on Contractor's General Liability Insurance (blanket endorsement is acceptable) for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement.
- (e) The insurance provided to KCHA as an additional insured shall be primary to and non-contributory with any insurance or self-insurance program maintained by KCHA.
- (f) The policy definition of "insured contract" shall include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (broad form contractual liability coverage including the "f" definition of insured contract in ISO form CG 00 01, or equivalent).
- (g) The policy shall cover inter-insured suits between KCHA and Contractor and include a "separation of insureds" or "severability" clause which treats each insured separately.
- (h) Required Evidence of Insurance: (i) Copy of the additional insured blanket endorsement or policy language granting additional insured status; and (ii) Certificate of Insurance.

3. Automobile Liability Insurance:

- (a) Minimum Limits: \$1,000,000 combined single limit per accident for bodily injury and property damage.
- (b) Insurance shall apply to all Owned autos. If Contractor currently owns no autos, Contractor agrees to obtain such insurance should any autos be acquired during the term of this Agreement or any extensions thereof.
- (c) Insurance shall include coverage for Non-Owned and Hired autos.
- (d) KCHA shall be named as an additional insured on Contractor's Automobile Liability Insurance (blanket endorsement is acceptable) for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement.
- (e) Required Evidence of Insurance: Certificate of Insurance.

4. Professional Liability Insurance (Errors and Omissions):

- (a) Professional Liability Insurance (Errors and Omissions) appropriate to Contractor's profession.
- (b) Minimum Limits: \$1,000,000 per Occurrence or Claim; \$3,000,000 Annual Aggregate. .
- (c) Contractor is responsible for any deductible for a claim that is covered under its Professional Liability or self-insured retention. .
- (d) Required Evidence of Coverage: Certificate of Insurance.

5. Standards for Insurance Companies: Insurers shall have an A.M. Best's rating of at least A-;VII.

6. Claims Made Policies: If any of the required policies provide coverage on a claims-made basis:
  - (a) The Retroactive Date must be shown and must be before the Effective Date of the Agreement or the beginning of contract work.
  - (b) Insurance must be maintained and evidence of insurance must be provided upon request *for at least five (5) years after completion of the contract work*.
  - (c) If coverage is canceled or non-renewed, and *not replaced with another claims-made policy form with a Retroactive Date* prior to the contract effective date, Contractor must purchase “extended reporting” coverage for a minimum of *five (5) years* after completion of the contract work.
  
7. Documentation:
  - (a) All required Evidence of Insurance shall be submitted prior to the execution of this Agreement. Contractor agrees to maintain current Evidence of Insurance on file with KCHA for the entire term of this Agreement and any additional periods if specified in sections 1, 2, 3 or 4 above.
  - (b) The name and address for the Certificates of Insurance and Additional Insured endorsements is: Kern County Hospital Authority, c/o Kern Medical Center, 1700 Mount Vernon Avenue, Bakersfield, California 93306.
  - (c) Required Evidence of Insurance shall be submitted upon written request for any renewal or replacement of a policy that already exists before expiration or other termination of the existing policy.
  - (d) Contractor shall provide immediate written notice if any of the required insurance policies is terminated.
  - (e) Upon written request, copies of required insurance policies (except for the declarations pages of such policies) must be provided to KCHA within 30 days.
  
8. Policy Obligations: Contractor’s indemnity and other obligations shall not be limited by the foregoing insurance requirements.
  
9. Primary Coverage: For any claims related to this Agreement where KCHA is an additional insured, Contractor’s insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects KCHA, its officers, directors, officials, employees, and volunteers. Any insurance or self-insurance maintained by KCHA, its officers, directors, officials, employees, or volunteers shall be excess of Contractor’s insurance and shall not contribute with it.
  
10. Material Breach: If Contractor fails to maintain the insurance required by this Agreement, it shall be deemed a material breach of this Agreement. KCHA, at its sole option, may terminate this Agreement and seek damages from Contractor resulting from said breach. Alternatively, KCHA may purchase the required insurance, and without further notice to Contractor, KCHA may deduct from sums due to Contractor any premium costs advanced by KCHA for such insurance. These remedies shall be in addition to any other remedies available to KCHA.





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

October 17, 2018

**Subject:** Proposed retroactive Amendment No. 16 to Agreement 925-2002 with nThrive Solutions, Inc.

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve the proposed retroactive Amendment No. 16 with nThrive Solutions, Inc. for oncology data management, certified tumor registry and abstracting services which is a requirement to maintain certification with the American College of Surgeons.

The agreement was entered into with nThrive (formerly Precyse Solutions and originally Quadramed Corporation) on October 8, 2002. The purpose of the amendment is to extend the term for three years from July 1, 2018 through June 30, 2021, and increasing the maximum payable by \$267,945, with the maximum cost of this agreement not to exceed \$11,047,111.

Therefore, it is recommended that your Board approve the Amendment No. 16 to the Agreement with nThrive Solutions, Inc. and authorize the Chairman to sign.

**AMENDMENT NO. 16  
TO THE AGREEMENT FOR PROFESSIONAL SERVICES  
BETWEEN KERN COUNTY HOSPITAL AUTHORITY AND NTHRIVE SOLUTIONS, INC.**

This Amendment No. 16 to the Agreement for Professional services is made and entered into on the last date signed below, by and between Kern County Hospital Authority, a local unit of government ("KCHA"), which owns and operates Kern Medical Center ("Kern Medical") and nThrive Solutions, Inc., a Delaware Corporation with a business address at 200 North Point Center East, Suite 600, Alpharetta, GA 30022 ("nThrive" or "Consultant).

**RECITALS**

- a. The County of Kern, a political subdivision of the state of California, and Precyse Solutions, LLC entered into an Agreement for Professional Services (Kern County Agt. #925-2002, dated October 8, 2002) (hereinafter "Agreement"), Amendment No. 1 (Kern County Agt. #040-2003, dated January 21, 2003); Amendment No. 2 (Kern County Agt. #1062-2003, dated December 16, 2003); Amendment No. 3 (Kern County Agt. #933-2004, dated October 11, 2005); Amendment No. 4 (Kern County Agt. #921-2005, dated November 1, 2005); Amendment No. 5 (Kern County Agt. #591-2006, dated June 20, 2006); Amendment No. 6 (Kern County Agt. #664-2006, dated June 27, 2006); Amendment No. 7 (Kern County Agt. #979-2008, dated November 4, 2008); Amendment No. 8 (Kern County Agt. #681- 2009, dated August 10, 2009); Amendment No. 9 (Kern County Agt. #788-2010, dated August 24, 2010); Amendment No. 10 (Kern County Agt. #496-2011, dated June 28, 2011); Amendment No. 11 (Kern County Agt. #813-201, dated November 14, 2011); Amendment No. 12 (Kern County Agt. #664-2013, dated August 20, 2013), Amendment No. 13 (Kern County Agt. #377-2014, dated June 9, 2014), Amendment No. 14 (Kern County Agt. #448-20150, and Assignment of Agreement (Kern County Agt. #307-2016) that assigned the agreement and all of its amendments from the County of Kern to KCHA; Amendment No. 15 (Kern County Agt. #066-2017); and
- b. The Agreement expired on June 30, 2018; and
- c. Kern Medical continues to require the services of Consultant and Consultant agrees to continue providing services; and
- d. The Agreement is amended effective July 1, 2018.

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

1. Section 1, Term shall be deleted in its entirety and replaced with the following:

"1. **TERM.** Performance by Consultant and KCHA shall commence October 8, 2002 and shall remain in effect through June 30, 2021, unless earlier terminated pursuant to other provisions of this Agreement as herein stated."

2. Section 4, Compensation 4.1 Oncology Data Management Services, shall be deleted in its entirety and replaced with the following:

"4.1 Oncology Data Management Services. As consideration for the oncology data management / oncology abstracting services provided by Consultant hereunder, KCHA will pay Consultant in accordance with the fee schedule set forth in Exhibit "A" to Amendment 14, in an amount not to exceed \$267,945 per year, with total compensation not to exceed \$1,607,670 over the period from July 1, 2015 through June 30, 2021. All services are payable in arrears."

3. Section 4, Compensation, 4.4 Maximum Payable, shall be deleted in its entirety and replaced with the following:

"4.4 Maximum Payable. The maximum payable under this Agreement will not exceed \$11,047,111 over the term of this Agreement, unless otherwise mutually agreed in writing."

4. All capitalized terms used in this Amendment and not otherwise defined, shall have the meaning ascribed thereto in the Agreement.

5. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

6. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of 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.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 16 to be duly executed by their authorized representatives as of the last date signed below.

**NTHRIVE SOLUTIONS, INC.**

**KERN COUNTY HOSPITAL AUTHORITY**

*Matthew T Willaert*  
\_\_\_\_\_  
Signature  
m.willaert@nthrive.com  
\_\_\_\_\_  
Matthew T. Willaert  
Printed Name  
\_\_\_\_\_  
SVP, Deputy General Counsel      09/25/2018  
Title      Date

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Russell Bigler  
Printed Name  
\_\_\_\_\_  
Chairman, Board of Governors      10/17/18  
Title      Date

**APPROVED AS TO CONTENT  
Kern Medical Center**

*[Signature]*  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Andrew Cantu  
Printed Name  
\_\_\_\_\_  
Chief Financial Officer  
Title      Date

**APPROVED AS TO FORM  
Legal Services Department**

*[Signature]*  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Shannon Hochtein  
Printed Name  
\_\_\_\_\_  
Hospital Counsel      9/25/18  
Title      Date



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

October 17, 2018

**Subject:** Proposed retroactive Amendment No. 8 to Agreement 947-2008 with Toyon Associates, Inc.

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve Amendment No. 8 with Toyon Associates, Inc. for preparation of Kern Medical's annual Medicare and Medi-Cal cost reports and processing of appeals of denials, including Medicare and Medi-Cal supplemental reporting.

The amendment extends the term for two years from October 14, 2018 through October 13, 2020, incorporating changes to the hourly rates, and increasing the maximum payable by \$850,000, from \$2,490,000 to \$3,340,000.

Therefore, it is recommended that your Board approve the Amendment No. 8 to the Agreement with Toyon Associates, Inc. and authorize the Chairman to sign.

**AMENDMENT NO. 8  
TO  
AGREEMENT FOR PROFESSIONAL SERVICES  
INDEPENDENT CONTRACTOR  
(Kern County Hospital Authority – Toyon Associates, Inc.)**

This Amendment No. 8 to the Agreement for Professional Services is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2018, by and between the Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Toyon Associates, Inc., a California corporation (“Contractor”), with its principal place of business located at 1800 Sutter Street, Suite 600, Concord, California 94520.

**RECITALS**

- (a) Authority and Contractor have heretofore entered into an Agreement for Professional Services (Kern County Agt. #947-2008, dated October 28, 2008), Amendment No. 1 (Kern County Agt. #789-2010, dated August 24, 2010), Amendment No. 2 (Kern County Agt. #159-2013, dated April 9, 2013), Amendment No. 3 (Kern County Agt. #748- 2013, dated September 24, 2013), Amendment No. 4 (Kern County Agt. #777-2014, dated October 13, 2014), Amendment No. 5 (Kern County Agt. #007-2016, dated March 1, 2016), Assignment of Agreement (Kern County Agt. #335-2016, dated March 1, 2016), Amendment No. 6 (Agt. #2017-034, dated April 19, 2017), and Amendment No. 7 (Agt. #073-2017, dated October 18, 2017), for third party reimbursement services to KMC; and
- (b) Section 21 of the Agreement provides that it may be amended; and
- (c) The Agreement expires October 13, 2018; and
- (d) KCHA continues to require the services of Contractor and Contractor agrees to continue to provide such services; and
- (e) It is the intent of the parties to have the terms of the Agreement provide for the payment of all reasonably projected costs and expenses related to the services provided by Contractor; and
- (f) The parties agree to amend the Agreement to (i) extend the term for two years from October 14, 2018 through October 13, 2020, (ii) increase the maximum payable by \$850,000, from \$2,490,000 to \$3,340,000, to cover payment of past invoices and the extended term, (iii) incorporate additional routine services, and (iv) update the standard hourly rates for services for the period October 14, 2018 through October 13, 2020; and
- (g) The Agreement is amended effective October 14, 2018;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and incorporating by this reference the foregoing recitals, the parties agree to amend the Agreement as follows:



1. Section 1, Term, shall be amended as follows:

“1. Term. Performance of Contractor and Authority shall commence October 14, 2008, and shall end October 13, 2020, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.”

2. Section 3, Compensation, paragraph 3.5, Maximum Payable, shall be amended as follows:

“3.5 Maximum Payable. The maximum payable under this Agreement shall not exceed \$3,340,000 over the 12-year term of this Agreement.”

3. Amendment No. 4 to Exhibit “A,” Description of Services, shall be superseded by Amendment No. 5 to Exhibit “A,” Description of Services, attached hereto and incorporated herein by this reference.

4. Exhibit “B-5,” Hourly Rates, October 14, 2018 – October 13, 2020, attached hereto and incorporated herein by this reference, shall be made part of the Agreement.

5. All capitalized terms used in the Agreement and not otherwise defined, shall have the meaning ascribed thereto in the Agreement.

6. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

7. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

8. 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 follow on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 8 as of the day and year first written above.

TOYON ASSOCIATES, INC.

By Ronald G. Knapp  
Ronald G. Knapp  
Executive Vice President

KERN COUNTY HOSPITAL AUTHORITY

By \_\_\_\_\_  
Chairman  
Board of Governors

APPROVED AS TO CONTENT:  
KERN MEDICAL CENTER

By \_\_\_\_\_  
Russell V. Judd  
Chief Executive Officer

APPROVED AS TO FORM:  
LEGAL SERVICES DEPARTMENT

By \_\_\_\_\_  
VP & General Counsel  
Kern County Hospital Authority

**AMENDMENT NO. 5  
TO  
EXHIBIT "A"  
DESCRIPTION OF SERVICES**

1. Routine Services: Contractor shall provide any of the following routine third-party reimbursement services, if requested by KMC and approved in advance by KMC:
  - A) Medicare and Medicaid cost report preparation
  - B) Medicare Schedule 10 preparation and audit support
  - C) Medicare Wage index preparation and audit support
  - D) Medicaid eligible days documentation development for Medicare DSH optimization
  - E) Medicare SSI ratio analysis for Medicare DSH optimization
  - F) Review prior year Medicare and Medicaid cost reports for accuracy
  - G) Medi-Cal redesign cost analysis and interim rate support
  - H) Medicare and Medicaid cost report audit appeals
  - I) Medicare cost report compliance review and policies and procedures development
  - J) Contractual allowance and reserve analysis, including audit review
  - K) Medicare and Medicaid cost report audit assistance
  - L) Assist with annual OSHPD reports
  - M) Medicare and Medicaid reimbursement planning and strategy development
  - N) Medicare bad debt recovery documentation development, analysis and appeals
  - O) Medicare wage index review and reclassification requests
  - P) Medicare GME/IME reimbursement review and payment optimization
  - Q) AB 85 Public Hospital County data submission form preparation or review
  - R) Preparation and review of AB 915 claims
  - S) Preparation and review of Medi-Cal waiver workbooks (aka P-14 workbooks)
  - T) Preparation or review of CAPH and/or DHCS data requests regarding Medi-Cal program funding
  - U) Process Medi-Cal POS for aid code review
  - V) Assist with gathering data for the GPP Program
  - W) Provide assistance in reconciling patient data for EPP and QIP Programs
  
2. Specialized Services: Contractor shall provide the following specialized services, as requested by KMC:
  - A) Assist with monthly booking of revenue and periodic true-up of revenue based on updated schedules from CAPH, and review actual Medi-Cal outpatient and physician costs (AB 915 and Physician SPA)
  - B) Develop projections for KMC government program net revenue
  - C) Assist with development of template for monthly contractual allowance calculations and provide routine review
  - D) Review booking of Practice Plus revenue and ensure that data are captured in a format necessary for cost reporting and claiming
  - E) Provide ongoing training for designated KMC staff, as necessary, regarding state/federal funding and proper cost report and P14 preparation



- F) Identify data needs and items for review to prepare and/or revise P14 workbook(s) including, without limitation, dual eligible calculations
- G) Oversee and support P14, Medi-Cal, and DSH audits
- H) Prepare quarterly cost reports to validate data and identify potential adjustments prior to year-end
- I) Undertake special projects and/or analysis not otherwise covered regarding government funding

[Intentionally left blank]

**EXHIBIT "B-5"**  
**HOURLY RATES**  
**October 14, 2018 – October 13, 2020**

[See attached]

**Toyon Associates Hourly Rates by Position  
2018-2020**

<b>Title</b>	<b>10/1/2018</b>	<b>10/1/2019</b>
President	\$ 500	\$ 520
Executive V.P.	\$ 440	\$ 455
Vice President	\$ 385	\$ 400
Executive Director	\$ 350	\$ 365
Senior Director	\$ 315	\$ 330
Senior Manager	\$ 300	\$ 315
Director	\$ 265	\$ 275
Manager	\$ 250	\$ 260
Asst. Director	\$ 250	\$ 260
Senior Consultant	\$ 230	\$ 240
Consultant	\$ 205	\$ 215
Senior Analyst	\$ 165	\$ 175
Analyst	\$ 125	\$ 130
Administrative	\$ 110	\$ 115

**Programming Staff**

<b>Title</b>	<b>8/1/2018</b>	<b>10/1/2019</b>
Manager Systems Development	\$ 265	\$ 275
Systems Programmer	\$ 200	\$ 210
Programmer Analyst	\$ 150	\$ 155

The professional fees for processing Medi-Cal POS will be based on the volume of accounts processed. Because the POS system provides eligibility information for the past 12 months, we recommend performing this look-up process on a quarterly basis. Toyon's fees will be as follows:

- Initial Set-up processing fee each Quarter \$ 250

**Lookup Fee Charge/Account**

<b>Account Volume</b>	<b>Fee/Lookup</b>
0 - 100,000	\$.05/account
100,001 – 500,000	\$.025
500,001 – 1,000,000	\$.020
+1,000,000	\$.015

The volumes described above are based on cumulative claims processed in a calendar year. Each January 1st, the account volume will be reset.



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

October 17, 2018

**Subject:** Proposed Amendment No. 3 to Agreement 051-2012 with Owens & Minor Distribution, Inc.

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Attached is the proposed Amendment No. 3 to Agreement 051-2012 with Owens & Minor Distribution Inc., for clinical supply technology and centralized inventory management services. The amendment extends the term for two years from October 28, 2018 through October 27, 2020, and increases the maximum payable by \$290,000, from \$1,017,000 to \$1,307,000, to cover the extended term.

**AMENDMENT NO. 3  
TO  
CLINICAL SUPPLY SOLUTIONS AGREEMENT  
(Kern County Hospital Authority – Owens & Minor Distribution, Inc.)**

This Amendment No. 3 to the Clinical Supply Solutions Agreement is made and entered into this 17<sup>th</sup> day of October, 2018, between the Kern County Hospital Authority, a local unit of government (“KCHA”), which owns and operates Kern Medical Center (“KMC”), and Owens & Minor Distribution, Inc., a Virginia corporation (“O&M”), with its principal place of business located at 9120 Lockwood Boulevard, Mechanicsville, Virginia 23116.

**RECITALS**

(a) KCHA and O&M have heretofore entered into a Clinical Supply Solutions Agreement (Kern County Agt. #051-2012, dated October 28, 2011), Amendment No. 1 (Kern County Agt.#795-2014, dated October 28, 2014), Assignment to the Kern County Hospital Authority (Kern County Agt. #304-2016, dated March 1, 2016), and Amendment No. 2 (KCHA Agt.#HA2017-022, dated March 15, 2017) (“Agreement”), for the period October 28, 2011 through October 27, 2018, for clinical supply technology including centralized inventory management services; and

(b) The Agreement is scheduled to end on October 27, 2018; and

(c) KMC continues to require the services of O&M; and

(d) It is the intent of the parties to have the terms of the Agreement provide for payment of all reasonably projected costs and expenses related to the services provided by O&M; and

(e) KCHA and O&M agree to amend the Agreement to (i) extend the term of the Agreement for a period of two (2) years from October 28, 2018 through October 27, 2020, under the same terms and conditions, and (ii) increase the maximum payable under the Agreement by \$290,000, from \$1,017,000 to \$1,307,000, to cover the extended term; and

(f) The Agreement is amended effective October 28, 2018;

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 follows:

1. Section IV, Term and Termination, paragraph (A), Term, shall be deleted in its entirety and replaced with the following:

“(A) Term. The Agreement shall commence on October 28, 2011, and shall remain in full force and effect for a period of nine (9) years through October 27, 2020, unless earlier terminated pursuant to other provisions of the Agreement as herein

stated. Any renewal shall be in writing and signed by both parties through a formal amendment to this Agreement.”

2. Section III, Fees, paragraph (D), Travel Reimbursement, shall be amended as follows:

“(D) Travel Reimbursement. O&M shall be reimbursed for all approved travel expenses, which approval will not be unreasonably withheld, incurred by O&M on behalf of KCHA in an amount not to exceed \$38,000 over the nine (9) year term of this Agreement. Reimbursement of travel expenses will include the following: (i) actual cost for lowest coach round-trip airfare to and from Bakersfield, California; (ii) local transportation (rental cars are reimbursable at actual cost for compact or midsize vehicles only; per mile reimbursement for personal vehicle use at the current privately owned vehicle [POV] mileage reimbursement rate established by the U.S. General Services Administration); (iii) meals and incidental expenses at the current domestic per diem rates established by the U.S. General Services Administration for Kern County; and (iv) reasonable hotel accommodations not to exceed the maximum allowable reimbursement rate including taxes established by KCHA. Travel-related expenses will be billed monthly, as incurred, and are payable in arrears within thirty (30) days of receipt and approval of each invoice by KMC.”

4. Section III, Fees, paragraph (E), Maximum Payable, shall be made part of the Agreement as follows:

“(E) Maximum Payable. The maximum payable under this Agreement shall not exceed \$1,307,000 over the nine-year term of this Agreement.”

5. All capitalized terms used in this Amendment and not otherwise defined, shall have the meaning ascribed thereto in the Agreement.

6. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

7. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

8. Except as provide herein, all other terms, conditions, and covenants of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties duly authorized representatives have entered into this Amendment No. 3 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

OWENS & MINOR DISTRIBUTION, INC.

By \_\_\_\_\_  
Chairman  
Board of Governors

By Angela W. McNally  
Name: Angela McNally  
Title: VP Global Provider Solutions

APPROVED AS TO CONTENT:  
KERN MEDICAL CENTER

By \_\_\_\_\_  
Toni Smith  
Chief Nursing Officer

APPROVED AS TO FORM:  
Legal Services Department

By [Signature]  
Hospital Counsel  
Kern County Hospital Authority



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

October 17, 2018

**Subject:** Proposed acceptance of donation of travel and related expenses from CNA

**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.

CNA is the provider of Health Facilities Excess Coverage insurance to the Authority. CNA, through its Health Pro Risk Control Fellowship Program, has offered to donate to the Authority all travel and related expenses for one Kern Medical employee to attend the 4th Annual Health Care Compliance Association "Healthcare Enforcement Compliance Conference" in Washington, D.C., from November 4, 2018 through November 7, 2018.

Kern Medical recommends your Board adopt the attached proposed resolution to accept the travel donation from CNA for registration, travel and related expenses and authorize the Chief Executive Officer to designate one employee to attend this important conference.



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

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In the matter of:

Resolution No. \_\_\_\_\_

**ACCEPTANCE OF DONATION OF  
TRAVEL AND RELATED EXPENSES  
FROM CNA**

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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 17th day of October, 2018, 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

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Mona A. Allen

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**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) CNA provides Health Facilities Excess Coverage insurance to the Kern County Hospital Authority; and

(c) CNA, through its Health Pro Risk Control Fellowship Program, has offered to donate to the Authority all travel and related expenses for one Authority employee to attend the 4th Annual Health Care Compliance Association “Healthcare Enforcement Compliance Conference” in Washington, D.C., from November 4, 2018 through November 7, 2018; 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) CNA has not made 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 CNA the donation of travel and related expenses to cover all costs for one Authority employee to travel to Washington, D.C., to attend the 4th Annual Health Care Compliance Association “Healthcare Enforcement Compliance Conference” from November 4, 2018 through November 7, 2018.

3. This Board authorizes the Chief Executive Officer to designate one Authority employee to attend the 4th Annual Health Care Compliance Association “Healthcare Enforcement Compliance Conference” in Washington, D.C., from November 4, 2018 through November 7, 2018.

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**

October 17, 2018

**Subject:** Proposed acceptance of donation of travel and related expenses from Cerner Corporation (Cerner)

**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.

Cerner is a supplier of health information technology solutions, services, devices and hardware, and has been hired by the Authority to install an electronic health record at Kern Medical and its affiliated clinics. Cerner has offered to donate to the Authority all travel and related expenses for one Authority employee to attend the "Cerner Health Conference 2018" in Kansas City, Missouri, from October 6, 2018 through October 11, 2018. This is an important training session and networking opportunity for the Authority and is necessary in connection with Authority business. Cerner has not imposed any restrictions as to how the donation may be used.

Kern Medical recommends your Board adopt the attached proposed resolution to accept the travel donation from Cerner Corporation for registration, travel and related expenses, and authorize the Chief Executive Officer to designate one Authority employee to attend this important conference.

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

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In the matter of:

Resolution No. \_\_\_\_\_

**ACCEPTANCE OF DONATION OF  
TRAVEL AND RELATED EXPENSES  
FROM CERNER CORPORATION**

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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 17th day of October, 2018, 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

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Mona A. Allen

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**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) Cerner Corporation is a supplier of health information technology solutions, services, devices and hardware, and has been hired by the Authority to install an electronic health record at Kern Medical Center and its affiliated clinics; and

(c) Cerner Corporation has offered to donate to the Authority all travel and related expenses in an amount for one Authority employee to attend the Cerner Corporation “Cerner Health Conference 2018” in Kansas City, Missouri, from October 6, 2018 through October 11, 2018; and

(e) The training session and networking opportunity is necessary in connection with official Authority business; and

(f) 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

(g) Cerner Corporation has not made 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 Cerner Corporation the donation of travel and related expenses, to cover all costs for one Authority employee to travel to Kansas City, Missouri, to attend the Cerner Corporation “Cerner Health Conference 2018” from October 6, 2018 through October 11, 2018.

3. This Board authorizes the Chief Executive Officer to designate one Authority employee to attend the Cerner Corporation “Cerner Health Conference 2018” from October 6, 2018 through October 11, 2018.

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

Kern Medical Center  
Chief Nursing Officer  
Chief Financial Officer  
Chief Medical Officer  
Chief Information Officer  
Legal Services Department  
Human Resources Department



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

October 17, 2018

**Subject:** Proposed Agreement for Professional Services with Naheedy and Zarandy Medical Group, Inc.

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve an Agreement for Professional Services with Naheedy and Zarandy Medical Group, Inc., for professional medical services in the Department of Radiology.

Naheedy and Zarandy Medical Group, Inc., has provided radiology services at Kern Medical since June of 2009. The current Agreement is set to expire on October 31, 2018. Kern Medical continues to require the services of Naheedy and Zarandy Medical Group, Inc., and both parties have agreed to the terms of the two-year agreement.

Payment for Services are as follows:

- Shift Coverage. Authority shall pay Contractor an annual fixed fee in the amount of \$299,700 per year at the monthly rate of \$24,975 per month for shift coverage
- Excess Shift Coverage. Authority shall pay Contractor a per diem rate of \$1,665 per day for excess shift coverage that exceeds an average of 15 shifts per month
- Emergency Night Shift Coverage. Authority shall pay Contractor a per diem rate of \$2,000 per day for emergency night shift coverage (i.e., not a scheduled shift)

Therefore, it is recommended that your Board approve the Agreement for Professional Services with Naheedy and Zarandy Medical Group, Inc. for professional medical services in the Department of Radiology, from November 1, 2018 through October 31, 2020, in an amount not to exceed \$730,000, and authorize the Chairman to sign.

**AGREEMENT FOR PROFESSIONAL SERVICES  
INDEPENDENT CONTRACTOR  
(Kern County Hospital Authority – Naheedy and Zarandy Medical Group, Inc.)**

This Agreement for Professional Services (“Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2018, between the Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Naheedy and Zarandy Medical Group, Inc., a California professional medical corporation (“Contractor”), with its principal place of business located at 49 Goleta Point Drive, Corona Del Mar, California 92625.

**I.  
RECITALS**

(a) Authority is authorized, pursuant to section 101852 of Part 4 of Division 101 of the Health and Safety Code, to contract for special services with individuals specially trained, experienced, expert, and competent to perform those services; and

(b) Authority owns and operates KMC, a general acute care hospital located at 1700 Mount Vernon Avenue, Bakersfield, California, and affiliated clinics (collectively, the “Premises”), in which is located the Department of Radiology (the “Department”); and

(c) Contractor is a California professional medical corporation with medical doctors (“Group Physician(s)”) who provide services on behalf of Contractor; and

(d) Authority requires the assistance of Contractor to provide professional medical services to patients of KMC and teaching services to resident physicians employed by Authority, as such services are unavailable from Authority resources, and Contractor agrees to provide such services on the terms and conditions set forth in this Agreement; and

(e) Contractor has special knowledge, training and experience, and is qualified to render such services;

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 as follows:

**II.  
TERMS AND CONDITIONS**

1. **Term.** Performance by Contractor and Authority shall commence on November 1, 2018 (the “Effective Date”), and shall end October 31, 2020, unless earlier terminated pursuant to other provisions of this Agreement.

2. **Obligations of Contractor.**

2.1 **Specified Services.** Contractor shall render those services set forth in Exhibit “A,” attached hereto and incorporated herein by this reference. Such services may be changed from time to time by agreement of the parties in accordance with the provisions of this Agreement.

2.2 **Representations.** Contractor makes the following representations which are agreed to be material to and form a part of the inducement for this Agreement: (i) Contractor has the expertise and support staff necessary to provide the services described in this Agreement; and (ii) Contractor does not have any actual or potential interests adverse to Authority nor does Contractor represent a person or firm with an interest adverse to Authority with reference to the subject of this Agreement; and (iii) Contractor shall diligently provide all required services in a timely and professional manner in accordance with the terms and conditions set forth in this Agreement.

2.3 **Standard of Care.** Authority has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby agrees that all of its work will be performed and that its operations shall be conducted in accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Contractor’s work by Authority shall not operate as a waiver or release.

2.4 **Performance Standard.** Contractor shall perform all services hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Contractor’s profession. If Authority determines that any of Contractor’s work is not in accordance with such level of competency and standard of care, Authority, in its sole discretion, shall have the right to do any or all of the following: (a) require Contractor to meet with Authority to review the quality of the work and resolve matters of concern; (b) terminate this Agreement pursuant to the provisions of section 36; or (c) pursue any and all other remedies at law or in equity.

2.5 **Assigned Personnel.** Contractor shall assign only competent personnel to perform the Services hereunder. In the event that at any time Authority, in its sole discretion, desires the removal of any person or persons assigned by Contractor to perform the services hereunder, Contractor shall remove such person or persons immediately upon receiving written notice from Authority. Group Physicians providing services under this Agreement include, without limitation, Mohammad Hussain Naheedy, M.D.

2.6 **Qualifications of Group Physicians.**

2.6.1 **Licensure/Board Certification.** Group Physicians shall at all times during the term of this Agreement be duly licensed physicians and surgeons in the state of California, be board certified or eligible for certification by the American Board of Radiology in diagnostic radiology-general.



2.6.2 Medical Staff Status. Each Group Physician shall at all times during the term of this Agreement be a member in good standing of the KMC medical staff with “active” or “courtesy” staff status and hold all clinical privileges on the active or courtesy medical staff appropriate to the discharge of his or her obligations under this Agreement.

2.6.3 TJC and ACGME Compliance. Each Group Physician shall observe and comply with all applicable standards and recommendations of The Joint Commission and Accreditation Council for Graduate Medical Education.

2.6.4 Training/Experience. Each Group Physician shall have (i) recent diagnostic radiology experience, (ii) a background to include experience working with other clinical departments, teaching residents and medical students, participating in hospital committees, and working on pathways and evidence-based guidelines, and (iii) ongoing acute care hospital experience.

2.7 Rights and Duties. Mohammad Hussain Naheedy, M.D., shall act as the authorized agent for Contractor in all matters relating to the performance of Group Physicians under this Agreement. Contractor shall require Group Physicians to participate in the educational and committee activities of the KMC medical staff. Contractor shall, by contract, obligate Group Physicians to comply fully with all duties, obligations and restrictions imposed upon Contractor under this Agreement.

2.8 Loss or Limitation. Contractor shall notify KMC promptly of any loss, sanction, suspension or material limitations of any Group Physician’s license to practice in the state of California, Controlled Substance Registration Certificate issued by the Drug Enforcement Administration, right to participate in the Medicare or Medicaid programs, or specialty qualifications for medical staff membership or clinical privileges.

2.9 Standards of Medical Practice. The standards of medical practice and professional duties of all Group Physicians providing services under this Agreement shall be in accordance with the KMC medical staff bylaws, rules, regulations, and policies, the standards for practice established by the state Department of Public Health and all other state and federal laws and regulations relating to the licensure and practice of physicians, and The Joint Commission.

2.10 Medical Record Documentation. Contractor shall cause a complete medical record to be timely prepared and maintained for each patient seen by a Group Physician providing services under this Agreement. This record shall be prepared in compliance with all state and federal regulations, standards of The Joint Commission, and the KMC medical staff bylaws, rules, regulations, and policies. Documentation by Group Physicians will conform to the requirements for evaluation and management (E/M) services billed by teaching physicians set forth in the Medicare Carriers Manual, Part 3, sections 15016-15018, inclusive.

2.11 Quality Improvement and Risk Management. Contractor agrees that all Group Physicians shall participate in (i) the quality improvement and risk management programs of KMC and serve on such committees as may be required; (ii) ongoing quality improvement activities, such as audits, which will be conducted annually in the Department in order to

evaluate and enhance the quality of patient care; and (iii) risk management activities designed to identify, evaluate and reduce the risk of patient injury associated with care. At a minimum, Contractor shall ensure that the quality improvement program consists of the following integrated components: (i) professional development that provides continuous performance feedback that is benchmarked, evaluated, and rated individually and collectively; (ii) clinical standards that are evidence-based and grounded in industry best practices; (iii) performance improvement that is outcomes-focused and based on quality indicators/metrics with quarterly reporting of same; and (iv) customer satisfaction that is feedback/survey-driven and objectively and comparatively measured, tracked/trended, and analyzed. The appropriate review mechanism will be applied in accordance with the provisions of the KMC medical staff bylaws, The Joint Commission, and applicable law.

2.12 Taxes. Contractor agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes. Contractor agrees to indemnify and hold Authority harmless from any liability which it may incur to the United States or to the state of California as a consequence of Contractor's failure to pay, when due, all such taxes and obligations. In case Authority is audited for compliance regarding any withholding or other applicable taxes, Contractor agrees to furnish Authority with proof of payment of taxes on these earnings.

2.13 Nonexclusive Services. Contractor understands and agrees that Authority will utilize the services of Contractor pursuant to the terms of this Agreement on a non-exclusive basis. Contractor further agrees that Authority shall retain the option to enter into agreements with other organizations for purposes of securing the services, in its sole discretion.

### 3. Obligations of Authority.

3.1 Authority Designee. Authority shall designate a primary contact, who will arrange for KMC staff assistance as may be required.

3.2 Space. KMC shall furnish for the use of Contractor such space and facilities as may be deemed necessary by KMC for the proper operation and conduct of the Department. KMC shall, in its sole discretion, determine the amount and type of space and facilities to be provided herein. Contractor shall use the space and equipment solely for the performance of the services required under this Agreement. Neither Contractor nor Group Physicians shall use such space or equipment for other business or personal use.

3.3 Use Limitations on Space. The use of any part of the space occupied by the Department for the general or private practice of medicine is prohibited. Contractor shall use the items furnished under this Agreement only for the performance of services required by this Agreement. This Agreement shall not be construed to be a lease to Contractor or any Group Physician of any portion of the Premises, and insofar as Contractor or Group Physicians may use a portion of said Premises, Contractor and Group Physicians do so as licensees only, and Authority and KMC shall, at all times, have full and free access to the same.

3.4 Equipment. KMC shall furnish for the use of the Department such equipment as is deemed necessary by KMC for the proper operation and conduct of the Department consistent with community standards. KMC shall keep and maintain this equipment in good order and repair and replace such equipment, as is reasonably necessary and subject to the usual purchasing practices of Authority and KMC and budget constraints.

3.5 Services and Supplies. KMC shall provide or arrange for the provision of janitorial services, housekeeping services, laundry and utilities, together with such other hospital services, including medical records, administrative and engineering services, and expendable supplies, as KMC deems necessary for the proper operation and conduct of the Department.

3.6 Control Retained in KMC. In compliance with title 22, California Code of Regulations, section 70713 KMC will retain professional and administrative responsibility for services rendered under this Agreement. Contractor shall apprise KMC of recommendations, plans for implementation and continuing assessment through dated and signed reports, which shall be retained by KMC for follow-up action and evaluation of performance.

#### 4. Payment for Services.

4.1 Compensation. As consideration for the services provided by Contractor hereunder, Authority shall pay Contractor according to the fee schedule set forth in this paragraph 4.1. All services are payable in arrears.

4.1.1 Shift Coverage. Authority shall pay Contractor an annual fixed fee in the amount of \$299,700 per year at the monthly rate of \$24,975 per month for shift coverage.

4.1.2 Excess Shift Coverage. Authority shall pay Contractor a per diem rate of \$1,665 per day for excess shift coverage that exceeds an average of 15 shifts per month.

4.1.3 Emergency Night Shift Coverage. Authority shall pay Contractor a per diem rate of \$2,000 per day for emergency night shift coverage (i.e., not a scheduled shift).

4.1.4 Fair Market Value Compensation. The compensation provided under section 4.1 represents the parties' good faith determination of the reasonable fair market value compensation for the services to be provided by Contractor and Group Physicians under this Agreement.

4.1.5 Payment All-inclusive. The compensation paid to Contractor is inclusive of accommodations, mileage reimbursement, car rental, meals, and incidental expenses.

4.1.6 Limitations on Compensation. Except as expressly stated herein, neither Contractor nor Group Physicians shall receive any benefits from Authority, including without limitation, health benefits, sick leave, vacation, holidays, deferred compensation or retirement.

4.2 Maximum Payable. The maximum payable under this Agreement shall not exceed \$730,000 over the two-year term of this Agreement.

4.3 Invoices. Invoices for payment shall be submitted in a form approved by KMC and list each service performed. Invoices and receipts shall be sent to KMC for review and processing within 60 days of the date of service or payment will not be made. Payment shall be made to Contractor within 30 days of receipt and approval of each invoice by KMC.

4.4 Taxpayer Identification. To ensure compensation is reported as paid to the proper party, Contractor will complete and execute IRS Form W-9 (Exhibit "B," attached hereto and incorporated herein by this reference), which identifies the taxpayer identification number for Contractor.

4.5 Professional Fee Billing. KMC shall have the exclusive right to set, bill, collect and retain all fees, including professional fees, for all direct patient care services provided by Contractor to KMC patients during the term of this Agreement. All professional fees generated by Contractor for services rendered to KMC patients at KMC or a KMC location during the term of this Agreement, including both cash collections and accounts receivable, will be the sole and exclusive property of KMC, whether received by KMC or by Contractor and whether received during the term of this Agreement or anytime thereafter. Contractor hereby assigns all rights to said fees and accounts to KMC and shall execute all documents required from time to time by KMC and otherwise fully cooperate with KMC to enable KMC to collect fees and accounts from patients and third-party payers.

4.6 Managed Care Organizations. For and on behalf of Contractor Authority shall have the sole and exclusive right and authority to enter into contractual relationships with HMOs, IPAs, PPOs, PHOs, employer groups, provider networks and other managed care organizations (collectively "Managed Care Organizations"). Contractor shall provide the same quality of care to patients from Managed Care Organizations as is provided to other KMC patients. Upon request from Authority or KMC, Contractor shall execute Managed Care Organization documents as "provider" if deemed necessary or advisable by Authority. Contractor shall not contract with any Managed Care Organization without Authority's prior written consent in each instance.

5. Access to Books and Records. Contractor shall make available, upon written request from Authority or KMC, the Secretary of Health and Human Services, the Comptroller General of the United States, or any other duly authorized agent or representative, this Agreement, and Contractor's books, documents and records. Contractor shall preserve and make available such books, documents and records for a period of seven (7) years after the termination or expiration of this Agreement. If Contractor is requested to disclose books, documents or records pursuant to this section for any purpose, Contractor shall notify KMC of the nature and scope of the request, and Contractor shall make available, upon written request of KMC, all such books, documents or records.

6. Anti-referral Laws. Contractor acknowledges that it is subject to certain federal and state laws governing the referral of patients, which are in effect during the term of this

Agreement. These laws include (i) prohibitions on payments for referral or to induce the referral of patients, and (ii) the referral of patients by a physician for certain designated health care services to an entity with which the physician (or his or her immediate family) has a financial relationship (Cal. Business and Professions Code sections 650 et seq.; Cal. Labor Code sections 139.3 and 139.31; section 1128B (b) of the Social Security Act; and section 1877 of the Social Security Act). The parties expressly agree that nothing contained in this Agreement shall require either the referral of any patients to, or order of any goods or services from Contractor or KMC. Notwithstanding any unanticipated effect of any provision of this Agreement, neither party shall knowingly or intentionally conduct itself in such a manner as to violate the prohibition against fraud and abuse in connection with the Medicare and Medicaid programs (42 U.S.C. section 1320a-7b).

7. **Assignment.** Contractor shall not assign or transfer this Agreement or its obligations hereunder, or any part thereof. Contractor shall not assign any money due or which becomes due to Contractor under this Agreement without the prior written approval of Authority.

8. **Audits, Inspection and Retention of Records.** Contractor agrees to maintain and make available to Authority accurate books and records relative to all its activities under this Agreement. Contractor shall permit Authority to audit, examine and make excerpts and transcripts from such records, and to conduct audits or reviews of all invoices, materials, records or personnel or other data related to all other matters covered by this Agreement. Contractor shall maintain such data and records in an accessible location and condition for a period of not less than four (4) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last. The state of California or any federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon Authority herein.

9. **Authority to Incur Financial Obligation.** It is understood that Contractor, in its performance of any and all duties under this Agreement, has no right, power or authority to bind Authority to any agreements or undertakings.

10. **Captions and Interpretation.** Paragraph headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement. No provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted such provision, and this Agreement shall be construed as if jointly prepared by the parties.

11. **Change in Law.** In the event that a change in state or federal law or regulatory requirement (or the application thereof), any of which renders this Agreement illegal, impossible to perform, or commercially impracticable, the parties agree to negotiate immediately, in good faith, any necessary or appropriate amendments(s) to the terms of this Agreement. If the parties fail to reach a mutually agreeable amendment within 30 days of such negotiation period, this Agreement shall automatically terminate at the end of such 30-day period.

12. **Choice of Law/Venue.** The parties hereto agree that the provisions of this Agreement will be construed pursuant to the laws of the state of California. It is expressly acknowledged



that this Agreement has been entered into and will be performed within the County of Kern. Should any suit or action be commenced to enforce or interpret the terms of this Agreement or any claim arising under it, it is expressly agreed that proper venue shall be in County of Kern, state of California.

13. **Compliance with Law.** Contractor shall observe and comply with all applicable Authority, local, state and federal laws, ordinances, rules and regulations now in effect or hereafter enacted, each of which is hereby made a part hereof and incorporated herein by reference.

14. **Compliance Program.** Contractor acknowledges that KMC has implemented a compliance program for the purpose of ensuring adherence to applicable federal and state laws, regulations and other standards. Contractor agrees that in the course of performance of its duties described herein that it shall act, and cause its employees to act, in conformance with the policies set forth therein. KMC shall make available such information relating to its compliance program as is appropriate to assist Contractor in adhering to the policies set forth in the compliance program. Contractor and its employees shall participate in compliance training and education as reasonably requested by KMC.

15. **Confidentiality.**

15.1 **Use and Disclosure Restrictions.** Neither party shall, without the written consent of the other, communicate confidential information of the other, designated in writing or identified in this Agreement as such, to any third party and shall protect such information from inadvertent disclosure to any third party in the same manner that the receiving party would protect its own confidential information. The foregoing obligations will not restrict either party from disclosing confidential information of the other party: (i) pursuant to applicable law; (ii) pursuant to the order or requirement of a court, administrative agency, or other governmental body, on condition that the party required to make such a disclosure gives reasonable written notice to the other party to contest such order or requirement; and (iii) on a confidential basis to its legal or financial advisors.

15.2 **Trade Secrets.** The parties acknowledges that each party, in connection with its business, has developed certain operating manuals, symbols, trademarks, trade names, service marks, designs, patient lists, procedures, processes, and other copyrighted, patented, trademarked, or legally protectable information which is confidential and proprietary to the party that constitute its trade secrets. The parties shall not use any name, symbol, mark, or other proprietary information of the other party except as expressly permitted.

15.3 **Medical Records.** The parties agree to maintain the confidentiality of all medical records pertaining to the provision of services under this Agreement in accordance with applicable federal and state laws and regulations including, but not limited to, the California Confidentiality of Medical Records Information Act, codified at section 56.1 of the California Civil Code, California Evidence Code sections 1156 and 1157, and the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations.

15.4 Medical Staff and Committee Records. All records, files, proceedings and related information of Group Physicians, KMC and the medical staff and its committees pertaining to the evaluation and improvements of the quality of patient care at KMC shall be kept strictly confidential by Contractor and Group Physicians. Neither Contractor nor Group Physicians shall voluntarily disclose such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by KMC, which may be given or withheld in the sole discretion of KMC.

15.5 Ownership of Records. All documents, papers, notes, memoranda, computer files and other written or electronic records of any kind ("Documents"), in whatever form or format, assembled, prepared or utilized by Contractor or Group Physicians during and in connection with this Agreement shall remain the property of Authority at all times. Upon the expiration or termination of this Agreement, Contractor shall promptly deliver to Authority all such Documents, which have not already been provided to Authority in such form or format, as Authority deems appropriate. Such Documents shall be and will remain the property of Authority without restriction or limitation. Contractor may retain copies of the above-described Documents but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of Authority.

15.6 Non-disparagement. Each party agrees that it shall not make or cause to be made, any written (including, but not limited to, any emails, internet postings, remarks or statements) or verbal assertions, statements or other communications regarding the other party's business or each other which may be in any manner whatsoever defamatory, detrimental or unfavorable to such other party. Each party agrees that these non-disparagement covenants shall survive the termination of this Agreement.

16. Conflict of Interest. Contractor covenants that it has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Contractor further covenants that in the performance of this Agreement no person having any such interests shall be employed. It is understood and agreed that if such a financial interest does exist at the inception of this Agreement, Authority may immediately terminate this Agreement by giving written notice thereof.

17. Consent. Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

18. Construction. To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. Contractor and Authority acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against

one party in favor of the other. Contractor and Authority acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

19. **Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

20. **Disqualified Persons.** The parties mutually represent and warrant to one another that they and their respective representatives are not: (i) currently excluded, debarred, or otherwise ineligible to participate in the federal health care programs as defined in 42 U.S.C. section 1320a-7b-(f) (the “Federal health care programs”) and/or present on the exclusion database of the Office of the Inspector General (“OIG”) or the Government Services Administration (“GSA”); (ii) convicted of a criminal offense related to the provision of health care items or services but have not yet been excluded, debarred, or otherwise declared ineligible to participate in the Federal health care programs; or (iii) debarred, suspended, excluded or disqualified by any federal governmental agency or department or otherwise declared ineligible from receiving federal contracts or federally approved subcontracts or from receiving federal financial and nonfinancial assistance and benefits. This shall be an ongoing representation and warranty during the term of this Agreement and a party shall immediately notify the other party of any change in the status of any of the representations and/or warranties set forth in this section. Any breach of this section shall give the non-breaching party the right to terminate this Agreement immediately upon written notice.

21. **Enforcement of Remedies.** No right or remedy herein conferred on or reserved to Authority is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.

22. **Immigration Compliance.** Contractor shall comply with all provisions of immigration law with respect to hiring, recruiting or referring for employment persons whose authorization for employment in the United States has been verified, and shall provide KMC with a copy of such verification required in 8 USCA section 1324a. Contractor agrees to indemnify, defend, and hold harmless Authority, its agents, officers, and employees, from any liability, damages, or causes of action arising out of Contractor’s failure to comply with this section 22.

23. **Indemnification and Hold Harmless.** Authority shall assume liability for and indemnify and hold Contractor and Group Physicians harmless from any and all claims, losses, expenses, costs, actions, settlements, attorneys’ fees and judgments incurred by Contractor or Group Physicians or for which Contractor or Group Physicians becomes liable, arising out of or related to professional services rendered or which a third party alleges should have been rendered by Contractor or Group Physicians pursuant to this Agreement. Authority’s obligation under this paragraph shall extend from the Effective Date and shall survive termination or expiration of this Agreement to include all claims that allegedly arise out of professional services Contractor or Group Physicians rendered on behalf of Authority; provided, however, that the provisions of this



paragraph shall not apply to any services rendered at any location other than KMC without approval by the Kern County Hospital Authority Board of Governors and, provided further, that Authority shall have no duty or obligation to defend, indemnify or hold Contractor or Group Physicians harmless for any conduct or misconduct found to be intentional, willful, grossly negligent, or criminal.

24. **Independent Contractor.** In the performance of the services under this Agreement, Contractor shall be, and acknowledges that Contractor is in fact and law, an independent contractor and not an agent or employee of Authority. Contractor has and retains the right to exercise full supervision and control over the manner and methods of providing services to Authority under this Agreement. Contractor retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting Contractor in the provision of services under this Agreement. With respect to Contractor's employees, if any, Contractor shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employment taxes whether federal, state or local, and compliance with any and all other laws regulating employment.

25. **Informal Dispute Resolution.** Controversies between the parties with respect to this Agreement, or the rights of either party, or with respect to any transaction contemplated by this Agreement, shall be resolved, to the extent possible, by informal meetings and discussions among appropriate representatives of the parties.

26. **Insurance.** With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain, insurance as described in Exhibit "C," attached hereto and incorporated herein by this reference.

27. **Modifications of Agreement.** This Agreement may be modified in writing only, signed by the parties in interest at the time of the modification.

28. **No Third Party Beneficiaries.** It is expressly understood and agreed that the enforcement of this Agreement and all rights of action relating to such enforcement, shall be strictly reserved to Authority and Contractor. Nothing contained in this Agreement shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of Authority and Contractor that any such person or entity, other than Authority or Contractor, receiving services or benefits under this Agreement shall be deemed an incidental beneficiary only.

29. **Non-appropriation.** Authority reserves the right to terminate this Agreement in the event insufficient funds are appropriated or budgeted for this Agreement in any fiscal year. Upon such termination, Authority will be released from any further financial obligation to Contractor, except for services performed prior to the date of termination or any liability due to any default existing at the time this clause is exercised. Contractor will be given 30 days' prior written notice in the event that Authority requires such an action.

30. **Non-collusion Covenant.** Contractor represents and agrees that it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this

Agreement with Authority. Contractor has received from Authority no incentive or special payments, nor considerations, not related to the provision of services under this Agreement.

31. **Nondiscrimination**. Neither Contractor, nor any officer, agent, employee, servant or subcontractor of Contractor shall discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, ancestry, national origin, religion, sex, actual or perceived sexual orientation, marital status, age, pregnancy, medical condition, handicap or other prohibited basis, either directly, indirectly or through contractual or other arrangements.

32. **Non-waiver**. No covenant or condition of this Agreement can be waived except by the written consent of Authority. Forbearance or indulgence by Authority in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by Contractor. Authority shall be entitled to invoke any remedy available to Authority under this Agreement or by law or in equity despite said forbearance or indulgence.

33. **Notices**. Notices to be given by one party to the other under this Agreement shall be given in writing by personal delivery, by certified mail, return receipt requested, or express delivery service at the addresses specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received four (4) days after deposit. A party may change the address to which notice is to be given by giving notice as provided above.

Notice to Contractor:

Naheedy and Zarandy Medical Group, Inc.  
49 Goleta Point Drive  
Corona Del Mar, California 92625  
Attn.: Its President

Notice to Authority:

Kern Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306  
Attn.: Chief Executive Officer

34. **Signature Authority**. Each party represents that they have full power and authority to enter into and perform this Agreement, and the person(s) signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement.

35. **Sole Agreement**. This Agreement, including all attachments hereto, contains the entire agreement between the parties relating to the services, rights, obligations and covenants contained herein and assumed by the parties respectively. No inducements, representations or promises have been made, other than those recited in this Agreement. No oral promise, modification, change or inducement shall be effective or given any force or effect.

36. **Termination**.

36.1 **Termination with Cause**. Either party may terminate this Agreement in the event of a material breach by the other; provided, however, the termination for the breach of this Agreement will not become effective unless and until the party not in default, has given the other party written notice of breach, which notice shall state the general nature of the breach, and the

party allegedly in default will thereafter have a period of 30 days following the giving of said notice in which to remedy the default to the reasonable satisfaction of the other party. If the alleged default is of the kind that cannot be cured within 30 days, then the party allegedly in default will have an additional 30 days in which to remedy the breach as long as such party is acting in good faith and using diligent efforts to remedy such breach throughout the cure period.

36.2 Termination without Cause. Either party may terminate this Agreement, without cause, upon 30 days' prior written notice to the other party.

36.3 Immediate Termination. Notwithstanding the foregoing, Authority shall have the right to terminate this Agreement effective immediately after giving written notice to Contractor, for any of the following reasons: (i) Authority determines that Contractor does not have the proper credentials, experience or skill to perform the required services under this Agreement; (ii) continuation by Contractor in the providing of services may result in civil, criminal, or monetary penalties against Authority or KMC; (iii) the violation of any federal or state law or regulatory rule or regulation or condition of accreditation or certification to which Authority or KMC is subject; (iv) an unauthorized use or disclosure of confidential or proprietary information by Contractor which causes material harm to Authority or KMC; (v) commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty by Contractor against Authority or KMC; (vi) the loss or threatened loss of KMC's ability to participate in any federal or state health care program, including Medicare or Medi-Cal, due to the actions of Contractor; or (vii) the failure of Contractor to cure a default within the time allowed in paragraph 36.1.

37. Effect of Termination.

37.1 Payment Obligations. In the event of termination of this Agreement for any reason, Authority shall have no further obligation to pay for any services rendered or expenses incurred by Contractor after the effective date of the termination, and Contractor shall be entitled to receive compensation for services satisfactorily rendered, calculated on a prorated basis up to the effective date of termination.

37.2 Vacate Premises. Upon expiration or earlier termination of this Agreement, Contractor shall immediately vacate KMC, removing at such time any and all personal property of Contractor. Authority may remove and store, at Contractor's expense, any personal property that Contractor has not so removed.

37.3 No Interference. Following the expiration or earlier termination of this Agreement, Contractor shall not do anything or cause any person to do anything that might interfere with any efforts by Authority to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between Authority and any provider that may replace Contractor.

37.4 No Hearing Rights. Termination of this Agreement by Authority or KMC for any reason shall not provide Contractor or Group Physicians the right to a fair hearing or the other rights more particularly set forth in the KMC medical staff bylaws.

38. **Time of Essence.** Time is hereby expressly declared to be of the essence of this Agreement and of each and every provision hereof, and each such provision is hereby made and declared to be a material, necessary and essential part of this Agreement.

39. **Liability of Authority.** The liabilities or obligations of Authority with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the parties have executed this Agreement as of the day and year first written above.

NAHEEDY AND ZARANDY MEDICAL GROUP, INC.

By MH Naheedy 10, 10, 18  
Mohammad Hussain Naheedy, M.D.  
Its President

KERN COUNTY HOSPITAL AUTHORITY

By \_\_\_\_\_  
Chairman  
Board of Governors

APPROVED AS TO CONTENT:  
KERN MEDICAL CENTER

By \_\_\_\_\_  
Russell V. Judd  
Chief Executive Officer

APPROVED AS TO FORM:  
LEGAL SERVICES DEPARTMENT

By Karen S. James  
V.P. & General Counsel  
Kern County Hospital Authority

Agreement.Naheedy.100918

**EXHIBIT "A"**  
**DESCRIPTION OF SERVICES**  
**Naheedy and Zarandy Medical Group, Inc.**

Contractor through Group Physicians will provide services, as assigned by the Department Chair, as follows:

1. Contractor shall provide radiology services on-site at KMC and in accordance with generally accepted professional standards. Contractor will provide professional services for all patients who present to KMC for treatment.
2. Contractor shall perform such administrative and teaching duties and responsibilities, as mutually agreed upon between Contractor and the Department chair.
3. Contractor shall provide shift coverage Monday through Friday from either 8:00 a.m. to 5:00 p.m. or 9:00 a.m. to 6:00 p.m., as assigned by the Department chair.
4. Contractor shall provide shift coverage on Saturday and Sunday from 8:00 a.m. until at least 5:00 p.m. or the work is completed, as assigned by the Department chair.
5. Contractor shall provide call coverage weekday nights from 6:00 p.m. to 8:00 a.m. and Saturday and Sunday, as assigned by the Department chair. Contractor agrees to carry a pager when on call and respond to KMC within 30 minutes of being called. Contractor will cover one weekend in three. Contractor will cover one in three holidays and no fewer than four per year.
6. Contractor shall provide coverage an average of 15 shifts per months.
7. Contractor shall actively participate in assigned hospital and Department committees.
8. Contractor shall hold Group Physicians accountable for timely completion of medical records and work to improve the quality, accuracy, and completeness of their documentation.

[Intentionally left blank]

**EXHIBIT "B"**

**IRS FORM W-9**



## **EXHIBIT "C"** **INSURANCE**

With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain insurance as described below unless such insurance has been expressly waived in writing by Authority. Any requirement for insurance to be maintained after completion of the work shall survive the termination or expiration of this Agreement.

Authority reserves the right to review any and all of the required insurance policies and/or endorsements, but has no obligation to do so. Failure to demand evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Contractor from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

### 1. Workers' Compensation and Employers Liability Insurance:

- (a) Required if Contractor has employees. If Contractor currently has no employees, Contractor's written confirmation of such will be required before execution of this Agreement. If Contractor engages any employees during the term of this Agreement or any extensions thereof, Contractor agrees to obtain the specified Workers' Compensation and Employers Liability insurance.
- (b) Workers' Compensation insurance with statutory limits as required by the California Labor Code.
- (c) Employers Liability with limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
- (d) Waiver of Subrogation: The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of Authority for all work performed by Contractor, its employees, agents and subcontractors.
- (e) Required Evidence of Insurance: Certificate of Insurance.

### 2. General Liability Insurance:

- (a) Commercial General Liability Insurance on a standard occurrence form, no less broad than Insurance Services Office (ISO) form CG 00 01.
- (b) Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The required limits may be provided by a combination of General Liability Insurance and Commercial Umbrella Liability Insurance. If Contractor maintains higher limits than the specified minimum limits, Authority requires and shall be entitled to coverage for the higher limits maintained by Contractor.
- (c) If Contractor has no Owned automobiles, the General Liability policy shall include Non-Owned and Hired Automobile Liability in the amount of \$1,000,000 combined single limit per accident.



- (d) Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000 it must be approved in advance by Authority. Contractor is responsible for any deductible or self-insured retention and shall fund it upon Authority's written request, regardless of whether Contractor has a claim against the insurance or is named as a party in any action involving Authority.
- (e) Authority shall be named as an additional insured for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement. See section 5 below for full Additional Insured wording.
- (f) The insurance provided to Authority as an additional insured shall be primary to and non-contributory with any insurance or self-insurance program maintained by Authority.
- (g) The policy definition of "insured contract" shall include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (broad form contractual liability coverage including the "f" definition of insured contract in ISO form CG 00 01, or equivalent).
- (h) The policy shall cover inter-insured suits between Authority and Contractor and include a "separation of insureds" or "severability" clause which treats each insured separately.
- (i) Required Evidence of Insurance: (i) Copy of the additional insured endorsement or policy language granting additional insured status; and (ii) Certificate of Insurance.

3. Automobile Liability Insurance:

- (a) Minimum Limits: \$1,000,000 combined single limit per accident for bodily injury and property damage.
- (b) Insurance shall apply to all Owned autos. If Contractor currently owns no autos, Contractor agrees to obtain such insurance should any autos be acquired during the term of this Agreement or any extensions thereof.
- (c) Insurance shall include coverage for Non-Owned and Hired autos. (See requirements in section 1(c) above if there is no separate Automobile Liability coverage.)
- (d) Authority shall be named as an additional insured for liability arising out of operations by or on behalf of Contractor in the performance of this Agreement. See section 5 for full Additional Insured wording.
- (e) Required Evidence of Insurance: Certificate of Insurance.

4. Standards for Insurance Companies: Insurers shall have an A.M. Best's rating of at least A;VII.

5. Additional Insured Wording: "**Kern County Hospital Authority, its officers, officials, employees and volunteers**" are to be named as Additional Insureds as per each section where noted above.

6. Claims Made Policies: If any of the required policies provide coverage on a claims-made basis:

- (a) The Retroactive Date must be shown and must be before the Effective Date of the Agreement or the beginning of contract work.
- (b) Insurance must be maintained and evidence of insurance must be provided *for at least five (5) years after completion of the contract work.*
- (c) If coverage is canceled or non-renewed, and *not replaced with another claims-made policy form with a Retroactive Date* prior to the contract effective date, Contractor must purchase “extended reporting” coverage for a minimum of *five (5) years* after completion of the contract work.

7. Documentation:

- (a) The Certificate of Insurance must include the following reference: “**Agreement for Professional Services.**”
- (b) All required Evidence of Insurance shall be submitted prior to the execution of this Agreement. Contractor agrees to maintain current Evidence of Insurance on file with Authority for the entire term of this Agreement and any additional periods if specified in sections 1, 2 or 3 above.
- (c) The name and address for the Certificates of Insurance and Additional Insured endorsements is: Kern County Hospital Authority, c/o Kern Medical Center, 1700 Mount Vernon Avenue, Bakersfield, California 93306.
- (d) Required Evidence of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least 10 days before expiration or other termination of the existing policy.
- (e) Contractor shall provide immediate written notice if: (i) any of the required insurance policies is terminated; (ii) the limits of any of the required policies are reduced; or (iii) the deductible or self-insured retention is increased.
- (f) Upon written request, certified copies of required insurance policies must be provided to Authority within 30 days.

8. Policy Obligations: Contractor’s indemnity and other obligations shall not be limited by the foregoing insurance requirements.

9. Material Breach: If Contractor fails to maintain the insurance required by this Agreement, it shall be deemed a material breach of this Agreement. Authority, at its sole option, may terminate this Agreement and obtain damages from Contractor resulting from said breach. Alternatively, Authority may purchase the required insurance, and without further notice to Contractor, Authority may deduct from sums due to Contractor any premium costs advanced by Authority for such insurance. These remedies shall be in addition to any other remedies available to Authority.

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

October 17, 2018

**SUBJECT:** Establish Regular Meeting Dates of the Kern County Hospital Authority Board of Governors for Calendar Year 2019

**Recommended Action:** Approve; Adopt Resolution

**Summary:**

The conduct of your Board is subject to the provisions of the Brown Act (Gov. Code, § 54950 et seq.). The Brown Act requires that your Board shall provide, by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the time and place for holding regular meetings.

Therefore, it is recommended that your Board establish its schedule of regular meetings for calendar year 2019 in compliance with the Brown Act by adopting the attached Resolution.

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

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In the matter of:

Resolution No. \_\_\_\_\_

**ESTABLISHING THE REGULAR  
MEETING DATES OF THE KERN  
COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS FOR  
CALENDAR YEAR 2019**

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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 17th day of October, 2018, 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

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Mona A. Allen

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**RESOLUTION**

Section 1. WHEREAS:

(a) The Brown Act (Gov. Code, § 54954, subd. (a)) requires that the legislative body of a local agency shall provide, by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the time and place for holding regular meetings; and

(b) Section 2.170.060 of the Ordinance Code of the County of Kern (“Ordinance”) provides for a governing body, which shall be known as the Kern County Hospital Authority Board of Governors (“Board of Governors”); and

(c) Section 2.170.030 of the Ordinance provides that the Brown Act shall apply to the Kern County Hospital Authority; and

(d) The Board of Governors desires to establish its schedule of regular meetings for calendar year 2019 in compliance with the Brown Act.

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. Except as provided in paragraph 4 of this Resolution, the calendar year 2019 regular meetings of the Board of Governors shall be held as follows:

Wednesday, January 16, 2019	Regular Meeting
Wednesday, February 20, 2019	Regular Meeting
Wednesday, March 20, 2019	Regular Meeting
Wednesday, April 17, 2019	Regular Meeting
Wednesday, May 15, 2019	Regular Meeting
Wednesday, June 19, 2019	Regular Meeting
Wednesday, July 17, 2019	Regular Meeting
Wednesday, August 21, 2019	Regular Meeting
Wednesday, September 18, 2019	Regular Meeting
Wednesday, October 16, 2019	Regular Meeting
Wednesday, November 13, 2019	Regular Meeting
Wednesday, December 11, 2019	Regular Meeting

3. All meetings shall be held at Kern Medical Center, which is located at 1700 Mount Vernon Avenue, Bakersfield, California 93306. All meetings shall commence at the hour of 11:30 a.m., unless a different time is posted by the Authority Board Coordinator. Meetings so commenced may be continued from time to time until the disposition of all business before the Board of Governors.

4. Regular meetings shall be canceled or rescheduled whenever the Board of Governors unanimously finds good cause otherwise exists for cancellation, rescheduling, or scheduling of a regular meeting.

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

Members, Board of Governors  
Kern Medical Center  
Legal Services Department  
County Administrative Office  
Clerk of the Board of Supervisors

# 2019



Kern County Hospital Authority  
Board of Governors'  
Meeting Calendar  
11:30am – 1:30pm

## JANUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

## FEBRUARY

S	M	T	W	T	F	S
					1	2
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17	18	19	20	21	22	23
24	25	26	27	28		

## MARCH

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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

## APRIL

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14	15	16	17	18	19	20
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28	29	30				

## MAY

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26	27	28	29	30	31	

## JUNE

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23	24	25	26	27	28	29
30						

## JULY

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28	29	30	31			

## AUGUST

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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

## SEPTEMBER

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8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

## OCTOBER

S	M	T	W	T	F	S
		1	2	3	4	5
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20	21	22	23	24	25	26
27	28	29	30	31		

## NOVEMBER

S	M	T	W	T	F	S
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17	18	19	20	21	22	23
24	25	26	27	28	29	30

## DECEMBER

S	M	T	W	T	F	S
1	2	3	4	5	6	7
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

KERN MEDICAL

1700 Mt. Vernon Ave., Bakersfield, CA 93306 | KernMedical.com



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

October 17, 2018

**Subject:** Update on Graduate Medical Education at Kern Medical, specifically focused on recruitment of candidates into post-graduate year-one (PGY-1) residency positions in the four sponsored programs and advanced fellowship positions in the Psychiatry program.

**Recommended Action:** Receive and file

### **Summary:**

Kern Medical represents the academic medical teaching center for Kern County. Each year, the institution and its four ACGME-accredited sponsored programs in Emergency Medicine, Internal Medicine, Obstetrics and Gynecology, and Psychiatry, participate in the National Resident Matching Program (NRMP). The NRMP match is the culmination of 8 months of work during which each program is required to screen and review hundreds of applications, interview multiple applicants and recruit the best candidates into each residency's first year post-graduate training positions. In addition, the Psychiatry programs recruits PGY-4 fellowship positions into its two ACGME-accredited fellowship programs.

The Designated Institutional Official will present the most up-to-date statistics for each program as Kern Medical begins the interview season.





**Kern County Hospital Authority  
Board of Governors**  
Graduate Medical Education Update

October 17, 2018

# The Match Process

Upon completion of medical school, graduates enter into residency programs designed to provide in-depth training under direct supervision within a specific branch of medicine.

Applications to residency programs traditionally open in September of each academic year with interview season lasting approximately 3-4 months.

# The Match Process

Programs and applicants then are ranked individually and enter into the National Resident Matching Program with results published in mid-March of each academic year.

In the 2018 Main Residency Match, 37,103 applicants applied for 33,167 total positions, with the majority matching in primary care specialties.



# Emergency Medicine

Number of PGY-1 slots available: 7

Number of applications received by the program: 574

Number of candidates that will be interviewed: 70

# Internal Medicine

Number of PGY-1 slots available: 10 (1 matched from previous year, but delayed due to pregnancy)

Number of applications received by the program: 870

Number of candidates that will be interviewed: 125

# Obstetrics and Gynecology

Number of PGY-1 slots available: 4  
(expanded this year from 3 positions)

Number of applications received by the program: 314

Number of candidates that will be interviewed: 60

# Psychiatry

Number of PGY-1 slots available: 5

Number of applications received by the program: 488

Number of candidates that will be interviewed: 60

This program also offers fellowships in **Child and Adolescent Psychiatry** (3 positions, 19 applications received) and **Addiction Psychiatry** (1 position, 2 applications received)



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

October 17, 2018

**Subject:** Comments Regarding Budget Variances for Operating Expenses – August 2018

**Recommended Action:** Receive and File

**Summary:**

The following items have budget variances for the month of August 2018:

**Indigent Funding:**

Indigent funding revenue has a favorable budget variance for the month 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 decision was also made in an effort to properly match revenue with the period that it is earned.

**Registry Nurses:**

Registry nurses expense has an unfavorable budget variance for the month of August. Kern Medical continues to rely on contracted nurse staffing to supplement the nursing departments while aggressively trying to recruit full time employed nurses.

**Medical Fees:**

Medical fees have an unfavorable budget variance for the month of August primarily because of increased Locum Tenens fees for trauma coverage. There were also \$124k of year-to-date invoices received from Jackson & Coker staffing in August. This new staffing service is providing behavioral health physicians. Kern Medical will be reimbursed for the cost of these services by the Kern County Behavioral Health Department.

**Supplies Expense:**

Supplies expense has an unfavorable budget variance for the month of August due in part to an increase in surgery expenses. On average, Kern Medical performs one shoulder arthroplasty procedure per month. Four shoulder arthroplasties were performed in August at an average cost of \$10k per case. On average, Kern Medical performs one knee revision procedure. Three knee revision procedures were performed in August at an average cost of \$25k per case. Moreover, Kern Medical performed an additional 30 orthopedic procedures in August compared to the previous month. Other operating room expenses for August include two spinal cord stimulator procedures at a cost of \$33k per case. There were also year-to-date invoices received from Mobile Med in August for Green Light Laser expenses. Green Light Laser is used primarily for gynecological procedures. The surgery department also replenished its inventory with a \$10k purchase of supplies from Integra needed to perform ventriculoperitoneal (VP) shunt neurological procedures. In addition, there were \$124k of prior month invoices dating back to June 2018 received from Synthes in August that were not accrued for in prior months.

Owned and Operated by the Kern County Hospital Authority  
A Designated Public Hospital

1700 Mount Vernon Avenue | Bakersfield, CA 93306 | (661) 326-2000 | KernMedical.com



Pharmaceutical expenses were also unfavorable compared to budget for the month. This was due in part to the set up of an additional pharmacy location at the new Justice Facility Clinic located at the Lerdo jail. Inventory for this new pharmacy was stocked. These correctional medicine pharmaceutical expenses are reimbursed by the County of Kern.

**Purchased Services:**

Purchased services have an unfavorable budget variance for the month due in part to a \$150k final invoice received from Dr. Ravi Patel to close out Kern Medical's medical office building rental agreement. Additional contract coding resources of \$100k were also paid to Signature Performance in August. There were \$60k in fees paid to Experian Revenue Cycle Management Services for determining patient eligibility. Security expenses were \$50k over budget for the month. There were also \$50k of services related to the new Justice Facility that are reimbursed by the County of Kern. A \$45k under accrual for Hall Ambulance fees in the prior month also contributed to the variance.

**Other Expenses:**

Other expenses are over budget for the month of August due in part higher than average utilities expenses due to clinic expansion and temperature extremes in the month of August. Repairs and maintenance were also about \$55k over budget for the month mainly due to higher than average fees paid to Ecoprint and to Hillcrest Sheet Metal. Printer repairs and maintenance services are provided by Ecoprint for all departments of the hospital and clinics. Hillcrest Sheet Metal provided miscellaneous repairs and maintenance for the hospital in August including the cleaning and servicing of charcoal water filters.

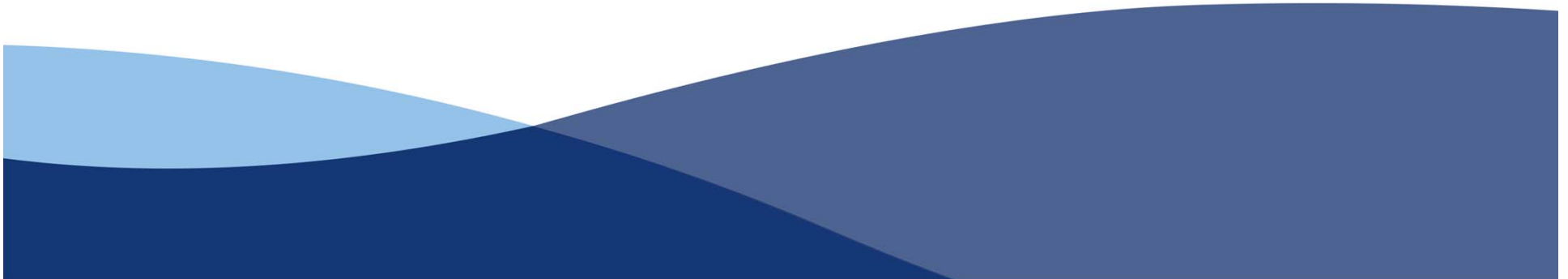
**Interest Expense:**

Interest expense was budgeted low for FY 2019 based on amortization schedules for the pension obligation bonds that do not accurately report the expense actually charged to Kern Medical. A decision was made to accrue additional interest expense each month of FY 2019. This will more properly match interest expense to the period actually incurred and avoid the need for a large true-up adjustment for interest expense at year-end.



**BOARD OF GOVERNORS' FINANCIAL REPORT  
KERN MEDICAL – AUGUST 2018**

OCTOBER 2018



3-Month Trend Analysis: Revenue & Expense							
August 31, 2018							
	FY 2018	FY 2019	FY 2019	BUDGET	VARIANCE	PY	
	JUNE	JULY	AUGUST	AUGUST	POS (NEG)	AUGUST	
<b>Gross Patient Revenue</b>	\$ 74,141,642	\$ 72,729,545	\$ 77,239,940	\$ 75,402,542	2%	\$ 75,404,394	
Contractual Deductions	(56,803,914)	(54,840,833)	(60,303,946)	(55,617,574)	8.4%	(57,664,945)	
<b>Net Revenue</b>	17,337,727	17,888,712	16,935,994	19,784,969	(14%)	17,739,448	
Indigent Funding	12,879,197	12,352,738	13,346,154	9,577,936	39%	8,967,443	
Correctional Medicine	2,157,165	2,419,175	2,419,175	2,419,175	0%	1,976,127	
County Contribution	285,211	285,211	285,211	285,602	(0%)	285,211	
Incentive Funding	0	250,000	250,000	250,000	0%	0	
<b>Net Patient Revenue</b>	32,659,300	33,195,835	33,236,534	32,317,682	3%	28,968,230	
Other Operating Revenue	2,042,686	788,732	1,253,287	1,113,512	13%	1,135,914	
Other Non-Operating Revenue	239,995	(63,904)	84,926	44,503	91%	448	
<b>Total Operating Revenue</b>	34,941,982	33,920,662	34,574,746	33,475,697	3%	30,104,592	
<b>Expenses</b>							
Salaries	12,862,779	13,443,390	12,711,484	13,515,319	(6%)	12,214,853	
Employee Benefits	7,665,746	6,351,230	5,636,929	6,953,901	(19%)	3,391,634	
Contract Labor	1,430,534	1,366,193	1,683,710	1,096,109	54%	1,134,330	
Medical Fees	1,968,988	1,850,994	2,242,962	1,607,054	40%	881,424	
Other Professional Fees	1,695,930	1,601,271	1,703,163	1,614,896	5%	1,561,068	
Supplies	4,052,141	4,832,743	5,638,675	4,571,742	23.3%	4,436,821	
Purchased Services	2,662,683	1,985,308	2,368,161	1,924,555	23%	1,941,665	
Other Expenses	1,411,990	1,584,097	1,629,376	1,394,433	17%	1,578,205	
Operating Expenses	33,750,792	33,015,226	33,614,460	32,678,011	3%	27,140,000	
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	1,191,190	905,437	960,287	797,686	20%	2,964,592	
EBIDA Margin	3%	3%	3%	2%	17%	10%	
Interest	2,731,430	159,456	199,649	50,504	295%	22,046	
Depreciation	507,587	514,982	496,011	513,144	(3%)	513,144	
Amortization	50,511	50,511	61,251	41,352	48%	23,488	
Total Expenses	37,040,319	33,740,175	34,371,371	33,283,011	3%	27,698,678	
<b>Operating Gain (Loss)</b>	(2,098,337)	180,487	203,376	192,686	6%	2,405,914	
<b>Operating Margin</b>	-6.0%	0.5%	0.6%	0.58%	2%	8.0%	

Year-to-Date: Revenue & Expense						
August 31, 2018						
	ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE	
	FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)	
<b>Gross Patient Revenue</b>	\$ 149,969,485	149,078,456	1%	\$ 148,525,725	1%	
Contractual Deductions	(115,144,779)	(111,035,794)	3.7%	(111,515,241)	3%	
<b>Net Revenue</b>	34,824,706	38,042,661	-8%	37,010,483		
Indigent Funding	25,698,892	19,155,873	34%	17,934,886	43%	
Correctional Medicine	4,838,349	4,838,349	0%	3,952,254	22%	
County Contribution	570,422	571,205	-0.1%	570,422	0.0%	
Incentive Funding	500,000	500,000	0%	0	0%	
<b>Net Patient Revenue</b>	66,432,369	63,108,088	5%	59,468,046	12%	
Other Operating Revenue	2,042,019	2,227,024	-8%	2,227,057	(8%)	
Other Non-Operating Revenue	21,021	89,006	-76%	47,224	(55%)	
<b>Total Operating Revenue</b>	68,495,409	65,424,118	5%	61,742,326	11%	
<b>Expenses</b>						
Salaries	26,154,875	27,064,005	-3%	24,868,568	5%	
Employee Benefits	11,988,159	12,595,001	-5%	10,119,233	18%	
Contract Labor	3,049,903	2,199,904	39%	2,286,678	33%	
Medical Fees	4,093,956	3,175,686	29%	2,337,122	75%	
Other Professional Fees	3,304,434	3,242,856	2%	3,320,195	(0%)	
Supplies	10,471,418	9,098,304	15%	8,358,841	25%	
Purchased Services	4,353,468	3,849,110	13%	3,808,956	14%	
Other Expenses	3,213,473	2,788,825	15%	2,992,967	7%	
Operating Expenses	66,629,685	64,013,691	4%	58,092,560	15%	
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	1,865,724	1,410,427	32%	3,649,767	(49%)	
EBIDA Margin	3%	2%	26%	6%	-54%	
Interest	359,106	101,008	256%	44,286	711%	
Depreciation	1,010,993	1,026,419	-1.5%	1,026,419	(2%)	
Amortization	111,762	82,704	35%	46,976	138%	
Total Expenses	68,111,546	65,223,822	4%	59,210,241	15%	
<b>Operating Gain (Loss)</b>	383,863	200,296	92%	2,532,086	(85%)	
<b>Operating Margin</b>	1%	0.31%	83%	4%	(86%)	

### 3-Month Trend Analysis: Cash Indicators

August 31, 2018

		FY 2018	FY 2019	FY 2019	GOALS	PY
		JUNE	JULY	AUGUST	AUGUST	AUGUST
<b>Cash</b>						
	Total Cash	74,824,823	51,598,601	50,944,441	58,639,665	16,869,967
	Days Cash On Hand	67	47	45	54	19
	Days In A/R - Gross	71.54	69.68	71.78	70.00	85.41
	Patient Cash Collections	\$ 15,961,517	\$ 18,965,404	\$ 18,081,243	\$ 17,809,486	\$ 22,195,511
<b>Indigent Funding Liabilites Due to the State</b>						
	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)
	Managed Care SPD IGT (Kern Medical Responsibility)	\$ (1,907,399)	\$ (1,907,399)	\$ (1,907,399)	N/A	\$ 68,546
	FY 2014 DSH Payable (Kern Medical Responsibility)	\$ (26,851,210)	\$ (26,851,210)	\$ (26,851,210)	N/A	\$ (24,746,355)
	Total Kern Medical Responsibility	\$ (42,801,762)	\$ (42,801,762)	\$ (42,801,762)		\$ (38,720,962)
	Total Indigent Funding Liabilites Due to the State	\$ (62,594,464)	\$ (62,594,464)	\$ (62,594,464)	N/A	\$ (58,513,664)

### 3-Month Trend Analysis: Operating Metrics

August 31, 2018

	FY 2018	FY 2019	FY 2019	BUDGET	VARIANCE	PY
	JUNE	JULY	AUGUST	AUGUST	POS (NEG)	AUGUST
<b>Operating Metrics</b>						
Total Expense per Adjusted Admission	23,758	20,933	19,624	21,329	(8%)	17,673
Total Expense per Adjusted Patient Day	4,722	4,104	4,300	4,244	1%	3,383
Supply Expense per Adjusted Admission	2,599	2,998	3,219	2,930	10%	2,831
Supply Expense per Surgery	2,565	1,876	2,464	1,395	77%	1,329
Supplies as % of Net Patient Revenue	12%	15%	17%	14%	20%	15%
Pharmaceutical Cost per Adjusted Admission	1,307	1,352	1,318	1,295	2%	1,218
Net Revenue Per Adjusted Admission	\$ 11,121	\$ 11,099	\$ 9,670	\$ 12,679	-24%	\$ 11,318



## Year-to-Date: Operating Metrics

August 31, 2018

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
<b>Operating Metrics</b>						
	Total Expense per Adjusted Admission	20,248	20,619	-2%	19,450	4%
	Total Expense per Adjusted Patient Day	4,204	4,103	2%	3,764	12%
	Supply Expense per Adjusted Admission	3,113	2,876	8%	2,746	13%
	Supply Expense per Surgery	2,175	1,413	54%	1,424	53%
	Supplies as % of Net Patient Revenue	16%	14%	9%	14%	12.1%
	Pharmaceutical Cost per Adjusted Admission	1,334	1,280.22	4%	1,219	9%
	Net Revenue Per Adjusted Admission	\$ 10,352	12,026	-14%	\$ 12,158	(15%)

## INDIGENT PATIENT CARE FUNDING - MTD &amp; YTD

FOR THE MONTH AUGUST 31, 2018

MTD ACTUAL	MTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %	DESCRIPTION	YTD ACTUAL	YTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %
968,165	316,667	651,498	206%	MEDI-CAL HOSPITAL QUALITY ASSURANCE FEE	1,268,998	633,333	635,665	100%
2,701,677	1,250,311	1,451,365	116%	MEDI-CAL RATE-RANGE REVENUE	5,077,269	2,500,623	2,576,646	103%
150,417	158,333	(7,917)	-5%	PHYSICIAN SPA REVENUE	300,833	316,667	(15,833)	-5%
278,271	292,917	(14,646)	-5%	AB 915 OUTPATIENT SUPPLEMENTAL PROGRAM	556,542	585,833	(29,292)	-5%
2,259,417	2,259,417	0	0.0%	PRIME - NEW WAIVER	4,518,833	4,518,833	0	0.0%
2,369,458	2,369,458	0	0.0%	GPP - NEW WAIVER	4,738,917	4,738,917	0	0.0%
1,242,917	1,242,917	0	0.0%	WHOLE PERSON CARE	2,485,833	2,485,833	0	0.0%
2,129,167	1,064,583	1,064,583	100%	EPP REVENUE	4,258,333	2,129,167	2,129,167	100%
1,246,667	623,333	623,333	100%	QIP REVENUE	2,493,333	1,246,667	1,246,667	100%
13,346,154	9,577,936	3,768,218	39%	SUB-TOTAL - GOVERNMENTAL REVENUE	25,698,892	19,155,873	6,543,019	34%
2,419,175	2,419,175	0	0.0%	CORRECTIONAL MEDICINE	4,838,349	4,838,349	0	0.0%
285,211	285,602	(391)	-0.1%	COUNTY CONTRIBUTION	570,422	571,205	(783)	-0.1%
16,050,540	12,282,713	3,767,826	31%	TOTAL INDIGENT CARE & COUNTY FUNDING	31,107,663	24,565,427	6,542,236	27%



**OTHER REVENUE**

FOR THE MONTH AUGUST 31, 2018

## 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 EDUC TUITION	273,107	282,810	(9,703)	546,213	565,620	(19,407)
STAFF DEVELOPMENT EDUCATION FEES	1,115	1,191	(76)	1,115	2,382	(1,267)
TRAUMA EDUCATION REGISTRATION FEES	0	45	(45)	0	89	(89)
CAFETERIA REVENUE	88,867	81,321	7,546	168,601	162,642	5,959
FINANCE CHARGES-PATIENT A/R	5,982	19,907	(13,926)	29,596	39,815	(10,219)
REBATES AND REFUNDS	17,390	83,853	(66,463)	21,959	167,705	(145,746)
DRUG CO. CASH BACK	1,123	1,388	(266)	1,123	2,776	(1,654)
PHOTOCOPY FEES	2,085	1,944	141	3,945	3,888	57
JURY WITNESS FEES	0	58	(58)	0	116	(116)
MEDICAL RECORDS FEES	3,300	4,543	(1,243)	5,670	9,087	(3,417)
PHYSICIAN PRO FEE-ER LOCKBOX	5,550	2,658	2,893	11,759	5,316	6,444
OTHER REVENUE	420	38,316	(37,896)	2,432	76,631	(74,200)
LASER CENTER REVENUE	18,369	50,959	(32,590)	41,604	101,918	(60,314)
CANCELLED OUTLAWED WARRANTS	0	5,508	(5,508)	(15,112)	11,015	(26,128)
GRANTS - KHS	52,207	219,493	(167,286)	106,321	438,985	(332,664)
MADDY FUNDS-EMERG MEDICAL SVCS	108,977	34,472	74,506	108,977	68,943	40,034
VETERANS ADMIN REVENUE	2,680	3,061	(382)	5,360	6,123	(763)
JAMISON CENTER MOU	19,694	23,162	(3,468)	39,389	46,325	(6,936)
BEHAVIORAL HEALTH MOU	275,071	223,904	51,168	553,542	447,807	105,735
PATERNITY DECLARATION REVENUE	1,010	1,082	(72)	3,840	2,163	1,677
PEDIATRIC FORENSIC EXAMS	0	8,281	(8,281)	0	16,562	(16,562)
FOUNDATION CONTRIBUTIONS	1,644	3,535	(1,890)	8,299	7,069	1,230
DONATED EQUIPMENT	0	9,095	(9,095)	0	18,191	(18,191)
PAY FOR PERFORMANCE	99,866	10,859	89,007	99,991	21,718	78,273
PROPOSITION 56 DIRECTED PAYMENTS	273,235	0	273,235	273,235	0	273,235
WORKERS COMPENSATION REFUNDS	0	14	(14)	0	28	(28)
<b>TOTAL OTHER OPERATING REVENUE</b>	<b>1,253,287</b>	<b>1,113,512</b>	<b>139,775</b>	<b>2,042,019</b>	<b>2,227,024</b>	<b>(185,006)</b>
OTHER NON-OPERATING REVENUE						
OTHER MISCELLANEOUS REVENUE	788	228	560	1,576	455	1,121
INTEREST ON FUND BALANCE	84,138	44,275	39,862	19,445	88,550	(69,105)
<b>TOTAL OTHER NON-OPER REVENUE</b>	<b>84,926</b>	<b>44,503</b>	<b>40,423</b>	<b>21,021</b>	<b>89,006</b>	<b>(67,985)</b>

<b>KERN MEDICAL BALANCE SHEET</b>		
	August 2018	August 2017
<b>CURRENT ASSETS:</b>		
CASH	\$50,944,441	\$16,869,967
CURRENT ACCOUNTS RECEIVABLE (incl. CLINIC CHARGES RECEIVABLE)	174,852,448	205,599,108
ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES - CURRENT	(133,980,930)	(166,546,703)
- NET OF CONT ALLOWANCES	40,871,518	39,052,406
CORRECTIONAL MEDICINE RECEIVABLE	6,456,223	2,063,651
MD SPA	5,477,673	3,468,137
HOSPITAL FEE RECEIVABLE	(1,711,844)	3,610,002
CPE - O/P DSH RECEIVABLE	5,230,447	5,029,447
BEHAVIORAL HEALTH MOU	553,542	746,734
MANAGED CARE IGT (RATE RANGE)	9,331,345	27,128,655
RECEIVABLE FROM LIHP	(6,547,536)	(6,547,536)
OTHER RECEIVABLES	2,103,553	992,173
PRIME RECEIVABLE	13,573,862	19,224,196
AB85/75% DEFAULT PCP RECEIVABLE	(9,146,436)	8,144,257
GPP (Global Payment Program)	2,257,882	10,532,177
WPC (Whole Person Care)	8,148,744	2,672,748
EPP (Enhanced Payment Program)	4,258,333	0
QIP (Quality Incentive Program)	2,493,333	0
INTEREST ON FUND BALANCE RECEIVABLE	121,140	53,548
MANAGED CARE IGT (SPD)	(1,907,399)	68,546
OTHER NON PATIENT RECEIVABLE	0	1,635,768
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	3,735,525	4,210,987
PREPAID MORRISON DEPOSIT	813,320	799,706
INVENTORY AT COST	5,387,266	4,207,516
<b>TOTAL CURRENT ASSETS</b>	<b>109,868,081</b>	<b>111,386,233</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT:</b>		
LAND	517,961	170,395
EQUIPMENT	51,346,834	47,568,947
BUILDINGS	84,915,514	82,462,622
CONSTRUCTION IN PROGRESS	17,693,633	6,319,129
LESS: ACCUMULATED DEPRECIATION	(90,292,257)	(84,638,358)
<b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>64,181,686</b>	<b>51,882,736</b>
<b>NET INTANGIBLE ASSETS</b>		
INTANGIBLE ASSETS	14,785,857	12,302,618
ACCUMULATED AMORTIZATION INTANGIBLES	(11,118,998)	(10,597,345)
<b>NET INTANGIBLE ASSETS</b>	<b>3,666,859</b>	<b>1,705,273</b>
<b>LONG-TERM ASSETS:</b>		
LONG-TERM PATIENT ACCOUNTS RECEIVABLE		
DEFERRED OUTFLOWS - PENSIONS	71,752,645	49,355,076
INVESTMENT IN SURGERY CENTER	1,266,078	0
CASH HELD BY COP IV TRUSTEE	922,330	912,973
<b>TOTAL LONG-TERM ASSETS</b>	<b>73,941,053</b>	<b>50,268,049</b>
<b>TOTAL ASSETS</b>	<b>\$251,657,679</b>	<b>\$215,242,291</b>

<b>KERN MEDICAL BALANCE SHEET</b>		
	August 2018	August 2017
<b>CURRENT LIABILITIES:</b>		
ACCOUNTS PAYABLE	\$19,078,507	\$16,624,204
ACCRUED SALARIES & EMPLOYEE BENEFITS	22,783,470	12,824,825
INTEREST PAYABLE	4,321,519	456,342
OTHER ACCRUALS	2,867,134	2,906,649
ACCRUED CWCAP LIABILITY	0	52,799
CURRENT PORTION - CAPITALIZED LEASES	3,079,917	337,560
CURR LIAB - COP 2011 PAYABLE	1,085,718	1,032,670
CURR LIAB - P.O.B.	2,405,640	2,564,115
MEDICARE COST REPORT LIAB PAYABLE	3,094,510	3,794,129
MEDI-CAL COST REPORT LIABILITY	1,070,179	1,430,435
INDIGENT FUNDING PAYABLE	13,696,069	13,444,852
DSH PAYABLE FY14	26,851,210	24,746,355
CREDIT BALANCES PAYABLES	3,316,068	2,809,847
DEFERRED REVENUE - COUNTY CONTRIBUTION	2,100,667	4,066,472
TOTAL CURRENT LIABILITIES	105,750,608	87,091,254
<b>LONG-TERM LIABILITIES:</b>		
LONG-TERM LIABILITY-COP 2011	1,131,693	2,217,410
NET UNAMORTIZED DISCOUNT COP	39,985	59,978
LONG-TERM LIABILITY - CAPITAL LEASES	6,267,636	1,387,154
NET OPEB (OTHER POST EMPLOYMENT BENEFITS)	4,201,203	5,354,890
NET PENSION LIABILITY	329,935,445	345,262,534
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	3,917,722
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	4,581,847	3,119,059
ACCRUED WORKERS' COMPENSATION PAYABLE	6,773,000	0
DEFERRED INFLOWS - PENSIONS	22,238,926	15,299,688
PENSION OBLIGATION BOND PAYABLE	2,643,205	3,678,145
ACCRUED COMPENSATED ABSENCES	3,830,085	14,640,131
TOTAL LONG-TERM LIABILITIES	417,797,829	431,747,377
<b>NET POSITION</b>		
RETAINED EARNINGS - CURRENT YEAR	39,814,215	2,544,678
RETAINED EARNINGS - PRIOR YEAR	(311,704,974)	(306,141,019)
TOTAL NET POSITION	(271,890,759)	(303,596,341)
TOTAL LIABILITIES & NET POSITION	\$251,657,679	\$215,242,291



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

October 17, 2018

**Subject:** Kern County Hospital Authority, Chief Executive Officer Report

**Recommended Action:** Receive and File

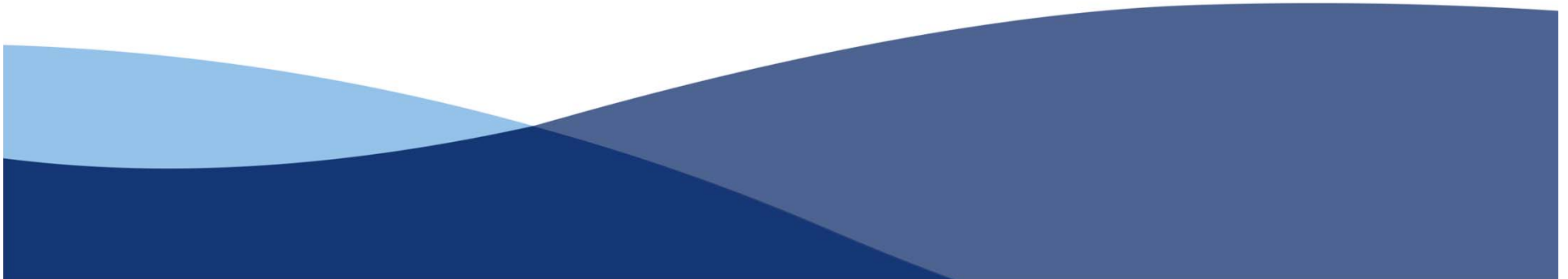
**Summary:**

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 – AUGUST 2018**

OCTOBER 2018



### 3-Month Trend Analysis: Volume and Strategic Indicators

August 31, 2018

		FY 2018	FY 2019	FY 2019	BUDGET	VARIANCE	PY
		JUNE	JULY	AUGUST	AUGUST	POS (NEG)	AUGUST
<b>VOLUME</b>							
	Adjusted Admissions (AA)	1,559	1,612	1,751	1,560	12%	1,567
	Adjusted Patient Days	7,844	8,221	7,993	7,843	2%	8,187
	Admissions	767	798	898	842	7%	814
	Average Daily Census	129	131	132	136	(3%)	137
	Patient Days	3,859	4,070	4,098	4,231	(3%)	4,252
	Available Occupancy %	60.1%	61.4%	61.8%	63.8%	(3%)	64.1%
	Average LOS	5.0	5.1	4.6	5.0	(9%)	5.2
	<b>Surgeries</b>						
	Inpatient Surgeries (Main Campus)	219	236	238	244	(2%)	244
	Outpatient Surgeries (Main Campus)	246	238	251	277	(9%)	277
	Total Surgeries	465	474	489	521	(6%)	521
	Births	189	232	260	217	19.9%	202
	<b>ER Visits</b>						
	Admissions	396	395	446	439	2%	429
	Treated & Released	3,672	3,748	3,898	4,182	(7%)	3,750
	Total ER Visits	4,068	4,143	4,344	4,621	(6%)	4,179
	Trauma Activations	215	258	233	243	(4%)	265
	<b>Outpatient Clinic Visits</b>						
	Total Clinic Visits	12,294	12,007	13,773	12,803	8%	12,278
	Total Unique Patient Clinic Visits	9,083	9,081	10,080	9,822	3%	9,419
	New Unique Patient Clinic Visits	1,774	1,764	2,051	2,276	(10%)	2,183



## Year-to-Date: Volume and Strategic Indicators

August 31, 2018

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
<b>VOLUME</b>						
	Adjusted Admissions (AA)	3,364	3,163	6%	3,044	11%
	Adjusted Patient Days	16,201	15,898	2%	15,729	3%
	Admissions	1,696	1,740	(3%)	1,641	3%
	Average Daily Census	132	141	(7%)	140	(6%)
	Patient Days	8,168	8,745	(7%)	8,685	(6%)
	Available Occupancy %	61.6%	66%	(7%)	65.5%	(6%)
	Average LOS	4.8	5.0	(4%)	5.3	(9%)
	<b>Surgeries</b>					
	Inpatient Surgeries (Main Campus)	474	499	(5%)	492	(4%)
	Outpatient Surgeries (Main Campus)	489	517	(5%)	510	(4%)
	<b>Total Surgeries</b>	<b>963</b>	<b>1,016</b>	<b>(5%)</b>	<b>1,002</b>	<b>(4%)</b>
	Births	492	448	10%	430	14%
	<b>ER Visits</b>					
	Admissions	841	830	1%	874	(4%)
	Treated & Released	7,646	7,902	(3%)	7,457	3%
	<b>Total ER Visits</b>	<b>8,487</b>	<b>8,731</b>	<b>(3%)</b>	<b>8,331</b>	<b>2%</b>
	Trauma Activations	491	459	7%	533	(8%)
	<b>Outpatient Clinic Visits</b>					
	Total Clinic Visits	25,780	24,208	6%	22,450	15%
	Total Unique Patient Clinic Visits	15,346	18,768	(18%)	17,398	(12%)
	New Unique Patient Clinic Visits	3,815	4,160	(8%)	3,863	(1%)

### 3-Month Trend Analysis: Payor Mix

August 31, 2018

	FY 2018	FY 2019	FY 2019	BUDGET	VARIANCE	PY
	JUNE	JULY	AUGUST	AUGUST	POS (NEG)	AUGUST
<b>PAYOR MIX - Charges</b>						
Commercial FFS/HMO/PPO	9%	9%	9%	10%	(14%)	11%
Medi-Cal	32%	30%	30%	30%	1%	30%
Medi-Cal HMO - Kern Health Systems	32%	30%	31%	31%	1%	31%
Medi-Cal HMO - Health Net	9%	9%	9%	9%	1%	9%
Medi-Cal HMO - Other	1%	1%	1%	0.4%	162%	1%
Medicare	9%	10%	9%	10%	(14%)	8%
Medicare - HMO	3%	2%	2%	2%	11%	2%
County Programs	0.3%	0.3%	0.3%	0.3%	0.1%	0.4%
Workers' Compensation	0.9%	0.4%	0.3%	0.5%	(44%)	2%
Self Pay	4%	8.6%	7.3%	6%	22%	6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>



### Year-to-Date: Payor Mix

August 31, 2018

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
<b>PAYOR MIX - Charges</b>						
	Commercial FFS/HMO/PPO	8.9%	10.4%	(14%)	10.2%	(14%)
	Medi-Cal	30%	30%	0.3%	29%	3%
	Medi-Cal HMO - Kern Health Systems	31%	31%	0.3%	31%	0.1%
	Medi-Cal HMO - Health Net	9%	9%	0.3%	9%	(0%)
	Medi-Cal HMO - Other	1%	0.4%	159%	1%	(1%)
	Medicare	9%	10%	(11%)	9%	(0.03%)
	Medicare - HMO	2%	2%	10%	2%	36%
	County Programs	0.3%	0.3%	12%	0.5%	(39%)
	Workers' Compensation	0.3%	0.5%	(30%)	2%	(80%)
	Self Pay	8%	6%	27%	6%	23%
	<b>Total</b>	<b>100.0%</b>	<b>100%</b>		<b>100%</b>	

### 3-Month Trend Analysis: Labor and Productivity Metrics

August 31, 2018

	FY 2018	FY 2019	FY 2019	BUDGET	VARIANCE	PY
	JUNE	JULY	AUGUST	AUGUST	POS (NEG)	AUGUST
<b>Labor Metrics</b>						
Productive FTEs	1,387.88	1,421.88	1,445.85	1,471.65	(2%)	1,375.46
Non-Productive FTEs	237.97	233.94	215.26	213.47	1%	186.57
Contract Labor FTEs	85.05	96.34	102.34	76.27	34%	84.17
Total FTEs	1,625.85	1,655.82	1,661.11	1,685.12	(1%)	1,562.03
FTE's Per AOB Paid	6.22	6.24	6.07	6.66	(9%)	5.91
FTE's Per AOB Worked	5.31	5.36	5.28	5.82	(9%)	5.21
Labor Cost/FTE (Annualized)	145,725.82	140,428.46	130,314.95	137,999.71	(6%)	114,971.56
Benefits Expense as a % of Benefitted Labor Expense	81%	64%	58%	69%	(15%)	39%
Salaries & Benefits as % of Net Patient Revenue	67%	64%	60%	67%	(10%)	58%

## Year-to-Date: Labor and Productivity Metrics

August 31, 2018

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
<b>Labor Metrics</b>						
	Productive FTEs	1,433.87	1,461.48	-2%	1,358.07	6%
	Non-Productive FTEs	224.59	212.00	6%	203.35	10%
	Contract Labor FTEs	99.34	76.55	30%	85.03	17%
	Total FTEs	1,658.46	1,673.48	-1%	1,561.42	6%
	FTE's Per AOB Paid	6.16	6.52	-6%	6.02	2%
	FTE's Per AOB Worked	5.32	5.70	-7%	5.23	2%
	Labor Cost/FTE (Annualized)	134,182.59	134,938.78	-1%	128,064.59	5%
	Benefits Expense as a % of Benefitted Labor Expense	61%	62%	-2%	55%	11%
	Salaries & Benefits as % of Net Patient Revenue	62%	66%	-7%	63%	(1%)



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

October 17, 2018

**Subject:** Proposed Amendment No. 9 to Agreement 911-2013 with Meridian Healthcare Partners, Inc.

**Recommended Action:** Approve; Authorize the Vice Chairman or Secretary to sign

**Summary:**

Attached is proposed Amendment No. 9 to the agreement with Meridian Healthcare Partners, Inc., for Chief Executive Officer and healthcare management services to the hospital authority and Kern Medical. The proposed amendment revises the management fee through the remaining term of the agreement, unless otherwise amended by your Board. The amendment includes a one-time 10% increase in the management fee, effective October 17, 2018, and annual 3% increases in the management fee, effective December 16, 2018. The 3% annual increase each year will eliminate the need to negotiate any management fee increases in the future. Overall, the increases add \$372,320 to the total maximum payable. The agreement is scheduled to expire December 15, 2020.

Therefore, it is recommended that your Board approve the Amendment No. 9 to the agreement with Meridian Healthcare Partners, Inc., and authorize the Vice Chairman or Secretary to sign.

**AMENDMENT NO. 9  
TO  
AGREEMENT FOR PROFESSIONAL SERVICES  
INDEPENDENT CONTRACTOR  
(Kern County Hospital Authority – Meridian Healthcare Partners, Inc.)**

This Amendment No. 9 to the Agreement for Professional Services is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2018, between the Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Meridian Healthcare Partners, Inc., a California corporation (“Contractor”), with its principal place of business located at 3511 Union Avenue, Bakersfield, California 93306.

**RECITALS**

(a) The parties have heretofore entered into an Agreement for Professional Services (Kern County Agt. #911-2013, dated December 3, 2013), Amendment No. 1 (Kern County Agt. #115-2014, dated March 10, 2014), Amendment No. 2 (Kern County Agt. #759-2014, dated September 30, 2014), Amendment No. 3 (Kern County Agt. #105-2015, dated February 24, 2015), Amendment No. 4 (Kern County Agt. #598-2015, dated August 18, 2015), Amendment No. 5 (Kern County Agt. #743-2015, dated September 29, 2015), Amendment No. 6 (Kern County Agt. #080-2016, dated February 9, 2016), Assignment of Agreement (Kern County Agt. #433-2016, dated April 26, 2016), Amendment No. 7 (Agt. #2016-092, dated December 14, 2016) (collectively, the “Agreement”), and Amendment No. 8 (Agt. #2017-009, dated February 15, 2017), for the period December 16, 2013 through December 15, 2020, whereby Contractor provides supervision and management of the day-to-day operations of KMC; and

(b) It is the intent of the parties to have the terms of the Agreement provide for the payment of all reasonably projected costs and expenses related to the services provided by Contractor; and

(c) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth at no additional cost to Authority or KMC;

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 follows:

1. Section 5, Payment for Services, paragraph 5.1, Management Fee, shall be deleted in its entirety and replaced with the following:

“5.1 Management Fee.

5.1.1 Effective October 17, 2018. Authority shall pay Contractor a monthly management fee in the amount of \$407,967 (the “Management Fee”) as follows: Contractor shall be entitled to receive two (2) payments per month, each payment being equal to \$203,983.50, payable on or before the 1st day, but no later

than the 5th day, and the 15th day, but no later than the 20th day, of each month during the term of this Agreement.

5.1.2 Effective December 16, 2018. Authority shall pay Contractor a monthly management fee in the amount of \$420,207 (the “Management Fee”) as follows: Contractor shall be entitled to receive two (2) payments per month, each payment being equal to \$210,103, payable on or before the 1st day, but no later than the 5th day, and the 15th day, but no later than the 20th day, of each month during the term of this Agreement.

5.1.3 Effective December 16, 2019. Authority shall pay Contractor a monthly management fee in the amount of \$432,814 (the “Management Fee”) as follows: Contractor shall be entitled to receive two (2) payments per month, each payment being equal to \$216,406.50, payable on or before the 1st day, but no later than the 5th day, and the 15th day, but no later than the 20th day, of each month during the term of this Agreement.”

2. Section 5, Payment for Services, paragraph 5.6, Maximum Payable, shall be deleted in its entirety and replaced with the following:

“5.6 Maximum Payable. The maximum payable under this Agreement shall not exceed \$2,323,000 for year one and \$26,613,449 for years two through seven, with total compensation not to exceed \$28,936,449 over the seven-year Initial Term of this Agreement.”

3. Section 41, Liability of Authority, shall be made part of the Agreement as follows:

“41. **Liability of Authority**. The liabilities or obligations of Authority with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.”

4. Except as otherwise defined herein, all capitalized terms used in this Amendment have the meaning set forth in the Agreement.

5. This Amendment shall be governed by and construed in accordance with the laws of the state of California.

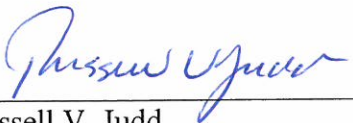
6. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

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 follow on next page]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 9 to the Agreement as of the day and year first written above.

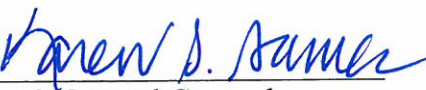
MERIDIAN HEALTHCARE PARTNERS, INC.

By   
Russell V. Judd  
Its President

KERN COUNTY HOSPITAL AUTHORITY

By \_\_\_\_\_  
Vice Chairman  
Board of Governors

APPROVED AS TO FORM:  
LEGAL SERVICES DEPARTMENT

By   
VP & General Counsel  
Kern County Hospital Authority

**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 October 17, 2018, 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**

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on October 17, 2018, to consider:

  X   PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) –