



AGENDA

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

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

Regular Meeting
Wednesday, February 15, 2017

11:30 A.M.

BOARD TO RECONVENE

Board Members: Berjis, Bigler, Lawson, McGauley, 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 recognizing Vice President of Ambulatory Services Renee Villanueva and her team for their work on the PRIME program –
MAKE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on January 18, 2017 –
APPROVE

CA

- 5) Proposed retroactive Amendment No. 8 to Agreement 911-2013 with Meridian Healthcare Partners, Inc., an independent contractor, for Chief Executive Officer and healthcare management services, revising the compensation methodology effective January 1, 2017 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 6) Proposed Amendment to the Kern County Hospital Authority Bylaws for Governance, reflecting recent changes to the enabling ordinance –
APPROVE; REFER TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL

CA

- 7) Proposed retroactive Agreement with Mesa Energy Systems, Inc., an independent contractor, for construction management services related to the E wing heating and cooling controls replacement project, effective January 18, 2017, in an amount not to exceed \$335,500 –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO APPROVE ANY FUTURE CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 20% OF THE ORIGINAL CONTRACT PRICE

CA

- 8) Proposed Change Order No. 1 to Agreement 2016-074 with Anderson Group International, an independent contractor, for construction management services related to the Pharmacy USP 797 clean room modifications, increasing the maximum payable by \$16,770.40, from \$588,018.07 to \$604,788.61, to cover the cost of additional services –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO APPROVE ANY FUTURE CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 20% OF THE ORIGINAL CONTRACT PRICE

CA

- 9) Proposed retroactive Agreement with JTS Construction, an independent contractor, for construction management services related to the Sagebrush Medical Plaza tenant improvements project, effective November 16, 2016, in an amount not to exceed \$1,095,821 –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO APPROVE ANY FUTURE CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 20% OF THE ORIGINAL CONTRACT PRICE

CA

- 10) Proposed retroactive Agreement with Anderson Group International, an independent contractor, for construction management services related to Sagebrush Medical Plaza infusion clinic project, effective November 16, 2016, in an amount not to exceed \$391,720 –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO APPROVE ANY FUTURE CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 20% OF THE ORIGINAL CONTRACT PRICE

CA

- 11) Proposed Change Order No. 2 to Agreement 2016-086 with Black/Hall Construction, Inc., an independent contractor, for construction management services related to the G wing decommission project, increasing of the maximum payable by \$35,886, to cover the cost of additional services –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO APPROVE ANY FUTURE CHANGE ORDERS IN AN AMOUNT NOT TO EXCEED 20% OF THE ORIGINAL CONTRACT PRICE

CA

- 12) Proposed Resolution and acquisition of vacant land from Gerald T. Smith, Jr. and Mary Ann Smith, and Ronald A. Hevle and Kay Hevle, located as APN/Parcel ID(s) 126-041-17 adjacent to Sagebrush Medical Plaza, 1111 Columbus Street, for use as additional parking, in an amount not to exceed \$2,507 –
MAKE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVE; ADOPT RESOLUTION; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN ESCROW INSTRUCTIONS AND CORRESPONDENCE

CA

- 13) Proposed retroactive Schedule No. 2 to Agreement 2016-036 with Cerner Corporation, an independent contractor, for Clarvia software and services to support the nurse staffing and acuity system, effective February 9, 2017, with one-time fees in an amount not to exceed \$638,821, and a monthly fee in an amount not to exceed \$9,445, for software support, subscriptions, and remote hosting –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN SUBJECT TO APPROVAL AS TO FORM BY COUNSEL

CA

- 14) Proposed Agreement with John E. Tidwell, M.D., a contract employee, for professional medical services in the Department of Surgery, Division of Orthopedic Surgery from September 16, 2017 through September 15, 2020, in an amount not to exceed \$2,762,500, plus applicable benefits –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 15) Proposed retroactive Amendment No. 4 to Agreement 016-2012 with Ravi Patel, M.D., Inc., doing business as Comprehensive Blood and Cancer Center, an independent contractor, for professional medical oncology and hematology services, extending the term for three years from January 27, 2017 through January 26, 2020, increasing the maximum payable by \$198,000, from \$1,500,000 to \$1,698,000, to cover year one of the extended term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 16) Proposed retroactive Agreement with Truven Health Analytics LLC, an IBM Company, an independent contractor, for Micromedex® medication, disease and toxicology software and services from December 4, 2016 through December 3, 2017, in an amount not to exceed \$40,562 –
APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN

CA

- 17) Proposed rescission of Agreement 2017-002-A with HealthTrust Purchasing Group, L.P., and retroactive approval of Participation Agreement with HealthTrust Purchasing Group, L.P., an independent contractor, for group purchasing services from February 1, 2017 through January 31, 2022, in exchange for an administrative fee equal to 3% or less of the purchase price of the goods and services purchased from participating vendors –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 18) Proposed retroactive Amendment No. 1 to Agreement 552-2016 with the County of Kern, as represented by the County Administrative Office, for the provision of transition administrative services, extending the term for the services provided by the county Information Security Officer from October 1, 2016 through September 30, 2018 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 19) Proposed Amendment No. 1 to Agreement 27716 with Hill-Rom Company, Inc., an independent contractor, for products and services related to the 2nd floor, C wing new nurse call system project, adding products and services to include the 3rd floor, D wing, and increasing the maximum payable by \$265,000, to cover the cost of additional products and services –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 20) Proposed Report of Independent Auditors from Moss-Adams LLP, an independent contractor, regarding the audit of Kern Medical Center financial statements for the years ended June 30, 2016, and 2015 –
RECEIVE AND FILE; REFER TO KERN COUNTY BOARD OF SUPERVISORS

21)

- Request for appropriation of unanticipated revenue in the amount of \$22,940,785 from the state of California, Department of Health Care Services for increased operating expenses and additional capital expenditures –
APPROVE; AUTHORIZE CHIEF FINANCIAL OFFICER TO PROCESS THE SPECIFIED BUDGETARY ADJUSTMENTS AND ACCOUNTING TRANSACTIONS

- 22) Kern County Hospital Authority Chief Executive Officer report –
RECEIVE AND FILE
- 23) Kern County Hospital Authority Chief Financial Officer report –
RECEIVE AND FILE
- CA
- 24) Claims and Lawsuits Filed as of January 31, 2017 –
RECEIVE AND FILE

MISCELLANEOUS LETTERS AND DOCUMENTS

- CA
- 25) Letter from Kern County Employees' Retirement Association re 2016 Comprehensive Annual Financial Report and 2016 Actuarial Valuation –
RECEIVE AND FILE

ADJOURN TO CLOSED SESSION

CLOSED SESSION

- 26) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –
- 27) Request for Closed Session regarding peer review of health facilities (Health and Safety Code Section 101855(j)(2)) –
- 28) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) –
- 29) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Rosemarie Thompson v. County of Kern, Workers' Compensation Appeals Board Case Nos. ADJ-258405, ADJ-1640644 –
- 30) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government (Government Code Section 54956.9(d)(2), (e)(3).) Number of Cases: One (1) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: The receipt of a claim pursuant to the Government Claims Act or some other written communication from a potential plaintiff threatening litigation, which non-exempt claim or communication is available for public inspection –

- 31) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: Three hundred sixty-seven (367) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the authority but which the authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, MARCH 15, 2017, 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.

25) CLAIMS AND LAWSUITS FILED AS OF JANUARY 31, 2017 –
RECEIVE AND FILE

- A) Claim in the matter of Harold Sprayberry v. County of Kern
- B) Claim in the matter of Sandra Lee Moss v. County of Kern
- C) Claim in the matter of Nicholas Sprayberry v. County of Kern
- D) Claim in the matter of Hisham Ahmed v. County of Kern
- E) Claim in the matter of Fatima Leon Tinoco, a minor v. County of Kern
- F) Claim in the matter of Juan Leon v. County of Kern
- G) Claim in the matter of Erika Tinoco DeLeon v. County of Kern
- H) Claim in the matter of Aaron Ford v. Kern County Hospital Authority
- I) Claim in the matter of Dean Moore, a minor v. Kern County Hospital Authority
- J) Claim in the matter of Kayla Elliott v. Kern County Hospital Authority
- K) Claim in the matter of Nathan Moore v. Kern County Hospital Authority
- L) Notice of Filing Discrimination Complaint in the matter of Susan Wells v. Kern County Hospital Authority, DFEH No. 782697-235847
- M) Summons and Complaint in the matter of Raul Jason Gomez v. Kern Medical Center, KCSC Case No. BCV-16-102903 SPC
- N) Summons and Amended Civil Rights Complaint in the matter of Monico J. Quiroga III v. Hasta, et al., USDC Case No. 1:15-CV-01871-LJO-JLT (PC)



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, January 18, 2017

11:30 A.M.

BOARD RECONVENED

Directors present: Berjis, Bigler, Lawson, McGauley, McLaughlin, Pelz, Sistrunk
Directors absent: None

NOTE: The vote is displayed in bold below each item. For example, Lawson-McLaughlin denotes Director Nilon 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!**

COUNSEL REPORTED ON TWO IMPORTANT ACTIONS TAKEN BY THE KERN COUNTY BOARD OF SUPERVISORS IN DECEMBER 2016, EACH CONCERNING THE KERN COUNTY HOSPITAL AUTHORITY. FIRST, ON DECEMBER 6, 2016, THE BOARD OF SUPERVISORS INTRODUCED AN AMENDMENT TO THE

ENABLING ORDINANCE CONCERNING THE DESIGNATION BY THE COUNTY ADMINISTRATIVE OFFICER OF A DESIGNEE APPOINTED BY THE BOARD OF SUPERVISORS TO ACT IN MATTERS RELATED TO THE AUTHORITY AND APPOINTED ASSISTANT COUNTY ADMINISTRATIVE OFFICER FOR BUDGET AND FINANCE NANCY LAWSON WITH A TERM TO EXPIRE DECEMBER 31, 2017; THE AMENDED ORDINANCE IS EFFECTIVE JANUARY 13, 2017. SECOND, ON DECEMBER 13, 2016, THE BOARD OF SUPERVISORS INTRODUCED AN AMENDMENT TO THE ENABLING ORDINANCE TO AUTHORIZE THE KERN COUNTY HOSPITAL AUTHORITY TO PROVIDE OR ARRANGE FOR LEGAL COUNSEL AND RELATED SERVICES; THE AMENDED ORDINANCE IS EFFECTIVE JANUARY 20, 2017

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

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

RECOGNITION

- 3) Presentation recognizing John Nilon, County Administrative Officer (Ret.), for his years of service to Kern Medical and the Kern County Hospital Authority Board of Governors –
MADE PRESENTATION; JOHN NILON HEARD

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on December 14, 2016 –
APPROVED
Pelz-Lawson: All Ayes
- 5) Proposed retroactive Agreement with Zones, Inc. of Washington, an independent contractor, for purchase of software licenses (Quote K0499520) in an amount not to exceed \$1,145,006 and hardware (Quote K0499502) in an amount not to exceed \$3,546,874, effective January 10, 2017, to support the hospital and clinic IT infrastructure project –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-001;
AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN PURCHASE ORDERS
Berjis-McGauley: All Ayes

CA

- 6) Proposed Resolution authorizing the Kern County Hospital Authority to participate in the group purchasing program with Quorum Purchasing Advantage, LLC, an independent contractor, Enhanced Purchasing Services Agreement with Quorum Purchasing Advantage, LLC, for access to group purchasing services through HealthTrust Purchasing Group, L.P., and Participation Agreement with HealthTrust Purchasing Group, L.P., from February 1, 2017 through January 31, 2022, in exchange for an administrative fee equal to 3% or less of the purchase price of the goods and services purchased from participating vendors –
APPROVED; ADOPTED RESOLUTION 2017-001; AUTHORIZED CHAIRMAN TO SIGN AGREEMENTS 2017-002 AND 2017-002-A SUBJECT TO APPROVAL AS TO FORM BY COUNSEL
Pelz-Lawson: All Ayes

CA

- 7) Proposed Change Order No. 1 to Agreement 2016-52 with Best Electric, an independent contractor, for construction management services related to the emergency power distribution upgrades, providing a credit in the amount of \$5,579, for labor, material, and equipment, and decreasing the maximum payable to a new amount not to exceed \$664,222 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-003
Pelz-Lawson: All Ayes

CA

- 8) Proposed Change Order No. 1 to Agreement 2016-086 with Black/Hall Construction, Inc., an independent contractor, for construction management services related to the G wing decommission project, increasing of the maximum payable by \$70,800, to cover the cost of additional services –
MADE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-004
Pelz-Lawson: All Ayes

CA

- 9) Proposed Amendment No. 8 to Agreement 1324502 with Vantage Technology Consulting Group, an independent contractor, for construction management services related to completion of the B wing emergency power project and IDF closet upgrades, increasing the maximum payable by \$49,522, to cover the cost of additional services –
MADE FINDING PROJECT IS EXEMPT FROM FURTHER CEQA REVIEW PER SECTIONS 15301 AND 15061(b)(3) OF STATE CEQA GUIDELINES; APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-005
Pelz-Lawson: All Ayes

CA

- 10) Proposed Resolution authorizing Counsel to contract for expert legal services for claims and litigation management –
APPROVED; ADOPTED RESOLUTION 2017-002
Pelz-Lawson: All Ayes

CA

- 11) Proposed retroactive Amendment No. 4 to Agreement 883-2010 with Quest Diagnostics Clinical Laboratories, Inc., an independent contractor, for clinical laboratory services, extending the term for two years from September 21, 2016 through September 20, 2018, adding an updated price list, and increasing the maximum payable by \$1,800,000, from \$5,440,000 to \$7,240,000, to cover the extended term –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-006
Pelz-Lawson: All Ayes

CA

- 12) Proposed Amendment No. 3 to Agreement 682-2011 with Orange Health Solutions, Inc., doing business as Citra Health Solutions, an independent contractor, for EZ-CAP software and maintenance, extending the term for five years from February 1, 2017 through January 31, 2022, and increasing the maximum payable by \$294,000, from \$239,276 to \$533,276, to cover the extended term –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-007
Pelz-Lawson: All Ayes

CA

- 13) Proposed retroactive Amendment No. 2 to Agreement 358-2015 with Mercer (US) Inc., an independent contractor, for human resources consulting services, adding a statement of work for development of performance metrics and related compensation strategies, and increasing the maximum payable by \$80,000, from \$520,000 to \$600,000, to cover the cost of services –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AMENDMENT 2017-008;
AUTHORIZED COUNSEL TO SIGN STATEMENT OF WORK
Pelz-Lawson: All Ayes

CA

- 14) Kern County Hospital Authority Chief Executive Officer report –
RECEIVED AND FILED
Pelz-Lawson: All Ayes

- 15) Kern County Hospital Authority Chief Financial Officer report -
RECEIVED AND FILED
McGauley-Pelz: All Ayes

CA

- 16) Claims and Lawsuits Filed as of December 31, 2016 –
RECEIVED AND FILED
Pelz-Lawson: All Ayes

ADJOURNED TO CLOSED SESSION
Sistrunk-McLaughlin

CLOSED SESSION

- 17) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – SEE RESULTS BELOW
- 18) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Deputy County Counsel Karen S. Barnes and designated staff – Unrepresented Employee: Kern County Hospital Authority Chief Executive Officer (Government Code Section 54957.6) – SEE RESULTS BELOW
- 19) Request for Closed Session for the purpose of discussion or taking action on authority trade secrets (Health and Safety Code Section 101855(e)(1)) – SEE RESULTS BELOW
- 20) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Jose Ramirez v. County of Kern, Workers' Compensation Appeals Board Case Nos. ADJ-7279531, ADJ-8654762, ADJ-8654827, ADJ-8654832 – SEE RESULTS BELOW
- 21) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: Three hundred sixty-seven (367) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the authority but which the authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION
Berjis-Pelz

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

Item No. 17 concerning PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 18 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Deputy County Counsel Karen S. Barnes and designated staff - Unrepresented Employee: Kern County Hospital Authority Chief Executive Officer (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 19 concerning a 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. 20 concerning CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Jose Ramirez v. County of Kern, Workers' Compensation Appeals Board Case Nos. ADJ-7279531, ADJ-8654762, ADJ-8654827, ADJ-8654832 – HEARD; BY A UNANIMOUS VOTE OF THOSE DIRECTORS PRESENT (MOTION BY DIRECTOR MCLAUGHLIN, SECONDED BY DIRECTOR LAWSON; 1 ABSENT - SISTRUNK), THE BOARD APPROVED SETTLEMENT BY WAY OF A COMPROMISE AND RELEASE FOR \$90,000; AUTHORIZED THE CHIEF EXECUTIVE OFFICER OR HIS DESIGNEE TO ISSUE SETTLEMENT CHECKS AS REQUESTED BY COUNSEL; AND AUTHORIZED COUNSEL TO PRESENT THE PROPOSED SETTLEMENT TO THE WORKERS' COMPENSATION APPEALS BOARD AND TO EXECUTE ALL NECESSARY CLOSING DOCUMENTS

Item No. 21 concerning CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: Three hundred sixty-seven (367) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the authority but which the authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, FEBRUARY 15, 2017 AT 11:30 A.M.

Berjis

/s/ Raquel D. Fore
Authority Board Coordinator

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



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

February 15, 2016

Subject: Proposed retroactive Amendment No. 8 to Agreement 911-2013 with Meridian Healthcare Partners, Inc.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Attached is the proposed Amendment No. 8 to the agreement with Meridian Healthcare Partners, Inc., for Chief Executive Officer and healthcare management services to the authority and Kern Medical. The proposed amendment revises the compensation methodology effective January 1, 2017, through the remaining term of the agreement, unless otherwise amended by your Board. There is no additional cost to the authority or Kern Medical associated with the changes reflected in the proposed amendment.

Therefore, it is recommended that your Board approve the amendment retroactive to January 1, 2017, and authorize the Chairman to sign.

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

This Amendment No. 8 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2017, between the Kern County Hospital Authority, a county hospital authority (“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), and Amendment No. 7 (Agt. #2016-092, dated December 14, 2016) (collectively, the “Agreement”), 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) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth at no additional cost to Authority or KMC; and

(c) The Agreement is amended effective January 1, 2017;

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. Authority shall pay Contractor a monthly management fee in the amount of \$370,879 (the “Management Fee”) as follows: Contractor shall be entitled to receive two (2) payments per month, each payment being equal to \$185,439.50, 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. The parties agree to discuss any modification in the Management Fee at least annually.”

2. Section 5.3, Performance Fee shall be deleted in its entirety and replaced with the following:

“5.3 [Reserved]”

3. Section 5.4, Performance Measures shall be deleted in its entirety and replaced with the following:

“5.4 [Reserved]”

4. Exhibit “B,” Fee Schedule and any and all amendments thereto shall be deleted in their entirety.

5. Exhibit “B-1,” Fee Schedule shall be deleted in its entirety.

6. Exhibit “C-1,” Performance Measures Chief Medical Officer/Chief Academic Officer shall be deleted in its entirety.

7. Exhibit “C-2,” Performance Measures Performance Improvement/Change Management shall be deleted in its entirety.

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

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

10. 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.

11. 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. 8 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 _____
Chairman
Board of Governors

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy



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

February 15, 2017

Subject: Proposed Amendment to the Kern County Hospital Authority Bylaws for Governance

Requested Action: Approve; Refer to Kern County Board of Supervisors for approval

Summary:

Attached are clean and redline versions of the Kern County Hospital Authority Bylaws for Governance (Bylaws). The Bylaws have been revised to reflect recent changes to the authority's enabling ordinance. These changes include the following:

- (1) on December 6, 2016, the Board of Supervisors introduced an amendment to the enabling ordinance concerning the designation by the County Administrative Officer of a designee appointed by the Board of Supervisors to act in matters related to the authority and appointed Assistant County Administrative Officer for Budget and Finance Nancy Lawson to the Board of Governors with a term to expire December 31, 2017. The amended ordinance was effective January 13, 2017; and
- (2) on December 13, 2016, the Board of Supervisors introduced an amendment to the enabling ordinance to authorize the authority to provide or arrange for legal counsel and related services. The amended ordinance was effective January 20, 2017.

You will find the changes on pages 4, 10, 11 (automatic section renumbering only), and 25 of the redline version of the Bylaws.

The enabling ordinance requires that the Board of Supervisors approve any changes or amendments to the Bylaws.

Therefore, it is recommended that your Board approve the amendment to the Bylaws and refer the amended Bylaws to the Board of Supervisors for approval.

**KERN COUNTY HOSPITAL AUTHORITY
BYLAWS FOR GOVERNANCE**

Article I. Mission and Purpose

Section 1.01 Mission Statement

The Kern County Hospital Authority (“Hospital Authority”) was created by the Board of Supervisors of the county of Kern to provide access to affordable, high-quality health care services and to preserve and strengthen the viability of the health care safety net in the county in order to maintain and improve the health status of the people of the county of Kern through an organizational and operational structure that facilitates and improves the Kern Medical Center’s ability to function with flexibility, responsiveness, and innovation.

Section 1.02 Purpose

The purpose of the Hospital Authority is to provide maintenance, operation, management, and control of the Kern Medical Center and related health care resources, in a manner consistent with the county’s obligations under Section 17000 of the Welfare and Institutions Code, and to achieve these objectives in a manner that continues the viability of the Kern Medical Center and constitutes an ongoing material benefit to the county and its residents. In order to achieve these goals, the Kern Medical Center shall:

- (a) continue its status as a designated public hospital, and/or such other designation or status under which it would be eligible to participate in special funding programs as a safety net provider, with a mission of maintaining and improving the health of county residents;
- (b) provide comprehensive, high quality medical treatment, health promotion and health maintenance through an integrated system of hospital, clinic, and other health services staffed by individuals who are responsive to the diverse cultural needs of the community;
- (c) continue to function as a training institution committed to maintaining an environment that is supportive of a wide range of educational programs and activities; and
- (d) be managed, administered, and controlled by the Hospital Authority in a manner that assures accessible, cost effective, quality medical care to the residents of the county of Kern.

Article II. Governing Body

Section 2.01 Relationship to Enabling Ordinance

Ordinance No. A-356, which added Chapter 2.170 to Title 2 of the Ordinance Code of the county of Kern (sometimes referred to in these Bylaws as “the Enabling Ordinance”), prescribes certain matters concerning the governing body of the Hospital Authority, which are set forth below in

Sections 2.02 through 2.08. Any conflict or inconsistency between the provisions of these Bylaws and the Enabling Ordinance shall be resolved by applying the provisions of the Enabling Ordinance.

Section 2.02 Definition

The governing body of the Hospital Authority shall be known as the Kern County Hospital Authority Board of Governors (“Board of Governors”).

Section 2.03 Qualifications

(a) **Desired Qualifications:**

The Board of Governors shall be composed, to the extent feasible, of individuals with the expertise necessary to enable the Kern Medical Center to achieve the highest quality of care and appropriate scope of services in a manner which is both fiscally responsible and sensitive to the needs of the community. Desirable skills include, but are not limited to, business management, strategic planning, finance, public health policy, health care administration, personnel management, medical services, and consensus building.

(b) **Specific Qualifications:**

Members of the Board of Governors (“Members”) must be full-time residents of the county of Kern, at least 18 years of age, and should, to the extent feasible, collectively have the following types of knowledge, skills, and experience:

- (1) Knowledge of health care delivery systems;
- (2) Knowledge of health care policy and regulatory issues and with current and projected health care trends;
- (3) Knowledge of human resources in large organizations;
- (4) An understanding of budgeting process, revenue cycle, financial reports, and basic accounting principles;
- (5) Experience with managing hospital services and understanding of the health care needs of the Hospital Authority’s patient populations; and
- (6) Experience in advocating for safety net institutions including, but not limited to, the pursuit of public funding for the delivery of health care services.

(c) **Disqualified Persons**

The following types of persons may not serve as Members:

- (1) Persons who are or may be, in the view of the Board of Supervisors, in competition with, or otherwise have a conflict of interest with, the Hospital Authority.
- (2) Any person who has been excluded from participation in a federal or state medical care benefits program, or is currently suspended from participation in any such program.
- (3) Any person who has been convicted of a felony, or has been convicted or subject to discipline for any crime involving moral turpitude.
- (4) Any person who holds an incompatible office, other than employment or affiliation with the county of Kern.
- (5) Any person whose service as a Member would constitute having an interest in a contract as provided by Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government code, except as otherwise provided by Health and Safety Code Section 101854(d).

Section 2.04 Composition

- (a) The Board of Governors shall consist of seven (7) voting Members, as follows:
 - (1) The County Administrative Officer (ex-officio) or his or her designee which shall be appointed by the Board of Supervisors (any designation shall be for no less than one year);
 - (2) A member of the Kern Medical Center Medical Staff appointed by the Board of Supervisors; and
 - (3) Five members of the community at large appointed by the Board of Supervisors, none of whom shall be a physician.

Section 2.05 Reappointment and End of Term of the Board of Governors

- (a) A Member whose term is expiring and who is eligible for reappointment shall not be required to submit a new application for reappointment if such Member notifies the Chair of the Board of Governors in writing of his or her intent to seek reappointment.
- (b) The Board of Governors shall notify the Board of Supervisors of the Member's intent to continue to serve on the Board of Governors.
- (c) The Board of Supervisors may reappoint the Member or may deny the reappointment and create a vacancy.

Section 2.06 Manner of Appointment for Vacancies on the Board of Governors

- (a) Recruitment

Announcement of Community Member at Large (CML) and the Kern Medical Center Medical Staff (Medical Staff) vacancies on the Board of Governors shall be posted on County and Hospital Authority websites, at the Kern Medical Center, and via press release. The announcement shall include the minimum qualifications, submission deadline, and the Board of Governors interview date.

(b) Applications

- (1) All applicants must complete the application process by submitting by the submission deadline (1) a complete Kern County Hospital Authority Board of Governors Application for Appointment (Application) that has been approved by the county of Kern and (2) a security clearance consent form. The Application and the security consent form may be modified by the Board of Governors from time to time.
- (2) The Kern Medical Center Chief Executive Officer shall post the required notice under Section 2.06(a) that applications are being accepted.
- (3) Applications shall be accepted from all eligible persons, including (without limitation) members of the Board of Supervisors, Hospital Authority personnel, county of Kern personnel, and the general public.
- (4) Applications to serve on the Board of Governors may be made by submitting a completed Application to: Kern Medical Center Chief Executive Officer; 1700 Mount Vernon Avenue; Bakersfield, CA 93306, or to the Chief Executive Officer of the Hospital Authority at the same address.
- (5) The completed applications of all qualified applicants for the Board of Governors for CML and Medical Staff positions shall be submitted to the Board of Supervisors at least 30 days prior to the scheduled meeting of the Board of Supervisors to consider appointment of an individual to fill any vacancy of the Hospital Authority Board of Governors.

(c) Selection

- (1) Selection of Vacant Board of Governors Positions:
 - a. The Board of Governors shall forward to the Board of Supervisors all applications received by all qualified applicants to fill any vacancy. The Board of Governors may make recommendations to the Board of Supervisors from the pool of qualified applicants. The Board of Supervisors may consider any such application to fill a vacancy created by the expiration of the term of a CML Member or Medical Staff Member.
 - b. A qualified applicant shall remain in the pool of qualified applicants to serve on the Board of Governors of the Hospital

Authority for a period of three years, and may be considered by the Board of Supervisors for appointment to any vacancy occurring during that time period for which he or she is qualified. A qualified applicant may withdraw his or her name from consideration to serve on the Board of Governors at any time.

- c. The Board of Supervisors shall consider qualified applicants for appointment, but shall not be bound to appoint any such individual. The Board of Supervisors may only appoint qualified individuals who have formally applied for membership on the Board of Governors and have passed security clearance. The Board of Supervisors shall act by either by making an appointment from the pool of qualified applicants, or requesting the submission of additional candidates to fill the vacancy, within 30 days of receiving the list of qualified applicants. This process shall be consistent with Section 2.170.060(G) of the Enabling Ordinance.

(2) Selection of Members for Midterm Vacancies

- a. In the event of a vacancy occurring before the expiration of a Member's term, the Board of Governors shall forward all applications from qualified applicants to the Board of Supervisors. The list of qualified candidates and copies of their applications shall be submitted to the Board of Supervisors within 60 days after the vacancy occurs.
- b. Within 30 days of receiving the names of qualified candidates to fill a midterm vacancy, or at its next regularly scheduled meeting, if such meeting occurs later than 30 days after receiving candidates' names, the Board of Supervisors shall act to either: (a) appoint an individual to serve the remaining term of a Member; or (b) ask for additional qualified applicants from the Board of Governors.

Section 2.07 Term of Office

- (a) The Term of Office for appointed Members shall conform to the following:
 - (1) Each Member, other than a Member holding office ex-officio, shall hold office for a term of three years, except the Members initially appointed shall have staggered terms of one, two, and three years. The Board of Supervisors shall determine which Members shall be appointed to terms of one, two, or three years by drawing lots. The lots shall be drawn on behalf of the Board of Supervisors by the Clerk of the Board of Supervisors.
 - (2) The first term for the initial appointed Members of the Board of Governors shall commence on the date of the initial Board of Governors meeting, and shall end at midnight on June 30 of the year in which the Member has

served his or her initial term of office of one, two, or three years, as the case may be.

- (3) Terms for Members other than the initial Members shall commence on July 1, or the date of the first scheduled Board of Governors meeting subsequent to his or her appointment if the Member is appointed to fill a vacancy.
- (4) An individual who is appointed to fill a vacancy mid-term shall have the balance of that term as his or her initial term.

(b) Reappointment

- (1) Members may serve an unlimited number of terms if reappointed by the Board of Supervisors.
- (2) Each Member, whether serving an initial term or reappointed to a subsequent term, shall serve continuously until the expiration of his or her then-current term, or until a replacement is appointed, whichever occurs last.

Section 2.08 Vacancies; Removal

(a) Attendance

- (1) A Member shall automatically be removed from office, and said office shall become vacant, if within a one year period of time, he or she fails to attend any combination of three (3) properly noticed regular and/or special meetings of the Board of Governors without having secured, either in advance of or promptly after the missed meeting, approval from majority of the other Members of the Board of Governors, or from the President of the Board of Governors, to miss the meeting.
- (2) The Board of Governors shall advise in writing both the Member and the Board of Supervisors of the pending removal of the Member under this section and shall recite facts forming the basis for such removal. The removal shall become effective 45 days after the Board of Supervisors has been notified, without further action, unless the Board of Supervisors acts to reinstate the Member for the balance of his or her term within the 45 day period.

(b) Removal

A Member may be removed by the Board of Supervisors during his or her term with or without cause, on its own initiative, in accordance with the Enabling Ordinance.

(c) Resignation

A Member may resign by submitting a letter of resignation to the President of the Board of Governors, with a copy to the Board of Supervisors, or to the Board of Supervisors, with a copy to the President of the Board of Governors.

(d) Vacancies

Vacancies shall be filled by appointment by the Board of Supervisors, per Section 2.06(c).

Section 2.09 Actions by the Board of Supervisors

All actions by the Board of Supervisors in connection with the Board of Governors of the Hospital Authority shall be conducted pursuant to procedures adopted by the Board of Supervisors, which are currently contained in Section 2.170.060(G) of the Enabling Ordinance, as it may be modified from time to time.

Section 2.10 Reimbursement and Compensation

Members may be reimbursed for actual and reasonable expenses incurred in the performance of official business of the Hospital Authority as assigned by the Board of Governors. Members shall not receive any other compensation for their service on the Board of Governors or committees.

Section 2.11 Conflict of Interest

(a) Conflict of Interest Code

The Board of Governors shall adopt, and from time to time may amend, a Conflict of Interest Code of the Hospital Authority pursuant to the provisions of the Political Reform Act of 1974 (commencing with Section 81000 of the Government Code). The Conflict of Interest Code shall be submitted to the Board of Supervisors, the code reviewing body for Kern County agencies, within six months of the date the Hospital Authority came into existence, which date is November 6, 2015. The Conflict of Interest Code shall identify all persons required to file an annual Statement of Economic Interests, which shall include, without limitation, all Members. The Board of Supervisors, or successor code reviewing body, shall approve the adoption and any subsequent amendments to the Conflict of Interest Code.

(b) Code of Conduct and Business Ethics

(1) The Board of Governors shall develop and adopt a Kern County Hospital Authority Code of Conduct and Business Ethics.

(2) Members and officers of the Hospital Authority shall conduct their activities in conformity with the applicable laws and regulations related to impartiality in the conduct of its business.

- (3) Members and officers of the Hospital Authority shall disclose any actual or potential conflict of interest and refrain from voting on approval, participating in discussion, taking any action, or attempting to influence decisions on any matters having a material effect on his/her personal or private interest. Neither Members nor officers of the Hospital Authority may act in a manner that creates the appearance of a conflict with the objective exercise of his or her official duties.

Section 2.12 Confidentiality: Public Statements

In the course of carrying out his or her duties or responsibilities, each Member shall receive or have access to confidential information, including, without limitation, patient information, confidential financial, operational, business and planning information, trade secrets, personal information about employees or staff, information and data related to or derived from Medical Staff credentialing, discipline, governance and appeals processes or quality assessment and performance improvement processes (collectively, "Proprietary Information"). Subject to the Brown Act, the Public Records Act, or other applicable laws regarding disclosure, each Member is required (a) to keep and maintain such Proprietary Information solely for the purpose of carrying out his or her responsibilities as a Member, (b) to use and disclose such Proprietary Information solely for the purpose of carrying out his or her responsibilities as a Member, and (c) not to directly or indirectly disclose such Proprietary Information to any third person without the prior written approval of the Board of Governors, following a vote of the Board of Governors approving such disclosure. No Member shall make a public statement on behalf of the Board of Governors, or in a manner that appears to be on behalf of the Board of Governors, unless a majority of the Board of Governors has given prior authorization for the public statement by a motion duly adopted.

Section 2.13 Role of the Board of Supervisors

The Board of Supervisors has all powers relative to the Hospital Authority to help ensure that the transfer of the Kern Medical Center constitutes an ongoing material benefit to the county of Kern and its residents as set forth in Chapter 5.5 (commencing with Section 101852) of Part 4 of Division 101 of the Health and Safety Code, and the Enabling Ordinance adopted by the Board of Supervisors, including, without limitation:

- (1) The Board of Supervisors shall approve the Hospital Authority's annual budget after the budget is approved by the Hospital Authority's Board of Governors. The Board of Supervisors shall either approve or reject the Hospital Authority's annual budget in its entirety; the Board of Supervisors shall not approve or reject individual line items in the budget. The Hospital Authority shall provide its budget to the Board of Supervisors in accordance with the processes set forth in a formal written agreement between the Hospital Authority and the county of Kern. If the Hospital Authority does not provide its budget in accordance with such processes, the Board of Supervisors shall adopt an annual budget for the Hospital Authority.

- (2) The Hospital Authority shall conduct and fund an independent annual audit by an audit firm approved by the Board of Supervisors and shall provide copies of all final audits of the Hospital Authority or the Kern Medical Center to the Board of Supervisors. The Hospital Authority shall provide the Board of Supervisors upon request with a plan to address audit findings requiring corrective action, and a report of corrective action taken.
- (3) The Board of Supervisors shall approve the initial and any successive chief executive officer of the Hospital Authority prior to his or her appointment by the Hospital Authority. The Board of Supervisors may participate in the evaluation of the chief executive officer of the Hospital Authority and shall have the authority to remove the chief executive officer.
- (4) The Hospital Authority shall obtain the approval of the Board of Supervisors prior to entering into or incurring any debt other than the following: (1) debt which has a repayment term of less than one year, and (2) debt secured only by personal property.
- (5) The Hospital Authority may request that the Board of Supervisors levy a tax on behalf of the Hospital Authority. If the Board of Supervisors approves the proposal to levy the tax, it shall call the election to seek voter approval and place the appropriate measure on the ballot for that election.
- (6) As provided by Section 101855 of the Health and Safety Code, the Board of Supervisors may contract with the Hospital Authority to provide services and/or personnel upon mutually agreeable terms, and/or the Board of Supervisors may contract for services or purchase items on behalf of the Hospital Authority.
- (7) The Board of Supervisors may, at the request and on behalf of the Hospital Authority, contract for services or purchase items as it deems necessary, appropriate, or convenient for the conduct of the Hospital Authority's activities consistent with its purposes.
- ~~(8) As provided in a legal services agreement between the county of Kern and the Hospital Authority and until such time as the Enabling Ordinance is amended by the Board of Supervisors to provide otherwise, the Office of County Counsel shall provide or arrange for legal services to the Hospital Authority, and shall bill the Hospital Authority accordingly.~~
- ~~(9)~~ (8) The county of Kern shall continue to retain the ultimate responsibility for indigent medical care pursuant to Section 17000 of the Welfare and Institutions Code.
- ~~(10)~~ (9) The Hospital Authority shall not offer its employees, whether new or legacy, who are members of Kern County Employees' Retirement

Association retirement benefits that are greater than those available to the Kern Medical Center employees at the time of the transfer of the Kern Medical Center to the Hospital Authority and that increase the unfunded pension obligations of the county of Kern without the express prior approval of the Board of Supervisors.

~~(H)~~(10) The Board of Supervisors shall have the right to approve certain actions by the Hospital Authority, which shall include (without limiting any other rights of the Board of Supervisors set forth in the Enabling Ordinance or any agreement between the county of Kern and the Hospital Authority):

- a. the use of any name or names by the Hospital Authority for “doing business as” in addition to the name “Kern Medical Center” with respect to the licensed acute care hospital;
- b. transfer of substantially all of the assets, operations, or control of the Kern Medical Center from the Hospital Authority to any other person or entity;
- c. relocation or replacement of the acute care hospital;
- d. establishment or acquisition of any new acute care hospital;
- e. establishment or acquisition of new health care programs or facilities that have an annual operating budget that exceeds 8% of the Hospital Authority’s total annual operating budget;
- f. any joint venture or joint powers agreement that creates new health programs or facilities that have an annual operating budget that exceeds 8% of the Hospital Authority’s total annual operating budget;
- g. complete elimination of graduate medical education, trauma services, obstetrical services, or inpatient psychiatric services;
- h. establishment or operation of a health plan as defined by the Knox-Keene Act of 1975; and
- i. operation or ownership of any facility or clinic located outside of the county of Kern.

Section 2.14 Powers and Duties of the Board of Governors

Subject to the provisions in Chapter 5.5 (commencing with section 101852) of Part 4 of Division 101 of the Health and Safety Code, the Enabling Ordinance, and the provisions of these Bylaws requiring certain actions to be approved by the Board of Supervisors, the activities and affairs of this Hospital Authority shall be managed, and all of its legal powers shall be exercised by or under the direction of the Board of Governors of the Hospital Authority, and shall include

authority and responsibility, without limitation, for the maintenance, operation, management, and control of the Kern Medical Center and related health care resources transferred to its ownership and control by the county of Kern.

Section 2.15 Regular Meetings

- (a) The Board of Governors shall, by resolution adopted on the first day it meets, and annually thereafter on the last day of each calendar year in which it meets, establish a schedule to conduct regular meetings. The schedule of regular meetings may be modified by resolution duly adopted by the Board of Governors from time to time. Regular meetings shall be held not less frequently than quarterly, in the administrative offices of the Hospital Authority located at 1700 Mount Vernon Avenue, Bakersfield, California 93306, or at such other location within the county of Kern designated by the Board of Governors.
- (b) At least 72 hours prior to a regular meeting, the Board of Governors shall post an agenda containing a brief description of each item of business to be transacted or discussed at the meeting, including items (if any) to be discussed in closed session. A description of an agenda item shall generally not exceed 20 words. The agenda shall specify the time and place of the meeting, and shall be posted in a location that is freely accessible to members of the public, and on the Hospital Authority's website. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability. The agenda shall include information on how, to whom, and when a request for disability-related modification or accommodation may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.
- (c) The Board of Governors may take actions on items of business not appearing on the posted agenda only under the following conditions: (1) upon a determination by a majority vote that an emergency exists; (2) upon a determination by a two-thirds vote (or, if less than two-thirds of the Members are present at the meeting, by a unanimous vote of those present), that there is a need to take immediate action and that the need for action came to the attention of the Board of Governors subsequent to the agenda being posted; or (3) the agenda item was posted for a prior meeting occurring not more than five (5) calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

Section 2.16 Special Meetings

- (a) Special meetings may be called at any time by the Chair, or by a majority of Members of the Board of Governors, by delivering written notice to each Member of the Board of Governors and to each local newspaper of general circulation and radio or television station requesting notice in writing and posting a notice on the Hospital Authority's website. The notice shall be delivered personally, or by any other means, and shall be received at least 24 hours before the time of the

meeting. The notice shall specify the time and place of the meeting, and the business to be transacted or discussed. No other business shall be considered at special meetings. The written notice may be dispensed with as to any Member who, at or prior to the time the meeting convenes, files with the officer functioning as the Chair or Secretary of the meeting of the Hospital Authority a written waiver of notice. The written notice may also be dispensed with as to any Member who is actually present at the time the meeting convenes. The call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public.

- (b) A special meeting may not be called regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits of an executive of the Hospital Authority. A special meeting may be called to discuss the budget of the Hospital Authority.
- (c) Every notice of a special meeting shall provide an opportunity for members of the public to address the Board of Governors directly concerning any item that has been described in the notice for the meeting, before or during the consideration of that agenda item.

Section 2.17 Emergency Meetings

- (a) An emergency meeting may be conducted when a majority of Members determines that an emergency situation exists. An “emergency situation” is defined as a crippling activity, work stoppage or other activity that severely impairs public health or safety, or both. A “dire emergency” is defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist activity that poses peril so immediate and significant that requiring one-hour notice before holding an emergency meeting may endanger the public health, safety, or both, as determined by a majority of the Members. Absent a dire emergency, telephonic notice must be provided at least one hour prior to the meeting to all media outlets that have requested receipt of notice of any special meetings. In the case of a dire emergency, notice need only be provided at or near the time that notice is provided to Members.
- (b) Telephonic notice requirements may be waived in the event that telephone services are not working, but a report must be given to media outlets as soon as possible after the meeting. Except for the 24-hour notice requirements, the provisions relating to special meetings apply to the conduct of emergency meetings. At the conclusion of the meeting, the minutes of the meeting, a list of persons who the Board of Governors notified or attempted to notify, a copy of the roll call vote, and any actions taken at the meeting shall be posted for a minimum of ten (10) days in a public place as soon after the meeting as possible.
- (c) An emergency meeting may not be held in closed session, except as follows: the Board of Governors may meet in closed session for purposes of consulting with

law enforcement or security officials if agreed to by a two-thirds vote of the authorized number of Members.

Section 2.18 Closed Meetings Notice and Procedure

At least 72 hours prior to a closed session of any meeting, each item to be transacted or discussed in closed session must be briefly described on an agenda for the meeting. Prior to convening in closed session, the Chair of the meeting shall orally announce the items to be discussed in closed session. Upon completion of the closed session, the Board of Governors shall convene in open session. If any action was taken in closed session, the Chair of the meeting or his or her designee shall make a report of the action taken and the vote thereon, or that no reportable action was taken.

Section 2.19 Adjournments and Continuances

- (a) Regular and special meetings may be adjourned to a future date. If the subsequent meeting is conducted within five (5) days of the original meeting, matters properly placed on the agenda for the original meeting may be considered at the subsequent meeting.
- (b) When a meeting is adjourned to a subsequent date, notice of the adjournment must be conspicuously posted on or near the door of the place where the meeting was held within 24 hours after the time of adjournment. If no Members appear at a noticed meeting, the Chief Executive Officer of the Hospital Authority may adjourn the meeting to a future date and provide notice to Members and to the media in accordance with the special meetings provisions.

Section 2.20 Location

All regular meetings shall be conducted in Bakersfield at the administrative offices of the Hospital Authority, or at such other location within the county of Kern designated by the Board of Governors, as provided in Section 2.15(a). The Board of Governors shall conduct all of its special meetings in Bakersfield, California, or at such other location within the county of Kern designated by the Board of Governors as permitted under the Brown Act.

Section 2.21 Hearing Procedures

The meetings of the Board of Governors shall be conducted in a manner consistent with applicable laws. All meetings duly called at which an action may be taken or is otherwise subject to the Brown Act shall have legal counsel to the Hospital Authority present. All meetings shall be open to the public except closed sessions determined by the Board of Governors and permitted by law. No Member may vote on or participate in any matter that materially affects his or her personal financial interest within the meaning of the Political Reform Act.

Section 2.22 Closed Session Meetings

The Board of Governors may order that a meeting be held in closed session solely for the purpose of discussion or taking action on Hospital Authority trade secrets, as defined in subdivision (d) of Section 3426.1 of the Civil Code, or to consider and take action on matters pertaining to contracts and contract negotiations concerning all matters related to rates of payment for health care services arranged or provided by the Hospital Authority, or for any other purpose under which a closed meeting may be held under the Brown Act or under Section 101855 of the Health and Safety Code, or any other provision of law, as determined by legal counsel for the Hospital Authority.

Section 2.23 Quorum

For regular, closed session, special and emergency meetings of the Board of Governors, a quorum shall be a majority of the authorized number of Members. In the event a quorum is present and a meeting commences, but due to the subsequent absence of one or more Members, a quorum is no longer present at the meeting, the meeting may be continued as long as at least two (2) Members are present. A motion to take an action may not be considered unless a quorum is present. Members may not participate in meetings of the Board of Governors via telephone or other electronic means, and shall not be counted toward establishing a quorum unless physically present. A meeting duly noticed at which a quorum is present may be adjourned to a later date and time within five (5) days without additional notice.

For each committee set forth in Article III herein, a quorum shall be a majority of the duly appointed members of the committee, and shall include at least one Member present who is a member of the committee.

Section 2.24 Official Action

Actions of the Board of Governors shall be by an affirmative vote of at least a majority of its seven authorized Members, who must be present when a roll-call vote is taken. Once the roll call has been taken and all of the Members given an opportunity to vote, the voting shall be closed and the votes tallied. A motion upon which an action has been taken may be reconsidered during the same meeting upon a motion duly adopted by a majority of all authorized Members.

Section 2.25 Minutes

A written record of proceedings of all meetings of the Board of Governors and of committees of the Board of Governors shall be kept on file.

Section 2.26 Agenda

Each meeting shall have an agenda, structured and posted as required by law.

Article III. Committees

Section 3.01 Standing and Ad Hoc Committees

(a) Standing Committees

- (1) The Board of Governors may create standing committees, with such membership, and for such purpose(s), as specified in a resolution adopted by a majority vote of the Board of Governors.
- (2) All standing committees shall act in an advisory capacity only, and shall have no authority to act on behalf of the Hospital Authority. All items requiring action shall be referred by the standing committees to the Board of Governors. Meetings of standing committees shall be subject to the Brown Act.

(b) Ad Hoc Committees

Ad hoc committees may be created as deemed necessary by a resolution adopted by a majority vote of the Board of Governors. Ad hoc committees shall have a limited, specific purpose, shall have a duration of no more than one year, shall have no authority to act on behalf of the Hospital Authority, and shall not be subject to the Brown Act unless their membership includes a majority of Members of the Board of Governors, or as determined otherwise by the Board of Governors, or as otherwise required by law.

Article IV. Kern Hospital Authority Board of Governors Officers

Section 4.01 List of Officers

- (a) Chair
- (b) Vice-Chair
- (c) Secretary/Treasurer
- (d) Chief Executive Officer (ex-officio)
- (e) Chief Financial Officer (ex-officio)
- (f) Other officers deemed necessary by the Board of Governors.

The term “Chair” as used in these Bylaws shall have the same meaning as the term “President” as used in the Enabling Ordinance.

Section 4.02 Appointment; Terms of Office

- (a) Officers, except for ex-officio officers, are elected by the Board of Governors at the first meeting of each fiscal year from among its own Members. Ex-officio officers shall serve during their term of employment in the office they hold.
- (b) Officers, except for ex-officio officers, are elected for a period of one (1) year and shall serve until a successor has been duly elected. A Member of the Board of Governors may hold an office for any number of terms, whether or not consecutive.
- (c) A Member shall not simultaneously hold more than one Board of Governors office.

Section 4.03 Duties of the Officers

- (a) The Chair shall:
 - (1) Preside at all meetings of the Board of Governors;
 - (2) Be an ex-officio, non-voting member of all committees;
 - (3) Execute contracts, correspondence, conveyances, and other written instruments as properly authorized by the Board of Governors;
 - (4) Perform such other duties as authorized by the Board of Governors.
- (b) The Vice-Chair shall:
 - (1) In the absence of the Chair assume the duties of the Chair;
 - (2) Perform such reasonable duties as may be required by the Members of the Board of Governors, or by the Chair of the Board of Governors acting within the scope of his or her authority.
- (c) The Secretary/Treasurer shall:
 - (1) Keep, or cause to be kept, accurate and complete minutes of all meetings, call meetings on order of the Chair, attend to all correspondence of the Board of Governors, and perform such other duties as ordinarily pertain to his/her office.
 - (2) Perform all duties related to record keeping as assigned by the Board of Governors.
 - (3) Present the proposed annual budget to the Board of Governors and any other committee designated by the Board of Governors.

(d) Chief Financial Officer

The Chief Financial Officer shall be appointed by the Chief Executive Officer, and employed, contracted with, or otherwise engaged by the Hospital Authority, and shall not be a Member of the Board of Governors. Prior to appointing the Chief Financial Officer, the Chief Executive Officer shall consult with and receive direction from the Board of Governors. The Chief Financial Officer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Hospital Authority, including (without limitation) accounts of its assets, liabilities, receipts, disbursements, gains, and losses. The books of account shall at all times be open to inspection by any Member of the Board of Governors or any member of the Board of Supervisors or their designees. The Chief Financial Officer shall have such other powers and perform such other duties as may be prescribed by the Board of Governors from time to time.

Section 4.04 Vacancies and Removal of Officers

- (a) A vacancy in any office (other than an ex-officio office) shall be filled by nomination and election by the Board of Governors as soon as is reasonably possible. The Chief Executive Officer shall be appointed as provided by Article V.
- (b) Officers, except for ex-officio officers, may resign at any time by providing written notice to the Chair with a copy to the Chief Executive Officer of the Hospital Authority, or be removed by a majority vote of Board of Governors at a scheduled meeting where a quorum is present. Ex-officio officers may resign or be removed according to the terms of their employment.

Article V. Chief Executive Officer of the Hospital Authority

Section 5.01 Selection; Authority to Act; Relationship to Board of Governors and Board of Supervisors

- (a) The Board of Governors shall appoint a competent and experienced Chief Executive Officer, subject to the prior approval by the Board of Supervisors, to have responsibility for the general management of the Hospital Authority. As provided in the Enabling Ordinance, the Board of Supervisors shall have the authority to terminate the Chief Executive Officer. Subject to the rights of the Board of Supervisors, the Chief Executive Officer shall be employed, contracted with, or otherwise engaged by the Hospital Authority.
- (b) The Chief Executive Officer shall be given necessary authority to operate the Hospital Authority in all its activities and departments and shall be held responsible for the administration of the Hospital Authority, subject to these Bylaws, and to the direction, policies, or orders of the Board of Governors or by any of the committees to which the Board of Governors has lawfully delegated authority for such action. The Chief Executive Officer of the Hospital Authority

shall be the Chief Executive Officer of the Kern Medical Center and all other facilities and operations of the Hospital Authority.

- (c) Subject to the control of the Board of Governors and the scope of his or her lawful authority, as it may be defined from time to time by the Board of Governors, the Chief Executive Officer shall act as the duly authorized representative of the Hospital Authority in all matters in which the Board of Governors has not formally designated some other person to so act.
- (d) Subject to the approval of the Board of Governors, the Chief Executive Officer shall designate a member of the Kern Medical Center executive staff to serve as an interim Chief Executive Officer during periods of absence of more than three (3) working days where the Chief Executive Officer is unable to substantially perform his or her duties. In the event of the absence of both the Chief Executive Officer and the interim Chief Executive Officer, the duties of the Chief Executive Officer shall be assumed by a standby Chief Executive Officer designated by the Chief Executive Officer, subject to approval by the Board of Governors.

Section 5.02 Powers and Duties

The Chief Executive Officer shall be the general manager of the Hospital Authority, and shall have the authority to exercise executive supervision over the general business and affairs of the Hospital Authority in accordance with the statement of duties and responsibilities adopted by the Board of Governors, including, but not limited, to the following:

- (a) Organize, appoint, discipline, and terminate employees;
- (b) Establish and implement rules, regulations, policies and procedures necessary to carry out the objectives and goals of the Hospital Authority;
- (c) Plan for hospital inpatient and outpatient services and facilities, and other ambulatory medical services and facilities, to promote population health in the county of Kern;
- (d) Prepare and recommend budgets;
- (e) Coordinate with County departments in promoting community health efforts;
- (f) Ensure compliance with all laws, policies and requirements of governmental and legal bodies relevant to the operation of the Kern Medical Center;
- (g) Establish rates and charges for services provided by the Hospital Authority;
- (h) Perform such duties assigned by the Board of Governors and required by these Bylaws or applicable law.

Section 5.03 Performance Monitoring

The Board of Governors shall conduct a formal performance evaluation of the Chief Executive Officer at least annually. The Board of Supervisors may, upon 30 days' prior notice to the Board of Governors, assign two members of the Board of Supervisors to participate in such performance evaluation.

Article VI. Medical Staff

Section 6.01 Organization of Medical Staff

(a) Organization

The Board of Governors shall cause the organization of the physicians, dentists, podiatrists, and other health professionals expressly granted clinical privileges in the Kern Medical Center into a Medical Staff under the Medical Staff Bylaws approved by the Board of Governors. The Medical Staff shall be self-governing with respect to the professional work performed in the hospital, shall conduct periodic meetings to review clinical performance of members of the Medical Staff based upon medical records, and shall facilitate the hospital's obligation to prepare and maintain a complete and accurate medical record for each patient. The Medical Staff shall have the initial responsibility to formulate and recommend to the Board of Governors for its approval, such approval not to be unreasonably withheld, a set of Medical Staff Bylaws, revisions, and amendments to those Medical Staff Bylaws, together with appended rules and regulations, as well as Medical Staff policies, such documents to be consistent with applicable law, policies and procedures of this Hospital Authority, the Enabling Ordinance, these Bylaws and, to the extent practicable, with accreditation standards.

(b) Purpose and Function

The Medical Staff Bylaws and rules and regulations shall state the purposes, functions, and organization assigned to the Medical Staff by the Board of Governors and other items required by law. The Medical Staff Bylaws and rules and regulations, as well as the Medical Staff policies, shall be reviewed by the Medical Executive Committee not less than every two (2) years and revised as appropriate, and as otherwise necessary to comply with applicable law and/or accreditation standards. The Medical Staff Bylaws shall include, but not be limited to, the following contents:

- (1) Procedures for appointment, the granting of clinical privileges, and reappointment to the Medical Staff for all Medical Staff members (see Section 6.05 of this Article VI);
- (2) Provisions specifying qualifications for Medical Staff membership;
- (3) Provisions specifying categories for Medical Staff members;

- (4) Procedures for reviewing the quality of care by members of the Medical Staff (see Section 6.04 of this Article VI);
- (5) Procedures for disciplinary action when appropriate;
- (6) Procedures for a hearing, together with an appeal to the Board of Governors, in those instances specified in the Medical Staff Bylaws (see Section 6.05 of this Article VI);
- (7) Procedures regarding the organization into departments and services;
- (8) Procedures specifying the manner of selection of officers, including provisions relating to the removal of elected officers. Such provisions may provide for the selection of officers by election from the Medical Staff.

Section 6.02 Medical Staff Committees

The Medical Staff shall be organized into such committees as are specified in the Medical Staff Bylaws, under the leadership of the Medical Executive Committee. The selection of physicians on the Medical Executive Committee and on other committees of the Medical Staff shall be specified or referenced in the Medical Staff Bylaws; provided that the Chief Executive Officer or his or her designee shall at all times be permitted to attend all committee meetings of the Medical Staff, including departmental meetings, as an ex-officio member without vote, in order to assure continued communication between the Medical Staff, administration, and the Board of Governors. The Chair of the Board of Governors shall appoint Members of the Board of Governors to serve on Medical Staff committees as appropriate.

Section 6.03 Rules and Regulations

Under procedures specified in the Medical Staff Bylaws, the Medical Staff shall recommend to the Board of Governors rules, regulations, and policies relating to the care of patients in the Kern Medical Center. Amendments to those rules, regulations, and policies shall be according to procedures specified in the Medical Staff Bylaws. Such rules, regulations, and policies, and all amendments thereto, shall be deemed effective when approved by the Board of Governors.

Section 6.04 Quality of Care

The Board of Governors, in the exercise of its overall responsibility and authority, shall delegate to the Medical Staff initial responsibility for assuring appropriate professional care by members of the Medical Staff to the Kern Medical Center's patients, subject to the Board of Governors' ultimate authority. The Medical Staff shall discharge this responsibility through procedures designed to ensure an ongoing review of the quality of care provided to patients by members of the Medical Staff, and an appropriate response to findings related to the audit or review of the quality of care. Such procedures may include regular and special audits of members of the Medical Staff by the appropriate committees and departments. The Medical Staff's quality assurance review shall include mechanisms designed to achieve the objective of all patients with the same health problem receiving the same level of care. A summary of the quality assurance

activities of the Medical Staff shall be reported to the Board of Governors at least two (2) times per year or more frequently as required by any applicable law, regulation, or accreditation requirement. These quality assurance review activities and reports shall be subject to the confidentiality protections and closed session provisions set forth in Section 101855(j) of the Health and Safety Code and all other applicable laws.

Section 6.05 Appointments to the Medical Staff

- (a) Ultimate responsibility and authority regarding the appointment, reappointment, and the granting of clinical privileges to members of the Medical Staff reside with the Board of Governors. In exercising this authority, the Board of Governors shall delegate to the Medical Staff the primary responsibility to evaluate applications for appointment or reappointment for Medical Staff membership and clinical privileges. The procedures for making such recommendations shall be specified in the Medical Staff Bylaws; provided that in the extraordinary instances in which the Medical Staff fails to act upon an application or reapplication within the time limits specified in the Medical Staff Bylaws, the Board of Governors may, on its own motion, grant or deny an application for appointment or reappointment for Medical Staff membership or clinical privileges. In the event such action results in a denial that would trigger a hearing under the Medical Staff Bylaws, the Board of Governors shall provide for such a hearing under rules of procedure adopted by the Board of Governors. A formal report shall be made by the Medical Executive Committee to the Board of Governors at least as often as required by applicable law or regulation.
- (b) Whenever the Board of Governors acts to review an application for appointment or reappointment to the Medical Staff, or a medical disciplinary matter, or conducts any other peer review activity, it shall be acting as a peer review body, and its deliberations and records shall be afforded the maximum degree of confidentiality permitted by law.
- (c) The Medical Staff shall make recommendations to the Board of Governors concerning appointments, reappointments, and other changes in Medical Staff status, granting of clinical privileges, disciplinary actions, all matters relating to professional competency, and specific matters as may be referred to the Medical Executive Committee as specified in the Medical Staff Bylaws.
- (d) No person applying for Medical Staff membership or clinical privileges shall be discriminated against on the basis of sex, race, color, religion, ancestry, or national origin, on the basis of whether the person holds an M.D., D.O., or D.P.M. degree, or on the basis of any criterion unrelated to good patient care at the hospital.
- (e) For reasons related to its concern and responsibilities for quality patient care and efficient operations, the Board of Governors may place limitations on the number of employed or contracted physicians, including those in traditional hospital-based practices, such as, but not limited to, pathology, radiology, and

anesthesiology, who are granted Medical Staff membership and/or clinical privileges at the Kern Medical Center. The Board of Governors may consider, without limitation, such factors as the Kern Medical Center's need to provide regular continuous professional coverage, the availability of adequate facilities or support services for patients and members of the Medical Staff and any person applying for Medical Staff membership and/or clinical privileges, any limitations on patient load that could adversely impact the proficiency of those employed or contracted physicians exercising clinical privileges, and the conditions of any hospital agreement for the provision of professional services. Applications for Medical Staff membership and/or clinical privileges in such practice areas shall be processed according to procedures adopted by the Board of Governors.

- (f) The Medical Staff Bylaws shall provide that at least the following actions, if based upon a medical disciplinary cause or reason, shall grant to the affected practitioner the right to a hearing which shall be consistent with the fair procedure laws of this State: an action failing to appoint or reappoint to the Medical Staff; failure to grant requested clinical privileges; or an action to reduce clinical privileges based on a medical disciplinary cause or reason. Such hearing process shall provide for an appeal before the Board of Governors or a designated committee thereof.

Section 6.06 Medicoadministrative Officer

Medicoadministrative Officer means either of the following:

- (a) A practitioner engaged by, or otherwise contracting with the Kern Medical Center, on a full- or part-time basis, whose duties include certain responsibilities which may be both administrative and clinical in nature. Clinical responsibilities are defined as those involving professional capability as a practitioner, such as those requiring the exercise of clinical judgment with respect to patient care, and include the supervision of professional activities of practitioners under his or her direction. His or her clinical privileges shall be delineated in accordance with the Medical Staff Bylaws. His or her Medical Staff membership and clinical privilege shall not be dependent on his or her continued occupation of that position, unless otherwise provided in an employment agreement, contract, or other arrangement.
- (b) A practitioner engaged by the Kern Medical Center in a purely administrative capacity with no clinical duties or privileges. He or she is subject to the regular personnel policies of the hospital and to the terms of his or her contract, or other conditions of engagement.

Section 6.07 Allied Health Professionals

The Board of Governors shall refer to the Medical Staff, subject to the Board of Governors' ultimate authority, the primary responsibility and authority to investigate and evaluate each application by an allied health professional for practice within the Kern Medical Center. Allied

health professionals shall consist of those categories of health professionals who are not members of the Medical Staff, but who have been designated by the Board of Governors as eligible to apply for practice privileges at the Kern Medical Center. The manner of their selection and the review of their performance shall be as specified in the Interdisciplinary Practice Manual, the Medical Staff Bylaws, or any policy statement reviewed by the Medical Staff, and approved by the Board of Governors. In general, such Interdisciplinary Practice Manual, Medical Staff Bylaws, or policy statement concerning allied health professionals shall provide that the application of such allied health professional shall be submitted and processed in a manner analogous to that applicable to members of the Medical Staff provided that decisions regarding approval, rejection, or corrective action shall not grant to the affected allied health professional fair hearing rights as specified in the Medical Staff Bylaws, except as otherwise may be expressly provided in the applicable Interdisciplinary Practice Manual, Medical Staff Bylaws, or policy statements.

Article VII. Quality Assessment and Performance Improvement

The Board of Governors shall ensure that the Kern Medical Center has an ongoing, hospital-wide, data-driven program for quality assessment and performance improvement (the “QAPI Program”), which reflects the complexity of the Kern Medical Center’s organization and services as required by Centers for Medicare and Medicaid Services (“CMS”). The QAPI Program shall involve all the Kern Medical Center departments and services (including those services furnished under contract or arrangement) and focus on indicators related to improved health outcomes and the prevention and reduction of medical errors. The Board of Governors shall ensure that the QAPI Program is defined, implemented, and maintained and that the Kern Medical Center maintain and be able to demonstrate evidence of its QAPI Program for review by CMS. The Kern Medical Center shall use the data collected to (a) monitor the effectiveness and safety of services and quality of care and (b) identify opportunities for improvement and changes that will lead to improvement. The Board of Governors shall ensure that the QAPI Program operates in accordance with applicable law, regulation, and accreditation requirements.

Article VIII. Fiscal Year

The fiscal year of the Hospital Authority shall commence on July 1 and end on June 30.

Article IX. Indemnification and Insurance

As required by Section 101853(f) of the Health and Safety Code, any contract executed by and between the county of Kern and the Hospital Authority shall provide for the indemnification of the county by the Hospital Authority for liabilities as specifically set forth in the contract, except that the contract shall include a provision that the county shall remain liable for its own negligent acts.

The indemnification rights and obligations of the county of Kern and the Hospital Authority contemplated by this Article IX shall be set forth in an agreement providing for the transfer of the ownership and operation of the Kern Medical Center to the Hospital Authority.

Directors, officers, employees, and contractors of the Hospital Authority shall have such immunity from liability as provided by law for individuals serving in such capacity, and shall be

indemnified for any loss, cost, or expense related to any claim for liability in connection with the Hospital Authority including, without limitation, the cost of a legal defense, to the extent provided by law.

The Board of Governors shall cause the Hospital Authority to arrange for and maintain appropriate insurance coverage for the Hospital Authority, its officers, directors, agents, and employees. All officers, directors, agents, and employees shall be properly bonded.

Article X. Adoption of and Amendments to Bylaws

Section 10.01 Amendment of Bylaws

These Bylaws may be amended by majority vote of the Board of Supervisors.

APPROVED by the Kern County Board of Supervisors on this ~~9th~~ _____ day of ~~February~~ _____, 201~~6~~7.

By _____
Chairman
Board of Supervisors

Date _____

APPROVED AS TO CONTENT:
COUNTY ADMINISTRATIVE OFFICE

By _____
~~John Nilon~~ Ryan Alsop
County Administrative Officer

Date _____

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Karen S. Barnes
Chief Deputy

Date _____

**KERN COUNTY HOSPITAL AUTHORITY
BYLAWS FOR GOVERNANCE**

Article I. Mission and Purpose

Section 1.01 Mission Statement

The Kern County Hospital Authority (“Hospital Authority”) was created by the Board of Supervisors of the county of Kern to provide access to affordable, high-quality health care services and to preserve and strengthen the viability of the health care safety net in the county in order to maintain and improve the health status of the people of the county of Kern through an organizational and operational structure that facilitates and improves the Kern Medical Center’s ability to function with flexibility, responsiveness, and innovation.

Section 1.02 Purpose

The purpose of the Hospital Authority is to provide maintenance, operation, management, and control of the Kern Medical Center and related health care resources, in a manner consistent with the county’s obligations under Section 17000 of the Welfare and Institutions Code, and to achieve these objectives in a manner that continues the viability of the Kern Medical Center and constitutes an ongoing material benefit to the county and its residents. In order to achieve these goals, the Kern Medical Center shall:

- (a) continue its status as a designated public hospital, and/or such other designation or status under which it would be eligible to participate in special funding programs as a safety net provider, with a mission of maintaining and improving the health of county residents;
- (b) provide comprehensive, high quality medical treatment, health promotion and health maintenance through an integrated system of hospital, clinic, and other health services staffed by individuals who are responsive to the diverse cultural needs of the community;
- (c) continue to function as a training institution committed to maintaining an environment that is supportive of a wide range of educational programs and activities; and
- (d) be managed, administered, and controlled by the Hospital Authority in a manner that assures accessible, cost effective, quality medical care to the residents of the county of Kern.

Article II. Governing Body

Section 2.01 Relationship to Enabling Ordinance

Ordinance No. A-356, which added Chapter 2.170 to Title 2 of the Ordinance Code of the county of Kern (sometimes referred to in these Bylaws as “the Enabling Ordinance”), prescribes certain matters concerning the governing body of the Hospital Authority, which are set forth below in

Sections 2.02 through 2.08. Any conflict or inconsistency between the provisions of these Bylaws and the Enabling Ordinance shall be resolved by applying the provisions of the Enabling Ordinance.

Section 2.02 Definition

The governing body of the Hospital Authority shall be known as the Kern County Hospital Authority Board of Governors (“Board of Governors”).

Section 2.03 Qualifications

(a) **Desired Qualifications:**

The Board of Governors shall be composed, to the extent feasible, of individuals with the expertise necessary to enable the Kern Medical Center to achieve the highest quality of care and appropriate scope of services in a manner which is both fiscally responsible and sensitive to the needs of the community. Desirable skills include, but are not limited to, business management, strategic planning, finance, public health policy, health care administration, personnel management, medical services, and consensus building.

(b) **Specific Qualifications:**

Members of the Board of Governors (“Members”) must be full-time residents of the county of Kern, at least 18 years of age, and should, to the extent feasible, collectively have the following types of knowledge, skills, and experience:

- (1) Knowledge of health care delivery systems;
- (2) Knowledge of health care policy and regulatory issues and with current and projected health care trends;
- (3) Knowledge of human resources in large organizations;
- (4) An understanding of budgeting process, revenue cycle, financial reports, and basic accounting principles;
- (5) Experience with managing hospital services and understanding of the health care needs of the Hospital Authority’s patient populations; and
- (6) Experience in advocating for safety net institutions including, but not limited to, the pursuit of public funding for the delivery of health care services.

(c) **Disqualified Persons**

The following types of persons may not serve as Members:

- (1) Persons who are or may be, in the view of the Board of Supervisors, in competition with, or otherwise have a conflict of interest with, the Hospital Authority.
- (2) Any person who has been excluded from participation in a federal or state medical care benefits program, or is currently suspended from participation in any such program.
- (3) Any person who has been convicted of a felony, or has been convicted or subject to discipline for any crime involving moral turpitude.
- (4) Any person who holds an incompatible office, other than employment or affiliation with the county of Kern.
- (5) Any person whose service as a Member would constitute having an interest in a contract as provided by Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government code, except as otherwise provided by Health and Safety Code Section 101854(d).

Section 2.04 Composition

- (a) The Board of Governors shall consist of seven (7) voting Members, as follows:
 - (1) The County Administrative Officer (ex-officio) or his or her designee which shall be appointed by the Board of Supervisors (any designation shall be for no less than one year);
 - (2) A member of the Kern Medical Center Medical Staff appointed by the Board of Supervisors; and
 - (3) Five members of the community at large appointed by the Board of Supervisors, none of whom shall be a physician.

Section 2.05 Reappointment and End of Term of the Board of Governors

- (a) A Member whose term is expiring and who is eligible for reappointment shall not be required to submit a new application for reappointment if such Member notifies the Chair of the Board of Governors in writing of his or her intent to seek reappointment.
- (b) The Board of Governors shall notify the Board of Supervisors of the Member's intent to continue to serve on the Board of Governors.
- (c) The Board of Supervisors may reappoint the Member or may deny the reappointment and create a vacancy.

Section 2.06 Manner of Appointment for Vacancies on the Board of Governors

- (a) Recruitment

Announcement of Community Member at Large (CML) and the Kern Medical Center Medical Staff (Medical Staff) vacancies on the Board of Governors shall be posted on County and Hospital Authority websites, at the Kern Medical Center, and via press release. The announcement shall include the minimum qualifications, submission deadline, and the Board of Governors interview date.

(b) Applications

- (1) All applicants must complete the application process by submitting by the submission deadline (1) a complete Kern County Hospital Authority Board of Governors Application for Appointment (Application) that has been approved by the county of Kern and (2) a security clearance consent form. The Application and the security consent form may be modified by the Board of Governors from time to time.
- (2) The Kern Medical Center Chief Executive Officer shall post the required notice under Section 2.06(a) that applications are being accepted.
- (3) Applications shall be accepted from all eligible persons, including (without limitation) members of the Board of Supervisors, Hospital Authority personnel, county of Kern personnel, and the general public.
- (4) Applications to serve on the Board of Governors may be made by submitting a completed Application to: Kern Medical Center Chief Executive Officer; 1700 Mount Vernon Avenue; Bakersfield, CA 93306, or to the Chief Executive Officer of the Hospital Authority at the same address.
- (5) The completed applications of all qualified applicants for the Board of Governors for CML and Medical Staff positions shall be submitted to the Board of Supervisors at least 30 days prior to the scheduled meeting of the Board of Supervisors to consider appointment of an individual to fill any vacancy of the Hospital Authority Board of Governors.

(c) Selection

- (1) Selection of Vacant Board of Governors Positions:
 - a. The Board of Governors shall forward to the Board of Supervisors all applications received by all qualified applicants to fill any vacancy. The Board of Governors may make recommendations to the Board of Supervisors from the pool of qualified applicants. The Board of Supervisors may consider any such application to fill a vacancy created by the expiration of the term of a CML Member or Medical Staff Member.
 - b. A qualified applicant shall remain in the pool of qualified applicants to serve on the Board of Governors of the Hospital

Authority for a period of three years, and may be considered by the Board of Supervisors for appointment to any vacancy occurring during that time period for which he or she is qualified. A qualified applicant may withdraw his or her name from consideration to serve on the Board of Governors at any time.

- c. The Board of Supervisors shall consider qualified applicants for appointment, but shall not be bound to appoint any such individual. The Board of Supervisors may only appoint qualified individuals who have formally applied for membership on the Board of Governors and have passed security clearance. The Board of Supervisors shall act by either by making an appointment from the pool of qualified applicants, or requesting the submission of additional candidates to fill the vacancy, within 30 days of receiving the list of qualified applicants. This process shall be consistent with Section 2.170.060(G) of the Enabling Ordinance.

(2) Selection of Members for Midterm Vacancies

- a. In the event of a vacancy occurring before the expiration of a Member's term, the Board of Governors shall forward all applications from qualified applicants to the Board of Supervisors. The list of qualified candidates and copies of their applications shall be submitted to the Board of Supervisors within 60 days after the vacancy occurs.
- b. Within 30 days of receiving the names of qualified candidates to fill a midterm vacancy, or at its next regularly scheduled meeting, if such meeting occurs later than 30 days after receiving candidates' names, the Board of Supervisors shall act to either: (a) appoint an individual to serve the remaining term of a Member; or (b) ask for additional qualified applicants from the Board of Governors.

Section 2.07 Term of Office

- (a) The Term of Office for appointed Members shall conform to the following:
 - (1) Each Member, other than a Member holding office ex-officio, shall hold office for a term of three years, except the Members initially appointed shall have staggered terms of one, two, and three years. The Board of Supervisors shall determine which Members shall be appointed to terms of one, two, or three years by drawing lots. The lots shall be drawn on behalf of the Board of Supervisors by the Clerk of the Board of Supervisors.
 - (2) The first term for the initial appointed Members of the Board of Governors shall commence on the date of the initial Board of Governors meeting, and shall end at midnight on June 30 of the year in which the Member has

served his or her initial term of office of one, two, or three years, as the case may be.

- (3) Terms for Members other than the initial Members shall commence on July 1, or the date of the first scheduled Board of Governors meeting subsequent to his or her appointment if the Member is appointed to fill a vacancy.
- (4) An individual who is appointed to fill a vacancy mid-term shall have the balance of that term as his or her initial term.

(b) Reappointment

- (1) Members may serve an unlimited number of terms if reappointed by the Board of Supervisors.
- (2) Each Member, whether serving an initial term or reappointed to a subsequent term, shall serve continuously until the expiration of his or her then-current term, or until a replacement is appointed, whichever occurs last.

Section 2.08 Vacancies; Removal

(a) Attendance

- (1) A Member shall automatically be removed from office, and said office shall become vacant, if within a one year period of time, he or she fails to attend any combination of three (3) properly noticed regular and/or special meetings of the Board of Governors without having secured, either in advance of or promptly after the missed meeting, approval from majority of the other Members of the Board of Governors, or from the President of the Board of Governors, to miss the meeting.
- (2) The Board of Governors shall advise in writing both the Member and the Board of Supervisors of the pending removal of the Member under this section and shall recite facts forming the basis for such removal. The removal shall become effective 45 days after the Board of Supervisors has been notified, without further action, unless the Board of Supervisors acts to reinstate the Member for the balance of his or her term within the 45 day period.

(b) Removal

A Member may be removed by the Board of Supervisors during his or her term with or without cause, on its own initiative, in accordance with the Enabling Ordinance.

(c) Resignation

A Member may resign by submitting a letter of resignation to the President of the Board of Governors, with a copy to the Board of Supervisors, or to the Board of Supervisors, with a copy to the President of the Board of Governors.

(d) Vacancies

Vacancies shall be filled by appointment by the Board of Supervisors, per Section 2.06(c).

Section 2.09 Actions by the Board of Supervisors

All actions by the Board of Supervisors in connection with the Board of Governors of the Hospital Authority shall be conducted pursuant to procedures adopted by the Board of Supervisors, which are currently contained in Section 2.170.060(G) of the Enabling Ordinance, as it may be modified from time to time.

Section 2.10 Reimbursement and Compensation

Members may be reimbursed for actual and reasonable expenses incurred in the performance of official business of the Hospital Authority as assigned by the Board of Governors. Members shall not receive any other compensation for their service on the Board of Governors or committees.

Section 2.11 Conflict of Interest

(a) Conflict of Interest Code

The Board of Governors shall adopt, and from time to time may amend, a Conflict of Interest Code of the Hospital Authority pursuant to the provisions of the Political Reform Act of 1974 (commencing with Section 81000 of the Government Code). The Conflict of Interest Code shall be submitted to the Board of Supervisors, the code reviewing body for Kern County agencies, within six months of the date the Hospital Authority came into existence, which date is November 6, 2015. The Conflict of Interest Code shall identify all persons required to file an annual Statement of Economic Interests, which shall include, without limitation, all Members. The Board of Supervisors, or successor code reviewing body, shall approve the adoption and any subsequent amendments to the Conflict of Interest Code.

(b) Code of Conduct and Business Ethics

(1) The Board of Governors shall develop and adopt a Kern County Hospital Authority Code of Conduct and Business Ethics.

(2) Members and officers of the Hospital Authority shall conduct their activities in conformity with the applicable laws and regulations related to impartiality in the conduct of its business.

- (3) Members and officers of the Hospital Authority shall disclose any actual or potential conflict of interest and refrain from voting on approval, participating in discussion, taking any action, or attempting to influence decisions on any matters having a material effect on his/her personal or private interest. Neither Members nor officers of the Hospital Authority may act in a manner that creates the appearance of a conflict with the objective exercise of his or her official duties.

Section 2.12 Confidentiality: Public Statements

In the course of carrying out his or her duties or responsibilities, each Member shall receive or have access to confidential information, including, without limitation, patient information, confidential financial, operational, business and planning information, trade secrets, personal information about employees or staff, information and data related to or derived from Medical Staff credentialing, discipline, governance and appeals processes or quality assessment and performance improvement processes (collectively, "Proprietary Information"). Subject to the Brown Act, the Public Records Act, or other applicable laws regarding disclosure, each Member is required (a) to keep and maintain such Proprietary Information solely for the purpose of carrying out his or her responsibilities as a Member, (b) to use and disclose such Proprietary Information solely for the purpose of carrying out his or her responsibilities as a Member, and (c) not to directly or indirectly disclose such Proprietary Information to any third person without the prior written approval of the Board of Governors, following a vote of the Board of Governors approving such disclosure. No Member shall make a public statement on behalf of the Board of Governors, or in a manner that appears to be on behalf of the Board of Governors, unless a majority of the Board of Governors has given prior authorization for the public statement by a motion duly adopted.

Section 2.13 Role of the Board of Supervisors

The Board of Supervisors has all powers relative to the Hospital Authority to help ensure that the transfer of the Kern Medical Center constitutes an ongoing material benefit to the county of Kern and its residents as set forth in Chapter 5.5 (commencing with Section 101852) of Part 4 of Division 101 of the Health and Safety Code, and the Enabling Ordinance adopted by the Board of Supervisors, including, without limitation:

- (1) The Board of Supervisors shall approve the Hospital Authority's annual budget after the budget is approved by the Hospital Authority's Board of Governors. The Board of Supervisors shall either approve or reject the Hospital Authority's annual budget in its entirety; the Board of Supervisors shall not approve or reject individual line items in the budget. The Hospital Authority shall provide its budget to the Board of Supervisors in accordance with the processes set forth in a formal written agreement between the Hospital Authority and the county of Kern. If the Hospital Authority does not provide its budget in accordance with such processes, the Board of Supervisors shall adopt an annual budget for the Hospital Authority.

- (2) The Hospital Authority shall conduct and fund an independent annual audit by an audit firm approved by the Board of Supervisors and shall provide copies of all final audits of the Hospital Authority or the Kern Medical Center to the Board of Supervisors. The Hospital Authority shall provide the Board of Supervisors upon request with a plan to address audit findings requiring corrective action, and a report of corrective action taken.
- (3) The Board of Supervisors shall approve the initial and any successive chief executive officer of the Hospital Authority prior to his or her appointment by the Hospital Authority. The Board of Supervisors may participate in the evaluation of the chief executive officer of the Hospital Authority and shall have the authority to remove the chief executive officer.
- (4) The Hospital Authority shall obtain the approval of the Board of Supervisors prior to entering into or incurring any debt other than the following: (1) debt which has a repayment term of less than one year, and (2) debt secured only by personal property.
- (5) The Hospital Authority may request that the Board of Supervisors levy a tax on behalf of the Hospital Authority. If the Board of Supervisors approves the proposal to levy the tax, it shall call the election to seek voter approval and place the appropriate measure on the ballot for that election.
- (6) As provided by Section 101855 of the Health and Safety Code, the Board of Supervisors may contract with the Hospital Authority to provide services and/or personnel upon mutually agreeable terms, and/or the Board of Supervisors may contract for services or purchase items on behalf of the Hospital Authority.
- (7) The Board of Supervisors may, at the request and on behalf of the Hospital Authority, contract for services or purchase items as it deems necessary, appropriate, or convenient for the conduct of the Hospital Authority's activities consistent with its purposes.
- (8) The county of Kern shall continue to retain the ultimate responsibility for indigent medical care pursuant to Section 17000 of the Welfare and Institutions Code.
- (9) The Hospital Authority shall not offer its employees, whether new or legacy, who are members of Kern County Employees' Retirement

Association retirement benefits that are greater than those available to the Kern Medical Center employees at the time of the transfer of the Kern Medical Center to the Hospital Authority and that increase the unfunded pension obligations of the county of Kern without the express prior approval of the Board of Supervisors.

- (10) The Board of Supervisors shall have the right to approve certain actions by the Hospital Authority, which shall include (without limiting any other rights of the Board of Supervisors set forth in the Enabling Ordinance or any agreement between the county of Kern and the Hospital Authority):
- a. the use of any name or names by the Hospital Authority for “doing business as” in addition to the name “Kern Medical Center” with respect to the licensed acute care hospital;
 - b. transfer of substantially all of the assets, operations, or control of the Kern Medical Center from the Hospital Authority to any other person or entity;
 - c. relocation or replacement of the acute care hospital;
 - d. establishment or acquisition of any new acute care hospital;
 - e. establishment or acquisition of new health care programs or facilities that have an annual operating budget that exceeds 8% of the Hospital Authority’s total annual operating budget;
 - f. any joint venture or joint powers agreement that creates new health programs or facilities that have an annual operating budget that exceeds 8% of the Hospital Authority’s total annual operating budget;
 - g. complete elimination of graduate medical education, trauma services, obstetrical services, or inpatient psychiatric services;
 - h. establishment or operation of a health plan as defined by the Knox-Keene Act of 1975; and
 - i. operation or ownership of any facility or clinic located outside of the county of Kern.

Section 2.14 Powers and Duties of the Board of Governors

Subject to the provisions in Chapter 5.5 (commencing with section 101852) of Part 4 of Division 101 of the Health and Safety Code, the Enabling Ordinance, and the provisions of these Bylaws requiring certain actions to be approved by the Board of Supervisors, the activities and affairs of this Hospital Authority shall be managed, and all of its legal powers shall be exercised by or under the direction of the Board of Governors of the Hospital Authority, and shall include

authority and responsibility, without limitation, for the maintenance, operation, management, and control of the Kern Medical Center and related health care resources transferred to its ownership and control by the county of Kern.

Section 2.15 Regular Meetings

- (a) The Board of Governors shall, by resolution adopted on the first day it meets, and annually thereafter on the last day of each calendar year in which it meets, establish a schedule to conduct regular meetings. The schedule of regular meetings may be modified by resolution duly adopted by the Board of Governors from time to time. Regular meetings shall be held not less frequently than quarterly, in the administrative offices of the Hospital Authority located at 1700 Mount Vernon Avenue, Bakersfield, California 93306, or at such other location within the county of Kern designated by the Board of Governors.
- (b) At least 72 hours prior to a regular meeting, the Board of Governors shall post an agenda containing a brief description of each item of business to be transacted or discussed at the meeting, including items (if any) to be discussed in closed session. A description of an agenda item shall generally not exceed 20 words. The agenda shall specify the time and place of the meeting, and shall be posted in a location that is freely accessible to members of the public, and on the Hospital Authority's website. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability. The agenda shall include information on how, to whom, and when a request for disability-related modification or accommodation may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.
- (c) The Board of Governors may take actions on items of business not appearing on the posted agenda only under the following conditions: (1) upon a determination by a majority vote that an emergency exists; (2) upon a determination by a two-thirds vote (or, if less than two-thirds of the Members are present at the meeting, by a unanimous vote of those present), that there is a need to take immediate action and that the need for action came to the attention of the Board of Governors subsequent to the agenda being posted; or (3) the agenda item was posted for a prior meeting occurring not more than five (5) calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

Section 2.16 Special Meetings

- (a) Special meetings may be called at any time by the Chair, or by a majority of Members of the Board of Governors, by delivering written notice to each Member of the Board of Governors and to each local newspaper of general circulation and radio or television station requesting notice in writing and posting a notice on the Hospital Authority's website. The notice shall be delivered personally, or by any other means, and shall be received at least 24 hours before the time of the

meeting. The notice shall specify the time and place of the meeting, and the business to be transacted or discussed. No other business shall be considered at special meetings. The written notice may be dispensed with as to any Member who, at or prior to the time the meeting convenes, files with the officer functioning as the Chair or Secretary of the meeting of the Hospital Authority a written waiver of notice. The written notice may also be dispensed with as to any Member who is actually present at the time the meeting convenes. The call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public.

- (b) A special meeting may not be called regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits of an executive of the Hospital Authority. A special meeting may be called to discuss the budget of the Hospital Authority.
- (c) Every notice of a special meeting shall provide an opportunity for members of the public to address the Board of Governors directly concerning any item that has been described in the notice for the meeting, before or during the consideration of that agenda item.

Section 2.17 Emergency Meetings

- (a) An emergency meeting may be conducted when a majority of Members determines that an emergency situation exists. An “emergency situation” is defined as a crippling activity, work stoppage or other activity that severely impairs public health or safety, or both. A “dire emergency” is defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist activity that poses peril so immediate and significant that requiring one-hour notice before holding an emergency meeting may endanger the public health, safety, or both, as determined by a majority of the Members. Absent a dire emergency, telephonic notice must be provided at least one hour prior to the meeting to all media outlets that have requested receipt of notice of any special meetings. In the case of a dire emergency, notice need only be provided at or near the time that notice is provided to Members.
- (b) Telephonic notice requirements may be waived in the event that telephone services are not working, but a report must be given to media outlets as soon as possible after the meeting. Except for the 24-hour notice requirements, the provisions relating to special meetings apply to the conduct of emergency meetings. At the conclusion of the meeting, the minutes of the meeting, a list of persons who the Board of Governors notified or attempted to notify, a copy of the roll call vote, and any actions taken at the meeting shall be posted for a minimum of ten (10) days in a public place as soon after the meeting as possible.
- (c) An emergency meeting may not be held in closed session, except as follows: the Board of Governors may meet in closed session for purposes of consulting with

law enforcement or security officials if agreed to by a two-thirds vote of the authorized number of Members.

Section 2.18 Closed Meetings Notice and Procedure

At least 72 hours prior to a closed session of any meeting, each item to be transacted or discussed in closed session must be briefly described on an agenda for the meeting. Prior to convening in closed session, the Chair of the meeting shall orally announce the items to be discussed in closed session. Upon completion of the closed session, the Board of Governors shall convene in open session. If any action was taken in closed session, the Chair of the meeting or his or her designee shall make a report of the action taken and the vote thereon, or that no reportable action was taken.

Section 2.19 Adjournments and Continuances

- (a) Regular and special meetings may be adjourned to a future date. If the subsequent meeting is conducted within five (5) days of the original meeting, matters properly placed on the agenda for the original meeting may be considered at the subsequent meeting.
- (b) When a meeting is adjourned to a subsequent date, notice of the adjournment must be conspicuously posted on or near the door of the place where the meeting was held within 24 hours after the time of adjournment. If no Members appear at a noticed meeting, the Chief Executive Officer of the Hospital Authority may adjourn the meeting to a future date and provide notice to Members and to the media in accordance with the special meetings provisions.

Section 2.20 Location

All regular meetings shall be conducted in Bakersfield at the administrative offices of the Hospital Authority, or at such other location within the county of Kern designated by the Board of Governors, as provided in Section 2.15(a). The Board of Governors shall conduct all of its special meetings in Bakersfield, California, or at such other location within the county of Kern designated by the Board of Governors as permitted under the Brown Act.

Section 2.21 Hearing Procedures

The meetings of the Board of Governors shall be conducted in a manner consistent with applicable laws. All meetings duly called at which an action may be taken or is otherwise subject to the Brown Act shall have legal counsel to the Hospital Authority present. All meetings shall be open to the public except closed sessions determined by the Board of Governors and permitted by law. No Member may vote on or participate in any matter that materially affects his or her personal financial interest within the meaning of the Political Reform Act.

Section 2.22 Closed Session Meetings

The Board of Governors may order that a meeting be held in closed session solely for the purpose of discussion or taking action on Hospital Authority trade secrets, as defined in subdivision (d) of Section 3426.1 of the Civil Code, or to consider and take action on matters pertaining to contracts and contract negotiations concerning all matters related to rates of payment for health care services arranged or provided by the Hospital Authority, or for any other purpose under which a closed meeting may be held under the Brown Act or under Section 101855 of the Health and Safety Code, or any other provision of law, as determined by legal counsel for the Hospital Authority.

Section 2.23 Quorum

For regular, closed session, special and emergency meetings of the Board of Governors, a quorum shall be a majority of the authorized number of Members. In the event a quorum is present and a meeting commences, but due to the subsequent absence of one or more Members, a quorum is no longer present at the meeting, the meeting may be continued as long as at least two (2) Members are present. A motion to take an action may not be considered unless a quorum is present. Members may not participate in meetings of the Board of Governors via telephone or other electronic means, and shall not be counted toward establishing a quorum unless physically present. A meeting duly noticed at which a quorum is present may be adjourned to a later date and time within five (5) days without additional notice.

For each committee set forth in Article III herein, a quorum shall be a majority of the duly appointed members of the committee, and shall include at least one Member present who is a member of the committee.

Section 2.24 Official Action

Actions of the Board of Governors shall be by an affirmative vote of at least a majority of its seven authorized Members, who must be present when a roll-call vote is taken. Once the roll call has been taken and all of the Members given an opportunity to vote, the voting shall be closed and the votes tallied. A motion upon which an action has been taken may be reconsidered during the same meeting upon a motion duly adopted by a majority of all authorized Members.

Section 2.25 Minutes

A written record of proceedings of all meetings of the Board of Governors and of committees of the Board of Governors shall be kept on file.

Section 2.26 Agenda

Each meeting shall have an agenda, structured and posted as required by law.

Article III. Committees

Section 3.01 Standing and Ad Hoc Committees

(a) Standing Committees

- (1) The Board of Governors may create standing committees, with such membership, and for such purpose(s), as specified in a resolution adopted by a majority vote of the Board of Governors.
- (2) All standing committees shall act in an advisory capacity only, and shall have no authority to act on behalf of the Hospital Authority. All items requiring action shall be referred by the standing committees to the Board of Governors. Meetings of standing committees shall be subject to the Brown Act.

(b) Ad Hoc Committees

Ad hoc committees may be created as deemed necessary by a resolution adopted by a majority vote of the Board of Governors. Ad hoc committees shall have a limited, specific purpose, shall have a duration of no more than one year, shall have no authority to act on behalf of the Hospital Authority, and shall not be subject to the Brown Act unless their membership includes a majority of Members of the Board of Governors, or as determined otherwise by the Board of Governors, or as otherwise required by law.

Article IV. Kern Hospital Authority Board of Governors Officers

Section 4.01 List of Officers

- (a) Chair
- (b) Vice-Chair
- (c) Secretary/Treasurer
- (d) Chief Executive Officer (ex-officio)
- (e) Chief Financial Officer (ex-officio)
- (f) Other officers deemed necessary by the Board of Governors.

The term "Chair" as used in these Bylaws shall have the same meaning as the term "President" as used in the Enabling Ordinance.

Section 4.02 Appointment; Terms of Office

- (a) Officers, except for ex-officio officers, are elected by the Board of Governors at the first meeting of each fiscal year from among its own Members. Ex-officio officers shall serve during their term of employment in the office they hold.
- (b) Officers, except for ex-officio officers, are elected for a period of one (1) year and shall serve until a successor has been duly elected. A Member of the Board of Governors may hold an office for any number of terms, whether or not consecutive.
- (c) A Member shall not simultaneously hold more than one Board of Governors office.

Section 4.03 Duties of the Officers

- (a) The Chair shall:
 - (1) Preside at all meetings of the Board of Governors;
 - (2) Be an ex-officio, non-voting member of all committees;
 - (3) Execute contracts, correspondence, conveyances, and other written instruments as properly authorized by the Board of Governors;
 - (4) Perform such other duties as authorized by the Board of Governors.
- (b) The Vice-Chair shall:
 - (1) In the absence of the Chair assume the duties of the Chair;
 - (2) Perform such reasonable duties as may be required by the Members of the Board of Governors, or by the Chair of the Board of Governors acting within the scope of his or her authority.
- (c) The Secretary/Treasurer shall:
 - (1) Keep, or cause to be kept, accurate and complete minutes of all meetings, call meetings on order of the Chair, attend to all correspondence of the Board of Governors, and perform such other duties as ordinarily pertain to his/her office.
 - (2) Perform all duties related to record keeping as assigned by the Board of Governors.
 - (3) Present the proposed annual budget to the Board of Governors and any other committee designated by the Board of Governors.

(d) Chief Financial Officer

The Chief Financial Officer shall be appointed by the Chief Executive Officer, and employed, contracted with, or otherwise engaged by the Hospital Authority, and shall not be a Member of the Board of Governors. Prior to appointing the Chief Financial Officer, the Chief Executive Officer shall consult with and receive direction from the Board of Governors. The Chief Financial Officer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Hospital Authority, including (without limitation) accounts of its assets, liabilities, receipts, disbursements, gains, and losses. The books of account shall at all times be open to inspection by any Member of the Board of Governors or any member of the Board of Supervisors or their designees. The Chief Financial Officer shall have such other powers and perform such other duties as may be prescribed by the Board of Governors from time to time.

Section 4.04 Vacancies and Removal of Officers

- (a) A vacancy in any office (other than an ex-officio office) shall be filled by nomination and election by the Board of Governors as soon as is reasonably possible. The Chief Executive Officer shall be appointed as provided by Article V.
- (b) Officers, except for ex-officio officers, may resign at any time by providing written notice to the Chair with a copy to the Chief Executive Officer of the Hospital Authority, or be removed by a majority vote of Board of Governors at a scheduled meeting where a quorum is present. Ex-officio officers may resign or be removed according to the terms of their employment.

Article V. Chief Executive Officer of the Hospital Authority

Section 5.01 Selection; Authority to Act; Relationship to Board of Governors and Board of Supervisors

- (a) The Board of Governors shall appoint a competent and experienced Chief Executive Officer, subject to the prior approval by the Board of Supervisors, to have responsibility for the general management of the Hospital Authority. As provided in the Enabling Ordinance, the Board of Supervisors shall have the authority to terminate the Chief Executive Officer. Subject to the rights of the Board of Supervisors, the Chief Executive Officer shall be employed, contracted with, or otherwise engaged by the Hospital Authority.
- (b) The Chief Executive Officer shall be given necessary authority to operate the Hospital Authority in all its activities and departments and shall be held responsible for the administration of the Hospital Authority, subject to these Bylaws, and to the direction, policies, or orders of the Board of Governors or by any of the committees to which the Board of Governors has lawfully delegated authority for such action. The Chief Executive Officer of the Hospital Authority

shall be the Chief Executive Officer of the Kern Medical Center and all other facilities and operations of the Hospital Authority.

- (c) Subject to the control of the Board of Governors and the scope of his or her lawful authority, as it may be defined from time to time by the Board of Governors, the Chief Executive Officer shall act as the duly authorized representative of the Hospital Authority in all matters in which the Board of Governors has not formally designated some other person to so act.
- (d) Subject to the approval of the Board of Governors, the Chief Executive Officer shall designate a member of the Kern Medical Center executive staff to serve as an interim Chief Executive Officer during periods of absence of more than three (3) working days where the Chief Executive Officer is unable to substantially perform his or her duties. In the event of the absence of both the Chief Executive Officer and the interim Chief Executive Officer, the duties of the Chief Executive Officer shall be assumed by a standby Chief Executive Officer designated by the Chief Executive Officer, subject to approval by the Board of Governors.

Section 5.02 Powers and Duties

The Chief Executive Officer shall be the general manager of the Hospital Authority, and shall have the authority to exercise executive supervision over the general business and affairs of the Hospital Authority in accordance with the statement of duties and responsibilities adopted by the Board of Governors, including, but not limited, to the following:

- (a) Organize, appoint, discipline, and terminate employees;
- (b) Establish and implement rules, regulations, policies and procedures necessary to carry out the objectives and goals of the Hospital Authority;
- (c) Plan for hospital inpatient and outpatient services and facilities, and other ambulatory medical services and facilities, to promote population health in the county of Kern;
- (d) Prepare and recommend budgets;
- (e) Coordinate with County departments in promoting community health efforts;
- (f) Ensure compliance with all laws, policies and requirements of governmental and legal bodies relevant to the operation of the Kern Medical Center;
- (g) Establish rates and charges for services provided by the Hospital Authority;
- (h) Perform such duties assigned by the Board of Governors and required by these Bylaws or applicable law.

Section 5.03 Performance Monitoring

The Board of Governors shall conduct a formal performance evaluation of the Chief Executive Officer at least annually. The Board of Supervisors may, upon 30 days' prior notice to the Board of Governors, assign two members of the Board of Supervisors to participate in such performance evaluation.

Article VI. Medical Staff

Section 6.01 Organization of Medical Staff

(a) Organization

The Board of Governors shall cause the organization of the physicians, dentists, podiatrists, and other health professionals expressly granted clinical privileges in the Kern Medical Center into a Medical Staff under the Medical Staff Bylaws approved by the Board of Governors. The Medical Staff shall be self-governing with respect to the professional work performed in the hospital, shall conduct periodic meetings to review clinical performance of members of the Medical Staff based upon medical records, and shall facilitate the hospital's obligation to prepare and maintain a complete and accurate medical record for each patient. The Medical Staff shall have the initial responsibility to formulate and recommend to the Board of Governors for its approval, such approval not to be unreasonably withheld, a set of Medical Staff Bylaws, revisions, and amendments to those Medical Staff Bylaws, together with appended rules and regulations, as well as Medical Staff policies, such documents to be consistent with applicable law, policies and procedures of this Hospital Authority, the Enabling Ordinance, these Bylaws and, to the extent practicable, with accreditation standards.

(b) Purpose and Function

The Medical Staff Bylaws and rules and regulations shall state the purposes, functions, and organization assigned to the Medical Staff by the Board of Governors and other items required by law. The Medical Staff Bylaws and rules and regulations, as well as the Medical Staff policies, shall be reviewed by the Medical Executive Committee not less than every two (2) years and revised as appropriate, and as otherwise necessary to comply with applicable law and/or accreditation standards. The Medical Staff Bylaws shall include, but not be limited to, the following contents:

- (1) Procedures for appointment, the granting of clinical privileges, and reappointment to the Medical Staff for all Medical Staff members (see Section 6.05 of this Article VI);
- (2) Provisions specifying qualifications for Medical Staff membership;
- (3) Provisions specifying categories for Medical Staff members;

- (4) Procedures for reviewing the quality of care by members of the Medical Staff (see Section 6.04 of this Article VI);
- (5) Procedures for disciplinary action when appropriate;
- (6) Procedures for a hearing, together with an appeal to the Board of Governors, in those instances specified in the Medical Staff Bylaws (see Section 6.05 of this Article VI);
- (7) Procedures regarding the organization into departments and services;
- (8) Procedures specifying the manner of selection of officers, including provisions relating to the removal of elected officers. Such provisions may provide for the selection of officers by election from the Medical Staff.

Section 6.02 Medical Staff Committees

The Medical Staff shall be organized into such committees as are specified in the Medical Staff Bylaws, under the leadership of the Medical Executive Committee. The selection of physicians on the Medical Executive Committee and on other committees of the Medical Staff shall be specified or referenced in the Medical Staff Bylaws; provided that the Chief Executive Officer or his or her designee shall at all times be permitted to attend all committee meetings of the Medical Staff, including departmental meetings, as an ex-officio member without vote, in order to assure continued communication between the Medical Staff, administration, and the Board of Governors. The Chair of the Board of Governors shall appoint Members of the Board of Governors to serve on Medical Staff committees as appropriate.

Section 6.03 Rules and Regulations

Under procedures specified in the Medical Staff Bylaws, the Medical Staff shall recommend to the Board of Governors rules, regulations, and policies relating to the care of patients in the Kern Medical Center. Amendments to those rules, regulations, and policies shall be according to procedures specified in the Medical Staff Bylaws. Such rules, regulations, and policies, and all amendments thereto, shall be deemed effective when approved by the Board of Governors.

Section 6.04 Quality of Care

The Board of Governors, in the exercise of its overall responsibility and authority, shall delegate to the Medical Staff initial responsibility for assuring appropriate professional care by members of the Medical Staff to the Kern Medical Center's patients, subject to the Board of Governors' ultimate authority. The Medical Staff shall discharge this responsibility through procedures designed to ensure an ongoing review of the quality of care provided to patients by members of the Medical Staff, and an appropriate response to findings related to the audit or review of the quality of care. Such procedures may include regular and special audits of members of the Medical Staff by the appropriate committees and departments. The Medical Staff's quality assurance review shall include mechanisms designed to achieve the objective of all patients with the same health problem receiving the same level of care. A summary of the quality assurance

activities of the Medical Staff shall be reported to the Board of Governors at least two (2) times per year or more frequently as required by any applicable law, regulation, or accreditation requirement. These quality assurance review activities and reports shall be subject to the confidentiality protections and closed session provisions set forth in Section 101855(j) of the Health and Safety Code and all other applicable laws.

Section 6.05 Appointments to the Medical Staff

- (a) Ultimate responsibility and authority regarding the appointment, reappointment, and the granting of clinical privileges to members of the Medical Staff reside with the Board of Governors. In exercising this authority, the Board of Governors shall delegate to the Medical Staff the primary responsibility to evaluate applications for appointment or reappointment for Medical Staff membership and clinical privileges. The procedures for making such recommendations shall be specified in the Medical Staff Bylaws; provided that in the extraordinary instances in which the Medical Staff fails to act upon an application or reapplication within the time limits specified in the Medical Staff Bylaws, the Board of Governors may, on its own motion, grant or deny an application for appointment or reappointment for Medical Staff membership or clinical privileges. In the event such action results in a denial that would trigger a hearing under the Medical Staff Bylaws, the Board of Governors shall provide for such a hearing under rules of procedure adopted by the Board of Governors. A formal report shall be made by the Medical Executive Committee to the Board of Governors at least as often as required by applicable law or regulation.
- (b) Whenever the Board of Governors acts to review an application for appointment or reappointment to the Medical Staff, or a medical disciplinary matter, or conducts any other peer review activity, it shall be acting as a peer review body, and its deliberations and records shall be afforded the maximum degree of confidentiality permitted by law.
- (c) The Medical Staff shall make recommendations to the Board of Governors concerning appointments, reappointments, and other changes in Medical Staff status, granting of clinical privileges, disciplinary actions, all matters relating to professional competency, and specific matters as may be referred to the Medical Executive Committee as specified in the Medical Staff Bylaws.
- (d) No person applying for Medical Staff membership or clinical privileges shall be discriminated against on the basis of sex, race, color, religion, ancestry, or national origin, on the basis of whether the person holds an M.D., D.O., or D.P.M. degree, or on the basis of any criterion unrelated to good patient care at the hospital.
- (e) For reasons related to its concern and responsibilities for quality patient care and efficient operations, the Board of Governors may place limitations on the number of employed or contracted physicians, including those in traditional hospital-based practices, such as, but not limited to, pathology, radiology, and

anesthesiology, who are granted Medical Staff membership and/or clinical privileges at the Kern Medical Center. The Board of Governors may consider, without limitation, such factors as the Kern Medical Center's need to provide regular continuous professional coverage, the availability of adequate facilities or support services for patients and members of the Medical Staff and any person applying for Medical Staff membership and/or clinical privileges, any limitations on patient load that could adversely impact the proficiency of those employed or contracted physicians exercising clinical privileges, and the conditions of any hospital agreement for the provision of professional services. Applications for Medical Staff membership and/or clinical privileges in such practice areas shall be processed according to procedures adopted by the Board of Governors.

- (f) The Medical Staff Bylaws shall provide that at least the following actions, if based upon a medical disciplinary cause or reason, shall grant to the affected practitioner the right to a hearing which shall be consistent with the fair procedure laws of this State: an action failing to appoint or reappoint to the Medical Staff; failure to grant requested clinical privileges; or an action to reduce clinical privileges based on a medical disciplinary cause or reason. Such hearing process shall provide for an appeal before the Board of Governors or a designated committee thereof.

Section 6.06 Medicoadministrative Officer

Medicoadministrative Officer means either of the following:

- (a) A practitioner engaged by, or otherwise contracting with the Kern Medical Center, on a full- or part-time basis, whose duties include certain responsibilities which may be both administrative and clinical in nature. Clinical responsibilities are defined as those involving professional capability as a practitioner, such as those requiring the exercise of clinical judgment with respect to patient care, and include the supervision of professional activities of practitioners under his or her direction. His or her clinical privileges shall be delineated in accordance with the Medical Staff Bylaws. His or her Medical Staff membership and clinical privilege shall not be dependent on his or her continued occupation of that position, unless otherwise provided in an employment agreement, contract, or other arrangement.
- (b) A practitioner engaged by the Kern Medical Center in a purely administrative capacity with no clinical duties or privileges. He or she is subject to the regular personnel policies of the hospital and to the terms of his or her contract, or other conditions of engagement.

Section 6.07 Allied Health Professionals

The Board of Governors shall refer to the Medical Staff, subject to the Board of Governors' ultimate authority, the primary responsibility and authority to investigate and evaluate each application by an allied health professional for practice within the Kern Medical Center. Allied

health professionals shall consist of those categories of health professionals who are not members of the Medical Staff, but who have been designated by the Board of Governors as eligible to apply for practice privileges at the Kern Medical Center. The manner of their selection and the review of their performance shall be as specified in the Interdisciplinary Practice Manual, the Medical Staff Bylaws, or any policy statement reviewed by the Medical Staff, and approved by the Board of Governors. In general, such Interdisciplinary Practice Manual, Medical Staff Bylaws, or policy statement concerning allied health professionals shall provide that the application of such allied health professional shall be submitted and processed in a manner analogous to that applicable to members of the Medical Staff provided that decisions regarding approval, rejection, or corrective action shall not grant to the affected allied health professional fair hearing rights as specified in the Medical Staff Bylaws, except as otherwise may be expressly provided in the applicable Interdisciplinary Practice Manual, Medical Staff Bylaws, or policy statements.

Article VII. Quality Assessment and Performance Improvement

The Board of Governors shall ensure that the Kern Medical Center has an ongoing, hospital-wide, data-driven program for quality assessment and performance improvement (the “QAPI Program”), which reflects the complexity of the Kern Medical Center’s organization and services as required by Centers for Medicare and Medicaid Services (“CMS”). The QAPI Program shall involve all the Kern Medical Center departments and services (including those services furnished under contract or arrangement) and focus on indicators related to improved health outcomes and the prevention and reduction of medical errors. The Board of Governors shall ensure that the QAPI Program is defined, implemented, and maintained and that the Kern Medical Center maintain and be able to demonstrate evidence of its QAPI Program for review by CMS. The Kern Medical Center shall use the data collected to (a) monitor the effectiveness and safety of services and quality of care and (b) identify opportunities for improvement and changes that will lead to improvement. The Board of Governors shall ensure that the QAPI Program operates in accordance with applicable law, regulation, and accreditation requirements.

Article VIII. Fiscal Year

The fiscal year of the Hospital Authority shall commence on July 1 and end on June 30.

Article IX. Indemnification and Insurance

As required by Section 101853(f) of the Health and Safety Code, any contract executed by and between the county of Kern and the Hospital Authority shall provide for the indemnification of the county by the Hospital Authority for liabilities as specifically set forth in the contract, except that the contract shall include a provision that the county shall remain liable for its own negligent acts.

The indemnification rights and obligations of the county of Kern and the Hospital Authority contemplated by this Article IX shall be set forth in an agreement providing for the transfer of the ownership and operation of the Kern Medical Center to the Hospital Authority.

Directors, officers, employees, and contractors of the Hospital Authority shall have such immunity from liability as provided by law for individuals serving in such capacity, and shall be

indemnified for any loss, cost, or expense related to any claim for liability in connection with the Hospital Authority including, without limitation, the cost of a legal defense, to the extent provided by law.

The Board of Governors shall cause the Hospital Authority to arrange for and maintain appropriate insurance coverage for the Hospital Authority, its officers, directors, agents, and employees. All officers, directors, agents, and employees shall be properly bonded.

Article X. Adoption of and Amendments to Bylaws

Section 10.01 Amendment of Bylaws

These Bylaws may be amended by majority vote of the Board of Supervisors.

APPROVED by the Kern County Board of Supervisors on this ____ day of _____, 2017.

By _____
Chairman
Board of Supervisors

Date _____

APPROVED AS TO CONTENT:
COUNTY ADMINISTRATIVE OFFICE

By _____
Ryan Alsop
County Administrative Officer

Date _____

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Karen S. Barnes
Chief Deputy

Date _____



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

February 15, 2017

Subject: Proposed retroactive Agreement with Mesa Engineering Systems, Inc.

Recommended Action: Make Finding Project Exempt from further CEQA Review per Sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Authorize Chairman to sign; Authorize Chief Executive Officer to approve any future change orders in an amount not to exceed 20% of the original contract price.

Summary:

Proposed retroactive Agreement with Mesa Engineering Systems, Inc., an independent contractor, for construction management services related to the E wing heating and cooling controls replacement project, effective January 18, 2017, in amount not to exceed \$335,500.

DOCUMENT 00500

AGREEMENT

THIS AGREEMENT, dated this **18th** day of **January 2017** is by and between **Mesa Energy Systems, Inc.** whose place of business is located at **2 Cromwell, Irvine, CA 92618** ("Contractor"), and the KERN COUNTY HOSPITAL AUTHORITY, a political subdivision of the State of California (hereinafter "Owner"), acting under and by virtue of the authority vested in Owner by the laws of the State of California

WHEREAS, in consideration for the promises and payment to be made and performed by Authority, and under the conditions expressed in the incorporated Bid Proposal (Bid), bonds and related papers, Contractor agrees to do all the work and furnish all the materials at the expense of Contractor (except such as the Specifications state will be furnished by Authority) necessary to construct and complete in a good and workmanlike manner to the satisfaction of the Chief Executive Officer for the Kern County Hospital Authority all the work shown and described in the plans and specifications for the project known as:

KCHA E Wing Controls Replacement (1250.10916)

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Contractor and Owner agree as follows:

ARTICLE 1 - SCOPE OF WORK OF THE CONTRACT

1.01 Work of the Contract

- A. Contractor shall complete all Work specified in the Contract Documents, in accordance with the Specifications, Drawings, and all other terms and conditions of the Contract Documents (**Work**).

1.02 Price for Completion of the Work

- A. Owner shall pay Contractor the following Contract Sum three hundred thirty-five thousand, five hundred dollars (**\$335,500.00**) for completion of Work in accordance with Contract Documents as set forth in Contractor's Bid, attached hereto.

ARTICLE 2 - COMMENCEMENT AND COMPLETION OF WORK

2.01 Commencement of Work

- A. Contractor shall commence Work on the date established in the Notice to Proceed (**Commencement Date**).
- B. Owner reserves the right to modify or alter the Commencement Date.

2.02 Completion of Work

- A. Contractor shall achieve Final Completion of the entire Work **one hundred twenty (120) Working Days**, as defined in Document 01422, from the Commencement Date.

ARTICLE 3 - LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF WORK

3.01 Liquidated Damage Amounts

- A. As liquidated damages for delay Contractor shall pay Owner five hundred dollars (\$500.00) for each Calendar Day that expires after the time specified herein for Contractor to achieve Final Completion of the entire Work, until achieved.

3.02 Scope of Liquidated Damages

- A. Measures of liquidated damages shall apply cumulatively.
- B. Limitations and stipulations regarding liquidated damages are set forth in Document 00700 (General Conditions).

ARTICLE 4 - CONTRACT DOCUMENTS

4.01 Contract Documents consist of the following documents, including all changes, Addenda, and Modifications thereto:

| | |
|-----------------------|--|
| Document 00001 | Title Page |
| Document 00100 | Notice to Contractors |
| Document 00200 | Instruction to Bidders |
| Document 00300 | Geotechnical Data and Existing Conditions |
| Document 00410 | Bid Form |
| Document 00412 | Bidder Registration Form |
| Document 00431 | Subcontractors List |
| Document 00452 | Non-Collusion Declaration |
| Document 00453 | Iran Contracting Act Certification |
| Document 00455 | Bidder Certifications |
| Document 00500 | Agreement |
| Document 00501 | Proposed Contract Documents Transmittal |
| Document 00601 | Construction Performance Bond |
| Document 00602 | Construction Labor and Material Payment Bond |
| Document 00603 | Guaranty |
| Document 00590 | Release of Claims |
| Document 00620 | Withheld Contract Funds Certification |
| Document 00700 | General Conditions |
| Document 00738 | Apprenticeship Programs |
| Document 00800 | Supplementary Conditions – Insurance |
| Master Specifications | Divisions 1 |
| Drawings | Asbuilt Drawings |

4.02 There are no Contract Documents other than those listed above. The Contract Documents may only be amended, modified or supplemented as provided in Document 00700 (General Conditions).

ARTICLE 5 – LIABILITY OF AUTHORITY

5.01 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.

ARTICLE 6 – MISCELLANEOUS

6.01 Terms and abbreviations used in this Agreement are defined in Document 00700 (General Conditions) and Section 01422 (Definitions) and will have the meaning indicated therein.

6.02 It is understood and agreed that in no instance are the persons signing this Agreement for or on behalf of Owner or acting as an employee, agent, or representative of Owner, liable on this Agreement or any of the Contract Documents, or upon any warranty of authority, or otherwise, and it is further understood and agreed that liability of Owner is limited and confined to such liability as authorized or imposed by the Contract Documents or applicable law.

- 6.02** In entering into a public works contract or a subcontract to supply goods, services or materials pursuant to a public works contract, Contractor or Subcontractor offers and agrees to assign to the awarding body all rights, title and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. §15) or under the Cartwright Act (Chapter 2 (commencing with §16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time Owner tenders final payment to Contractor, without further acknowledgment by the parties.
- 6.03** This project is subject to prevailing wage laws. Copies of the general prevailing rates of per diem wages for each craft, classification, or type of worker needed to execute the Contract, as determined by Director of the State of California Department of Industrial Relations, are deemed included in the Contract Documents and on file at Owner's Office, and shall be made available to any interested party on request. Pursuant to California Labor Code §§ 1860 and 1861, in accordance with the provisions of Section 3700 of the Labor Code, every contractor will be required to secure the payment of compensation to his employees. Contractor represents that it is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and Contractor shall comply with such provisions before commencing the performance of the Work of the Contract Documents.
- 6.04** This Agreement and the Contract Documents shall be deemed to have been entered into in the County of Kern, State of California, and governed in all respects by California law (excluding choice of law rules). The exclusive venue for all disputes or litigation hereunder shall be in the Superior Court for the County of Kern.

IN WITNESS WHEREOF the parties have executed seven original Agreements on the day and year first above written.

APPROVED AS TO FORM:

OFFICE OF THE COUNTY COUNSEL

KERN COUNTY HOSPITAL AUTHORITY

By _____
Shannon Hochstein, Deputy County Counsel

By _____
Chairman

"AUTHORITY"

APPROVED AS TO CONTENT:
KERN MEDICAL HOSPITAL

Contractor's Name

By _____
Jared Leavitt, Chief Operating Officer

Type of Entity
(corporation, partnership, sole proprietorship)

By _____
Signature

Typed Name

Title of Individual Executing
Document on behalf of Firm

"CONTRACTOR"

NOTICE: CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND ARE REGULATED BY CONTRACTORS' STATE LICENSE BOARD. QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR OF THAT BOARD, WHOSE ADDRESS IS: CONTRACTORS' STATE LICENSE BOARD, 1020 "N" STREET, SACRAMENTO, CALIFORNIA 95814.

END OF DOCUMENT



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

February 15, 2017

Subject: Proposed Change Order No. 1 to Agreement 2016-074 with Anderson Group International for Pharmacy USP 797 Clean Room Modifications - Construction

Recommended Action: Make Finding Project Exempt from further CEQA Review per Sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Authorize Chairman to sign; Authorize Chief Executive Officer to approve any future change orders in an amount not to exceed 20% of the original contract price.

Summary:

Proposed Change Order No. 1 to Agreement 2016-074 with Anderson Group International, an independent contractor, for construction management services related to the Pharmacy USP 797 clean room modifications, increasing the maximum payable by \$16,770.40, from \$588,018.07 to \$604,788.61 for the construction of Pharmacy USP 797 Clean Room Modifications.

CHANGE ORDER

PROJECT:

Pharmacy USP 797 Clean Room Modifications
1700 Mt. Vernon Avenue
Bakersfield, CA 93306

PROJECT NO.: 1250.10946
PURCHASE ORDER NO.: 1250.10946.929

CONTRACTOR:

Anderson Group International
P.O. Box 80306
Bakersfield, CA 93380

CHANGE ORDER NO.: One (1)

DATE:

| DESCRIPTION OF CHANGE | ADD | DEDUCT |
|--|---------------------|--------|
| 1. Provide all labor, material and equipment to remove and replace trap primer at two (2) locations in the restrooms at D Wing Lobby. CP5 | \$1,087.97 | |
| 2. Provide all labor, material and equipment to remove and replace two (2) existing 1-1/4" and (1) existing 2" isolation valves with new ball valves. CP 1 | \$4,051.62 | |
| 3. Provide all labor, material and equipment to extend the shaft wall to accommodate the existing duct work. CP 3 | \$3,853.05 | |
| 4. Provide all labor, material and equipment to install new metal framing and waterproofing at Restrooms. | \$7,777.90 | |
| CHANGE ORDER NO. 1 TOTAL (ADD) | \$16,770.54 | |
| ORIGINAL CONTRACT PRICE | \$588,018.07 | |
| NEW CONTRACT AMOUNT | \$604,788.61 | |

REASON FOR CHANGE

1. The existing trap primers at the D Wing Lobby Restrooms are leaking and need to be replaced.
2. The existing Isolation gate valves at the D Wing Lobby are leaking and need to be changed out to ball valves.
3. The existing duct work layout did not allow for installation of the shaft wall as designed.
4. The existing metal studs in the D wing Restrooms are rusted away and need to be replaced. Waterproofing is required to eliminate future damage.

Funds are available in the contract budget to cover this increase in cost.

CONFORMANCE WITH SPECIFICATIONS:

All work shall be done in conformance with the specifications as applied to work of a similar nature.

If the contractor refuses to sign this document, the work listed herein shall be performed on a force account basis.

SUBMITTED BY:

Anderson Group International

KERN COUNTY HOSPITAL AUTHORITY

BY: _____

Leigh Ann Anderson, Chief Executive Officer

BY: _____

Chairman of the Board
"Authority"

APPROVED AS TO FORM:

OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTENT:

Kern Medical Center

BY: _____

Shannon Hochstein
Deputy County Counsel

BY: _____

Russell Judd, Chief Executive Officer

BY: _____

Jared Leavitt, Chief Operating Officer



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

February 15, 2017

Subject: Proposed retroactive Agreement with JTS Construction

Recommended Action: Make Finding project is exempt from further CEQA review per sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Authorize Chairman to sign; Authorize Chief Executive Officer to approve any future change orders in an amount not to exceed 20% of the original contract price.

Summary:

Proposed retroactive Agreement with JTS Construction, an independent contractor, for construction management services related to the Sagebrush Medial Plaza tenant improvements project, effective November 16, 2016, in an amount not to exceed \$1,095,821.

Proposed Agreement provides construction of approximately 7,200 square foot OSHPD 3 clinical space at 1111 Columbus Street, Suite 3000, which includes, but is not limited to: general demolition, interior walls, ceiling, interior finishes, fire suppression modifications, HVAC, plumbing and electrical.

DOCUMENT 00500

AGREEMENT

THIS AGREEMENT, dated this **16th** day of **November, 2016**, is by and between **JTS Construction**, whose place of business is located at P.O. Box 41765, Bakersfield, CA 93384 ("Contractor"), and the KERN COUNTY HOSPITAL AUTHORITY, a political subdivision of the State of California (hereinafter "Owner and/or Authority"), acting under and by virtue of the authority vested in Owner by the laws of the State of California

WHEREAS, in consideration for the promises and payment to be made and performed by Authority, and under the conditions expressed in the incorporated Bid Proposal (Bid), bonds and related papers, Contractor agrees to do all the work and furnish all the materials at the expense of Contractor (except such as the Specifications state will be furnished by Authority) necessary to construct and complete in a good and workmanlike manner to the satisfaction of the Chief Executive Officer for the Kern County Hospital Authority all the work shown and described in the plans and specifications for the project known as:

Sagebrush Clinic TI (1250.10912)

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Contractor and Owner agree as follows:

ARTICLE 1 - SCOPE OF WORK OF THE CONTRACT

1.01 Work of the Contract

- A. Contractor shall complete all Work specified in the Contract Documents, in accordance with the Specifications, Drawings, and all other terms and conditions of the Contract Documents (**Work**).

1.02 Price for Completion of the Work

- A. Owner shall pay Contractor the following Contract Sum one million, ninety-five thousand, eight hundred twenty-one dollars (**\$1,095,821.00**) for completion of Work in accordance with Contract Documents as set forth in Contractor's Bid, attached hereto.

ARTICLE 2 - COMMENCEMENT AND COMPLETION OF WORK

2.01 Commencement of Work

- A. Contractor shall commence Work on the date established in the Notice to Proceed (**Commencement Date**).
- B. Owner reserves the right to modify or alter the Commencement Date.

2.02 Completion of Work

- A. Contractor shall achieve Final Completion of the entire Work **120 Working Days**, as defined in Document 01422, from the Commencement Date.

ARTICLE 3 - LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF WORK

3.01 Liquidated Damage Amounts

- A. As liquidated damages for delay Contractor shall pay Owner one thousand, five hundred dollars (**\$1,500.00**) for each Calendar Day that expires after the time specified herein for Contractor to achieve Final Completion of the entire Work, until achieved.

3.02 Scope of Liquidated Damages

- A. Measures of liquidated damages shall apply cumulatively.
- B. Limitations and stipulations regarding liquidated damages are set forth in Document 00700 (General Conditions).

ARTICLE 4 - CONTRACT DOCUMENTS

4.01 Contract Documents consist of the following documents, including all changes, Addenda, and Modifications thereto:

| | |
|-----------------------|--|
| Document 00001 | Title Page |
| Document 00100 | Notice to Contractors |
| Document 00200 | Instruction to Bidders |
| Document 00300 | Geotechnical Data and Existing Conditions |
| Document 00410 | Bid Form |
| Document 00412 | Bidder Registration Form |
| Document 00431 | Subcontractors List |
| Document 00452 | Non-Collusion Declaration |
| Document 00453 | Iran Contracting Act Certification |
| Document 00455 | Bidder Certifications |
| Document 00500 | Agreement |
| Document 00501 | Proposed Contract Documents Transmittal |
| Document 00601 | Construction Performance Bond |
| Document 00602 | Construction Labor and Material Payment Bond |
| Document 00603 | Guaranty |
| Document 00590 | Release of Claims |
| Document 00700 | General Conditions |
| Document 00738 | Apprenticeship Programs |
| Document 00800 | Supplementary Conditions – Insurance |
| Master Specifications | Divisions 1 through 16 |
| Drawings | |

4.02 There are no Contract Documents other than those listed above. The Contract Documents may only be amended, modified or supplemented as provided in Document 00700 (General Conditions).

ARTICLE 5 – LIABILITY OF AUTHORITY

5.01 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.

ARTICLE 6 – MISCELLANEOUS

6.01 Terms and abbreviations used in this Agreement are defined in Document 00700 (General Conditions) and Section 01422 (Definitions) and will have the meaning indicated therein.

6.02 It is understood and agreed that in no instance are the persons signing this Agreement for or on behalf of Owner or acting as an employee, agent, or representative of Owner, liable on this Agreement or any of the Contract Documents, or upon any warranty of authority, or otherwise, and it is further understood and agreed that liability of Owner is limited and confined to such liability as authorized or imposed by the Contract Documents or applicable law.

6.02 In entering into a public works contract or a subcontract to supply goods, services or materials pursuant to a public works contract, Contractor or Subcontractor offers and agrees to assign to

the awarding body all rights, title and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. §15) or under the Cartwright Act (Chapter 2 (commencing with §16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time Owner tenders final payment to Contractor, without further acknowledgment by the parties.

6.03 This project is subject to prevailing wage laws. Copies of the general prevailing rates of per diem wages for each craft, classification, or type of worker needed to execute the Contract, as determined by Director of the State of California Department of Industrial Relations, are deemed included in the Contract Documents and on file at Owner's Office, and shall be made available to any interested party on request. Pursuant to California Labor Code §§ 1860 and 1861, in accordance with the provisions of Section 3700 of the Labor Code, every contractor will be required to secure the payment of compensation to his employees. Contractor represents that it is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and Contractor shall comply with such provisions before commencing the performance of the Work of the Contract Documents.

6.04 This Agreement and the Contract Documents shall be deemed to have been entered into in the County of Kern, State of California, and governed in all respects by California law (excluding choice of law rules). The exclusive venue for all disputes or litigation hereunder shall be in the Superior Court for the County of Kern.

IN WITNESS WHEREOF the parties have executed seven original Agreements on the day and year first above written.

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

KERN COUNTY HOSPITAL AUTHORITY

By _____
Shannon Hochstein, Deputy County Counsel

By _____
Russell Judd, Chief Executive Officer

"AUTHORITY"

APPROVED AS TO CONTENT:
KERN MEDICAL HOSPITAL

Contractor's Name

By _____
Jared Leavitt, Chief Operating Officer

Type of Entity
(corporation, partnership, sole proprietorship)

By _____
Signature

Typed Name

Title of Individual Executing
Document on behalf of Firm

"CONTRACTOR"

NOTICE: CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND ARE REGULATED BY CONTRACTORS' STATE LICENSE BOARD. QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED

Rev. 0
April 12, 2014

TO THE REGISTRAR OF THAT BOARD, WHOSE ADDRESS IS: CONTRACTORS' STATE LICENSE BOARD,
1020 "N" STREET, SACRAMENTO, CALIFORNIA 95814.

END OF DOCUMENT



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

February 15, 2017

Subject: Proposed retroactive Agreement with Anderson Group International for Sagebrush Chemo Remodel - Construction

Recommended Action: Make Finding Project Exempt from further CEQA Review per Sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Authorize Chairman to sign; Authorize Chief Executive Officer to approve any future change orders in an amount not to exceed 20% of the original contract price.

Summary:

Proposed Agreement with Anderson Group International, an independent contractor, for construction management services related to Sagebrush Medical Plaza infusion clinic project, effective November 16, 2016, in an amount not to exceed \$391,720.

DOCUMENT 00500

AGREEMENT

THIS AGREEMENT, dated this **16th** day of **November, 2016**, is by and between **Anderson Group International**, whose place of business is located at **P.O. Box 80306, Bakersfield, CA 93380** ("Contractor"), and the KERN COUNTY HOSPITAL AUTHORITY, a political subdivision of the State of California (hereinafter "Owner and/or Authority"), acting under and by virtue of the authority vested in Owner by the laws of the State of California

WHEREAS, in consideration for the promises and payment to be made and performed by Authority, and under the conditions expressed in the incorporated Bid Proposal (Bid), bonds and related papers, Contractor agrees to do all the work and furnish all the materials at the expense of Contractor (except such as the Specifications state will be furnished by Authority) necessary to construct and complete in a good and workmanlike manner to the satisfaction of the Chief Executive Officer for the Kern County Hospital Authority all the work shown and described in the plans and specifications for the project known as:

Sagebrush Infusion Clinic (1250.10918)

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Contractor and Owner agree as follows:

ARTICLE 1 - SCOPE OF WORK OF THE CONTRACT

1.01 Work of the Contract

- A. Contractor shall complete all Work specified in the Contract Documents, in accordance with the Specifications, Drawings, and all other terms and conditions of the Contract Documents (**Work**).

1.02 Price for Completion of the Work

- A. Owner shall pay Contractor the following Contract Sum (**391,719.30**) for completion of Work in accordance with Contract Documents as set forth in Contractor's Bid, attached hereto.

ARTICLE 2 - COMMENCEMENT AND COMPLETION OF WORK

2.01 Commencement of Work

- A. Contractor shall commence Work on the date established in the Notice to Proceed (**Commencement Date**).
- B. Owner reserves the right to modify or alter the Commencement Date.

2.02 Completion of Work

- A. Contractor shall achieve Final Completion of the entire Work **120 Working** Days, as defined in Document 01422, from the Commencement Date.

ARTICLE 3 - LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF WORK

3.01 Liquidated Damage Amounts

- A. As liquidated damages for delay Contractor shall pay Owner \$1,000.00 dollars for each Calendar Day that expires after the time specified herein for Contractor to achieve Final Completion of the entire Work, until achieved.

3.02 Scope of Liquidated Damages

- A. Measures of liquidated damages shall apply cumulatively.
- B. Limitations and stipulations regarding liquidated damages are set forth in Document 00700 (General Conditions).

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4.01 Contract Documents consist of the following documents, including all changes, Addenda, and Modifications thereto:

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| Document 00453 | Iran Contracting Act Certification |
| Document 00455 | Bidder Certifications |
| Document 00500 | Agreement |
| Document 00501 | Proposed Contract Documents Transmittal |
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| Document 00602 | Construction Labor and Material Payment Bond |
| Document 00603 | Guaranty |
| Document 00590 | Release of Claims |
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| Document 00800 | Supplementary Conditions – Insurance |
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4.02 There are no Contract Documents other than those listed above. The Contract Documents may only be amended, modified or supplemented as provided in Document 00700 (General Conditions).

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- 6.02 In entering into a public works contract or a subcontract to supply goods, services or materials pursuant to a public works contract, Contractor or Subcontractor offers and agrees to assign to the awarding body all rights, title and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. §15) or under the Cartwright Act (Chapter 2 (commencing with §16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time Owner tenders final payment to Contractor, without further acknowledgment by the parties.
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- 6.04 This Agreement and the Contract Documents shall be deemed to have been entered into in the County of Kern, State of California, and governed in all respects by California law (excluding choice of law rules). The exclusive venue for all disputes or litigation hereunder shall be in the Superior Court for the County of Kern.

IN WITNESS WHEREOF the parties have executed seven original Agreements on the day and year first above written.

APPROVED AS TO FORM:

OFFICE OF THE COUNTY COUNSEL

KERN COUNTY HOSPITAL AUTHORITY

By _____
Shannon Hochstein, Deputy County Counsel

By _____
Board of Governors, Chairman

"AUTHORITY"

APPROVED AS TO CONTENT:
KERN MEDICAL HOSPITAL

Contractor's Name

By _____
Jared Leavitt, Chief Operating Officer

Type of Entity
(corporation, partnership, sole proprietorship)

By _____
Russell Judd, Chief Executive Officer

By _____
Signature

Typed Name

Title of Individual Executing
Document on behalf of Firm

"CONTRACTOR"

NOTICE: CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND ARE REGULATED BY CONTRACTORS' STATE LICENSE BOARD. QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR OF THAT BOARD, WHOSE ADDRESS IS: CONTRACTORS' STATE LICENSE BOARD, 1020 "N" STREET, SACRAMENTO, CALIFORNIA 95814.

END OF DOCUMENT



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

February 15, 2017

Subject: Proposed Change Order No. 2 to Agreement 2016-086 with Black/Hall Construction, Inc.

Recommended Action: Make Finding project is exempt from further CEQA review per sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Authorize Chairman to sign; Authorize Chief Executive Officer to approve any future change orders in an amount not to exceed 20% of the original contract price.

Summary:

Proposed Change Order No. 2 to Agreement 2016-086 with Black/Hall Construction, Inc., an independent contractor, for construction management services related to the G wing decommission project, increasing of the maximum payable by \$35,886, to cover the cost of additional services.

CHANGE ORDER

PROJECT:

G Wing Decommission
1700 Mt. Vernon Avenue
Bakersfield, CA 93306

PROJECT NO.: 1250.10947
CONTRACT NO.: HA2016-086

CONTRACTOR:

Black Hall Construction, Inc.
P.O. Box 445
Taft, CA 93628

CHANGE ORDER NO.: TWO (2)

DATE:

| DESCRIPTION OF CHANGE | ADD | DEDUCT |
|--|--------------------|---------------------|
| 1. Provide all labor, material and equipment to construct a full one-hour separation of the existing Laundry Chute Room 3333. IB 20 This is Phase I. Additional Days if any will be addressed under a separate Change Order. | \$29,138.12 | |
| 2. Provide all labor, material and equipment to widen the Kitchen entrance door at the C Wing Grill area. IB 21 - This is Phase I. Additional Days if any will be addressed under a separate Change Order | \$6,747.63 | |
| CHANGE ORDER NO. 2 TOTAL (ADD) | \$35,885.75 | |
| CHANGE ORDER NO. 1 TOTAL (ADD) | \$70,800 | |
| ORIGINAL CONTRACT PRICE | | \$311,038.91 |
| NEW CONTRACT AMOUNT | | \$417,724.66 |

| |
|--------------------------|
| REASON FOR CHANGE |
|--------------------------|

1. It was discovered during construction that the existing Laundry Chute, Room 2222 and adjoining patient room separation do not meet the 1 hour fire rated construction requirements to comply with the building code.
2. As part of the project scope of work the Kitchen door at G wing Corridor requires modifications to comply with Code requirements. These construction activities will close the 1st Floor G wing Corridor for an extended period of time. To keep kitchen operations and continue patient care we need to increase the size of the existing kitchen access door at the C Wing Grill. This will allow the meal carts continued access to the kitchen for patient care requirements, and minimize disruptions while the G Wing Corridor access is closed for Construction.

Funds are available in the contract budget to cover this increase in cost.

CONFORMANCE WITH SPECIFICATIONS:

All work shall be done in conformance with the specifications as applied to work of a similar nature.

If the contractor refuses to sign this document, the work listed herein shall be performed on a force account basis.

SUBMITTED BY:

Black Hall Construction, Inc.

BY: _____
Glenn Black, President

APPROVED AS TO CONTENT:

BY: _____
Russell Judd, Chief Executive Officer

**APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL**

BY: _____
Shannon Hochstein
Deputy County Counsel

BY: _____
Jared Leavitt, Chief Operating Officer

KERN COUNTY HOSPITAL AUTHORITY

BY: _____
Board of Governors - Chairman
"KCHA"



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

February 15, 2017

Subject: Proposed Resolution and purchase of vacant land from Gerald T. Smith, Jr. and Mary Ann Smith, and Ronald A. Hevle and Kay Hevle

Recommended Action: Make finding project is Exempt from further CEQA Review per Sections 15301 and 15061(b)(3) of State CEQA Guidelines; Approve; Adopt Resolution; Authorize Chief Executive Officer to sign escrow instructions and correspondence

Summary:

Proposed Resolution and purchase of APN 126-041-17, comprising of approximately 6 covered parking spaces immediately adjacent to 1111 Columbus Street to provide additional parking spaces for the chemotherapy infusion clinic. APN 126-041-17 has a purchase price of \$1,000 and total acquisition cost, including fees and tax, of \$2,506.39.



Chicago Title Company
 4015 Coffee Road, Suite 100, Bakersfield, CA 93308
 Phone: (661)410-4700 | FAX: (661)410-4660

ESTIMATED BUYER'S STATEMENT

Settlement Date: November 23, 2016
Disbursement Date: November 23, 2016
Buyer: Kern County Hospital Authority
Seller: Gerald T. Smith, Jr. and Mary Ann Smith
Seller: Ronald A. Hevle and Kay Hevle
Property: Vacant Land - apn: 126-041-17
 Bakersfield, CA 93305
 Parcel ID(s): 126-041-17

Escrow Number: CTK-4550-FWKN-5501604868
Escrow Officer: Linda Overdevest

| | \$ DEBIT | \$ CREDIT |
|--|-----------------|-----------------|
| FINANCIAL CONSIDERATION | | |
| Contract sales price | 1,000.00 | |
| PRORATIONS/ADJUSTMENTS | | |
| All 2016/17 taxes 07/01/16-11/23/16 (\$16.20 / 360 X 142 days) | | 6.39 |
| TITLE & ESCROW CHARGES | | |
| Escrow Fee Chicago Title Company | 775.00 | |
| Mobile Signing Fee TBD | 150.00 | |
| Document preparation Chicago Title Company | 50.00 | |
| Owner's policy premium Chicago Title Company | 396.00 | |
| Recording Service Fee Chicago Title Company | 3.10 | |
| Policies to be issued: | | |
| Owners Policy | | |
| Coverage: \$1,000.00 Version: CLTA Standard Coverage Policy 1990 (04-08-14) | | |
| RECORDING CHARGES | | |
| Recording fees Chicago Title Company | 19.00 | |
| RE: est. | | |
| Kern County Transfer Tax Chicago Title Company | 1.10 | |
| MISCELLANEOUS CHARGES | | |
| Property Taxes - all 2016/17 Kern County Tax Collector | 16.20 | |
| RE: APN: 126-041-17 | | |
| REFUNDABLE PAD FOR ADJUSTMENTS Kern County Hospital Authority | 95.99 | |
| Subtotals | 2,506.39 | 6.39 |
| Balance Due FROM Buyer | | 2,500.00 |
| TOTALS | 2,506.39 | 2,506.39 |

I have carefully reviewed the Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements to be made on my account or by me in this transaction. I further certify that I have received a copy of the Settlement Statement.

BUYER:

Kern County Hospital Authority

BY: *Russell Jude*
 Russell Jude, CEO



Chicago Title Company
 4015 Coffee Road, Suite 100
 Bakersfield, CA 93308
 Phone: (661)410-4700 | FAX: (661)410-4660

Receipt For Funds

| | | | | |
|---------------------------------|-------------------------------------|------------------------------------|------------------------------|-------------------------------|
| Brand Chicago Title Company | Profit Center CTK-4550 | Order Number FWKN-5501604868-LO | Trust Acct. Date 01/30/17 | Reference Number 150011764 |
| Trust Acct. Code CACKCWF6566 | Bank Name Wells Fargo Bank, N.A. | | | |

Ledger ID: FWKN-5501604868
 Buyer/Borrower: Kern County Hospital Authority
 Seller: Gerald T. Smith, Jr. and Mary Ann Smith and Ronald A. Hevle and Kay Hevle
 Property Address: Vacant Land - apr: 126-041-17, Bakersfield, CA 93305

Transaction Date: 01/30/17
 Original User ID: FNFGLOBAL\webbjulie
 Last Adjustment User ID: FNFGLOBAL\webbjulie

Amount: \$2,500.00

Received From: Kern County Hospital Authority

Type of Funds Received: Check

| | |
|----------------------------------|---------------------------------|
| Bank Drawn On: Wells Fargo | From Check Number: 11-269842 |
| ABA Routing Number: 121000248 | Account Number: |

Received the above funds:

****CASH DEPOSIT VERIFIED**

Date: 1-30-17 By: Julie Webb
 Julie Webb

By: _____

The parties to this escrow acknowledge that the maintenance of escrow accounts with some depository institutions may result in

HOLD TO LIGHT TO VIEW WATERMARK IN PAPER. RUB ON PINK SEAL. COLOR WILL FADE AND RETURN IF AUTHENTIC.

MARY B. BEDARD
 Auditor-Controller/County Clerk

JORDAN KAUFMAN
 Treasurer/Tax Collector

42930: KERN COUNTY HOSPITAL AUTHORITY



COUNTY OF KERN
WARRANT
 (Government Code Section 53913)
 1115 Truxtun Ave.
 Bakersfield, CA 93301

Wells Fargo Bank
 1300 22nd Street
 Bakersfield, CA 93301

11-28
 1210(8)

11- 269842

*****2,500 AND 00/100 DOLLARS \$ *****2,500.00

PAY TO:

CHICAGO TITLE COMPANY
 4015 COFFEE RD STE 100
 BAKERSFIELD CA 93308

5501604868-LO

VOID SIX MONTHS
 AFTER DATE ISSUED.

ISSUE DATE
 01 30 17

AUDITOR - CONTROLLER - COUNTY CLERK

Mary B. Bedard

⑈ 11269842⑈ ⑆ 121000248⑆ 4159 288091⑈

File Copy

RECORDING REQUESTED BY:

Chicago Title Company

**When Recorded Mail Document
and Tax Statement To:**

Kern County Hospital Authority
1700 Mount Vernon Avenue
Bakersfield, CA 93305

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Escrow Order No.: FWKN-5501604868

APN/Parcel ID(s): 126-041-17

GRANT DEED

The undersigned grantor(s) declare(s)

- This transfer is exempt from the documentary transfer tax.
- The documentary transfer tax is \$ -0- Grantee is Exempt Gov't Agency (Gov't Code Sec. 27383)

- the full value of the interest or property conveyed.
- the full value less the liens or encumbrances remaining thereon at the time of sale.

The property is located in an Unincorporated area of Kern.

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Gerald T. Smith, Jr. and Mary Ann Smith, husband and wife as joint tenants as to an undivided 1/2 interest and Ronald A. Hevle and Kay Hevle, husband and wife as joint tenants as to an undivided 1/2 interest

hereby GRANT(S) to Kern County Hospital Authority, a county hospital authority

the following described real property in the Unincorporated Area of Kern of the County of Kern, State of California:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

MAIL TAX STATEMENTS AS DIRECTED ABOVE

GRANT DEED
(continued)

APN/Parcel ID(s): 126-041-17

Dated: November 11, 2016

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

Gerald T. Smith, Jr.
Gerald T. Smith, Jr.

Mary Ann Smith
Mary Ann Smith

Ronald A. Hevle
Ronald A. Hevle

Kay Hevle
Kay Hevle

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA
County of KERN

On NOVEMBER 18, 2016 before me, LAURI E. KILPATRICK, Notary Public,
(here insert name and title of the officer)

personally appeared GERALD T. SMITH, JR., MARY ANN SMITH, RONALD A. HEVLE, KAY HEVLE who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Lauri E. Kilpatrick
Signature

(Seal)



EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 126-041-17

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

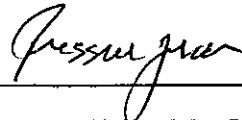
That portion of Villa Lot 7 of Drury's Addition of Kern City in Section 21, Township 29 South, Range 28 East, Mount Diablo Meridian, in the County of Kern, State of California, according to map thereof recorded March 18, 1907, in Book 1, Page 101 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of Lot 1 of Tract No. 1926; as per map recorded June 6, 1957, in Book 9, Page 143 of Maps, in the Office of the County Recorder of said County; thence South along the Southerly prolongation of the West line of said Lot 1, 50 feet to the Northwest corner of Lot 3 of said Tract No. 1926; thence East along the North line of said Lot 3, a distance of 20 feet to the Southwest corner of that certain parcel of land conveyed to California Water Service Company by deed recorded April 12, 1956, in Book 2591, Page 547, Official Records; thence North along the West line of said parcel of land conveyed to California Water Service Company, 50 feet to the Northwest corner of said parcel and the South line of said Lot 1; thence West along the South line of said Lot 1; to the point of beginning.

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the grant deed for the property located as APN 126-041-17, dated November 11, 2016 from Gerald T. Smith, Jr. and Mary Ann Smith, husband and wife as joint tenants, as to an undivided $\frac{1}{2}$ interest and Ronald A. Hevle and Kay Hevle, husband and wife as joint tenants, as to an undivided $\frac{1}{2}$ interest, to the Kern County Hospital Authority, is hereby accepted by the CEO of said Authority and the grantee consents to recordation thereof by its duly authorized agent.

Dated: 11/21/16



Russell Judd, CEO

Kern County Hospital Authority

PRELIMINARY CHANGE OF OWNERSHIP REPORT

To be completed by the transferee (buyer) prior to a transfer of subject property, in accordance with section 480.3 of the Revenue and Taxation Code. A Preliminary Change of Ownership Report must be filed with each conveyance in the County Recorder's office for the county where the property is located.

NAME AND MAILING ADDRESS OF BUYER/TRANSFEEE
(Make necessary corrections to the printed name and mailing address)

Kern County Hospital Authority
1700 Mount Vernon Avenue
Bakersfield, CA 93305

ASSESSOR'S PARCEL NUMBER
126-041-17
SELLER/TRANSFEROR
Gerald T. Smith, Jr., Mary Ann Smith, Ronald A. Hevle and Kay Hevle
BUYER'S DAYTIME TELEPHONE NUMBER
()
BUYER'S EMAIL ADDRESS

STREET ADDRESS OR PHYSICAL LOCATION OF REAL PROPERTY
Vacant Land - apn: 126-041-17, Bakersfield, CA 93305

MAIL PROPERTY TAX INFORMATION TO (NAME)
Kern County Hospital Authority

| | | | | |
|-------------------------------------|-----------------------------|---|-------------|-------------------|
| ADDRESS 1700 Mount Vernon Avenue | | CITY Bakersfield | STATE CA | ZIP CODE 93305 |
| <input type="checkbox"/> YES | <input type="checkbox"/> NO | This property is intended as my principal residence. If YES, please indicate the date of occupancy or intended occupancy. | | MO DAY YEAR |

PART 1. TRANSFER INFORMATION *Please complete all statements.*

This section contains possible exclusions from reassessment for certain types of transfers.

- YES NO
- A. This transfer is solely between spouses (addition or removal of a spouse, death of a spouse, divorce settlement, etc.).
 - B. This transfer is solely between domestic partners currently registered with the California Secretary of State (addition or removal of a partner, death of a partner, termination settlement, etc.).
 - *C. This is a transfer: between parent(s) and child(ren) from grandparent(s) to grandchild(ren).
 - *D. This transfer is the result of a cotenant's death. Date of death _____
 - *E. This transaction is to replace a principal residence by a person 55 years of age or older. Within the same county? YES NO
 - *F. This transaction is to replace a principal residence by a person who is severely disabled as defined by Revenue and Taxation Code section 69.5. Within the same county? YES NO
 - G. This transaction is only a correction of the name(s) of the person(s) holding title to the property (e.g., a name change upon marriage). If YES, please explain: _____
 - H. The recorded document creates, terminates, or reconveys a lender's interest in the property.
 - I. This transaction is recorded only as a requirement for financing purposes or to create, terminate, or reconvey a security interest (e.g., cosigner). If YES, please explain: _____
 - J. The recorded document substitutes a trustee of a trust, mortgage, or other similar document.
 - K. This is a transfer of property:
 - 1. to/from a revocable trust that may be revoked by the transferor and is for the benefit of the transferor, and/or the transferor's spouse registered domestic partner.
 - 2. to/from a trust that may be revoked by the creator/grantor/trustor who is also a joint tenant, and which names the other joint tenant(s) as beneficiaries when the creator/grantor/trustor dies.
 - 3. to/from an irrevocable trust for the benefit of the creator/grantor/trustor and/or grantor's/trustor's spouse grantor's/trustor's registered domestic partner.
 - L. This property is subject to a lease with a remaining lease term of 35 years or more including written options.
 - M. This is a transfer between parties in which proportional interests of the transferor(s) and transferee(s) in each and every parcel being transferred remain exactly the same after the transfer.
 - N. This is a transfer subject to subsidized low-income housing requirements with governmentally imposed restrictions.
 - *O. This transfer is to the first purchaser of a new building containing an active solar energy system.

* Please refer to the instructions for Part 1.

Please provide any other information that will help the Assessor understand the nature of the transfer.

THIS DOCUMENT IS NOT SUBJECT TO PUBLIC INSPECTION

PART 2. OTHER TRANSFER INFORMATION

Check and complete as applicable.

- A. Date of transfer, if other than recording date: _____
- B. Type of transfer:
 - Purchase Foreclosure Gift Trade or exchange Merger, stock, or partnership acquisition (Form BOE-100-B)
 - Contract of sale. Date of contract: _____ Inheritance. Date of death: _____
 - Sale/leaseback Creation of a lease Assignment of a lease Termination of a lease. Date lease began: _____
 - Original term in years (including written options): _____ Remaining term in years (including written options): _____
 - Other. Please explain: _____
- C. Only a partial interest in the property was transferred. YES NO If YES, indicate the percentage transferred: _____ %

PART 3. PURCHASE PRICE AND TERMS OF SALE

Check and complete as applicable.

- A. Total purchase price. \$ _____
- B. Cash down payment or value of trade or exchange excluding closing costs Amount \$ _____
- C. First deed of trust @ _____ % interest for _____ years. Monthly payment \$ _____ Amount \$ _____
 - FHA (___Discount Points) Cal-Vet VA (___Discount Points) Fixed rate Variable rate
 - Bank/Savings & Loan/Credit Union Loan carried by seller
 - Balloon payment \$ _____ Due date: _____
- D. Second deed of trust @ _____ % interest for _____ years. Monthly payment \$ _____ Amount \$ _____
 - Fixed rate Variable rate Bank/Savings & Loan/Credit Union Loan carried by seller
 - Balloon payment \$ _____ Due date: _____
- E. Was an Improvement Bond or other public financing assumed by the buyer? YES NO Outstanding balance \$ _____
- F. Amount, if any, of real estate commission fees paid by the buyer which are not included in the purchase price \$ _____
- G. The property was purchased: Through real estate broker. Broker name: _____ Phone number: () _____
 - Direct from seller From a family member-Relationship _____
 - Other. Please explain: _____
- H. Please explain any special terms, seller concessions, broker/agent fees waived, financing, and any other information (e.g., buyer assumed the existing loan balance) that would assist the Assessor in the valuation of your property.

PART 4. PROPERTY INFORMATION

Check and complete as applicable.

- A. Type of property transferred
 - Single-family residence Co-op/Own-your-own Manufactured home
 - Multiple-family residence. Number of units: _____ Condominium Unimproved lot
 - Other. Description: (i.e., timber, mineral, water rights, etc.) Timeshare Commercial/Industrial
- B. YES NO Personal/business property, or incentives, provided by seller to buyer are included in the purchase price. Examples of personal property are furniture, farm equipment, machinery, etc. Examples of incentives are club memberships, etc. Attach list if available.

If YES, enter the value of the personal/business property: \$ _____ Incentives \$ _____
- C. YES NO A manufactured home is included in the purchase price.

If YES, enter the value attributed to the manufactured home: \$ _____


YES NO The manufactured home is subject to local property tax. If NO, enter decal number: _____
- D. YES NO The property produces rental or other income.

If YES, the income is from: Lease/rent Contract Mineral rights Other: _____
- E. The condition of the property at the time of sale was: Good Average Fair Poor

Please describe: _____

CERTIFICATION

I certify (or declare) that the foregoing and all information hereon, including any accompanying statements or documents, is true and correct to the best of my knowledge and belief.

| | | |
|---|------------------|--|
| SIGNATURE OF BUYER/TRANSFeree OR CORPORATE OFFICER  | DATE 11/21/16 | TELEPHONE (661) 326-5102 |
| NAME OF BUYER/TRANSFeree/LEGAL REPRESENTATIVE/CORPORATE OFFICER (PLEASE PRINT) Russell V. Judd | TITLE CEO | E-MAIL ADDRESS Russell.Judd@kernmedical.com |

The Assessor's office may contact you for additional information regarding this transaction.



**CHICAGO TITLE
COMPANY**

PRELIMINARY REPORT APPROVAL

Linda Overdeest, Escrow Officer
Chicago Title Company
4015 Coffee Road, Suite 100
Bakersfield, CA 93308
Phone: (661)410-4700 Fax: (661)410-4660

Escrow No.: FWKN-5501604868-LO
Esc. Officer: Linda Overdeest
Property: Vacant Land - apn: 126-041-17
Bakersfield, CA 93305

I have read the Preliminary Report issued by Chicago Title Company, dated October 25, 2016, covering the property described in your above numbered escrow, and approve the Policy of Title Insurance to be issued to me as required by my instructions to include encumbrances therein Item No(s). 2 of said report, in addition to those specific items described in my escrow instructions or created by me.

I hereby acknowledge receipt of copy of said Preliminary Report.

In addition to the above, the undersigned hereby approve the legal description shown in Schedule A of said report and authorize the use of said description on all documents in this transaction.

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

BUYER(S):

Kern County Hospital Authority

BY: *Russell Judd*
Russell Judd, CEO

11/21/16
Date



SALE ESCROW INSTRUCTIONS

Linda Overdeest, Escrow Officer
Chicago Title Company
4015 Coffee Road, Suite 100
Bakersfield, CA 93308
Phone: (661)410-4700 Fax: (661)410-4660

Date: November 11, 2016
Escrow No.: FWKN-5501604868-LO
Property: Vacant Land - apn: 126-041-17
Bakersfield, CA 93305

Prior to the close of escrow, Buyer(s) will hand you the balance of down payment (plus closing costs, if applicable) the sum of \$ as required

TOTAL CONSIDERATION \$ **1,000.00**

AND, on or before November 23, 2016, Escrow Holder will be handed additional funds and/or instruments required to enable Escrow Holder to comply with these instructions, which Escrow Holder is instructed to use when in a position to procure/issue an Owner's coverage form Policy of Title Insurance from Chicago Title Company with a liability of One Thousand And No/100 Dollars (\$1,000.00), covering the following described property located in the Unincorporated Area of Kern of the County of Kern, State of California:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

SELLER/TRANSFEROR STATES THAT PROPERTY ADDRESS(ES) IS/ARE

Vacant Land - apn: 126-041-17, Bakersfield, CA 93305

SHOWING TITLE VESTED IN

Kern County Hospital Authority, a county hospital authority

FREE FROM ENCUMBRANCES EXCEPT

1. Current general and special taxes for the fiscal year in which this escrow closes, and taxes for the ensuing year, if any, a lien not yet due and payable;
2. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California;
3. Bonds and Assessments with no delinquent payments, if any;
4. Covenants, conditions, restrictions, reservations, easements and rights of way now of record, if any;

PRORATIONS

Prorate as of Close of Escrow, on the basis of a three-hundred sixty (360) day year:

- Taxes

ADDITIONAL INSTRUCTIONS

1. **DOCS SIGNED IN COUNTERPART:** These instructions/documents are executed in counterpart to facilitate this transaction each of which so executed shall, irrespective of the date of its execution and delivery, be deemed an original, and these counterparts together constitute one and the same instrument.

SALE ESCROW INSTRUCTIONS

(continued)

2. **NOTARY GUIDELINES:** The undersigned parties are herein made aware that Chicago Title Company requires that all documents that require a Notary be signed with an employee of Chicago Title Company, or signed with Bancserv (outside signing company), or signed with a Corporate approved notary. **PLEASE NOTE THERE ARE NO EXCEPTIONS TO THESE GUIDELINES AND IT IS STRONGLY RECOMMENDED THAT ARRANGEMENTS ARE MADE EARLY IN THE ORDER TO AVOID DELAYS IN CLOSING THE TRANSACTION.**
3. **NOTICE OF TAX WITHHOLDING REQUIREMENTS:** In accordance with Section 18662 of the Revenue and Taxation Code, a Buyer may be required to withhold an amount equal to 3 1/3 percent of the sales price or an alternative withholding amount certified by the Seller in the case of a disposition of California real property interest by either:
- a. A Seller who is an individual, trust, estate, or when the disbursement instructions authorize the proceeds to be sent to a financial intermediary of the Seller, OR
 - b. A Corporate Seller that has no permanent place of business in California immediately after the transfer of title to the California property.

The Buyer may become subject to penalty for failure to withhold an amount equal to the greater of Ten Percent (10%) of the amount required to be withheld or Five Hundred and No/100 Dollars (\$500.00).

However, notwithstanding any other provision included in the California statutes referenced above, no Buyer will be required to withhold any amount or be subject to penalty for failure to withhold if any of the following apply:

- a. The sales price of the California real property conveyed does not exceed One Hundred Thousand and No/100 Dollars (\$100,000.00).
- b. The Seller executes a written certificate, under the penalty of perjury, certifying that the Seller is a corporation with a permanent place of business in California.
- c. The Seller, who is an individual, trust, estate, or a corporation without a permanent place of business in California, executes a written certificate, under the penalty of perjury, of any of the following:
 - i. The California real property being conveyed is the Seller's or Decedent's principal residence (within the meaning of Section 121 of the Internal Revenue Code).
 - ii. The last use of the property being conveyed was use by the Transferor as the Transferor's principal residence (within the meaning of Section 121 of the Internal Revenue Code).
 - iii. The California real property being conveyed is or will be exchanged for property of like kind (within the meaning of Section 1031 of the Internal Revenue Code), but only to the extent of the amount of gain not required to be recognized for California income tax purposes under Section 1031 of the Internal Revenue Code.

SALE ESCROW INSTRUCTIONS

(continued)

Code.

- iv. The California real property has been compulsorily or involuntarily converted (within the meaning of Section 1033 of the Internal Revenue Code) and that the Seller intends to acquire property similar or related in service or use so as to be eligible for nonrecognition of gain for California income tax purposes under Section 1033 of the Internal Revenue Code.
- v. The California real property transaction will result in a loss or net gain not required to be recognized for California Income tax purposes.

The Seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

THE PARTIES TO THIS TRANSACTION SHOULD SEEK THE PROFESSIONAL ADVICE AND COUNSEL OF AN ATTORNEY, ACCOUNTANT OR OTHER TAX SPECIALIST'S OPINION CONCERNING THE EFFECT OF THIS LAW ON THIS TRANSACTION AND SHOULD NOT ACT ON ANY STATEMENTS MADE OR OMITTED BY THE ESCROW OR CLOSING OFFICER.

MEMORANDUM

1. **ONLY BINDING AGREEMENT:** These instructions and all further fully signed amendments to these instructions constitute the only agreement between buyer and seller concerning the real property subject to this escrow and also constitute an enforceable agreement whereby seller agrees to sell the subject property to buyer, and buyer agrees to purchase subject property from seller.
2. **"AS IS" (EXTENDED VERSION):** The subject property shall be purchased in its current "as is" condition, and Buyer takes said property subject to the current zoning, the current soil and geological condition of said property, and the current legal and physical title and condition thereof. The reliance of Buyer shall be solely on his own inspection of said property and the inspection of his professional experts and engineers, if any, and shall not be in reliance upon Seller, any representative, agent, officer, or employee thereof, or any other person acting for or on behalf of either party in any manner. Buyer understands that Seller makes no warranties or representations regarding the legal, physical or soil condition of said property nor any warranties or representations with regard to the usability of any of said property for building requirements, or any other requirements which the County of Kern or any other public entity might place on the property or upon the owner thereof.
3. **FOR SALE BY OWNER:** The parties hereto understand and acknowledge that the duties of the escrow holder are limited solely to the specific provisions incorporated in these instructions. Functions that would normally be handled by a real estate licensee, including but not limited to, the preparation of purchase agreements and disclosures, notification of required City, County or State disclosure reports, ordering of any reports and inspections, and representing the physical conditions of improvements and the real property, shall all be the total responsibility of the principals to this transaction.

Chicago Title Company recommends the parties hereto obtain the opinion of an attorney or the advice of a real estate agent on any particulars pertaining to the transfer of subject property. The parties further relieve Chicago Title Company from all liability whatsoever in connection with such matters.

SALE ESCROW INSTRUCTIONS

(continued)

GENERAL INSTRUCTIONS

1. Seller is aware that interest on the existing loan(s) does not stop accruing at close of escrow, but continues until the actual day of receipt of the payoff by Lender.

Seller is aware that interest will accrue through weekends or holidays.

Seller is aware he/she/they are responsible for payment of all of such interest and will indemnify and hold Escrow Holder harmless in connection with the payment of such interest.

2. Checks to be issued at Close of Escrow: I/We the undersigned Buyer/Borrower/Seller hereby acknowledge that we are aware the Chicago Title Company will issue a check payable to the undersigned in payment of Seller's proceeds/Borrower's proceeds or Buyer's excess deposit refund. I/We further acknowledge and agree that said check will be presented to the bank for deposit as soon as possible after receipt, and collection and payment of the funds will only be done through the regular banking channels.

In addition, in the event there are liens to be paid on the undersigned's behalf, we hereby also acknowledge that I/we will not use the pay-by-phone electronic system to pay/collect the funds as Chicago Title Company will not honor such payments. The parties herein agree to be responsible for any stop payment and reissue charges and/or losses that may be incurred in connection with any and all electronic debits to Chicago Title Company's Trust Accounts.

3. Buyer acknowledges deposit of balance of funds to close escrow to be in the form of wire transfer, certified check, cashier's check or teller's check payable to Chicago Title Company pursuant to the "Deposit of Funds", Paragraph 1 contained in the General Provisions attached hereto and made a part hereof.
4. The undersigned hereby authorize and instruct Escrow Holder to charge each party to the escrow for their respective Federal Express and/or special mail handling/courier fees. Unless specified in writing by the undersigned, Escrow Holder is authorized to select special mail/delivery or courier service to be used.
5. You are instructed to debit Buyer's account and pay ALL costs and charges including but not limited to CLTA Policy of Title Insurance, escrow fee, documentary transfer tax, document preparation and recording fees.

THE FOREGOING INSTRUCTIONS AND THOSE "GENERAL PROVISIONS" ATTACHED HERETO AND MADE A PART HEREOF ARE APPROVED AND ACCEPTED IN THEIR ENTIRETY AS FULLY SET OUT IN THIS PARAGRAPH. EACH OF THE UNDERSIGNED BUYER(S) HEREBY AUTHORIZE ESCROW AGENT TO FURNISH COPIES OF CLOSING STATEMENTS TO LENDER AND/OR BROKER INVOLVED.

GENERAL PROVISIONS

1. DEPOSIT OF FUNDS

The law dealing with the disbursement of funds requires that all funds be available for withdrawal as a matter of right by the title entity's escrow and/or sub escrow account prior to disbursement of any funds. Only cash or wire-transferred funds can be given immediate availability upon deposit. Cashier's checks, teller's checks and Certified checks may be available one business day after deposit. All other funds such as personal, corporate or partnership checks and drafts are subject to mandatory holding periods which may cause material delays in disbursement of funds in this escrow. In order to avoid delays, all fundings should be wire transferred. Outgoing wire transfers will not be authorized until confirmation of the respective incoming wire transfer or of availability of deposited checks.

Deposit of funds into general escrow trust account unless instructed otherwise. You may instruct Escrow Holder to deposit your funds into an interest bearing account by signing and returning the "Escrow Instructions - Interest Bearing Account". If you do not so instruct us, then all funds received in this escrow shall be deposited with other escrow funds in one or more general escrow trust accounts, which include both non-interest bearing demand accounts and other depository accounts of Escrow Holder, in any state or national bank or savings and loan association insured by the Federal Deposit Insurance Corporation (the "depository institutions") and may be transferred to any other such escrow trust accounts of Escrow Holder or one of its affiliates, either within or outside the State of California. A general escrow trust account is restricted and protected against claims by third parties and creditors of Escrow Holder and its affiliates.

Receipt of benefits by Escrow Holder and affiliates. The parties to this escrow acknowledge that the maintenance of such general escrow trust accounts with some depository institutions may result in Escrow Holder or its affiliates being provided with an array of bank services, accommodations or other benefits by the depository institution. Some or all of these benefits may be considered interest due you under California Insurance Code Section 12413.5. Escrow Holder or its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from the depository institution. All such services, accommodations, and other benefits shall accrue to Escrow Holder or its affiliates and Escrow Holder shall have no obligation to account to the parties to this escrow for the value of such services, accommodations, interest or other benefits.

Said funds will not earn interest unless the instructions otherwise specifically state that funds shall be deposited in an interest-bearing account. All disbursements shall be made by check of Chicago Title Company. The principals to this escrow are hereby notified that the funds deposited herein are insured only to the limit provided by the Federal Deposit Insurance Corporation. Any instruction for bank wire will provide reasonable time or notice for Escrow Holder's compliance with such instruction. Escrow Holder's sole duty and responsibility shall be to place said wire transfer instructions with its wiring bank upon confirmation of (1) satisfaction of conditions precedent or (2) document recordation at close of escrow. Escrow Holder will NOT be held responsible for lost interest due to wire delays caused by any bank or the Federal Reserve System, and recommends that all parties make themselves aware of banking regulations with regard to placement of wires.

In the event there is insufficient time to place a wire upon any such confirmation or the wires have closed for the day, the parties agree to provide written instructions for an alternative method of disbursement. WITHOUT AN ALTERNATIVE DISBURSEMENT INSTRUCTION, FUNDS WILL BE HELD IN TRUST IN A NON-INTEREST BEARING ACCOUNT UNTIL THE NEXT OPPORTUNITY FOR WIRE PLACEMENT.

2. PRORATIONS AND ADJUSTMENTS

All prorations and/or adjustments called for in this escrow are to be made on the basis of a thirty (30) day month unless otherwise instructed in writing. You are to use information contained on last available tax statement, rental statement as provided by the Seller, beneficiary's statement and fire insurance policy delivered into escrow for the prorations provided for herein.

3. SUPPLEMENTAL TAXES

The within described property may be subject to supplemental real property taxes due to the change of ownership taking place through this escrow. Any supplemental real property taxes arising as a result of the transfer of the property to Buyer shall be the sole responsibility of Buyer and any supplemental real property taxes arising prior to the closing date shall be the sole responsibility of the Seller. TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER.

4. UTILITIES/POSSESSION

Transfer of utilities and possession of the premises are to be settled by the parties directly and outside escrow.

5. PREPARATION AND RECORDATION OF INSTRUMENTS

Escrow Holder is authorized to prepare, obtain, record and deliver the necessary instruments to carry out the terms and conditions of this escrow and to order the policy of title insurance to be issued at close of escrow as called for in these instructions. Close of escrow shall mean the date instruments are recorded.

6. AUTHORIZATION TO FURNISH COPIES

You are authorized to furnish copies of these instructions, supplements, amendments, notices of cancellation and closing statements, to the Real Estate Broker(s) and Lender(s) named in this escrow.

GENERAL PROVISIONS (continued)

7. RIGHT OF CANCELLATION

Any principal instructing you to cancel this escrow shall file notice of cancellation in your office in writing. You shall, within two (2) working days thereafter, deliver, one (1) copy of such notice to each of the other principals at the addresses stated in this escrow. UNLESS WRITTEN OBJECTION TO CANCELLATION IS FILED IN YOUR OFFICE BY A PRINCIPAL WITHIN TEN (10) DAYS AFTER DATE OF SUCH DELIVERY, YOU ARE AUTHORIZED TO COMPLY WITH SUCH NOTICE AND DEMAND PAYMENT OF YOUR CANCELLATION CHARGES. If written objection is filed, you are authorized to hold all money and instruments in this escrow and take no further action until otherwise directed, either by the principals' mutual written instructions, or by final order of a court of competent jurisdiction.

8. PERSONAL PROPERTY

No examination or insurance as to the amount or payment of personal property taxes is required unless specifically requested.

By signing these General Provisions, the parties to the escrow hereby acknowledge that they are indemnifying the Escrow Holder against any and all matters relating to any "Bulk Sales" requirements, and instruct Escrow Agent to proceed with the closing of escrow without any consideration of matter of any nature whatsoever regarding "Bulk Sales" being handled through escrow.

9. RIGHT OF RESIGNATION

Escrow Holder has the right to resign upon written notice delivered to the principals herein. If such right is exercised, all funds and documents shall be returned to the party who deposited them and Escrow Holder shall have no liability hereunder.

10. AUTHORIZATION TO EXECUTE ASSIGNMENT OF HAZARD INSURANCE POLICIES

Either Buyer, Seller and/or Lender may hand you the insurance agent's name and insurance policy information, and you are to execute, on behalf of the principals hereto, form assignments of interest in any insurance policy (other than title insurance) called for in this escrow, forward assignment and policy to the insurance agent, requesting that the insurer consent to such transfer and/or attach a loss payable clause and/or such other endorsements as may be required, and forward such policy(s) to the principals entitled thereto. It is not your responsibility to verify the information handed you or the assignability of said insurance. Your sole duty is to forward said request to insurance agent at close of escrow.

Further, there shall be no responsibility upon the part of Escrow Holder to renew hazard insurance policy(s) upon expiration or otherwise keep it in force either during or subsequent to the close of escrow. Cancellation of any existing hazard insurance policies is to be handled directly by the principals, and outside of escrow.

11. ACTION IN INTERPLEADER

The principals hereto expressly agree that you, as Escrow Holder, have the absolute right at your election to file an action in interpleader requiring the principals to answer and litigate their several claims and rights among themselves and you are authorized to deposit with the clerk of the court all documents and funds held in this escrow. In the event such action is filed, the principals jointly and severally agree to pay your cancellation charges and costs, expenses and reasonable attorney's fees which you are required to expend or incur in such interpleader action, the amount thereof to be fixed and judgment therefore to be rendered by the court. Upon the filing of such action, you shall thereupon be fully released and discharged from all obligations imposed by the terms of this escrow or otherwise.

12. TERMINATION OF AGENCY OBLIGATION

If there is no action taken on this escrow within six (6) months after the "time limit date" as set forth in the escrow instructions or written extension thereof, your agency obligation shall terminate at your option and all documents, monies or other items held by you shall be returned to the parties depositing same. In the event of cancellation of this escrow, whether it be at the request of any of the principals or otherwise, the fees and charges due Chicago Title Company, including expenditures incurred and/or authorized shall be borne equally by the parties hereto (unless otherwise agreed to specifically).

13. CONFLICTING INSTRUCTIONS

Upon receipt of any conflicting instructions, you are to take no action in connection with this escrow until non-conflicting instructions are received from all of the principals to this escrow (subject to sections 7, 9, 11 and 12 above).

14. DELIVERY/RECEIPT

Delivery to principals as used in these instructions unless otherwise stated herein is to be by hand in person to the principal, regular mail, email or fax to any of the contact information provided in these instructions. If delivered by regular mail receipt is determined to be seventy-two (72) hours after such mailing. All documents, balances and statements due to the undersigned may be delivered to the contact information shown herein. All notices, change of instructions, communications and documents are to be delivered in writing to the office of Chicago Title Company as set forth herein.

15. STATE/FEDERAL CODE NOTIFICATIONS

According to Federal Law, the Seller, when applicable, will be required to complete a sales activity report that will be utilized to generate a 1099 statement to the Internal Revenue Service.

Pursuant to State Law, prior to the close of escrow, Buyer will provide Escrow Holder with a Preliminary Change of Ownership Report. In the event said report is not handed to Escrow Holder for submission to the County in which subject property is located, upon recording of the

GENERAL PROVISIONS (continued)

Grant Deed, Buyers acknowledge that the applicable fee will be assessed by said County and Escrow Holder shall debit the account of Buyer for same at close of escrow.

16. NON-RESIDENT ALIEN

The Foreign Investment in Real Property Tax Act (FIRPTA), Title 26 U.S.C., Section 1445, and the regulations there under, provide in part, that a transferee (buyer) of a U.S. real property interest from a foreign person must withhold a statutory percentage of the amount realized on the disposition, report the transaction and remit the withholding to the Internal Revenue Service (IRS) within twenty (20) days after the transfer. Chicago Title Company will not determine nor aid in the determination of whether the FIRPTA withholding provisions are applicable to the subject transaction, nor act as a Qualified Substitute under state or federal law, nor furnish tax advice to any party to the transaction. Chicago Title Company will not determine nor aid in the determination of whether the transaction will qualify for an exception or an exemption and is not responsible for the filing of any tax forms with the IRS as they relate to FIRPTA, nor responsible for collecting and holding of any documentation from the buyer or seller on the buyer's behalf for the purpose of supporting a claim of an exception or exemption. Chicago Title Company is not an agent for the buyer for the purposes of receiving and analyzing any evidence or documentation that the seller in the subject transaction is a U.S. citizen or resident alien. Chicago Title Company is not responsible for the payment of this tax and/or penalty and/or interest incurred in connection therewith and such taxes are not a matter covered by the Owner's Policy of Title Insurance to be issued to the buyer. Chicago Title Company is not responsible for the completion of any IRS documents or related forms related to the referenced statute. The buyer is advised: they must independently make a determination of whether the contemplated transaction is subject to the withholding requirement; bear full responsibility for compliance with the withholding requirement if applicable and/or for payment of any tax, interest, penalties and/or other expenses that may be due on the subject transaction; and they are responsible for the completion of any and all forms, including but not limited to applicable IRS documentation, and the mailing of those forms. The Buyer is advised any forms, documents, or information received from Chicago Title Company is not tax or legal advice and should not be construed as such nor treated as a complete representation of FIRPTA requirements. Buyer should seek outside counsel from a qualified individual to determine any and all implications of the referenced statute.

17. ENCUMBRANCES

Escrow Holder is to act upon any statements furnished by a lienholder or his agent without liability or responsibility for the accuracy of such statements. Any adjustments necessary because of a discrepancy between the information furnished Escrow Holder and any amount later determined to be correct shall be settled between the parties direct and outside of escrow.

You are authorized, without the need for further approval, to debit my account for any fees and charges that I have agreed to pay in connection with this escrow, and for any amounts that I am obligated to pay to the holder of any lien or encumbrance to establish the title as insured by the policy of title insurance called for in these instructions. If for any reason my account is not debited for such amounts at the time of closing, I agree to pay them immediately upon demand, or to reimburse any other person or entity who has paid them.

18. ENVIRONMENTAL ISSUES

Chicago Title Company has made no investigation concerning said property as to environmental/toxic waste issues. Any due diligence required or needed to determine environmental impact as to forms of toxification, if applicable, will be done directly and by principals outside of escrow. Chicago Title Company is released of any responsibility and/or liability in connection therewith.

19. USURY

Escrow Holder is not to be concerned with any questions of usury in any loan or encumbrance involved in the processing of this escrow and is hereby released of any responsibility or liability therefore.

20. DISCLOSURE

Escrow Holder's knowledge of matters affecting the property, provided such facts do not prevent compliance with these instructions, does not create any liability or duty in addition to these instructions.

21. FACSIMILE/ELECTRONIC SIGNATURE

Escrow Holder is hereby authorized and instructed that, in the event any party utilizes electronic or "facsimile" transmitted signed documents or instructions to Escrow Holder, you are to rely on the same for all escrow instruction purposes and the closing of escrow as if they bore original signatures. "Electronic Signature" means, as applicable, an electronic copy or signature complying with California Law.

22. CLARIFICATION OF DUTIES

Chicago Title Company serves ONLY as an Escrow Holder in connection with these instructions and cannot give legal advice to any party hereto.

Escrow Holder is not to be held accountable or liable for the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow, nor as to the identity, authority or rights of any person executing the same. Escrow Holder's duties hereunder shall be limited to the proper handling of such money and the proper safekeeping of such instruments, or other documents received by Escrow Holder, and for the disposition of same in accordance with the written instructions accepted by Escrow Holder.

The agency and duties of Escrow Holder commence only upon receipt of copies of these Escrow Instructions executed by all parties.

GENERAL PROVISIONS
(continued)

23. FUNDS HELD IN ESCROW

When the company has funds remaining in escrow over ninety (90) days after close of escrow or estimated close of escrow, the Company shall impose a monthly holding fee of Twenty-Five and No/100 Dollars (\$25.00) that is to be charged against the funds held by the Company.

THIS AGREEMENT IN ALL PARTS APPLIES TO, INURES TO THE BENEFIT OF, AND BINDS ALL PARTIES HERETO, THEIR HEIRS, LEGATEES, DEVISEES, ADMINISTRATORS, EXECUTORS, SUCCESSORS AND ASSIGNS, AND WHENEVER THE CONTEXT SO REQUIRES THE MASCULINE GENDER INCLUDES THE FEMININE AND NEUTER, AND THE SINGULAR NUMBER INCLUDES THE PLURAL. THESE INSTRUCTIONS AND ANY OTHER AMENDMENTS MAY BE EXECUTED IN ANY NUMBER OF COUNTERPARTS, EACH OF WHICH SHALL BE CONSIDERED AS AN ORIGINAL AND BE EFFECTIVE AS SUCH.

MY SIGNATURE HERETO CONSTITUTES INSTRUCTION TO ESCROW HOLDER OF ALL TERMS AND CONDITIONS CONTAINED IN THIS AND ALL PRECEDING PAGES AND FURTHER SIGNIFIES THAT I HAVE READ AND UNDERSTAND THESE GENERAL PROVISIONS.

Chicago Title Company conducts escrow business under License No. 350 Issued by the California Department of Insurance.

END OF INSTRUCTIONS

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

BUYER(S):

Kern County Hospital Authority

BY: *Russell Judd*
Russell Judd CEO

11/21/16
Date

Forwarding Address:

1700 Mt. Vernon Ave.
Bakersfield CA
Phone: (661-326-2102) Fax: (661-326-2100)
Email: Russell.Judd@Kermedical.com

GENERAL PROVISIONS
(continued)

SELLER(S):

Gerald T. Smith, Jr.

Date

Mary Ann Smith

Date

Forwarding Address:

Phone: _____ Fax: _____

Email: _____

Ronald A. Hevle

Date

Kay Hevle

Date

Forwarding Address:

Phone: _____ Fax: _____

Email: _____

EACH OF THE ABOVE SIGNED STATE THAT HE HAS READ THE FOREGOING INSTRUCTIONS AND UNDERSTANDS AND AGREES WITH THEM.

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 126-041-17

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

That portion of Villa Lot 7 of Drury's Addition of Kern City in Section 21, Township 29 South, Range 28 East, Mount Diablo Meridian, in the County of Kern, State of California, according to map thereof recorded March 18, 1907, in Book 1, Page 101 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of Lot 1 of Tract No. 1926; as per map recorded June 6, 1957, in Book 9, Page 143 of Maps, in the Office of the County Recorder of said County; thence South along the Southerly prolongation of the West line of said Lot 1, 50 feet to the Northwest corner of Lot 3 of said Tract No. 1926; thence East along the North line of said Lot 3, a distance of 20 feet to the Southwest corner of that certain parcel of land conveyed to California Water Service Company by deed recorded April 12, 1956, in Book 2591, Page 547, Official Records; thence North along the West line of said parcel of land conveyed to California Water Service Company, 50 feet to the Northwest corner of said parcel and the South line of said Lot 1; thence West along the South line of said Lot 1, to the point of beginning.

FIDELITY NATIONAL FINANCIAL, INC.
PRIVACY NOTICE
Effective: April 1, 2016

Order No.: FWKN-5501604868-LO

At Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, "FNF", "our" or "we"), we value the privacy of our customers. This Privacy Notice explains how we collect, use, and protect your information and explains the choices you have regarding that information. A summary of our privacy practices is below. We also encourage you to read the complete Privacy Notice following the summary.

| | |
|---|---|
| <p><u>Types of Information Collected.</u> You may provide us with certain personal information, like your contact information, social security number (SSN), driver's license, other government ID numbers, and/or financial information. We may also receive information from your Internet browser, computer and/or mobile device.</p> | <p><u>How Information Is Collected.</u> We may collect personal information directly from you from applications, forms, or communications we receive from you, or from other sources on your behalf, in connection with our provision of products or services to you. We may also collect browsing information from your Internet browser, computer, mobile device or similar equipment. This browsing information is generic and reveals nothing personal about the user.</p> |
| <p><u>Use of Your Information.</u> We may use your information to provide products and services to you (or someone on your behalf), to improve our products and services, and to communicate with you about our products and services. We do not give or sell your personal information to parties outside of FNF for their use to market their products or services to you.</p> | <p><u>Security Of Your Information.</u> We utilize a combination of security technologies, procedures and safeguards to help protect your information from unauthorized access, use and/or disclosure. We communicate to our employees about the need to protect personal information.</p> |
| <p><u>Choices With Your Information.</u> Your decision to submit personal information is entirely up to you. You can opt-out of certain disclosures or use of your information or choose to not provide any personal information to us.</p> | <p><u>When We Share Information.</u> We may disclose your information to third parties providing you products and services on our behalf, law enforcement agencies or governmental authorities, as required by law, and to parties with whom you authorize us to share your information.</p> |
| <p><u>Information From Children.</u> We do not knowingly collect information from children under the age of thirteen (13), and our websites are not intended to attract children.</p> | <p><u>Privacy Outside the Website.</u> We are not responsible for the privacy practices of third parties, even if our website links to those parties' websites.</p> |
| <p><u>Access and Correction.</u> If you desire to see the information collected about you and/or correct any inaccuracies, please contact us in the manner specified in this Privacy Notice.</p> | <p><u>Do Not Track Disclosures.</u> We do not recognize "do not track" requests from Internet browsers and similar devices.</p> |
| <p><u>The California Online Privacy Protection Act.</u> Certain FNF websites collect information on behalf of mortgage loan servicers. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through those websites.</p> | <p><u>International Use.</u> By providing us with your information, you consent to the transfer, processing and storage of such information outside your country of residence, as well as the fact that we will handle such information consistent with this Privacy Notice.</p> |
| <p><u>Your Consent To This Privacy Notice.</u> By submitting information to us and using our websites, you are accepting and agreeing to the terms of this Privacy Notice.</p> | <p><u>Contact FNF.</u> If you have questions or wish to contact us regarding this Privacy Notice, please use the contact information provided at the end of this Privacy Notice.</p> |

FIDELITY NATIONAL FINANCIAL, INC. PRIVACY NOTICE

FNF respects and is committed to protecting your privacy. We pledge to take reasonable steps to protect your Personal Information (as defined herein) and to ensure your information is used in compliance with this Privacy Notice.

This Privacy Notice is only in effect for information collected and/or owned by or on behalf of FNF, including collection through any FNF website or online services offered by FNF (collectively, the "Website"), as well as any information collected offline (e.g., paper documents). The provision of this Privacy Notice to you does not create any express or implied relationship, nor create any express or implied duty or other obligation, between FNF and you.

Types of Information Collected

We may collect two (2) types of information: Personal Information and Browsing Information.

Personal Information. The types of personal information FNF collects may include, but are not limited to:

- contact information (e.g., name, address, phone number, email address);
- social security number (SSN), driver's license, and other government ID numbers; and
- financial account or loan information.

Browsing Information. The types of browsing information FNF collects may include, but are not limited to:

- Internet Protocol (or IP) address or device ID/UDID, protocol and sequence information;
- browser language;
- browser type;
- domain name system requests;
- browsing history;
- number of clicks;
- hypertext transfer protocol headers; and
- application client and server banners.

How Information is Collected

In the course of our business, we may collect *Personal Information* about you from the following sources:

- applications or other forms we receive from you or your authorized representative, whether electronic or paper;
- communications to us from you or others;
- information about your transactions with, or services performed by, us, our affiliates or others; and
- information from consumer or other reporting agencies and public records that we either obtain directly from those entities, or from our affiliates or others.

We may collect *Browsing Information* from you as follows:

- **Browser Log Files.** Our servers automatically log, collect and record certain Browsing Information about each visitor to the Website. The Browsing Information includes only generic information and reveals nothing personal about the user.
- **Cookies.** From time to time, FNF may send a "cookie" to your computer when you visit the Website. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive. When you visit the Website again, the cookie allows the Website to recognize your computer, with the goal of providing an optimized user experience. Cookies may store user preferences and other information. You can choose not to accept cookies by changing the settings of your Internet browser. If you choose not to accept cookies, then some functions of the Website may not work as intended.

Use of Collected Information

Information collected by FNF is used for three (3) main purposes:

- To provide products and services to you, or to one or more third party service providers who are performing services on your behalf or in connection with a transaction involving you;
- To improve our products and services; and
- To communicate with you and to inform you about FNF's products and services.

When We Share Information

We may share your Personal Information (excluding information we receive from consumer or other credit reporting agencies) and Browsing Information with certain individuals and companies, as permitted by law, without first obtaining your authorization. Such disclosures may include, without limitation, the following:

- to agents, representatives, or others to provide you with services or products you have requested, and to enable us to detect or prevent criminal activity, fraud, or material misrepresentation or nondisclosure;
- to third-party contractors or service providers who provide services or perform other functions on our behalf;
- to law enforcement or other governmental authority in connection with an investigation, or civil or criminal subpoenas or court orders; and/or
- to other parties authorized to receive the information in connection with services provided to you or a transaction involving you.

We may disclose Personal Information and/or Browsing Information when required by law or in the good-faith belief that such disclosure is necessary to:

- comply with a legal process or applicable laws;
- enforce this Privacy Notice;
- investigate or respond to claims that any information provided by you violates the rights of a third party; or
- protect the rights, property or personal safety of FNF, its users or the public.

We make efforts to ensure third party contractors and service providers who provide services or perform functions on our behalf protect your information. We limit use of your information to the purposes for which the information was provided. We do not give or sell your information to third parties for their own direct marketing use.

We reserve the right to transfer your Personal Information, Browsing Information, as well as any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of our bankruptcy, reorganization, insolvency, receivership or an assignment for the benefit of creditors. You expressly agree and consent to the use and/or transfer of this information in connection with any of the above described proceedings. We cannot and will not be responsible for any breach of security by any third party or for any actions of any third party that receives any of the information that is disclosed to us.

Choices With Your Information

Whether you submit your information to FNF is entirely up to you. If you decide not to submit your information, FNF may not be able to provide certain products or services to you. You may choose to prevent FNF from using your information under certain circumstances ("opt out"). You may opt out of receiving communications from us about our products and/or services.

Security And Retention Of Information

FNF is committed to protecting the information you share with us and utilizes a combination of security technologies, procedures and safeguards to help protect it from unauthorized access, use and/or disclosure. FNF trains its employees on privacy practices and on FNF's privacy and information security policies. FNF works hard to retain information related to you only as long as reasonably necessary for business and/or legal purposes.

Information From Children

The Website is meant for adults. The Website is not intended or designed to attract children under the age of thirteen (13). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

Access and Correction

To access your Personal information in the possession of FNF and correct inaccuracies, please contact us by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

Your Consent To This Privacy Notice

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of information by FNF in compliance with this Privacy Notice. We reserve the right to make changes to this Privacy Notice. If we change this Privacy Notice, we will post the revised version on the Website.

Privacy Outside the Website

The Website may contain links to other websites, including links to websites of third party service providers. FNF is not and cannot be responsible for the privacy practices or the content of any of those other websites.

International Users

Because FNF's headquarters is located in the United States, we may transfer your Personal Information and/or Browsing Information to the United States. By using our website and providing us with your Personal Information and/or Browsing information, you understand and consent to the transfer, processing and storage of such information outside your country of residence, as well as the fact that we will handle such information consistent with this Privacy Notice.

Do Not Track Disclosures

Currently, our policy is that we do not recognize "do not track" requests from internet browsers and similar devices.

The California Online Privacy Protection Act

For some websites which FNF or one of its companies owns, such as the Customer CareNet ("CCN"), FNF is acting as a third party service provider to a mortgage loan servicer. In those instances, we may collect certain information on behalf of that mortgage loan servicer, including:

- first and last name;
- property address;
- user name and password;
- loan number;
- social security number - masked upon entry;
- email address;
- security questions and answers; and
- IP address.

The information you submit is then transferred to your mortgage loan servicer by way of CCN. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through this website. For example, if you believe that your payment or user information is incorrect, you must contact your mortgage loan servicer.

CCN does not share consumer information with third parties, other than those with which the mortgage loan servicer has contracted to interface with the CCN application. All sections of this Privacy Notice apply to your interaction with CCN, except for the sections titled Choices with Your Information, and Access and Correction. If you have questions regarding the choices you have with regard to your personal information or how to access or correct your personal information, contact your mortgage loan servicer.

Contact FNF

Please send questions and/or comments related to this Privacy Notice by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

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All Rights Reserved.

EFFECTIVE AS OF APRIL 1, 2016

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Companies

CTC – Chicago Title Company
CLTC – Commonwealth Land Title Company
FNTC – Fidelity National Title Company
FNTCCA – Fidelity National Title Company of California
TICOR – Ticor Title Company of California
LTC – Lawyer's Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company

Available Discounts

CREDIT FOR PRELIMINARY TITLE REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (CTIC, FNTIC)

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within twelve (12) to thirty-six (36) months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be thirty-two percent (32%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.



PRELIMINARY REPORT

In response to the application for a policy of title insurance referenced herein, Chicago Title Company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(ies) of title insurance to be issued hereunder will be policy(ies) of Chicago Title Insurance Company, a Nebraska corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Insurance Company

By:

President

Attest:

Secretary

Countersigned By:

Authorized Officer or Agent



Visit Us on our Website: www.ctic.com



ISSUING OFFICE: 2540 W. Shaw Lane, Suite 112, Fresno, CA 93711

FOR SETTLEMENT INQUIRIES, CONTACT:
Chicago Title Company
4015 Coffee Road, Suite 100 • Bakersfield, CA 93308
(661)410-4700 • FAX (661)410-4660

**Another Prompt Delivery From Chicago Title Company Title Department
Where Local Experience And Expertise Make A Difference**

PRELIMINARY REPORT

Title Officer: Laura Marquez
Email: lm Marquez@fnf.com
Title No.: FWKN-5501604868-LM

Escrow Officer: Linda Overdevest
Email: loverdevest@ctt.com
Escrow No.: FWKN-5501604868 -LO

TO: Chicago Title Company
4015 Coffee Road, Suite 100
Bakersfield, CA 93308
Attn: Linda Overdevest
Your Ref No.:

PROPERTY ADDRESS(ES): APN 126-041-17, Bakersfield, CA

EFFECTIVE DATE: October 25, 2016 at 07:30 AM

The form of policy or policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy 1990 (04-08-14)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

Gerald T. Smith, Jr. and Mary Ann Smith, husband and wife, as joint tenants, as to an undivided 1/2 interest; and

Ronald A. Hevle and Kay Hevle, husband and wife, as joint tenants, as to an undivided 1/2 interest

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 126-041-17

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

That portion of Villa Lot 7 of Drury's Addition of Kern City in Section 21, Township 29 South, Range 28 East, Mount Diablo Meridian, in the County of Kern, State of California, according to map thereof recorded March 18, 1907, in Book 1, Page 101 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of Lot 1 of Tract No. 1926; as per map recorded June 6, 1957, in Book 9, Page 143 of Maps, in the Office of the County Recorder of said County; thence South along the Southerly prolongation of the West line of said Lot 1, 50 feet to the Northwest corner of Lot 3 of said Tract No. 1926; thence East along the North line of said Lot 3, a distance of 20 feet to the Southwest corner of that certain parcel of land conveyed to California Water Service Company by deed recorded April 12, 1956, in Book 2591, Page 547, Official Records; thence North along the West line of said parcel of land conveyed to California Water Service Company, 50 feet to the Northwest corner of said parcel and the South line of said Lot 1; thence West along the South line of said Lot 1, to the point of beginning.

AT THE DATE HEREOF, EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

| | |
|-------------------------|-------------|
| Code Area: | 056-063 |
| Tax Identification No.: | 126-041-17 |
| Fiscal Year: | 2016-2017 |
| 1st Installment: | \$8.10 OPEN |
| 2nd Installment: | \$8.10 OPEN |
| Exemption: | \$0.00 |
| Land: | \$0.00 |
| Improvements: | \$0.00 |
| Personal Property: | \$0.00 |

Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.

2. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

3. In order to complete this report, the Company requires a Statement of Information to be completed by the following party(ies),

Party(ies): Gerald T. Smith and Mary Ann Smith

The Company reserves the right to add additional items or make further requirements after review of the requested Statement of Information.

NOTE: The Statement of Information is necessary to complete the search and examination of title under this order. Any title search includes matters that are indexed by name only, and having a completed Statement of Information assists the Company in the elimination of certain matters which appear to involve the parties but in fact affect another party with the same or similar name. Be assured that the Statement of Information is essential and will be kept strictly confidential to this file.

4. The search did not disclose any open mortgages or deeds of trust of record, therefore the Company reserves the right to require further evidence to confirm that the property is unencumbered, and further reserves the right to make additional requirements or add additional items or exceptions upon receipt of the requested evidence.

END OF EXCEPTIONS

NOTES

- Note 1.** Note: The name(s) of the proposed insured(s) furnished with this application for title insurance is/are:
Name(s) furnished: Kern County Hospital Authority
If these name(s) are incorrect, incomplete or misspelled, please notify the Company.
- Note 2.** Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.
- Note 3.** Note: The charge for a policy of title insurance, when issued through this title order, will be based on the Basic Title Insurance Rate.
- Note 4.** If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.
- Note 5.** Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirements cannot be met, please call the company at the number provided in this report.
- Note 6.** Your application for title insurance was placed by reference to only a street address or tax identification number. Based on our records, we believe that the legal description in this report covers the parcel(s) of Land that you requested. If the legal description is incorrect, the seller/borrower must notify the Company and/or the settlement company in order to prevent errors and to be certain that the correct parcel(s) of Land will appear on any documents to be recorded in connection with this transaction and on the policy of title insurance.

END OF NOTES

FIDELITY NATIONAL FINANCIAL, INC.
PRIVACY NOTICE
Effective: April 1, 2016

Order No.: FWKN-5501604868-LO

At Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, "FNF", "our" or "we"), we value the privacy of our customers. This Privacy Notice explains how we collect, use, and protect your information and explains the choices you have regarding that information. A summary of our privacy practices is below. We also encourage you to read the complete Privacy Notice following the summary.

| | |
|--|--|
| <p>Types of Information Collected. You may provide us with certain personal information, like your contact information, social security number (SSN), driver's license, other government ID numbers, and/or financial information. We may also receive information from your Internet browser, computer and/or mobile device.</p> | <p>How Information Is Collected. We may collect personal information directly from you from applications, forms, or communications we receive from you, or from other sources on your behalf, in connection with our provision of products or services to you. We may also collect browsing information from your Internet browser, computer, mobile device or similar equipment. This browsing information is generic and reveals nothing personal about the user.</p> |
| <p>Use of Your Information. We may use your information to provide products and services to you (or someone on your behalf), to improve our products and services, and to communicate with you about our products and services. We do not give or sell your personal information to parties outside of FNF for their use to market their products or services to you.</p> | <p>Security Of Your Information. We utilize a combination of security technologies, procedures and safeguards to help protect your information from unauthorized access, use and/or disclosure. We communicate to our employees about the need to protect personal information.</p> |
| <p>Choices With Your Information. Your decision to submit personal information is entirely up to you. You can opt-out of certain disclosures or use of your information or choose to not provide any personal information to us.</p> | <p>When We Share Information. We may disclose your information to third parties providing you products and services on our behalf, law enforcement agencies or governmental authorities, as required by law, and to parties with whom you authorize us to share your information.</p> |
| <p>Information From Children. We do not knowingly collect information from children under the age of thirteen (13), and our websites are not intended to attract children.</p> | <p>Privacy Outside the Website. We are not responsible for the privacy practices of third parties, even if our website links to those parties' websites.</p> |
| <p>Access and Correction. If you desire to see the information collected about you and/or correct any inaccuracies, please contact us in the manner specified in this Privacy Notice.</p> | <p>Do Not Track Disclosures. We do not recognize "do not track" requests from Internet browsers and similar devices.</p> |
| <p>The California Online Privacy Protection Act. Certain FNF websites collect information on behalf of mortgage loan servicers. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through those websites.</p> | <p>International Use. By providing us with your information, you consent to the transfer, processing and storage of such information outside your country of residence, as well as the fact that we will handle such information consistent with this Privacy Notice.</p> |
| <p>Your Consent To This Privacy Notice. By submitting information to us and using our websites, you are accepting and agreeing to the terms of this Privacy Notice.</p> | <p>Contact FNF. If you have questions or wish to contact us regarding this Privacy Notice, please use the contact information provided at the end of this Privacy Notice.</p> |

FIDELITY NATIONAL FINANCIAL, INC. PRIVACY NOTICE

FNF respects and is committed to protecting your privacy. We pledge to take reasonable steps to protect your Personal Information (as defined herein) and to ensure your information is used in compliance with this Privacy Notice.

This Privacy Notice is only in effect for information collected and/or owned by or on behalf of FNF, including collection through any FNF website or online services offered by FNF (collectively, the "Website"), as well as any information collected offline (e.g., paper documents). The provision of this Privacy Notice to you does not create any express or implied relationship, nor create any express or implied duty or other obligation, between FNF and you.

Types of Information Collected

We may collect two (2) types of information: Personal Information and Browsing Information.

Personal Information. The types of personal information FNF collects may include, but are not limited to:

- contact information (e.g., name, address, phone number, email address);
- social security number (SSN), driver's license, and other government ID numbers; and
- financial account or loan information.

Browsing Information. The types of browsing information FNF collects may include, but are not limited to:

- Internet Protocol (or IP) address or device ID/UDID, protocol and sequence information;
- browser language;
- browser type;
- domain name system requests;
- browsing history;
- number of clicks;
- hypertext transfer protocol headers; and
- application client and server banners.

How Information Is Collected

In the course of our business, we may collect *Personal Information* about you from the following sources:

- applications or other forms we receive from you or your authorized representative, whether electronic or paper;
- communications to us from you or others;
- information about your transactions with, or services performed by, us, our affiliates or others; and
- information from consumer or other reporting agencies and public records that we either obtain directly from those entities, or from our affiliates or others.

We may collect *Browsing Information* from you as follows:

- Browser Log Files. Our servers automatically log, collect and record certain Browsing Information about each visitor to the Website. The Browsing Information includes only generic information and reveals nothing personal about the user.
- Cookies. From time to time, FNF may send a "cookie" to your computer when you visit the Website. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive. When you visit the Website again, the cookie allows the Website to recognize your computer, with the goal of providing an optimized user experience. Cookies may store user preferences and other Information. You can choose not to accept cookies by changing the settings of your Internet browser. If you choose not to accept cookies, then some functions of the Website may not work as intended.

Use of Collected Information

Information collected by FNF is used for three (3) main purposes:

- To provide products and services to you, or to one or more third party service providers who are performing services on your behalf or in connection with a transaction involving you;
- To improve our products and services; and
- To communicate with you and to inform you about FNF's products and services.

When We Share Information

We may share your Personal Information (excluding information we receive from consumer or other credit reporting agencies) and Browsing Information with certain individuals and companies, as permitted by law, without first obtaining your authorization. Such disclosures may include, without limitation, the following:

- to agents, representatives, or others to provide you with services or products you have requested, and to enable us to detect or prevent criminal activity, fraud, or material misrepresentation or nondisclosure;
- to third-party contractors or service providers who provide services or perform other functions on our behalf;
- to law enforcement or other governmental authority in connection with an investigation, or civil or criminal subpoenas or court orders; and/or
- to other parties authorized to receive the information in connection with services provided to you or a transaction involving you.

We may disclose Personal Information and/or Browsing Information when required by law or in the good-faith belief that such disclosure is necessary to:

- comply with a legal process or applicable laws;
- enforce this Privacy Notice;
- Investigate or respond to claims that any information provided by you violates the rights of a third party; or
- protect the rights, property or personal safety of FNF, its users or the public.

We make efforts to ensure third party contractors and service providers who provide services or perform functions on our behalf protect your information. We limit use of your information to the purposes for which the information was provided. We do not give or sell your information to third parties for their own direct marketing use.

We reserve the right to transfer your Personal Information, Browsing Information, as well as any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of our bankruptcy, reorganization, insolvency, receivership or an assignment for the benefit of creditors. You expressly agree and consent to the use and/or transfer of this Information in connection with any of the above described proceedings. We cannot and will not be responsible for any breach of security by any third party or for any actions of any third party that receives any of the information that is disclosed to us.

Choices With Your Information

Whether you submit your information to FNF is entirely up to you. If you decide not to submit your information, FNF may not be able to provide certain products or services to you. You may choose to prevent FNF from using your information under certain circumstances ("opt out"). You may opt out of receiving communications from us about our products and/or services.

Security And Retention Of Information

FNF is committed to protecting the information you share with us and utilizes a combination of security technologies, procedures and safeguards to help protect it from unauthorized access, use and/or disclosure. FNF trains its employees on privacy practices and on FNF's privacy and information security policies. FNF works hard to retain information related to you only as long as reasonably necessary for business and/or legal purposes.

Information From Children

The Website is meant for adults. The Website is not intended or designed to attract children under the age of thirteen (13). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

Access and Correction

To access your Personal Information in the possession of FNF and correct inaccuracies, please contact us by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

Your Consent To This Privacy Notice

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of Information by FNF in compliance with this Privacy Notice. We reserve the right to make changes to this Privacy Notice. If we change this Privacy Notice, we will post the revised version on the Website.

Privacy Outside the Website

The Website may contain links to other websites, including links to websites of third party service providers. FNF is not and cannot be responsible for the privacy practices or the content of any of those other websites.

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- first and last name;
- property address;
- user name and password;
- loan number;
- social security number - masked upon entry;
- email address;
- security questions and answers; and
- IP address.

The information you submit is then transferred to your mortgage loan servicer by way of CCN. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through this website. For example, if you believe that your payment or user information is incorrect, you must contact your mortgage loan servicer.

CCN does not share consumer information with third parties, other than those with which the mortgage loan servicer has contracted to interface with the CCN application. All sections of this Privacy Notice apply to your interaction with CCN, except for the sections titled Choices with Your Information, and Access and Correction. If you have questions regarding the choices you have with regard to your personal information or how to access or correct your personal information, contact your mortgage loan servicer.

Contact FNF

Please send questions and/or comments related to this Privacy Notice by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

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All Rights Reserved.

EFFECTIVE AS OF APRIL 1, 2016

ATTACHMENT ONE

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the Insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the Insured claimant had paid value for the Insured mortgage or for the estate or interest Insured by this policy.
4. Unenforceability of the lien of the Insured mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the Insured the estate or interest Insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE**

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. Improvements on the Land;
 - e. land division; and
 - f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake or subsidence.
9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

| | <u>Your Deductible Amount</u> | <u>Our Maximum Dollar Limit of Liability</u> |
|------------------|---|--|
| Covered Risk 16: | 1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less) | \$ 10,000.00 |
| Covered Risk 18: | 1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less) | \$ 25,000.00 |
| Covered Risk 19: | 1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less) | \$ 25,000.00 |
| Covered Risk 21: | 1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less) | \$ 5,000.00 |

ATTACHMENT ONE (CONTINUED)

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II, [for T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

[PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.]

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

ATTACHMENT ONE (CONTINUED)

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.]
7. [Variable exceptions such as taxes, easements, CC&R's, etc., shown here.]

**ATTACHMENT ONE
(CONTINUED)**

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY - ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Companies

CTC – Chicago Title Company
CLTC – Commonwealth Land Title Company
FNTC – Fidelity National Title Company
FNTCCA – Fidelity National Title Company of California
TICOR – Ticor Title Company of California
LTC – Lawyer's Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company

Available Discounts

CREDIT FOR PRELIMINARY TITLE REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (CTIC, FNTIC)

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within twelve (12) to thirty-six (36) months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be thirty-two percent (32%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.

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

In the matter of:

Resolution No. _____

**ACQUISITION OF VACANT LAND
LOCATED AS APN 126-041-17 FROM
GERALD T. SMITH, JR. AND MARY ANN
SMITH AND RONALD A. HEVLE AND
KAY HEVLE**

I, RAQUEL D. FORE, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director _____, seconded by Director _____, was duly and regularly adopted by the Board of Governors of the Kern County Hospital Authority at an official meeting thereof on the 15th day of February, 2017, 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:

RAQUEL D. FORE
Authority Board Coordinator
Kern County Hospital Authority

Raquel D. Fore

RESOLUTION

Section 1. WHEREAS:

(a) The Kern County Hospital Authority Act (Health & Saf. Code, § 101852 et seq.) provides the Kern County Hospital Authority (“Authority”) shall have the power “*to purchase, lease, trade, exchange, or otherwise acquire, maintain, hold, improve, mortgage, lease, sell, and dispose of real and personal property of any kind necessary or convenient to perform its functions and fully exercise its powers.*” (Emphasis added.) (Health & Saf. Code, § 101855(a)(5).); and

(b) The Authority has negotiated with Gerald T. Smith, Jr. and Mary Ann Smith, and Ronald A. Hevle and Kay Hevle for the acquisition of vacant land located adjacent to Sagebrush Medical Plaza, described as Assessor's Parcel Number 126-041-17, and legally described in the attached Exhibit "A" ("Premises"), for use as additional parking; and

(c) The Authority has advised the Board of Governors that the terms of the proposed purchase are as follows:

- 1) The purchase price for a fee interest in the Premises is \$1,000, which represents market value and is based on an independent appraisal of the Premises;
- 2) The Authority will pay the escrow fees;
- 3) The Authority's closing costs are estimated at \$1,506.39, to include transfer tax, recording fees, the title report, and an CLTA title insurance policy;
- 4) Close of escrow will be within 20 days; and

(d) The Authority has reviewed possible environmental effects arising from the proposed title transfer, and has determined that the project is exempt from the requirements to prepare environmental documents pursuant to section 15061(b)(3) of the California Environmental Quality Act Guidelines, since it can be seen with certainty that there is no possibility that the purchase will have a significant effect on the environment; and

(e) It is in the best interest of the Authority that the purchase of the Premises be completed on the terms indicated above.

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 does hereby approve the purchase of the Premises, on the terms specified herein.

3. The Chief Executive Officer is hereby authorized to sign the certificate of acceptance of the deed for the Premises and all related escrow documents.

4. The Chief Executive Officer or his designee is hereby authorized to issue a warrant made payable to Chicago Title Company in an amount not to exceed \$2,506.39.

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

Office of County Counsel
Kern Medical Center
Chicago Title Company

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): **126-041-17**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

That portion of Villa Lot 7 of Drury's Addition of Kern City in Section 21, Township 29 South, Range 28 East, Mount Diablo Meridian, in the County of Kern, State of California, according to map thereof recorded March 18, 1907, in Book 1, Page 101 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of Lot 1 of Tract No. 1926; as per map recorded June 6, 1957, in Book 9, Page 143 of Maps, in the Office of the County Recorder of said County; thence South along the Southerly prolongation of the West line of said Lot 1, 50 feet to the Northwest corner of Lot 3 of said Tract No. 1926; thence East along the North line of said Lot 3, a distance of 20 feet to the Southwest corner of that certain parcel of land conveyed to California Water Service Company by deed recorded April 12, 1956, in Book 2591, Page 547, Official Records; thence North along the West line of said parcel of land conveyed to California Water Service Company, 50 feet to the Northwest corner of said parcel and the South line of said Lot 1; thence West along the South line of said Lot 1; to the point of beginning.



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

February 15, 2017

Subject: Proposed retroactive Schedule No. 2 to Agreement 2016-036 with Cerner Corporation

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern Medical schedules approximately 350 Registered Nurses along with multiple ancillary clinical staff 7 days a week, 350 days a year. Clarvia software will provide improvements in the scheduling process to include availability of predefined staff matrices, resulting in fewer hours spent in creating schedules, self-scheduling within defined guidelines with the goal of greater staff satisfaction, automated calls to staff and many reporting capabilities. When the system is fully implemented, California Department of Public Health requirement for patient acuity will be available and guidance for patient readiness for discharge will be provided.

The proposed retroactive Schedule No. 2 to Agreement 2016-036 with Cerner Corporation, an independent contractor, for Clarvia software and services is effective February 15, 2017. There is one-time fee in an amount not to exceed \$638,821 for the software license and installation services, and a monthly fee in an amount not to exceed \$9,445, for software support, subscriptions, and remote hosting.



CERNER SYSTEM SCHEDULE NO. 2

This Cerner System Schedule is made on February 15, 2017 ("Effective Date"), between

Kern County Hospital Authority ("Client")

and

Cerner Corporation ("Cerner")

a county hospital authority, which owns and operates Kern Medical Center with its principal place of business at:

a Delaware corporation with its principal place of business at:

1700 Mount Vernon Ave
Bakersfield, CA 93306-4018, USA
Telephone: (661) 326-2000

2800 Rockcreek Parkway
Kansas City, MO 64117, U.S.A.
Telephone: (816) 221-1024

This Cerner System Schedule includes the sections noted below. Client agrees to purchase the products and services set forth herein, and Cerner agrees to furnish such products and services, upon the terms and conditions of this Cerner System Schedule and the Cerner Business Agreement, dated July 01, 2016, Client Agt.#HA2016-036, between Client and Cerner (the "Agreement").

- Facilities
- Scope of Use
- Payment Terms
- Term and Termination
- Solution Descriptions
- Pass-Through Provisions
- Assignment of Payments
- Financial Overview
- Solutions and Services
- Scope of Services
- Event Activity Report
- Execution Invoice

KERN COUNTY HOSPITAL AUTHORITY

By: _____

Russell Bigler

Title: Chairman, Board of Governors

Purchase Order #: _____
(if applicable)

Project Kick-off requested the week of: _____

CERNER CORPORATION

By: _____

Teresa Waller

Title: Sr. Director, Contract Management

Client will complete the following upon execution of this Cerner System Schedule:

Client Invoice Contact: _____

Contact Phone #: _____

Contact E-mail Address: _____

Client's account can be managed online at cerner.com by registering for Cerner eBill. To gain access to eBill, contact the Cerner Client Care Contact Center at 866-221-8877 or e-mail ClientCareCenter@cerner.com.

FACILITIES

Designated Facility. Facility where the solutions will reside:

| Name | Address | City | State/Province | Zip/Postal Code | Country |
|--------------------|---------|------|----------------|-----------------|---------|
| Cerner data center | | | | | |

Permitted Facilities. For use and access by these facilities:

| Name | Address | City | State/Province | Zip/Postal Code | Country |
|---------------------|-----------------------|-------------|----------------|-----------------|---------|
| Kern Medical Center | 1700 Mount Vernon Ave | Bakersfield | CA | 93306-4018 | USA |

The parties may add or substitute Permitted Facilities by amending this section, provided Client pays any relevant scope of use expansion fees in the section below.

SCOPE OF USE

Scope of Use Limits. Client will use the following solutions in accordance with the Solution Descriptions and subject to the scope of use limits set forth below.

| Solution Description | Scope of Use Metric | Scope of Use Limit | Scope of Use Metric Description |
|---------------------------------------|---------------------|--------------------|--|
| Clairvia | Staffed Members | 1,625 | Number of clinical and non-clinical staff members affiliated within an organization or given care area |
| Nursing Outcomes Classification (NOC) | Facilities | 1 | Total number of sites to use a specific application. |
| ShiftAlert | Staffed Members | 200 | Number of clinical and non-clinical staff members affiliated within an organization or given care area |

Scope of Use Expansion. If a scope of use limit is exceeded, Client agrees to pay the additional fees below, which are valid for two (2) years after the Effective Date, and thereafter increase at a rate of five percent (5%) per year.

| Solution Description | Scope of Use Metric | Extending Scope of Use Limit by | Additional Licensing Fees | Additional Monthly Support Fees | Additional Monthly Fees |
|---------------------------------------|---------------------|---------------------------------|---------------------------|---------------------------------|-------------------------|
| Clairvia | Staffed Members | 163 | 80,108 | 1,202 | - |
| Nursing Outcomes Classification (NOC) | Facilities | 1 | - | - | 292 |
| ShiftAlert | Staffed Members | 20 | - | - | 20 |

Scope of use will be measured periodically by Cerner's system tools, or, for metrics that cannot be measured by system tools or obtained through industry available reporting sources (e.g. FTEs or locations), Client will provide the relevant information (including records to verify the information) to Cerner at least one (1) time(s) per year. Client agrees that if an event occurs that will affect Client's scope of use (such as acquisition of a new hospital or other new facility), Client will promptly notify Cerner in writing of such event no later than thirty (30) days following the effective date of such event so that Client's scope of use can be reviewed. Any additional fees due under this Section will be payable within sixty (60) days following Client's receipt of an invoice for such fees. Any additional monthly fees will begin on the date the limit was exceeded, and paid annually (pro-rated for any partial month).

PAYMENT TERMS

LICENSED SOFTWARE

One-Time Fees. Fifty percent (50%) of the total one-time Licensed Software fees will be paid on the Effective Date. The remaining 50% will be paid 90 days following the Effective Date.

SOFTWARE SUPPORT

Monthly Fees. The monthly Support fees are payable annually beginning on the Effective Date.

SUBSCRIPTIONS

Monthly Fees. The monthly subscription fees are payable annually beginning on the Effective Date.

MANAGED SERVICES

One-Time Fees. The one-time managed services fees will be paid on the Effective Date.

Monthly Fees. The monthly managed services fees are payable quarterly beginning on the Effective Date.

PROFESSIONAL SERVICES

Fixed Fee. Fifty percent (50%) of the total professional services fees will be paid on the Effective Date. The remaining 50% is payable 90 days following the Effective Date.

FEE INCREASES

Cerner may increase the monthly fee for Support services and each recurring service (such as managed services, application services, subscription services, application management services, employer services, transaction services, and Shared Computing Services) any time following the initial twelve (12) month period after such recurring service fees begin (but not more frequently than once in any twelve (12) month period) by giving Client sixty (60) days prior written notice of the price increase. The amount of such annual increase will equal CPI plus 5% per annum. Cerner may also increase the fees at any time during the term if a Cerner third party increases the fees to be paid by Cerner, with such increase being limited to the amount of increase in Cerner's fee to the third party.

TERM AND TERMINATION

Software Support. Support services begin on the Effective Date, and continue until terminated pursuant to the Agreement.

Other Services. All recurring services (such as managed services, application services, subscription services, application management services, employer services, transaction services, and Shared Computing Services) begin on the Effective Date, and continue for the term set forth in the "Solutions and Services" section. At the end of the applicable term, each service will automatically renew for additional 12 month periods at the rate charged in the final period of the then-current term, unless either party provides the other party with written notification of its intent to terminate the relevant service no less than 60 days prior to the expiration of the applicable then-current term.

SOLUTION DESCRIPTIONS

Each solution with a Solution Description has a code noted in the "Solutions and Services" section of this Cerner System Schedule, and that code can be entered at <https://solutiondescriptions.cerner.com> to view the Solution Description. These Solution Descriptions are incorporated into this Cerner System Schedule by reference. In the event a Solution Description is not published on Cerner's website, it may be attached to this Cerner System Schedule.

PASS-THROUGH PROVISIONS

Where pass-through provisions are applicable to third party products and services, these provisions are referenced by a pass-through code in the "Solutions and Services" section of this Cerner System Schedule, and that code can be entered at <https://passthroughprovisions.cerner.com/> to view the pass-through provisions. These pass-through provisions are incorporated into this Cerner System Schedule by reference.

ASSIGNMENT OF PAYMENTS

Client agrees that Cerner may assign its interest in or otherwise grant a security interest in payments due pursuant to this Cerner System Schedule in whole or in part to an assignee. Client will promptly acknowledge each assignment or granting of a security interest. Cerner will continue to perform its obligations under the Agreement following such assignment or granting of a security interest.

FINANCIAL OVERVIEW

| Description | One-Time Fees | Monthly Fees | Annual Fees |
|-----------------------|-------------------|-----------------|-------------|
| Licensed Software | 196,871.00 | - | - |
| Software Support | - | 2,953.00 | - |
| Subscriptions | - | 492.00 | - |
| Managed Services | 14,000.00 | 6,000.00 | - |
| Professional Services | | | |
| Fixed Fee | 427,950.00 | - | - |
| TOTALS: | 638,821.00 | 9,445.00 | - |

All prices in this Cerner System Schedule are shown in US Dollar (USD).

SOLUTIONS AND SERVICES

LICENSED SOFTWARE

| Solution Code | Description | Qty | Scope | One-Time Fees | Monthly Support Fees | Solution Description Code | Pass-Through Code |
|---|--|-------|-----------------|---------------|----------------------|---------------------------|-------------------|
| Quote: Cerner Solutions (1-8359617775-R-6) | | | | | | | |
| WF-10000 | Staff Manager | 1,625 | Staffed Members | 49,112 | 737 | WF-10000_03 | |
| WF-10002 | Demand Manager | 1,625 | Staffed Members | 16,283 | 244 | WF-10002_06 | 6000_NEO |
| WF-10003 | Patient Progress Manager | 1,625 | Staffed Members | 18,224 | 273 | WF-10003_05 | 6000_NEO |
| WF-10004 | Outcomes-Driven Patient Acuity | 1,625 | Staffed Members | 39,196 | 588 | WF-10004_04 | 6000_NEO |
| WF-10009 | Standard HRIS Import Interface | 1,625 | Staffed Members | 3,267 | 49 | WF-10009_02 | |
| WF-10011 | Standard Time & Attendance Interface | 1,625 | Staffed Members | 5,436 | 82 | WF-10011_02 | 6000_NEO |
| WF-10014 | Standard HL7 Registration Import Interface | 1,625 | Staffed Members | 7,175 | 108 | WF-10014_03 | 6000_NEO |
| WF-10023 | Standard Clinical Documentation Interface | 1,625 | Staffed Members | 9,067 | 136 | WF-10023_03 | 6000_NEO |
| WF-10060 | Assignment Manager | 1,625 | Staffed Members | 49,112 | 737 | WF-10060_06 | 6000_NEO |

SUBSCRIPTIONS

| Solution Code | Description | Qty | Scope | Term (Mo) | One-Time Fees | Monthly Fees | Solution Description Code | Pass-Through Code |
|---|---------------------------------------|-----|-----------------|-----------|---------------|--------------|---------------------------|-------------------|
| Quote: Cerner Solutions (1-8359617775-R-6) | | | | | | | | |
| WF-10049 | Nursing Outcomes Classification (NOC) | 1 | Facilities | 60 | | 292 | WF-10049_04 | |
| WF-10077 | ShiftAlert | 200 | Staffed Members | 60 | | 200 | WF-10077_04 | |

MANAGED SERVICES

| Solution Code | Description | Qty | Scope | Monthly Range | Term (Mo) | One-Time Fees | Monthly Fees | Solution Description Code | Pass-Through Code |
|---|--------------------------------------|-----|-------|---------------|-----------|---------------|--------------|---------------------------|-------------------|
| Quote: Technology- RHO (Clairvia) (1-6546816947-R-4) | | | | | | | | | |
| CFG_CMS | CernerWorks | 1 | Each | | | | | | |
| CTS-RHO1TIME | Remote Hosting (One-time Setup Fees) | 1 | Each | | | 14,000 | | | 10400_MSR |
| CTS-RHORECUR | Remote Hosting (Recurring Fees) | 1 | Each | 1 to 60 | 60 | | 6,000 | | 10400_MSR |

PROFESSIONAL SERVICES

| Phase | Project | **Bill Type | Solution | Rate | Metric | Qty | Fees | Pass-Through Code |
|--|------------|-------------|------------------------------|------|--------|-----|---------|-------------------|
| Quote: Professional Services (1-9752062737-R-6) | | | | | | | | |
| 1 | Clairvia | FF | Clairvia | | | | 345,750 | |
| 1 | Clairvia | FF | Clairvia Standard Interfaces | | | | 36,000 | |
| 1 | Clairvia 1 | FF | Clairvia | | | | 15,000 | |
| 1 | Pop Health | FF | Performance Improvement | | | | 31,200 | |

**FF = Fixed Fee / FFS = Fee For Service

Professional services pricing is valid until March 20, 2017. If a Cerner System Schedule is not executed on or before such date, this pricing is considered null and void and will be subject to revision. Cerner will not schedule resources for implementation services until this Cerner System Schedule has been executed by both parties and processed by Cerner.

SCOPE OF SERVICES

This section defines the service deliverables ("**Scope**") for the services set forth in this Cerner System Schedule.

MANAGED SERVICES

REMOTE HOSTING OPTION (RHO) SERVICES

SCOPE OF USE LIMITS

Cerner Solutions. The managed services fees set forth in the "Solutions and Services" section of this Ordering Document are based on the following scope of use limits, and apply only to RHO services for the Cerner solution(s) set forth below:

| Scope of Use Metric | Scope of Use Limit |
|-------------------------------|--------------------|
| Cerner Solutions to be Hosted | Clairvia |

OTHER SCOPE LIMITS

Clairvia

- (1,625) Staff Members
- Production: (Non-redundant configuration)
- Non Production: (1) DB/App/Web Server, (1) Web DMZ Server and (1) Citrix Server

General Assumptions

- The basic roles and responsibilities of Cerner and Client for the Cerner solution hosting will be the same as set forth in the Ordering Document originally executed between the parties for RHO services.
- Solutions will run in Client's existing production domain being remote hosted by Cerner.
- Managed services fees do not include Licensed Software, Sublicensed Software, Licensed Software Support, Maintenance, or professional services.
- Cerner provides the Layered Software needed to deliver core RHO services (e.g., OS, middleware etc.).

REMOTE HOSTING OPTION (RHO) SERVICES

SCOPE OF USE EXPANSION

In the event a scope of use limit set forth in the "Scope of Use Limits" section of this Scope is exceeded, Client agrees to expand the scope of use and pay the additional managed services fees set forth below for the applicable scope limit that has been exceeded.

| Cerner Solutions | | | |
|--------------------------|---------------------------------|--------------------------|-------------------------|
| Scope of Use Metric | Extending Scope of Use Limit By | Additional One-Time Fees | Additional Monthly Fees |
| Clairvia Staffed Members | (1,000) Staffed Members | \$1,600 | \$800 |

All Prices are in US Dollar (USD)

Client's scope of use will be measured periodically by Cerner's system tools. Client agrees that if an event occurs that will materially affect Client's scope of use (such as acquisition of a new facility, change in number of Users, change in number of thick Client workstations, etc.), Client will promptly notify Cerner in writing no more than 60 days following the effective date of such event so that Client's scope of use can be reviewed.

PROFESSIONAL SERVICES

IMPLEMENTATION SERVICES

| Project Duration | <p>The following project start date is an estimate and subject to adjustment based upon the Effective Date of this Ordering Document. Cerner requires a minimum of 90 days following the Effective Date to accommodate pre-project activities such as planning, staffing, and technology activities. The overall duration of this project (from the "project kick-off" event to the "go-live" event), based on the scope of services detailed in this Ordering Document, is expected to be 8 month(s).</p> <ul style="list-style-type: none"> Estimated project start date: 02/17/2017 | | | | | | |
|--|--|-----------|------------------|--|----|---|--|
| Application Modules for Project Scope | <p>Revision: <i>Cerner Clairvia 8.4.2 or current release Cumulative Production Packages. System upgrades or additional work effort required in order to meet pre-requisites will result in additional professional services and fees.</i></p> <table border="1"> <thead> <tr> <th>Solutions</th> <th>Duration (weeks)</th> </tr> </thead> <tbody> <tr> <td>Clairvia (11 cost centers): Workforce and Productivity Assessment, Staff Manager, Demand Manager, Patient Progress Manager, Outcomes-driven Patient Acuity, Assignment Manager (integration to CareCompass), ShiftAlert</td> <td>31</td> </tr> <tr> <td>Clairvia Standard Interfaces: Standard HR Interface to PeopleSoft HCM, Standard Bi-directional Time and Labor Interface to PeopleSoft, HL7 Registration Import, HL7 Clinical Documentation (NOC based)</td> <td></td> </tr> </tbody> </table> | Solutions | Duration (weeks) | Clairvia (11 cost centers): Workforce and Productivity Assessment, Staff Manager, Demand Manager, Patient Progress Manager, Outcomes-driven Patient Acuity, Assignment Manager (integration to CareCompass), ShiftAlert | 31 | Clairvia Standard Interfaces: Standard HR Interface to PeopleSoft HCM, Standard Bi-directional Time and Labor Interface to PeopleSoft, HL7 Registration Import, HL7 Clinical Documentation (NOC based) | |
| Solutions | Duration (weeks) | | | | | | |
| Clairvia (11 cost centers): Workforce and Productivity Assessment, Staff Manager, Demand Manager, Patient Progress Manager, Outcomes-driven Patient Acuity, Assignment Manager (integration to CareCompass), ShiftAlert | 31 | | | | | | |
| Clairvia Standard Interfaces: Standard HR Interface to PeopleSoft HCM, Standard Bi-directional Time and Labor Interface to PeopleSoft, HL7 Registration Import, HL7 Clinical Documentation (NOC based) | | | | | | | |
| Facility Implementation Strategy | <p>This Scope assumes the design, build, and conversion of 4 Facilities and 11 Cost Centers utilizing a centralized database environment and a single go-live event per phase, converting all solutions in that phase concurrently.</p> <p>Go-live will occur at the following facility:</p> <ul style="list-style-type: none"> Kern Medical Center | | | | | | |

| IMPLEMENTATION SERVICES | |
|--|--|
| Fixed Fee Implementation | Cerner will provide the implementation services on a fixed fee basis. The scope of the implementation is based upon the specific assumptions set forth in this Scope. Each party (or its designee) will fulfill project responsibilities assigned to such party in this Scope. This Scope describes the solutions to be implemented, duration of the implementation and the Services to be performed. Either party may identify a change in assumptions, tasks, duration, Services or resources required from Cerner or Client. Such change may result in additional fees. No change will become effective without the written approval by both parties. |
| Go Live Support | Command Center Support for Go-live Event. Cerner will provide application/technical support and troubleshooting for issues logged to the help desk or command center during the go-live event. Cerner's standard coverage provides 3 days of 24 hour support and 2 days of 12 hour support. The Cerner team will support the command center along with Client's application team and help troubleshoot issues as they are reported. Client's super user team will support end users. After go-live, Cerner will provide remote application support until turnover to Cerner's SolutionWorks division, which occurs 30 days after go-live. After turnover, all issues will be reported to SolutionWorks. |
| Cerner Delivery Project Team Work Space Assumptions | As needed and at Client's expense, Client will provide to the Cerner project team: a secure Cerner-assigned office (with door locks); work areas with network connectivity to Client network; and access to a network laser printer via a desktop computer with fat Client (configured to Cerner's minimum recommended configuration) access to appropriate Client domains and Clients using Citrix access. Client agrees to provide this access to each Cerner project team member while on Client site. Further, Client will provide a high-speed DSL line or network port through Client firewall for each Cerner associate on site to access the internet/Cerner network using Aventail software, and a phone line for each Cerner project team member that is assigned to be on site for more than 16 hours per week for at least 10 consecutive weeks. |
| Client Project Team | Client will identify and make available its project team members within 90 days following the Effective Date of this document, if not identified and available within that timeframe, such delay will be considered a change in scope, and will require the execution of a Ordering Document setting forth the additional work effort and additional professional services fees. |
| Special Project Assumptions | <ul style="list-style-type: none"> • Modifications to the design and build of the proposed solutions to meet specifications for individual facilities will result in additional professional services fees. |
| Scope Control | <ul style="list-style-type: none"> • There are controls on scope for the total number of a particular item within certain solution sections. Controls are present for the following reasons: <ul style="list-style-type: none"> ◦ In order to achieve the project timeline with estimated Client project resources ◦ Recommended use of the system and ease of maintenance long term ◦ Maintain standard consulting fees • Please note that controls on items are not functional limits of the <i>Cerner Millennium System</i> • All requested modifications to this Scope must be evaluated for potential impact to the project plan and may result in a longer project timeline, additional Cerner/Client resources, and/or additional fees. Cerner has a scope management process that will be utilized throughout the implementation to help keep the project on track. |
| CERNER CLAIRVIA | |
| Assumptions | <ul style="list-style-type: none"> • The Cerner Clairvia Scope represents Cerner work effort to implement 1 facilities, 11 departments |
| Workforce and Operations Strategic Consulting Services | |
| Overview | <ul style="list-style-type: none"> • Cerner will collaborate with Client to create a unified team dedicated to identifying and prioritizing quality, clinical, and financial improvements across Client's facility by: <ul style="list-style-type: none"> ◦ Meeting regularly to coordinate assessment activities, data collection, and workflow analysis in order to develop a detailed recommendation plan for Client leadership ◦ Utilizing performance improvement methodologies, including LEAN and Six Sigma tools, to gather and review documentation and workflows. The project will culminate in a detailed report of findings and recommendations presented to Client leadership |

| IMPLEMENTATION SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------------------|----------------------------|--|--|-----------------|--|--|--------|--|--------|---|--------|--|--------|---------------------------------------|--|---|--------|--|--------|------------------------------|--------|----------------------------|--------|---------------------------------------|--------|--|--------|
| Estimated Work Effort and Project Duration | <ul style="list-style-type: none"> Estimated project duration for single facility based on assessments need: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Work Effort</th> <th style="width: 40%;">Duration</th> </tr> </thead> <tbody> <tr> <td>Workforce and productivity practices</td> <td style="text-align: center;">4 weeks</td> </tr> </tbody> </table> Note - each facility added equates to an additional week This engagement will be considered complete when this Scope is completed pursuant to the tasks set forth herein | Work Effort | Duration | Workforce and productivity practices | 4 weeks | | | | | | | | | | | | | | | | | | | | | | | | |
| Work Effort | Duration | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Workforce and productivity practices | 4 weeks | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Workforce and Productivity Assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Services Overview | <ul style="list-style-type: none"> The following scope of work includes 1 facility. Additional facilities will require additional professional services and fees | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Approach | <ul style="list-style-type: none"> Workforce and productivity practices are based on Staff Manager, Physician Scheduler, Demand Manager and related integration to assess the following: <ul style="list-style-type: none"> Competencies and credentials of staff and how scheduling, staffing, and patient alignment are impacted Physician schedules and on-call workflows Employee engagement in a balanced scheduling process Daily staffing process and policies, call flows, and patient alignment Central staffing, resource pool utilization, float management, and staff sharing Departmental roles in optimal resource management Productivity measures for the enterprise Reliable enterprise visibility into staffing and patient operations Process to support regulatory reporting and oversight | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project Timeline and Activities | <ul style="list-style-type: none"> Project timeline and activities are based on the assessment needs <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Assessment Project Time Line</th> <th style="width: 40%;">Workforce and Productivity</th> </tr> </thead> <tbody> <tr> <td>These solutions or similar and the associated workflows are a focal point of the assessment activities</td> <td>Staff Manager, Physician Scheduler, Demand Manager Integration</td> </tr> <tr> <td colspan="2" style="text-align: center;">Planning</td> </tr> <tr> <td>Assess current state technology infrastructure</td> <td>Week 0</td> </tr> <tr> <td>Develop and request key performance indicator data</td> <td>Week 0</td> </tr> <tr> <td>Understand future state strategic goals</td> <td>Week 0</td> </tr> <tr> <td>Engage with Client leadership and performance improvement team</td> <td>Week 0</td> </tr> <tr> <td colspan="2" style="text-align: center;">On-site Performance Assessment</td> </tr> <tr> <td>Align assessment goals with Client broader long-term vision</td> <td>Week 1</td> </tr> <tr> <td>Conduct stakeholder interviews, observations, working sessions</td> <td>Week 1</td> </tr> <tr> <td>Model current state workflow</td> <td>Week 1</td> </tr> <tr> <td>Map value stream processes</td> <td>Week 1</td> </tr> <tr> <td>Analyze technology use as appropriate</td> <td>Week 1</td> </tr> <tr> <td>Focus specifically on workflow and its' impact on overall operations</td> <td>Week 1</td> </tr> </tbody> </table> | Assessment Project Time Line | Workforce and Productivity | These solutions or similar and the associated workflows are a focal point of the assessment activities | Staff Manager, Physician Scheduler, Demand Manager Integration | Planning | | Assess current state technology infrastructure | Week 0 | Develop and request key performance indicator data | Week 0 | Understand future state strategic goals | Week 0 | Engage with Client leadership and performance improvement team | Week 0 | On-site Performance Assessment | | Align assessment goals with Client broader long-term vision | Week 1 | Conduct stakeholder interviews, observations, working sessions | Week 1 | Model current state workflow | Week 1 | Map value stream processes | Week 1 | Analyze technology use as appropriate | Week 1 | Focus specifically on workflow and its' impact on overall operations | Week 1 |
| Assessment Project Time Line | Workforce and Productivity | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| These solutions or similar and the associated workflows are a focal point of the assessment activities | Staff Manager, Physician Scheduler, Demand Manager Integration | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Assess current state technology infrastructure | Week 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Develop and request key performance indicator data | Week 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Understand future state strategic goals | Week 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Engage with Client leadership and performance improvement team | Week 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On-site Performance Assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Align assessment goals with Client broader long-term vision | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conduct stakeholder interviews, observations, working sessions | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Model current state workflow | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Map value stream processes | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Analyze technology use as appropriate | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Focus specifically on workflow and its' impact on overall operations | Week 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| IMPLEMENTATION SERVICES | | |
|---|--|-----------------------------------|
| | Develop Findings and Recommendations | Workforce and Productivity |
| | Analyze data, processes, and financials in-depth | Weeks 2 and 3 |
| | Identify improvement strategies | Weeks 2 and 3 |
| | Create a detailed value stream and future state map | Weeks 2 and 3 |
| | Analyze data, processes, and throughputs in-depth | Weeks 2 and 3 |
| | Develop leadership presentation | Weeks 2 and 3 |
| | Present Findings and Recommendations | Workforce and Productivity |
| | Finalize recommendations | Week 4 |
| | Review key findings and recommendations with Client leadership | Week 4 |
| | Develop action items and a detailed implementation plan to address the highest impact opportunities | Week 4 |
| Staff Manager | | |
| <p>Staff Manager gives you command of staffing coverage, allocation and deployment, hour by hour, every day. All critical staff management capabilities are integrated into personalized web-based dashboards for each stakeholder, empowering comprehensive enterprise scheduling and staffing, real time decision support, open shift management, advanced productivity management, and accurate, up-to-the-minute reporting.</p> | | |
| Implementation | <ul style="list-style-type: none"> • Departments where Staff Manager will be deployed will be identified during the design phase • If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional professional services fees may be required if a change in scope is necessary • This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation • Cerner will provide the Client guidance on build, design, and configuration of the Staff Manager solution for Ancillary departments remotely. • This work will occur after implementation is completed for inpatient units. | |
| Testing | <ul style="list-style-type: none"> • Client is responsible for validating the Data built by Cerner during the application admin training • Client, with assistance from Cerner, is responsible for testing the registration, HR and time and attendance interfaces | |
| Training | <ul style="list-style-type: none"> • Train the trainer training includes services for training managers and staffing personnel on how to configure and maintain the database that is used to generate department schedules. Designated educators that will be training end users are assumed to attend all training sessions and complete assigned activities related to the database configuration • Includes training on how to utilize the solution to support daily staffing decisions. • Includes training on staffing and productivity reporting • Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required • Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services fees may be necessary • Client is responsible for ongoing end user training | |
| Security | <ul style="list-style-type: none"> • Cerner will configure initial access based on each end user's role and unit • Client is responsible for ongoing security maintenance | |

| IMPLEMENTATION SERVICES | |
|--|---|
| Project Delivery | <ul style="list-style-type: none"> • Project delivery is designed for a 6-8 month implementation period from hardware/software delivery to conversion • Scope of work will pertain to 1 non-production and 1 production domain • Event 1: Project Planning and workflow analysis • Event 2: Kickoff, review data requirements for design and build <ul style="list-style-type: none"> o Client is responsible for completing the database workbooks o Cerner will build, design and configure up to 70% of the system remotely • Event 3: Application admin training, Client will review and complete the build. • Event 4: Employee information training • Event 5: Scheduler training • Event 6: Readiness assessment • Event 7: Go live • Event 8: Post Go live/productivity review |
| Staff Manager Installation | <ul style="list-style-type: none"> • Install and configure Staff Manager • Additional scope and services may be required if hardware requirements or software upgrades are required during the implementation |
| Staff Manager Hardware Configuration | <ul style="list-style-type: none"> • Client and/or certified supplier are responsible for hardware installation, testing, and maintenance • Cerner will provide guidance on hardware and assisting with hardware tuning and testing |
| Reports | <ul style="list-style-type: none"> • Standard reports are included and will be provided to Client • Custom reports may be created for additional professional services and fees |
| Demand Manager | |
| Demand Manager measures each patients' specific care demands, supporting the healthcare organization's ability to allocate the appropriate staffing workload required to attain optimal clinical outcomes for every patient. | |
| Implementation | <ul style="list-style-type: none"> • Demand Manager deployment locations will be configured at the design phase • If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional professional services fees may be required if a change in scope is necessary • This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation |
| Testing | <ul style="list-style-type: none"> • Client, with assistance from Cerner, is responsible for testing the registration interface that feeds Demand Manager • Client, with assistance from Cerner, is responsible for validating Demand Manger staffing targets |

| IMPLEMENTATION SERVICES | |
|---|--|
| Training | <ul style="list-style-type: none"> • Train the trainer training includes services for training managers and staffing personnel on how to utilize Demand Manager to make staffing decisions. Designated educators that will be training end users are assumed to attend all training sessions and complete assigned activities related to the database configuration • Includes services for training individuals responsible for staffing on how to interpret Demand driven data to support timely staffing decisions • Includes training on how to utilize reports to evaluate scheduling practices • Includes training on how to maintain Demand Manager location configurations • Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required. • Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services fees may be necessary • Client is responsible for ongoing end user training |
| Security | <ul style="list-style-type: none"> • Cerner will configure initial access based on each end user's role and unit • Client is responsible for ongoing security maintenance |
| Project Delivery | <ul style="list-style-type: none"> • Project delivery is designed for a 5-8 month implementation period from hardware/software delivery to conversion • Scope of work will pertain to 1 non-production and 1 production domain • Event 1: Project planning, kickoff, review of Data collection requirements <ul style="list-style-type: none"> ◦ Client is responsible for completing the demand database workbooks for all demand departments or for entering workbook Data into application configuration pages ◦ Cerner will build, design and, configure 70% of departments remotely • Event 2: Training and validation of demand targets, training on how to utilize demand-driven reports |
| Demand Manager Installation | <ul style="list-style-type: none"> • Install and configure Demand Manager • Additional scope and services may be required if hardware requirements or software upgrades are necessary during the implementation |
| Demand Manager Hardware Configuration | <ul style="list-style-type: none"> • Client and/or certified supplier are responsible for hardware installation, testing, and maintenance • Cerner will provide guidance on hardware locations and will assist with hardware tuning and testing |
| Reports | <ul style="list-style-type: none"> • Standard reports are included and will be provided to Client • Custom reports may be created for additional professional services and fees |
| Assignment Manager | |
| <p>Assignment Manager is a single solution to electronically manage the process of assigning staff to patients and departments, and of allocating communication devices to the staff. Through its Patient Assign, Duty Assign, Relief Assign, Department Assign, and Device Assign components, Assignment Manager includes the following features: Patient Assign automatically matches the optimal caregiver to the patient. By calculating real-time demand for nursing care and favoring continuity, the solution facilitates safe and equitable assignments. Duty Assign allocates staff to alternate duties (crash cart check, code team, etc.). Relief Assign ensures resources will be available for patient care during meal breaks and other interruptions. Department Assign uses the staff schedule to support automated assignments to 1 or more departments for a shift. Device Assign extends integration further by using CareAware Device Services (iBus) to identify available communication devices for assignment to caregivers.</p> <p>By linking caregivers and staff to devices, caregivers to departments, and patients to caregivers, Assignment Manager closes the loop on communication accuracy and timeliness while eliminating redundancy.</p> | |
| Implementation | <ul style="list-style-type: none"> • Departments where Assignment Manager deployment will be identified during the design phase • If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional |

| IMPLEMENTATION SERVICES | |
|--|---|
| | <p>professional services fees may be required if a change in scope is necessary</p> <ul style="list-style-type: none"> This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation |
| Testing | <ul style="list-style-type: none"> Client, with the assistance of Cerner, will validate the Assignment Manager output |
| Training | <ul style="list-style-type: none"> Train the trainer training includes services for training managers and staffing personnel on how to configure and utilize Assignment Manager. Designated educators that will be training end users are assumed to attend all training sessions and complete assigned activities related to the database configuration Services include training on Assignment Manager for Client team that includes the care value management project lead, nurse managers, case managers and a finance lead Includes training about how to configure Assignment Manager to be unit-specific and how to utilize the data/ reports to monitor and manage patient progress Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services fees may be necessary Client is responsible for ongoing end user training |
| Security | <ul style="list-style-type: none"> Cerner will configure initial access based on each end user's role and unit Client is responsible for ongoing security maintenance |
| Project Delivery | <ul style="list-style-type: none"> Project delivery is designed for a 3-4 month implementation from hardware/software delivery to conversion Scope of work will pertain to 1 production domain Event 1: Project planning, kickoff, workflow analysis <ul style="list-style-type: none"> Cerner will configure up to 70% of the system remotely Event 2: Review and train on configuration on making Assignment Managers, go-live |
| Assignment Manager Installation | <ul style="list-style-type: none"> Install and configure Assignment Manager Additional scope and services may be required if hardware requirements or software upgrades are required during the implementation |
| Assignment Manager Hardware Configuration | <ul style="list-style-type: none"> Client and/or certified supplier are responsible for hardware installation, testing, and maintenance Cerner will provide guidance on hardware and assistance with hardware tuning and testing |
| Reports | <ul style="list-style-type: none"> Standard reports are included and will be provided to Client Custom reports may be created for additional professional services and fees |
| Implementation Options | <ul style="list-style-type: none"> Assignment Manager integration to CareCompass: <ul style="list-style-type: none"> Patient Assign Relief Assign Duty Assign Department Assign Device Assign (requires iBus v5.0+) Five days of 24x7 on-site conversion support Services to implement <i>CareAware iBus</i>, CareCompass, or CareView Dashboard not included |

| IMPLEMENTATION SERVICES | |
|--|--|
| Assignment Manager Integration Services to CareCompass | |
| Assumptions | <ul style="list-style-type: none"> • This project assumes that no additional profile build, task build, scheduling build, database build, interface build or data cleanup work is required related to the solutions that are currently live • This Scope assumes Client is live on supported versions of code for Assignment Manager and iBus integration and does not include services for upgrading any software or hardware components • All profiles/departments that will be participating in this engagement are already live with Assignment Manager • It is outside the scope of this project to expand the utilization of patient assignment or department assignment in the context of the Assignment Manager solution to new units or departments • It is assumed Client has been trained and is live and already using Assignment Manager • Cerner will provide coverage for ongoing status calls for the duration of the project • Requires iBus v2. v5.0+ |
| Scope Control | <ul style="list-style-type: none"> • There are controls on scope for the total number of a particular item within certain solution sections. Controls are present for the following reasons: <ul style="list-style-type: none"> o In order to achieve the project timeline with estimated Client project resources o Recommended use of the system and ease of maintenance long term o Maintain standard consulting fees • Please note that controls on items are not functional limits of the <i>Cerner Millennium System</i> • All requested modifications to this Scope must be evaluated for potential impact to the project plan and may result in a longer project timeline, additional Cerner/Client resources, and/or additional fees. Cerner has a scope management process that will be utilized throughout the implementation to help keep the project on track • Framework for professional services engagement to include the following: <ul style="list-style-type: none"> o Effort to include one production domain and one non-production domain o Project will occur in one phase o Work effort will be completed remotely by Clairvia consulting resources unless otherwise noted • Training will consist of the following: <ul style="list-style-type: none"> o Client IT resources will receive training on integration workflow in order to conduct problem investigation o An Assignment Manager job aid will be provided for end-users that will provide an overview of the integration and new icons • Go Live/ Conversion support will consist of the following: <ul style="list-style-type: none"> o Clairvia resource will provide 3 days remote support |
| Patient Progress Manager | |
| <p>Patient Progress Manager continuously monitors and compares each patient's actual clinical progress to his or her expected progress as provided by standard benchmarks in the form of an expected length of stay from admission to discharge.</p> | |
| Implementation | <ul style="list-style-type: none"> • Locations receiving Patient Progress Manager will be configured during the design phase • If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional professional services fees may be required if a change in scope is necessary • This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation |
| Testing | <ul style="list-style-type: none"> • Client, with the assistance of Cerner, will validate the Patient Progress Manager output |

| IMPLEMENTATION SERVICES | |
|---|--|
| Training | <ul style="list-style-type: none"> • Train the trainer training includes services for training managers and staffing personnel on how to configure and utilize Patient Progress Manager. Designated educators that will be training end users are assumed to attend all training sessions and complete assigned activities related to the database configuration • Services Include training on the Patient Progress Manager for a Client team that includes the Cerner Project Lead, Nurse Managers, Case Managers and a Finance Lead • Includes training about how to configure Patient Progress Manager and how to utilize the Data/ reports to monitor and manage patient progress • Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required • Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services fees may be necessary • Client is responsible for ongoing end user training |
| Security | <ul style="list-style-type: none"> • Cerner will configure initial access based on each end user's role and unit • Client is responsible for ongoing security maintenance |
| Project Delivery | <ul style="list-style-type: none"> • Project delivery is designed for a 5-7 month implementation period from hardware/software delivery to conversion • This Scope will pertain to 1 non-production and 1 production domain • Event 1: project planning, kickoff, workflow analysis, hardware assessment, interface assessment, process assessment <ul style="list-style-type: none"> ◦ Client will provide length of stay benchmark pattern Data to be used (MS-DRGs, APRDRGs, ICD-10, admit reason or diagnosis) ◦ If benchmark pattern Data includes APR DRG, ICD-10, admit reason or diagnosis, Client will provide source Data in Cerner standard file format ◦ Cerner will remotely build and configure Patient Progress Manager ◦ Client will build select benchmark patterns to identify levels of care • Event 2: review of configuration, process review, training and go live |
| Patient Progress Manager Installation | <ul style="list-style-type: none"> • Install and configure Patient Progress Manager • Additional scope and services may be required if hardware requirements or software upgrades are required during the implementation |
| Patient Progress Manager Hardware Configuration | <ul style="list-style-type: none"> • Client and/or certified supplier are responsible for hardware installation, testing, and maintenance • Cerner will provide guidance on hardware and assistance with hardware tuning and testing |
| Reports | <ul style="list-style-type: none"> • Data to facilitate planning of unit departures and facility discharges • Data that enables multi-disciplinary team collaborative process for review and update of patient information (benchmark pattern, departure date, discharge date, care team) • Data that provides comparison between benchmark pattern LOS and actual LOS, as well as levels of care by location for patients |
| Outcomes Driven Patient Acuity | |
| <p>Outcomes-Driven Patient Acuity measures each patient's clinical progress toward desired outcomes and the workload required to assist each patient to move to the next level of wellness.</p> | |
| Implementation | <ul style="list-style-type: none"> • Standard scope assumes the following clinical content areas: <ul style="list-style-type: none"> ◦ Adult Med/Surg and critical care ◦ Mother/baby ◦ Pediatrics ◦ Behavior health • Departments where Acuity will be deployed will be identified during the design phase |

| IMPLEMENTATION SERVICES | |
|--|---|
| | <ul style="list-style-type: none"> If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional professional services fees may be required if a change in scope is necessary This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation |
| Testing | <ul style="list-style-type: none"> Patient outcomes experts (POE(s)) will be trained on outcomes assessments and will validate the mapping of Client specific clinical documentation to outcomes ratings Individuals knowledgeable about staffing will test and validate the acuity-driven target staffing |
| Training | <ul style="list-style-type: none"> Training on outcomes assessments and the acuity methodology Training on views and reports for demand and outcomes-driven acuity Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services fees may be necessary Client is responsible for ongoing end user training |
| Security | <ul style="list-style-type: none"> Cerner will configure initial access based on each user's role and unit Client is responsible for ongoing security maintenance |
| Project Delivery | <ul style="list-style-type: none"> Project delivery is designed for a 6-8 month implementation period from hardware/software delivery to conversion This Scope will pertain to 1 non-production and 1 production domain Event 1: Project planning, kickoff, workflow analysis, hardware assessment, interface assessment Event 2: Nursing outcomes classification (NOC) webinar Event 3: Foundational training on the methodology <ul style="list-style-type: none"> Build, design, initial unit configuration, and initial mapping of clinical documentation to the Acuity catalog are performed remotely Event 4: Mapping review webinar Event 5: Audit training - train on audit process and inter-rater reliability Event 6: Go live/Acuity driven staffing validation webinar – validate target values Event 7: Post go-live/Optimization webinar – review system utilization, best practices and reports |
| Acuity Installation | <ul style="list-style-type: none"> Install and configure Outcomes Driven Patient Acuity Additional scope and services may be required if hardware requirements or software upgrades are required during the implementation |
| Acuity Hardware Configuration | <ul style="list-style-type: none"> Client and/or certified supplier are responsible for hardware installation, testing, and maintenance Cerner will provide guidance on hardware and assistance with hardware tuning and testing |
| Documentation Extract | <ul style="list-style-type: none"> Client is responsible for providing Cerner with an extract clinical documentation in the format provided in the Clinical Doc specification document and in a timely manner as defined in the project plan |
| Reports | <ul style="list-style-type: none"> Standard reports are included and will be provided to Client Custom reports may be created for additional professional services and fees |
| ShiftAlert | |
| ShiftAlert is a software as a service solution that supports high-quality, safe patient care, and increases efficiency by leveraging mobile technology to fill immediate-need, short-term nursing assignments. | |
| Implementation | <ul style="list-style-type: none"> Departments where ShiftAlerts be deployed will be done at the design phase and is limited to those implementing Staff Manager |

| IMPLEMENTATION SERVICES | | | |
|--|--|----------|-----------|
| | <ul style="list-style-type: none"> If additional facilities or departments are required that exceed the number listed above, this may require a change in scope which may impact work effort and project timelines. Additional professional services fees may be required if a change in scope is necessary This Scope assumes concurrent implementation across all facilities. Additional professional services fees may apply if the implementation approach is altered resulting in additional work effort during the implementation | | |
| Testing | <ul style="list-style-type: none"> Client, with assistance from Cerner, is responsible for validating ShiftAlerts successful notification Testing may include process analysis, compliance and validation of schedule data Client, with assistance from Cerner, is responsible for validating the ETL processes | | |
| Training | <ul style="list-style-type: none"> Train the trainer training includes services for training scheduling managers on how to utilize ShiftAlerts to notify staff of open shift opportunities Designated educators that will be training end users are assumed to attend all training sessions and complete assigned activities related to the database configuration Includes training on how to maintain ShiftAlerts Training is assumed to be centralized at 1 location. Additional professional services fees may be required if additional training sessions are required Training sessions are designed to accommodate 12 participants. If additional participants are required for any training session, additional professional services and fees may be necessary Client is responsible for ongoing end user training | | |
| Security | <ul style="list-style-type: none"> Cerner will configure initial access based on each end user's role and unit Client is responsible for ongoing system maintenance and configuration | | |
| Project Delivery | <ul style="list-style-type: none"> Project delivery is designed for a 1-2 month implementation from go-live for Staff Manager This Scope will pertain to 1 production domain Event 1: Project planning, kickoff, Clairvia solution utilization analysis, review of Data source requirements. <ul style="list-style-type: none"> Cerner will build and configure 70% of the solution remotely Event 2: Training, validation of configuration and testing | | |
| OPEN PORT FOREIGN SYSTEMS INTERFACES | | | |
| | <ul style="list-style-type: none"> All Clinical interfaces meet Universal Interface (UI) specifications using HL-7 and TCP/IP Protocol or FTP Protocol. Foreign systems must be able to trigger and accept interface messages. Client is responsible for engaging the foreign system supplier. All Financial interfaces meet Universal Interface (UI) specifications using X.12 or HL-7 and FTP or TCP/IP Protocol. Foreign systems must be able to trigger and accept interface messages. Client is responsible for engaging the foreign system supplier. Client is responsible for inbound/outbound design/coding/testing of non-Cerner systems. Interfaces not conforming to the <i>Cerner Millennium</i> UI Specifications will be considered custom. Custom interfaces not included in standard Scope. Each interface transaction type will be in a single and consistent format sent or received to/from an interface engine or router e.g. all orders will be consistently formatted and contain the same common content, regardless of the ultimate destination of the transaction. | | |
| Clairvia Interfaces | | | |
| Solution / Process Area | Scope of Services | Protocol | Type |
| Standard HL7 Registration Import (WF-10014) | HL7 using UI Specification | TCP/IP | Real Time |
| Standard HL7/Clinical Documentation (NOC Based) WF-10023 | HL7 using UI Specification | TCP/IP | Real Time |
| Standard HRIS Import (WF-10009) | HL7 using UI Specification | TCP/IP | Real Time |
| Standard T&A (WF-10011) | HL7 using UI Specification | TCP/IP | Real Time |

Client: Kern County Hospital Authority
 1700 Mount Vernon Ave
 Bakersfield, CA 93306-4018 USA

Subject: Software Delivery and Installation

Document ID: 1-2WKJ3CN

This Event Activity Report (“EAR”) serves as confirmation that delivery and/or installation (meaning the physical presence of the software on the server) have occurred for the Licensed Software (or Cerner Software) and/or Licensed Software enhancements (or upgrades) set forth below.

INSTALLATION

Installation has occurred for the software set forth below. A Cerner associate performed a demonstration of the software; however, implementation of the software has not yet occurred.

| Solution Family | Solution Code | Solution Description |
|-----------------|-----------------------------|--|
| Clairvia | WF-10000 | Staff Manager |
| Clairvia | WF-10002 | Demand Manager |
| Clairvia | WF-10003 | Patient Progress Manager |
| Clairvia | WF-10004 | Outcomes-Driven Patient Acuity |
| Clairvia | WF-10009 | Standard HRIS Import Interface |
| Clairvia | WF-10011 | Standard Time & Attendance Interface |
| Clairvia | WF-10014 | Standard HL7 Registration Import Interface |
| Clairvia | WF-10023 | Standard Clinical Documentation Interface |
| Clairvia | WF-10060 | Assignment Manager |
| Remote Hosting | Remote Hosting One Time Fee | Database Optimization Toolkit |
| Remote Hosting | Remote Hosting One Time Fee | WTS Toolkit |
| Remote Hosting | Remote Hosting One Time Fee | Olympus Command and Control |
| Remote Hosting | Remote Hosting One Time Fee | High Availability Toolkit |

Demonstration of the installed software occurred at _____ on _____
(Client Site)

_____. The software was demonstrated to _____
(Date) (Name)

The following signature represents completion of the delivery and/or installation event.

ACCEPTED FOR KERN COUNTY HOSPITAL AUTHORITY

By: _____

(type or print)

Title: _____



EXECUTION INVOICE

Client: Kern County Hospital Authority
 1700 Mount Vernon Ave
 Bakersfield, CA 93306-4018

Invoice No: EXEC CSS No. 2
Invoice Date: Effective Date
Due Date: Effective Date

Remit: **Via FedEx:**
Cerner Corporation
 Attn: Accounts Receivable, 5th Floor
 2800 Rockcreek Parkway
 Kansas City, MO 64117

OR **Via Wire Transfer:**
 ABA Routing Number: 101000187
 Bank: US Bank
 For Further Deposit to Bank Account: 5290000743

TOTAL AMOUNT DUE: \$385,751

Sales tax, if applicable, will be invoiced separately.

| Description | Total Solution Amount | Percent Payable | Net Amount |
|---|-----------------------|-----------------|------------------|
| LICENSED SOFTWARE ONE-TIME FEES | \$196,871 | 50% | \$98,436 |
| SOFTWARE SUPPORT MONTHLY FEES - Year 1 | \$35,436 | 100% | \$35,436 |
| SUBSCRIPTION MONTHLY FEES - Year 1 | \$5,904 | 100% | \$5,904 |
| MANAGED SERVICES ONE-TIME FEES | \$14,000 | 100% | \$14,000 |
| MANAGED SERVICES MONTHLY FEES - 1st Quarter | \$18,000 | 100% | \$18,000 |
| PROFESSIONAL SERVICES FEES - Fixed Fee | \$427,950 | 50% | \$213,975 |
| | | | |
| Grand Total: | | | \$385,751 |



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

February 15, 2017

Subject: Proposed Agreement with John E. Tidwell, M.D.

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Proposed Agreement with John E. Tidwell, M.D., a contract employee, for professional medical services in the Department of Surgery, Division of Orthopedic Surgery. Dr. Tidwell will join the faculty at Kern Medical on a full-time basis for an initial term of three (3) years, effective September 16, 2017 through September 15, 2020, in an amount not to exceed \$2,762,500, plus applicable benefits, over the three-year Initial Term of this Agreement.

**AGREEMENT FOR PROFESSIONAL SERVICES
CONTRACT EMPLOYEE
(Kern County Hospital Authority – John E. Tidwell, M.D.)**

This Agreement is made and entered into this ____ day of _____, 2017, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and John E. Tidwell, M.D. (“Physician”).

**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 requires the assistance of Physician to provide professional medical services in the Department of Surgery at KMC (the “Department”), as such services are unavailable from Authority resources, and Physician desires to accept employment on the terms and conditions set forth in this Agreement; and

(c) Physician has special training, knowledge and experience to provide 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.** The initial term of this Agreement (“Initial Term”) shall be for a period of three (3) years, commencing as of September 16, 2017 (the “Commencement Date”). At the end of the Initial Term and each Renewal Term (as hereinafter defined), if any, this Agreement may be renewed for additional terms of two (2) years each (“Renewal Term”), but only upon mutual written agreement of the parties. As used herein, the “Term” of this Agreement shall mean the Initial Term and all Renewal Terms. As used herein, an “Employment Year” shall mean the annual period beginning on the Commencement Date and each annual period thereafter.

2. **Employment.** Authority hereby employs Physician for the practice of medicine in the care and treatment of patients at KMC, or at such other clinic sites as KMC may designate (collectively referred to as the “Practice Sites”). It is expressly understood and agreed that KMC shall have reasonable discretion to consolidate and relocate clinics operated by Authority and to re-designate Practice Sites served by Physician from time to time. Physician shall be subject to Authority’s employment policies, directives, rules and regulations as promulgated by Authority from time to time, including, but not limited to, those pertaining to employees.

3. **Representations and Warranties.** Physician represents and warrants to Authority and KMC, upon execution and throughout the Term of this Agreement, as follows: (i) Physician is not bound by any agreement or arrangement which would preclude Physician from entering into, or from fully performing the services required under this Agreement; (ii) Physician's license to practice medicine in the state of California or in any other jurisdiction has never been denied, suspended, revoked, terminated, voluntarily relinquished under threat of disciplinary action, or made subject to the terms of probation or other restriction; (iii) Physician's medical staff privileges at any health care facility have never been denied, suspended, revoked, terminated, voluntarily relinquished under threat of disciplinary action, or made subject to terms of probation or any other restriction; (iv) Physician holds a valid Controlled Substance Registration Certificate issued by the Drug Enforcement Administration that has never been revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (v) Physician is not currently and has never been an Ineligible Person¹; (vi) Physician is not currently the subject of a disciplinary or other proceeding or action before any governmental, professional, medical staff or peer review body; and (vii) Physician has, and shall maintain throughout the term of this Agreement, an unrestricted license to practice medicine in the state of California and staff membership and privileges at KMC.

4. **Obligations of Physician.**

4.1 **Services.** Physician shall engage in the practice of medicine on a full-time basis exclusively as an exempt employee of Authority. Physician shall render those services set forth in Exhibit "A," attached hereto and incorporated herein by this reference.

4.2 **Use of Premises.** Physician shall use the Practice Sites as designated by Authority or KMC exclusively for the practice of medicine in the care and treatment of patients and shall comply with all applicable federal, state, and local laws, rules and regulations related thereto.

4.3 **Qualifications.**

4.3.1 **Licensure.** Physician shall maintain a current valid license to practice medicine in the state of California at all times during the Term of this Agreement.

4.3.2 **Board Certification.** Physician shall be board certified by the American Board of Orthopaedic Surgery in orthopedic surgery-general within 36-months of the Commencement Date, and maintain such certification at all times during the Term of this Agreement.

4.3.3 **Medical Staff Status.** Physician shall at all times during the Term of this Agreement be a member in good standing of the KMC medical staff with "active" staff status and hold all clinical privileges on the active medical staff appropriate to the discharge of his obligations under this Agreement.

¹ An "Ineligible Person" is an individual or entity who: (i) is currently excluded, debarred, suspended, or otherwise ineligible to participate in the federal health care programs or in federal procurement or non-procurement programs; or (ii) has been convicted of a criminal offense that falls within the range of activities described in 42 U.S.C. § 1320a-7(a), but has not yet been excluded, debarred, suspended, or otherwise declared ineligible.

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

4.4 Loss or Limitation. Physician shall notify KMC in writing as soon as possible (but in any event within three (3) business days) after any of the following events occur: (i) Physician's license to practice medicine in the state of California lapses or is denied, suspended, revoked, terminated, relinquished or made subject to terms of probation or other restriction; (ii) Physician's medical staff privileges at KMC or any other health care facility are denied, suspended, revoked, terminated, relinquished under threat of disciplinary action or made subject to terms of probation or other restriction; (iii) Physician's Controlled Substance Registration Certificate issued by the Drug Enforcement Administration is revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (iv) Physician becomes debarred, excluded, or suspended, or if any other event occurs that makes Physician an Ineligible Person; (v) Physician becomes the subject of a disciplinary or other proceeding or action before any governmental, professional, medical staff or peer review body; or (vi) an event occurs that substantially interrupts all or a portion of Physician's professional practice or that materially adversely affects Physician's ability to perform Physician's obligations hereunder.

4.5 Standards of Medical Practice. The standards of medical practice and professional duties of Physician at designated Practice Sites shall be in accordance with the KMC medical staff bylaws, rules, regulations, and policies, the standards for physicians 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.

4.6 Managed Care Organizations. For and on behalf of Physician, 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"). Physician 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, Physician shall execute Managed Care Organization documents as "provider" if deemed necessary or advisable by Authority. Physician shall not contract with any Managed Care Organization without Authority's prior written consent in each instance.

4.7 Authorization to Release Information. Physician hereby authorizes Managed Care Organizations, government programs, hospitals and other third parties to release to KMC and its agents any information requested by KMC or its agents from time to time relating to Physician's professional qualifications or competency. Physician agrees to execute the Authorization to Release Information in the form set forth in Exhibit "B," attached hereto and incorporated herein by this reference, and to execute all other documents required by KMC from time to time and to otherwise fully cooperate with KMC to enable KMC and its agents to obtain such information from third parties.

4.8 Medical Records. Physician shall cause a complete medical record to be timely prepared and maintained for each patient seen by Physician. 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 Physician shall 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. All patient medical records of Practice Sites, including without limitation, patient medical records generated during the Term of this Agreement, shall be the property of KMC subject to the rights of the respective patients. Upon the expiration or termination of this Agreement by either party for any reason, KMC shall retain custody and control of such patient medical records.

4.9 Physician Private Practice. Physician understands and agrees that he shall not enter into any other physician employment contract or otherwise engage in the private practice of medicine or provide similar services to other organizations, directly or indirectly, during the Term of this Agreement or any extensions thereof.

4.10 Proprietary Information. Physician acknowledges that during the Term of this Agreement Physician will have contacts with and develop and service KMC patients and referring sources of business of KMC. In all of Physician's activities, Physician, through the nature of his work, will have access to and will acquire confidential information related to the business and operations of KMC, including, without limiting the generality of the foregoing, patient lists and confidential information relating to processes, plans, methods of doing business and special needs of referring doctors and patients. Physician acknowledges that all such information is solely the property of KMC and constitutes proprietary and confidential information of KMC; and the disclosure thereof would cause substantial loss to the goodwill of KMC; and that disclosure to Physician is being made only because of the position of trust and confidence that Physician will occupy. Physician covenants that, except as required by law, Physician will not, at any time during the Term or any time thereafter, disclose to any person, hospital, firm, partnership, entity or organization (except when authorized in writing by KMC) any information whatsoever pertaining to the business or operations of KMC, any affiliate thereof or of any other physician employed by KMC, including without limitation, any of the kinds of information described in this paragraph.

4.11 Physician Covenants. Physician covenants that from the Commencement Date and continuing throughout the Term of this Agreement, Physician, unless otherwise permitted by the written consent of Authority shall not, on Physician's own account or as an employee, landlord, lender, trustee, associate, consultant, partner, agent, principal, contractor, owner, officer, director, investor, member or stockholder of any other person, or in any other capacity, directly or indirectly, in whole or in part: (i) engage in any activities that are in competition with KMC, including the operation of any medical practice or offering of any medical services that are similar to services offered at the Practice Sites; (ii) solicit or encourage the resignation of any employee of Authority or KMC with whom Physician had a working relationship during Physician's employment with Authority; (iii) solicit or divert patients with whom Physician had personal contact during such employment; or (iv) influence or attempt to influence any payer, provider or other person or entity to cease, reduce or alter any business relationship with Authority or KMC relating to the Practice Sites.

5. Compensation Package.

5.1 Annual Compensation – Commencement Date through September 15, 2018. For the period from the Commencement Date through and including September 15, 2017 (the “Guarantee Period”), Physician shall be paid a guarantee salary for teaching and administrative services and payment for care of KMC patients as described below (“Guarantee Salary”).

5.1.1 Compensation Methodology. Authority shall pay Physician a Guarantee Salary in the amount of the greater of (i) \$610,000 (the “Minimum Amount”) per year, or (ii) payment for care of KMC patients using the current Medical Group Management Association Physician Compensation and Production Survey (“MGMA Survey Data”). KMC has chosen to use the full time physician compensation with more than one year in the specialty for all physicians section. This section is divided into four categories: 25th percentile, median, 75th percentile and 90th percentile. A conversion factor will be established by taking each category and dividing the physician compensation in that category by the worked relative value unit (“Worked RVU”) in that category. Physician shall be compensated for each Worked RVU at the rate of \$65.27 (“RVU Effort”).

5.1.2 Reconciliation of Guarantee Salary. Within 30 days after the end of each quarter during the Guarantee Period, KMC will calculate the RVU Effort for such immediately preceding quarter, taking into account the RVU Effort from the Commencement Date through the end of the subject quarter, and the RVU Effort generated from the Guarantee Period shall be determined (the “Actual Amount”). KMC will undertake a reconciliation of the RVU Effort, for services provided by Physician during the Guarantee Period, no later than the end of 120 days from the conclusion of the Guarantee Period. If the prorated Minimum Amount is lower than the Actual Amount, then such difference shall be paid to Physician as Guarantee Salary within 30 days after such calculation has been completed.

5.1.3 Biweekly Payment. Physician shall be paid biweekly on the same schedule as regular Authority employees. The exact date of said biweekly payments shall be at the sole discretion of Authority. All payments made by Authority to Physician according to the compensation methodology set forth in paragraph 5.1 shall be subject to all applicable federal and state taxes and withholding requirements.

5.2 Annual Compensation – September 16, 2018 through September 15, 2020. For the period from September 16, 2018 through and including September 15, 2020, Physician shall be compensated with cash and other value as described below in this paragraph 5.2 (“Annual Salary”).

5.2.1 Compensation Methodology. Authority shall pay Physician an Annual Salary comprised of the following: (i) a base salary for teaching and administrative services based on the actual number of documented hours for assigned teaching and administrative duties multiplied by the current MGMA Survey Data academic compensation rate of pay per hour; and (ii) payment for care of KMC patients using the current MGMA Survey Data. Physician will be compensated for each Worked RVU by

multiplying the Worked RVU by the lowest conversion factor for each KMC patient (“RVU Effort”).

5.2.2 Salary Adjustment. KMC will establish an estimate (“Estimate”) of Physician’s RVU Effort using Physician’s RVU Effort for the immediately preceding 12-month period annualized. The Estimate will be divided by the number of Authority payroll periods in a calendar year in order to calculate the amount of RVU Effort to be paid to Physician each payroll period (the “Paycheck Amount”). Within 30 days after the end of each quarter, KMC will calculate the RVU Effort for such immediately preceding quarter, and adjust the payment for RVU Effort accordingly (the “Actual Amount”). If the Estimate is lower than the Actual Amount, then such difference shall be paid to Physician within 30 days after such calculation has been completed, or as of the effective date of any termination of this Agreement, whichever occurs sooner. If the Estimate exceeds the Actual Amount, then Physician shall pay such difference to KMC: (i) in a lump sum within 30 days after such calculation has been completed; or (ii) through a reduction in the Paycheck Amount during the next quarter; or (iii) in a lump sum as of the effective date of any termination of this Agreement, whichever occurs sooner. The Estimate shall be reestablished as of each Employment Year. **Physician hereby expressly grants to KMC the right to offset any amounts owed to KMC against any payment to be made to Physician by KMC pursuant to this paragraph if Physician fails to pay such excess to KMC.**

5.2.3 Time Logs. Physician shall, on a monthly basis on or before the fifth (5th) day of each calendar month during the Term of this Agreement, submit to KMC a written time log in the form attached hereto and incorporated herein by reference as Exhibit “C,” detailing to KMC’s satisfaction the date, time, actual number of hours, and description of activities related to assigned teaching and administrative duties during the immediately preceding calendar month.

5.2.4 Biweekly Payment. Physician shall be paid biweekly on the same schedule as regular Authority employees. The exact date of said biweekly payments shall be at the sole discretion of Authority. All payments made by Authority to Physician according to the compensation methodology set forth in paragraph 5.2 shall be subject to all applicable federal and state taxes and withholding requirements.

5.3 Call Coverage. Authority shall pay Physician for call coverage as follows: (i) Physician shall be paid the greater of a fixed fee amount of \$2,500 or the Worked RVU per 24-hour day for weekend¹ call coverage that exceeds one weekend per month; and (ii) Physician shall be paid the greater of a fixed fee amount of \$2,500 or the Worked RVU per 24-hour day for weekday² call coverage that exceeds one weekday per week.

¹ For purposes of weekend call coverage, a “weekend” is defined as Friday through Sunday or, in the event of a holiday, Friday through Monday.

² For purposes of weekday call coverage, a “weekday” is defined as Monday through Thursday or, in the event of a holiday, Tuesday through Thursday.

5.4 Limitations on Compensation. Authority shall exclude from payment for care of KMC patients any Worked RVU that is not reimbursed by Medicare or Medi-Cal, unless authorized in advance by KMC.

5.5 Starting Bonus.

5.5.1 Bonus. Physician shall receive a starting bonus in the amount of \$15,000, less all applicable federal and state taxes and withholdings, payable within 10 business days of the Commencement Date. Physician shall forfeit the starting bonus if he fails to report to work on the Commencement Date.

5.5.2 Repayment. In the event that Physician voluntarily terminates his employment with Authority for any reason whatsoever before the first anniversary of this Agreement, Physician will repay to Authority an amount equal to \$15,000 multiplied by the fraction, the numerator of which is 365 less the number of days during which Physician was employed by Authority, and the denominator of which is 365. Such repayment shall be made by Physician in full within 30 days of the effective date of his termination of employment with Authority.

5.5.3 Offset. Physician hereby authorizes Authority to offset against and reduce any amounts otherwise due to him for any amounts in respect of the obligation to repay the starting bonus.

5.6 Professional Fee Billing.

5.6.1 Assignment. KMC shall have the exclusive right and authority to set, bill, collect and retain all fees, including professional fees, for all direct patient care services provided by Physician during the Term of this Agreement. All professional fees generated by Physician during the Term of this Agreement, including without limitation, both cash collections and accounts receivable, capitated risk pool fees, professional retainer fees, honoraria, professional consulting and teaching fees, and fees for expert testimony (but excluding Physician's private investment and nonprofessional income, intellectual property developed or work on similar development projects prior to the Commencement Date, and industry consulting, which includes honoraria, cadaver labs, and professional speaking, expert witness, and teaching fees), will be the sole and exclusive property of KMC, whether received by KMC or by Physician and whether received during the Term of this Agreement or anytime thereafter. Physician 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.

5.6.2 Remittance of Professional Fee Charges. Physician shall remit all professional fee charges to KMC within 45 days of the date direct patient care services are provided by Physician. Any professional fee charges not remitted by Physician to KMC within 45 days of the date of such service, or any charges for which relevant documentation has not been provided, will not be credited to Physician as Worked RVU.

5.7 Maximum Payable. The maximum compensation payable under this Agreement shall not exceed \$2,762,500 over the three-year Initial Term of this Agreement.

6. **Benefits Package.**

6.1 Retirement. Physician shall participate in the Kern County Hospital Authority Defined Contribution Plan for Physician Employees (the "Plan"), a qualified defined contribution pension plan, pursuant to the terms of the instrument under which the Plan has been established, as from time to time amended. Physician is not eligible to participate in any other retirement plan established by Authority for its employees, including but not limited to the Kern County Employees' Retirement Association, and this Agreement does not confer upon Physician any right to claim entitlement to benefits under any such retirement plan(s).

6.2 Health Care Coverage. Physician shall receive the same health benefits (medical, dental, prescription and vision coverage) as all eligible Authority employees. The employee share of cost is 20% of the current biweekly premium. Physician is eligible for coverage the first day of the biweekly payroll period coincident with or next following the day he completes one (1) month of continuous service. Physician's initial hire date is the initial opportunity to enroll in the health plan. Physician must work at least 40 hours per biweekly pay period to be eligible for coverage.

6.3 Holidays. Physician shall be entitled to all paid holidays authorized as official holidays for Authority employees. A holiday occurring on a Sunday shall be observed on the following Monday and a holiday occurring on a Saturday shall be observed on the preceding Friday. In the event Physician is scheduled for and works on a holiday, he shall be entitled to an equivalent period of time off at a later date.

6.4 Vacation. Physician shall be credited with vacation leave of 6.15 hours for each pay period of service, for a maximum accrual of 160 hours per year. Vacation leave will accrue from the Commencement Date and may be taken at any time thereafter. Total unused vacation leave accumulated will not exceed a maximum of 320 hours. No further vacation leave will accrue as long as Physician has the maximum number of hours credited. The Department chair must approve all vacation leave in advance. Physician shall be paid for accrued and unused vacation leave, if any, upon termination or expiration of this Agreement calculated at Physician's current hourly rate (i.e., current Annual Salary divided by 2080 hours = hourly rate). All payments made by Authority to Physician under this paragraph will be subject to all applicable federal and state taxes and withholding requirements.

6.5 Sick Leave. Physician shall accrue sick leave in accordance with Authority policy, as amended from time to time. Physician will not be paid for accrued and unused sick leave upon termination of employment.

6.6 Education Leave. Physician shall receive 80 hours paid education leave annually. The first 80 hours will accrue on the Commencement Date. On each successive Employment Year, if any, an additional 80 hours paid education leave will accrue. Education leave must be used within the year that it is accrued. Physician will not be paid for unused education leave

upon termination of employment. The Department chair must approve education leave in advance of use. Physician's participation in educational programs, services or other approved activities set forth herein shall be subordinate to Physician's obligations and duties under this Agreement.

6.7 CME Expense Reimbursement. Authority shall reimburse Physician for all approved reasonable and necessary expenditures related to continuing medical education in an amount not to exceed \$2,500 per Employment Year, payable in arrears, in accordance with Authority policy, as amended from time to time. This amount may not be accumulated or accrued and does not continue to the following Employment Year.

6.8 Kern\$Flex. Physician shall be eligible to participate in flexible spending plans to pay for dependent care, non-reimbursed medical expenses, and certain insurance premiums on a pre-tax basis through payroll deduction. This is a voluntary benefit that is paid by Physician if he elects to participate in the plan.

6.9 Attendance at Meetings. Physician shall be permitted to be absent from KMC during normal working days to attend professional meetings and to attend to such outside professional duties in the healthcare field as may be mutually agreed upon between Physician and the Department chair. Attendance at such approved meetings and accomplishment of approved professional duties shall be fully compensated service time and will not be considered vacation or education leave.

6.10 Unpaid Leave of Absence. Physician may take an unpaid leave of absence in accordance with Authority policies in effect at the time the leave is taken.

6.11 Social Security. Physician is exempt from payment of Social Security taxes as the Kern County Hospital Authority Defined Contribution Plan for Physician Employees is a qualified alternative to the insurance system established by the federal Social Security Act.

6.12 Deferred Compensation. Physician shall be eligible to participate in the Kern County Deferred Compensation Plan ("457 Plan") on a pre-tax basis. Physician shall make all contributions if he elects to participate in the 457 Plan.

6.13 Disability Insurance. Physician shall be eligible to purchase Long Term Disability or Short Term Disability insurance coverage through payroll deduction on a post-tax basis. This is a voluntary benefit that is paid by Physician if he elects to participate in the plan.

6.14 Employee Assistance/Wellness Programs. Physician shall be eligible to participate in any Authority-sponsored employee assistance and employee wellness programs.

6.15 Relocation Reimbursement. Authority shall reimburse Physician for actual relocation expenses (defined as the packing, moving and unpacking of household goods and vehicles) and travel expenses (defined as lodging, meals, mileage and incidental expenses) associated in moving to Bakersfield, California, in an amount not to exceed \$7,500, payable in arrears, in accordance with Authority policy. Reimbursement of travel expenses will include per mile reimbursement for one (1) personal vehicle at the current privately owned vehicle (POV)

mileage reimbursement rate established by the U.S. General Services Administration, meals and incidental expenses for Physician only 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 Authority. Physician shall be deemed vested in reimbursement of relocation expenses in the amount of \$125 per month beginning on the last day of the month in which the relocation expenses are reimbursed to Physician. In the event Physician's employment is terminated by either party, with or without cause, then, on the effective date of such termination, Physician shall repay to Authority all amounts received in which Physician has not yet become vested.¹

6.16 **Limitation on Benefits.** Except as expressly stated herein, Physician shall receive no other benefits from Authority.

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

8. **Assistance in Litigation.** Upon request, Physician shall support and assist Authority as a consultant or expert witness in litigation to which Authority is a party.

9. **Authority to Bind Authority.** It is understood that Physician, in his performance of any and all duties under this Agreement, has no authority to bind Authority or KMC 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. **Choice of Law/Venue.** This Agreement shall be construed and enforced under and in accordance with the laws of the state of California, with venue of any action relating to this Agreement in the County of Kern, state of California.

12. **Compliance with Law.** Physician 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.

13. **Confidentiality.** Physician shall maintain confidentiality with respect to information that he receives in the course of his employment and not use or permit the use of or disclose any such information in connection with any activity or business to any person, firm or corporation whatsoever, unless such disclosure is required in response to a validly issued subpoena or other

¹ By way of example only, in the event Physician terminates his employment after 12-months then Physician will be vested to the extent of \$1,500 in the relocation expenses described herein and will be obligated to repay Authority the amount of \$6,000. **In the event Physician fails to pay such amount to Authority, Physician expressly grants to Authority the right to offset any amounts owed to Authority against any payments made to Physician by Authority.**

process of law or as required by Government Code section 6250 et seq. Upon completion of the Agreement, the provisions of this paragraph shall continue to survive.

14. **Conflict of Interest.** Physician covenants that he has no interest and that he will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law (Gov. Code, § 81000 et seq.) or that would otherwise conflict in any manner or degree with the performance of his services hereunder. 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.

15. **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.

16. **Dispute Resolution.** In the event of any dispute involving the enforcement or interpretation of this Agreement or any of the rights or obligations arising hereunder, the parties shall first attempt to resolve their differences by mediation before a mediator of their mutual selection. If the parties are, after mutual good faith efforts, unable to resolve their differences by mediation, the dispute shall be submitted for trial before a privately compensated temporary judge appointed by the Kern County Superior Court pursuant to Article VI, section 21 of the California Constitution and Rules 3.810 through 3.830 of the California Rules of Court. All costs of any dispute resolution procedure shall be borne equally by the parties.

17. **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.

18. **Indemnification.** Authority shall assume liability for and indemnify and hold Physician harmless from any and all claims, losses, expenses, costs, actions, settlements, attorneys' fees and judgments incurred by Physician or for which Physician becomes liable, arising out of or related to services rendered or which a third party alleges should have been rendered by Physician pursuant to this Agreement. Authority's obligation under this paragraph shall extend from Physician's first date of service to Authority and shall survive termination or expiration of this Agreement to include all claims that allegedly arise out of services Physician 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 Practice Sites 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 Physician harmless for any conduct or misconduct found to be intentional, willful, grossly negligent, or criminal.

19. **Invalidity of a Portion.** Should a portion, section, paragraph, or term of this Agreement be construed as invalid by a court of competent jurisdiction, or a competent state or federal agency, the balance of the Agreement shall remain in full force and effect. Further, to the extent any term or portion of this Agreement is found invalid, void or inoperative, the parties agree that

a court may construe the Agreement in such a manner as will carry into force and effect the intent appearing herein.

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

21. **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 Physician, 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. Physician shall be given 30 days' prior written notice in the event that Authority requires such an action.

22. **Nondiscrimination.** No party to this Agreement shall discriminate on the basis of race, color, religion, sex, national origin, age, marital status or sexual orientation, ancestry, physical or mental disability, medical conditions, political affiliation, veteran's status, citizenship or marital or domestic partnership status or on the basis of a perception that an individual is associated with a person who has, or is perceived to have, any of these characteristics.

23. **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 Physician. 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.

24. **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 Physician:

John E. Tidwell, M.D.
695 Bedford Avenue
Clovis, California 93611

Notice to Authority:

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

25. **Relationship.** Authority and Physician recognize that Physician is rendering specialized, professional services. The parties recognize that each is possessed of legal knowledge and skill, and that this Agreement is fully understood by the parties, and is the result of bargaining between the parties. Each party acknowledges their opportunity to fully and independently review and consider this Agreement and affirm complete understanding of the effect and operation of its terms prior to entering into the same.

26. **Severability.** Should any part, term, portion or provision of this Agreement be decided finally to be in conflict with any law of the United States or the state of California, or otherwise be unenforceable or ineffectual, the validity of the remaining parts, terms, portions, or provisions shall be deemed severable and shall not be affected thereby, provided such remaining portions or provisions can be construed in substance to constitute the agreement which the parties intended to enter into in the first instance.

27. **Sole Agreement.** This Agreement 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.

28. **Termination.**

28.1 **Termination without Cause.** Either party shall have the right to terminate this Agreement, without penalty or cause, by giving not less than 120 days' prior written notice to the other party.

28.2 **Immediate Termination.** Notwithstanding the foregoing, Authority may terminate this Agreement immediately by written notice to Physician upon the occurrence of any of the following events: (i) Authority determines that Physician does not have the proper credentials, experience, or skill to perform the required services under this Agreement; (ii) Authority determines the conduct of Physician in the providing of services may result in civil, criminal, or monetary penalties against Authority or KMC; (iii) Physician violates any federal or state law or regulatory rule or regulation or condition of accreditation or certification to which Authority or Practice Sites is subject; (iv) Physician engages in the commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty against Authority or KMC; (v) the actions of Physician result in the loss or threatened loss of KMC's ability to participate in any federal or state health care program, including Medicare or Medi-Cal; (vi) Physician's license to practice medicine in the state of California lapses or is denied, suspended, revoked, terminated, relinquished or made subject to terms of probation or other restriction; (vii) Physician's medical staff privileges are denied, suspended, revoked, terminated, relinquished under threat of disciplinary action or made subject to terms of probation or other restriction; (viii) Physician's Controlled Substance Registration Certificate issued by the Drug Enforcement Administration is revoked, suspended, terminated, relinquished, placed on terms of probation, or restricted in any way; (ix) Physician becomes debarred, excluded, or suspended, or if any other event occurs that makes Physician an Ineligible Person; (x) Physician fails to make a timely disclosure pursuant to paragraph 4.4; (xi) Physician engages in conduct that, in the sole discretion of Authority, is detrimental to patient care or to the reputation or operations of Authority and/or KMC; (xii) Physician breaches the confidentiality provisions of this Agreement; (xiii) Physician dies; (xiv) Physician fails to follow Authority's policies and procedures and other rules of conduct applicable to all employees of Authority, including without limitation, policies prohibiting sexual harassment; or (xv) Physician breaches any covenant set forth in paragraph 4.11.

29. **Effect of Termination.**

29.1 **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 Physician after the effective date of the termination, and Physician shall be entitled to receive compensation for services satisfactorily rendered, calculated on a prorated basis up to the effective date of termination.

29.2 **Vacate Premises.** Upon expiration or earlier termination of this Agreement, Physician shall immediately vacate KMC, removing at such time any and all personal property of Physician. KMC may remove and store, at the expense of Physician, any personal property that Physician has not so removed.

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

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

30. **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.

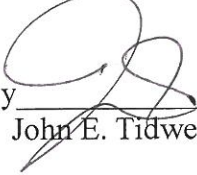
[Signatures follow on next page]

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

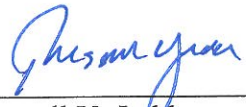

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

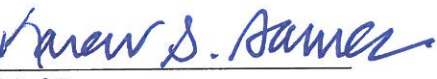
PHYSICIAN

By  11/25/17
John E. Tidwell, M.D.

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By  _____ 
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By  _____
Chief Deputy

Agreement.Tidwell.011917

EXHIBIT “A”
Job Description
John E. Tidwell, M.D.

Position Description: Reports to Chair, Department of Surgery and Chief, Division of Orthopedic Surgery; serves as full-time faculty member in the Department; provides no fewer than 80 hours per pay period of service; works collaboratively with clinic and surgery staff as well as hospital administration to ensure efficient workflow, adequacy of support equipment, and superior patient experience.

Essential Functions:

1. Clinical Responsibilities and Assignments:
 - Provide service and improve efficiency for orthopedic clinic activities and surgical cases
 - Provide faculty service for acute trauma and fresh fracture call coverage; round and follow-up as appropriate on patients admitted to KMC
 - Provide orthopedic sports medicine services
 - Supervise orthopedic Physician Assistant activity and competence
 - Operating Room – minimum of three (3) full days per week
 - KMC, Stockdale Highway, Truxtun Avenue, or other designated clinic sites – minimum of three (3) half-day clinics per week
 - Call coverage – one (1) day per week and one (1) weekend per month

2. Administrative Responsibilities:
 - Participate in clinical and administrative integration efforts across KMC as appropriate for orthopedic surgery ensuring proper program planning, resource allocation, analysis, communication and assessment
 - Gather data through best practices and collaborate with other members of the Department and Division to recommend services that will increase productivity, minimize duplication of services, increase workflow efficiency, and provide the highest quality of care to KMC patients
 - Support the Department chair and Division chief in developing monitoring tools to measure financial, access, quality, and satisfaction outcomes
 - Attend and actively participate in assigned Medical Staff and hospital committees
 - Participate in the preparation, monitoring, review, and performance of clinical activity in the Division
 - Participate in the quality improvement and risk management activities, including peer review and quality control functions as assigned to services in the Division
 - Provide didactic teaching and resident physician and medical student education as assigned and participate in setting goals and expectations for orthopedic surgery medical student rotations
 - Complete medical records in a timely fashion and work to improve the quality, accuracy, and completeness of documentation

- Work collaboratively with other clinical departments to develop a cohesive and collaborative environment across departments with a focus of enhancing access to patient care for inpatient and outpatient services
- Work collaboratively with Department and Division leadership and KMC administration to develop an orthopedic sports medicine program to complement existing orthopedic services at KMC
- Follow and comply with the Medical Staff bylaws, rules, regulations, and policies and County and KMC policies and procedures

Employment Standards:

One (1) year of post-residency experience in orthopedic surgery

AND

Possession of a current valid Physician's and Surgeon's Certificate issued by the state of California

AND

Certification by the American Board of Orthopaedic Surgery in orthopedic surgery-general

Knowledge of: The principles and practices of modern medicine; current techniques, procedures, and equipment applicable to orthopedic surgery; principles of effective supervision and program development.

[Intentionally left blank]

EXHIBIT "B"

AUTHORIZATION TO RELEASE INFORMATION

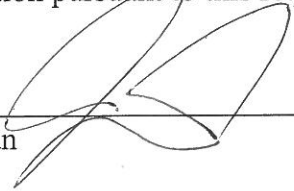
[See attached]

AUTHORIZATION TO RELEASE INFORMATION

I, the undersigned physician, hereby authorize Kern Medical Center (“KMC”) and its duly authorized representatives to obtain information from time to time about my professional education, training, licensure, credentials competence, ethics and character from any source having such information. This information may include, without limitation, peer review information, DRG and RVU analyses, ancillary usage information and other utilization and quality related data.

I hereby release the Kern County Hospital Authority and KMC, its authorized representatives and any third parties from any liability for actions, recommendations, statements, reports, records or disclosures, including privileged and confidential information, involving me that are made, requested, taken or received by KMC or its authorized representatives to, from or by any third parties in good faith and relating to or arising from my professional conduct, character and capabilities.

I agree that this authorization to release information shall remain effective until termination of my employment by the Kern County Hospital Authority and KMC. A duplicate of this authorization may be relied upon to the same degree as the original by any third party providing information pursuant to this request.

Physician 

Date 1/25/17

EXHIBIT "C"
TIME LOG FORM

[See attached]

TIME LOG FORM

 Physician Name Signature / Date

 Department Month / Year of Service Total Hours / Month

| | <u>Services Provided</u> (please list specific activity performed) | <u>Date</u> | <u>Hours</u> |
|----|--|----------------------------------|----------------------------------|
| 1. | Medical Staff CME Activities _____ _____ | _____ _____ | _____ _____ |
| 2. | Hospital Staff Education and Training _____ _____ | _____ _____ | _____ _____ |
| 3. | Clinical Supervision _____ _____ | _____ _____ | _____ _____ |
| 4. | Quality Improvement Activities (committees, case review, etc.) _____ _____ | _____ _____ | _____ _____ |
| 5. | Administration Activities _____ _____ | _____ _____ | _____ _____ |
| 6. | Community Education _____ _____ | _____ _____ | _____ _____ |
| 7. | Medical Management Activities _____ _____ | _____ _____ | _____ _____ |
| 8. | Compliance Activities _____ _____ | _____ _____ | _____ _____ |
| 9. | Other Services _____ _____ _____ _____ | _____ _____ _____ _____ | _____ _____ _____ _____ |



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

February 15, 2017

Subject: Proposed Retroactive Amendment No. 4 to Agreement 016-2012 with Ravi Patel, M.D., Inc., doing business as Comprehensive Blood and Cancer Center

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

Proposed retroactive Amendment No. 4 to Agreement 016-2012 with Ravi Patel, M.D., Inc., a California professional medical corporation, doing business as Comprehensive Blood and Cancer Center, for professional medical oncology and hematology services, extending the term for three years from January 27, 2017 through January 26, 2020, increasing the maximum payable by \$198,000, from \$1,500,000 to \$1,698,000, to cover year one of the extended term.

AMENDMENT NO. 4
TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – Ravi Patel, M.D., Inc.)

This Amendment No. 4 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2017, between the Kern County Hospital Authority, a county hospital authority (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Ravi Patel, M.D., Inc., a California professional medical corporation, doing business as Comprehensive Blood and Cancer Center (“Contractor”), with its principal place of business located at 6501 Truxtun Avenue, Bakersfield, California 93309.

RECITALS

(a) Authority and Contractor have heretofore entered into an Agreement for Professional Services (Kern County Agt. #016-2012, dated January 10, 2012), Amendment No. 1 (Kern County Agt. #014-2014, dated January 13, 2014), Amendment No. 2 (Kern County Agt. #015-2015, dated January 12, 2015), Amendment No. 3 (Kern County Agt. #026-2016, dated January 26, 2016), and Assignment of Agreement (Kern County Agt. #376-2016, dated April 26, 2016) (collectively, the “Agreement”), for the period January 27, 2012 through January 26, 2017, to provide professional medical services to patients of KMC and teaching services to resident physicians employed by Authority; and

(b) The Agreement expires January 26, 2017; and

(c) KMC continues to require the services of Contractor; and

(d) 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

(e) Authority and Contractor agree to amend the Agreement to (i) extend the term for a period of three years from January 27, 2017 through January 26, 2020, and (ii) and increase the maximum payable by \$198,000, from \$1,500,000 to \$1,698,000, to cover year one of the extended term; and

(f) The parties agree that the annual fixed fee for medical oncology and hematology services shall remain the same for year one of the extended term and to negotiate in good faith any change to such compensation for years two and three of the extended term, which, upon approval and signature of the parties, shall supersede and replace subparagraph 4.1.1 of the Agreement through a formal amendment to the Agreement; and

(g) The Agreement is amended effective January 27, 2017;

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 1, Term, shall be amended as follows:

“1. Term. Performance by Contractor and Authority shall commence on January 27, 2012 (the “Effective Date”), and shall end January 26, 2020, unless earlier terminated pursuant to other provisions of this Agreement.”

2. Section 4, Compensation, paragraph 4.3, Maximum Payable, shall be amended as follows:

“4.3 Maximum Payable. The maximum payable under this Agreement shall not exceed \$1,698,000 for the period January 27, 2012 through January 26, 2018.”

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

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

5. 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.

6. 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. 4 to the Agreement as of the day and year first written above.

RAVI PATEL, M.D., INC.

By _____
Ravi Patel, 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:
OFFICE OF COUNTY COUNSEL

By _____
Chief Deputy

Amend4.CBCC.012517



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

February 15, 2017

Subject: Proposed retroactive Agreement with Truven Health Analytics LLC, an IBM Company

Recommended Action: Approve; Authorize Chief Executive Officer to sign

Summary:

Truven Health Analytics provides evidence-based clinical decision support information to patients and Hospital staff. Their Micromedex product offers content on medications, medication management, disease and condition management, and toxicology.

This one (1) year agreement includes licensed content including Pediatric & Adult Drug Information, Drug Index, IV Compatibility, Physicians' Desk Reference, Medication Essential Fact Sheets, and Lab Recommendations.

The Agreement is retroactive to December 4, 2016 through December 3, 2017 with an amount not to exceed \$40,562.

**TRUVEN HEALTH ANALYTICS LLC, AN IBM COMPANY F/K/A TRUVEN HEALTH ANALYTICS INC.
CONSOLIDATED MASTER AGREEMENT COVER SHEET**

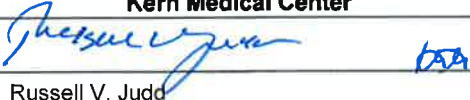

This Master Agreement ("Agreement") is made as of 12/04/16 ("Effective Date"), between Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc., a Delaware Limited Liability Company, with offices at 6200 S. Syracuse Way, Suite 300, Greenwood Village, Colorado 80111 ("Truven Health") and Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center, with offices at 1700 Mt. Vernon Ave., Bakersfield CA 93306 ("Licensee").


This Agreement consists of the following:

Consolidated Master Agreement
and Order Form(s)

| | Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center | Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. |
|--|--|---|
| Notices Contact | | Attn: VP Finance |
| Name: | Glenn Goldis, MD | Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. |
| Address: | 1700 Mt. Vernon Avenue Bakersfield, CA 93306 | 6200 S. Syracuse Way, Suite 300 Greenwood Village, CO 80111 |
| Fax number: | 661-326-2138 | |
| Email: | Glenn.Goldis@kernmedical.com | |
| Email for electronic invoices if different: | Accounts.Payable@kernmedical.com | |
| With a Copy to: | | |
| Name: | Toni Smith, CNO | Legal Department-Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. |
| Address: | 1700 Mt. Vernon Avenue | 6200 S. Syracuse Way, Suite 300 Greenwood Village, CO 80111 |
| Fax number: | 661-862-7662 | 303-486-6464 |
| Email: | Toni.Smith@kernmedical.com | |

Accepted and agreed:

| | Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center | Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. |
|-------------------|--|---|
| Signature: |  |  |
| Name: | Russell V. Judd | Brendan Williams |
| Title: | Chief Executive Officer | Director of Finance |
| Date: | January 31, 2017 | 2/1/17 |

**REVIEWED ONLY
NOT APPROVED as to form
by 
Office of County Counsel**

**TRUVEN HEALTH ANALYTICS LLC, AN IBM COMPANY F/K/A TRUVEN HEALTH ANALYTICS INC.
CONSOLIDATED MASTER AGREEMENT**

This Master Agreement ("Agreement") for Truven Health Content, Software or Services is made as of 12/04/16 ("Effective Date"), between Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc., a Delaware Limited Liability Company, with offices at 6200 S. Syracuse Way, Suite 300, Greenwood Village, Colorado 80111 ("Truven Health") and Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center, with offices at 1700 Mt. Vernon Ave., Bakersfield CA 93306 ("Licensee"). Licensee's Affiliates may license or procure Products, or Services from Truven Health or its Affiliates under this Agreement, subject to Licensee's Affiliate(s)' execution of any applicable Order Form(s) or SOW(s) and such Affiliate(s)' agreement to be bound by the terms and conditions of this Agreement, in which case, the term "Licensee" will include the applicable Licensee Affiliate

1. DEFINITIONS.

1.1 General Definitions

1.1.1 "Affiliate" means an entity that controls, is controlled by or is under common control of a party hereunder where "controls," "is controlled by," or "is under common control with" means the power to direct or cause the direction of the day-to-day management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

1.1.2 "Authorized Users" means Licensee's or its Affiliates' employees and short-term contractors having privileges at the Facility(ies).

1.1.3 "Change Order" means writing documenting modification to an existing SOW.

1.1.4 "Confidential Information" has the meaning provided in section 6 of this Agreement.

1.1.5 "Content" means the information and databases provided by Truven Health either by physical media or Internet access under this Agreement and the applicable Order Form, along with any Updates.

1.1.6 "Deliverables" means the results of Services performed by Truven Health for Licensee under any SOW attached hereto, and identified as such in the applicable SOW, including reports, forecasts, analyses, commentaries and related findings.

1.1.7 "Documentation" means the user manuals or other written operating instructions provided by Truven Health to Licensee specifically for use in connection with the operation of a Product.

1.1.8 "Electronic Protected Healthcare Information" means Protected Health Information that is transmitted by Electronic Media (as defined in the Privacy and Security Rule) or maintained in Electronic Media.)

1.1.9 "Error" will mean a material deviation between the functionality of Software (as defined in section 1.1.22, below) and its specifications as set forth in its Documentation.

1.1.10 "Expenses" means reasonable and documented expenses incurred by Truven Health in providing specific Products or Services to Licensee, for which Licensee is obligated to pay Truven Health.

1.1.11 "Facility(ies)" means a health care facility under the control of Licensee or an Affiliate at a specified address at which Licensee has contracted with Truven Health to provide access to a Product, and the Fees for which Licensee is responsible to pay. Each Facility must be listed in the applicable Order Form.

1.1.12 "Fees" mean the amount Licensee owes to Truven Health and/or its representative for use of the Products or Services pursuant to the terms and conditions of this Agreement and any attachment hereto.

1.1.13 "Initial License Term" means the period of time Licensee subscribes to Content or licenses Software and is set forth in the Order Form. In no event will the Initial Term be less than 1 year, unless otherwise set forth in the Order Form.

1.1.14 "Internet" means a conglomeration of networks and servers operated by distinct entities having no legal business relationship with Truven Health.

1.1.15 "Internet Site" means the Truven Health site on the Internet located at <http://www.micromedex.com> or at a subsequent location.

1.1.16 "Invoice" means the statement Truven Health and/or its Distributor provides to Licensee, which sets forth the Subscription Term, Fees, the means to measure usage, and other details associated with the Licensed Content of Licensed Solutions, and which is incorporated herein.

1.1.16 "Licensee Information" means any confidential or proprietary information or data provided by Licensee to Truven Health specifically in order for Truven Health to perform its obligations under this Agreement, and may include Electronic Protected Health information, or any pre-existing inventions, discoveries, concepts and ideas, whether or not patentable, copyrightable, or subject to trademark, or protectable as a trade secret including, but not limited to, any trade dress, trademark, service mark, presentation (e.g., look and feel), process, method, formula, algorithms, computer program, practice, or technique, as well as any improvements and/or know-how with respect to such inventions, discoveries, concepts and ideas made by Licensee.

1.1.17 "Order Form" means the form attached hereto and incorporated herein that is executed by both Parties that identifies the specific Product(s) licensed, the Initial Term for the Products, due dates, Fees, Expenses and any terms or conditions unique to the particular Product subscribed to or licensed.

1.1.18 "Platform" means central processing unit ("CPU"), CD ROM, Internet Site, Internet, Intranet, flat files, personal digital assistant ("PDA"), server or other electronic means of accessing the Content as set forth in the Agreement and Order Forms.

1.1.19 "Product(s)" means all Content or Software provided by Truven Health to Licensee under this Agreement or any Order Form hereto, including any Updates. Products include any web tools, search engines or software incorporated into CDs or DVDs or that can be used by Licensee when accessing Product via the Internet and Truven Health website.

1.1.20 "Proprietary Information" means Products, any permitted modifications thereto, and includes all copyrights, trademarks and other proprietary rights in connection therewith.

1.1.21 "Services" means the work performed by Truven Health for Licensee, as described in an SOW under this Agreement that results in a Deliverable or partial Deliverable.

1.1.22 "Software" means the object code version of each computer software program identified on an Order Form, along with any Documentation and Updates provided by Truven Health to Licensee under this Agreement and such Order Form.

1.1.23 "Statement of Work" or "SOW" means the written description, executed by both Parties, of the Services, Deliverables, Fees, due dates, or milestones, as may be modified from time-to-time in writing, by mutual agreement of the Parties and which forms integral part of this Agreement.

1.1.24 "Subscription" means the license to use the Content solely on the Platforms, at the Facility(ies) and by the appropriate users for purposes pursuant to the terms and conditions set forth in the Agreement and separately issued Order Forms.

1.1.25 "Taxes" means value-added, sales, use, import, duties, customs or other taxes applicable to the transactions contemplated by this Agreement, except for any taxes assessed upon the income of Truven Health.

1.1.26 "Truven Health Property" means: (a) the business process, management and analytics technologies of Truven Health, including without limitation, formats, structure, design, tools, web tools, databases, and all related software (including Products), documentation, and methodologies; (b) any tools, databases, software (including adaptive application libraries and templates), data, forecasts, analyses, algorithms, inventions, developments, methodology, processes, techniques, formulas, know-how, trade secrets, research or innovation conceived, developed, used, or supplied by Truven Health in providing Products or Services and Deliverables (including the format and structure of Deliverables and the way Deliverables are combined

for a solution offering), except for Licensee Information; (c) any and all derivative works, enhancements or other modifications to any of the above; and (d) inventions, discoveries, concepts and ideas, whether or not patentable, copyrightable, trademarkable, or protectable as a trade secret including, but not limited to, any trade dress, trademark, service mark, presentation (e.g., look and feel), process, method, formula, algorithms, computer program, practice, or technique, as well as any improvements and/or know-how with respect to such inventions, discoveries, concepts and ideas.

1.1.27 "Update" means any changes, modifications, additions, or corrections to Product(s) made by Truven Health. Updates do not include Products that provide significant new features or functionality not found in the version of Product(s) licensed hereunder.

1.1.28 "User Licenses," applicable only to certain Products, means Licensee has license to access Products limited to number of Authorized Users specified in the Order Form.

1.1.29 "Virus" means any harmful or hidden programs or data incorporated into software, hardware or otherwise with malicious or mischievous intent. Any automatic shutdown feature contained in a Product is excluded specifically from this definition.

1.2 SOW Definitions.

1.2.1 "Fixed Fee" means an agreed amount Licensee will pay to Truven Health, as set forth in the SOW, as consideration for the SOW services, regardless of the amount of time spent or costs incurred by Truven Health in performing the services.

1.2.2 "Implementation Start" means the meeting via phone or in person between Licensee and Truven Health that signifies the official start of implementation activities. This occurs only upon the completion of all pre-work requirements set forth in the SOW by Licensee and the assignment of a Truven Health project manager to the implementation.

1.2.3 "Initial Deployment" means, with respect to any Product(s), the date on which such Product(s) is declared by Truven Health as ready to use or is first used by Licensee to process patient information or first used by Licensee in a clinical setting.

1.2.4 "Integration" means integration and mapping of production feeds per the information furnished in through the pre-work requirements set forth in the SOW and will incorporate all data feeds as included in the definition of any applicable Software Implementation if available at the time of implementation start.

1.2.5 "Time-Based Fee" means an agreed amount per hour, day or month Licensee will pay to Truven Health as set forth in the SOW, for the number of hours days or months Truven Health spends in performing the Services.

1.2.6 "Unit-Based Fee" means an agreed amount Licensee will pay to Truven Health, as set forth in the SOW, for each defined Deliverable as supplied by Truven Health in performing the Services.

2. FEES, PAYMENTS, DELIVERY, TAXES.

2.1 Truven Health will invoice Licensee for all Fees, Expenses and Taxes due under any given Order Form or SOW. Unless stated otherwise in any Order Form or SOW, all Fees and Expenses are quoted and payable in U.S. dollars. Except as otherwise stated herein or in any Order Form or SOW, Fees are not refundable.

2.2 Licensee must pay, within 30 days of date of invoice, all Fees, Expenses or Taxes not disputed in good faith, unless otherwise specified the applicable Order Form. For Services, Licensee must pay Fees in accordance with the Fee schedule set forth in the SOW.

2.3 Any undisputed Fees not paid when due are considered late. In addition to all other rights it may have, Truven Health, in its sole discretion, may suspend or discontinue the provision of Products or Services if Licensee does not pay any undisputed invoiced amount within the cure period provided in section 3.3 of this Agreement. Licensee has no right of set-off.

2.4 For all Products provided hereunder, delivery is deemed to occur and risk of loss passes when Software is installed, Deliverables are provided or when Truven Health provides access codes to Licensee that allow Licensee to access Content.

2.5 All Fees and Expenses specified in this Agreement or any Order Form or SOW are exclusive of, and Licensee is solely

responsible for payment of all Taxes. To receive tax-exempt status, Licensee must submit applicable documentation proving tax-exempt status to Truven Health prior to Truven Health issuing the first invoice. Licensee must pay any Taxes invoiced prior to receipt by Truven Health of such documentation.

2.6 Any Fees will increase annually every consecutive 12-month period by 4%, unless otherwise stated in an applicable Order Form.

3. TERM AND TERMINATION.

3.1 The term of this Agreement ("Term") will commence on the Effective Date and continue through the expiration or other termination of the last existing Order Form or SOW.

3.2 Initial License Term.

3.2.1 The Initial License Term for any Product will be set forth in the applicable Order Form. Content or Software licenses may be renewed by mutual written agreement for the same amount of time as the Initial License Term, but in no event, less than 12 months ("Renewal Term") under the same terms and conditions.

3.2.2 Licensee may not use any Product following the expiration or termination of the Initial License Term or Renewal Term.

3.2.3 Any time frame negotiated between the parties for the completion of Services provided hereunder will be set forth in the applicable SOW.

3.3 Termination for Cause.

3.3.1 Either party may terminate this Agreement, a particular Order Form or SOW if the other party: (a) breaches an applicable material term or condition that is not cured by the breaching party within 30 days prior written notice; or (b) (i) transfers its assets to an assignee for the benefit of creditors, to a receiver or to a trustee in bankruptcy; (ii) commences a proceeding or has a proceeding commenced against it for relief under bankruptcy or similar laws; or (iii) is adjudged bankrupt.

3.3.2 If Licensee breaches this Agreement or an Order Form, as set forth in section 3.3.1 and does not cure in the specified time, then in addition to any other remedies Truven Health may have, Truven Health may suspend or terminate access to the Product that is the subject of the breach.

3.3.3 Any termination or expiration of one Order Form or SOW will not impact any other Order Form or SOW. In addition, neither Truven Health nor Licensee may hold the other party in cross-default for breach of any Order Form or SOW hereunder, unless such breach is a result of fraud or illegal activities on the part of the breaching party.

3.3.4 Either party may terminate or suspend its performance under this Agreement or any Order Form or SOW hereunder with no less than 5 days written notice if: (a) necessary, as expressed by an opinion of outside counsel, to protect its legal liability to third parties; or (b) it has reasonable evidence of the other Party's fraudulent or illegal use of Products or Services; or (c) required by legal or regulatory authority.

3.3.5 Truven Health may terminate this Agreement or any Order Form or SOW hereunder if Truven Health no longer has the necessary right from any third party whose content or software is included in a Product provided under an Order Form or SOW or if continuing to provide Product no longer is a commercially reasonable option, in Truven Health's sole discretion. If Truven Health ceases to distribute Product(s), Truven Health will provide Licensee with as much notice as is reasonably possible, whereupon, the Product license will terminate as to such Product. As its sole obligation, Truven Health will return to Licensee a pro rata refund of the portion of the prepaid Fee attributable to the terminated Product, as Licensee's sole and exclusive remedy under this section. If Truven Health replaces Product with a product that is substantially similar, the term of any applicable license, as set forth in the applicable Order Form, will continue through the end of the term.

3.4 Within no more than 10 days of any termination or expiration of an Order Form or SOW, Licensee represents and warrants that it will: (a) stop using the applicable Product; (b) return to Truven Health all copies of the applicable Product, including any copies of computer programs on magnetic media (e.g., back-up copies) and any written materials or Documentation related to such Product, as

well as any other Truven Health Property; (c) delete from all computer systems all copies of the applicable Product; and (d) if so requested by Truven Health, provide Truven Health with written certification from an executive officer of Licensee that Licensee has complied with the requirements of this Section.

3.5 Any termination does not relieve either party of any liability incurred prior to such termination, or for Licensee's payment for unaffected Products or Services. Upon the termination of this Agreement, all Fees and Expenses owed by Licensee through the date of termination automatically and immediately become due and payable.

4. LICENSE GRANTS.

4.1 Content License Grant and Restrictions.

4.1.1 Provided Licensee has paid the Fees as set forth herein and subject to the terms and conditions of this Agreement including, without limitation, the use limits set forth herein or in any applicable Order Form, Truven Health hereby grants to Licensee a nonexclusive, nontransferable, revocable, limited license to use the Content during the Initial License Term or any Renewal Term for Licensee's internal business purposes and solely at and in connection with the applicable Facility(ies) set forth in the Order Form.

4.1.2 Only Authorized Users who are competent healthcare professionals who rely on their clinical discretion and judgment in diagnosis and treatment may use the Content for medical diagnosis or treatment purposes.

4.1.3 For Platforms controlled, hosted or otherwise maintained by Licensee, Licensee must install all Updates within 14 days of notice of availability. Licensee may keep 1 copy of the superseded material for legal archival purposes. Licensee must destroy all other copies of Content.

4.1.4 Content may only be used for Licensee's own internal uses. Licensee: (a) may make 1 copy of the Content in order to use the Content on the applicable Platform; (b) may copy limited excerpts of Content into any other medium for internal use only, in accordance with Fair Use Guidelines of the U.S. Copyright laws; or (c) may print information derived therefrom for internal use only; or (d) may provide limited excerpts of information derived from the Licensed Content to government regulatory authorities for purposes of submitting application for registration or regulatory approval, trademarks or patents respecting the Licensee's products or services.

4.1.5 Except as expressly permitted in this Agreement, Licensee may not: (a) modify Content, including without limitation, the removal of any copyright, trademark, disclaimer notices, proprietary markings or restrictive legends placed on Content; (b) copy, download, upload or in any other way reproduce Content in any form; (c) sell, distribute, sublicense, provide access to, or transfer Content or any portion thereof, to a third party (including, without limitation, by facsimile or electronic means); (d) create compilations, derivative works, or reverse engineer, decompile or disassemble any part of Content; (e) use any version of Content other than the most current version; (f) use Content for the benefit of a third party or give any third party beneficial use of Content; or (g) use Content or any portion thereof for commercial use, including without limitation, for publication, broadcasting, redistribution or to create original content for publication. Truven Health may embed an automatic shutdown feature or disable access to Content that renders Content inoperable beyond the scope of this Agreement.

4.1.6 Licensee will not, nor permit others to, provide, disclose, or otherwise make Truven Health Property available to, or accessible by, any person other than Authorized Users, except for patient education and consumer information as permitted herein. Licensee will take appropriate security precautions to effect its obligations under this Agreement.

4.2 Software License Grant and Restrictions.

4.2.1 Provided Licensee has paid the Fees as set forth herein and subject to the terms and conditions of this and the Agreement, including, without limitation, the scope of use limits set forth herein or in any applicable Order Form, Truven Health grants Licensee a non-exclusive, nontransferable, revocable, limited

license to use Software during the Initial License Term set forth in the Order Form or any Renewal Term for Licensee's internal business purposes and solely at and in connection with the applicable Facility(ies) and on the Platform(s) set forth in the Order Form or SOW.

4.2.2 Except as expressly permitted in this Agreement, Licensee must limit use of Software to Authorized Users. Licensee will take appropriate security precautions to effect its obligations with respect to Authorized Users and proprietary nature of the Software. Licensee is solely responsible for the accuracy and adequacy of the information and data furnished for processing with Software. The successful operation of Software is dependent on Licensee's and its Authorized Users' use of proper procedures and systems and input of correct data. Licensee hereby assumes full responsibility for ensuring the appropriate use and reliance upon the Software in view of all attendant circumstances, indications and contraindications.

4.2.3 Licensee may only use Software for its own internal uses. Licensee: (a) may make 1 copy of Software in order to use it on the applicable Platform; or (b) make 1 copy of Software for backup purposes including disaster recovery testing or relocation requirements.

4.2.4 Except as expressly permitted in this Agreement, Licensee may not: (a) copy, modify, create compilations or derivative works (or create or attempt to create original content for publication) from or including, or reverse engineer, decompile or disassemble, any part of any Software; (b) sell, distribute, sublicense, provide access to, assign or transfer any Software, in whole or part, to a third party (including, without limitation, by facsimile or electronic means); (c) use any Software for the benefit of a third party or give any third party beneficial use of any Software (e.g., provide time-sharing, service bureau, subscription service, rental use, or other similar services), including, without limitation, any Affiliate, unless such Affiliate has executed the appropriate Order Form under this Agreement; or (d) engage in any publication or provide any functional or performance testing results to a third party for publication concerning Software, without the express written consent of Truven Health. Truven Health may embed an automatic shutdown feature or disable access to any Software, which will render such Software inoperable beyond the scope of the Agreement.

4.3 Deliverables License Grant and Restrictions.

4.3.1 Subject to Licensee's payment of applicable Fees and compliance with the other terms and conditions of the Agreement, Truven Health hereby grants to Licensee and Licensee hereby accepts, a limited, nonexclusive, nontransferable, nonassignable, right and license to use any Deliverables resulting from Services provided by Truven Health for Licensee's internal business purposes only, unless otherwise authorized by Truven Health in a written amendment to this Agreement.

4.3.2 Unless otherwise specifically set forth in the applicable SOW, Truven Health does not perform work-made-for-hire, and Licensee does not receive any ownership rights in the Deliverables resulting from Services performed by Truven Health, other than ownership rights in the Licensee Information incorporated into such Deliverables.

4.3.3 Unless otherwise specifically set forth in the applicable SOW, Truven Health retains all copyrights, patent rights, and other intellectual property rights in and to anything developed by Truven Health for Licensee under all applicable SOW(s).

4.3.4 Licensee may only publish, republish or reproduce Deliverables that contain Truven Health copyrights, patent rights and other intellectual property rights for its internal use and must contain the necessary attributions in the following form: "includes content supplied by Truven Health: Copyright (publication year); All rights reserved." Immediately prior to the citation, include the words "Reprinted with permission." Licensee may print limited excerpts of Deliverables for internal use only, in accordance with Fair Use Guidelines of the U.S. Copyright laws.

5. OWNERSHIP.

5.1 Subject only to the licenses expressly granted in section 4, above, as between Truven Health and Licensee, Truven Health or

its third party providers are the sole owner(s) of all intellectual property rights in and to Truven Health Property. Licensee will not remove any copyright, trademark or other proprietary notices of Truven Health or any third Party contained on or in Products or any other materials delivered to Licensee, and Licensee will reproduce all such notices on all permitted copies made by Licensee under any Order Form or SOW. Truven Health may use all suggestions, feedback, improvements, report formats or the like that Licensee provides to Truven Health or otherwise makes with respect to Products or Services without any obligation to Licensee.

5.2 Subject only to any license expressly granted in any Order Form or SOW, as between Truven Health and Licensee, Licensee is the sole owner of or authorized user of any Licensee Information. Truven Health will not remove any copyright, trademark or other proprietary notices of Licensee or any third Party contained on or in Licensee Information, and Truven Health will reproduce all such notices on all permitted copies made by Truven Health under any Order Form. Customer hereby grants to Truven Health a perpetual, irrevocable, nonexclusive, royalty-free, nontransferable license to use, disclose, distribute, license, copy, display and demonstrate all Licensee Information, in a de-identified format, for inclusion in any Truven Health Products. "De-identified" Licensee Information is information that satisfies all requirements set forth in 45 CFR 164.514(b), as it may be amended from time-to-time. Truven Health certifies that it is in compliance with all laws applicable to privacy and data security regarding Licensee Information, and that it currently maintains an effective information security program to protect Licensee Information, including administrative, technical and physical safeguards.

5.3 To the extent that Licensee obtains or is deemed to obtain any intellectual property rights in and to Truven Health Property or any future derivative work, enhancement or modification thereto or any part thereof, by operation of law or otherwise, Licensee hereby disclaims such rights, assigns and transfers such rights exclusively to Truven Health, and will provide reasonable assistance to Truven Health to give effect to such assignment and in the protection, enforcement and maintenance of such rights by Truven Health.

5.4 To the extent that Truven Health obtains or is deemed to obtain any intellectual property rights in and to Licensee Information or any future derivative work, enhancement or modification thereto or any part thereof, by operation of law or otherwise, except as provided in any Order Form or SOW, as between Truven Health and Licensee, Truven Health hereby disclaims such rights, assigns and transfers such rights exclusively to Licensee or the owner of same, and will provide reasonable assistance to Licensee to give effect to such assignment and in the protection, enforcement and maintenance of such rights by Licensee.

5.5 Products may contain third party software or content that Truven Health has the right to license to Licensee. The suppliers of certain third party software or content require that Licensee agree to certain additional terms and conditions, as set forth below.

6. CONFIDENTIAL INFORMATION.

6.1 Each party ("Discloser") may disclose or has disclosed its confidential or proprietary information to the other party ("Recipient"). "Confidential Information" means: (a) Truven Health Property; (b) Licensee Information; (c) the terms and conditions of this Agreement; and any Order Form or SOW attached hereto; (d) any Discloser business or technical information, including, without limitation, any information relating to Discloser's products, services, prices, marketing plans, business opportunities, or customers; (e) any other information of Discloser that is specifically designated as confidential or proprietary; or (f) any information that by its nature, Recipient knows or should know is confidential or proprietary.

6.2 Confidential Information does not include information that: (a) is now or subsequently becomes generally available to the public through no breach of this section by Recipient; (b) Recipient can demonstrate was rightfully in its possession prior to disclosure to Recipient by Discloser; (c) Recipient independently develops without the use of any Confidential Information; (d) Recipient obtains from a third Party, whom Recipient has no reason to believe is unauthorized, without an obligation of confidentiality; or (e) required to be disclosed by law. Truven Health is aware that

Licensee is a government entity and is subject to the California Public Records Act, *Cal.Govt.Code §6250 et seq.*, the Brown Act, *Cal.Govt.Code §54950 et seq.*, and other laws pertaining to government entities.

6.3 Recipient will protect Discloser's Confidential Information, using the same degree of care as it uses to protect its own information of like nature, but no less than a reasonable degree of care, for 5 years from date of disclosure or until such time as the Confidential Information falls under one of the exceptions listed in subsection 6.2 above, whichever occurs first. When the 5-year period expires, neither party intentionally will make public the other party's Confidential Information still in its possession or use it in any way that violates the terms of this Agreement; provided, however, that each party's affirmative obligation and duty to protect no longer will exist. Recipient will use Discloser's Confidential Information internally solely as necessary to perform its obligations hereunder or as agreed on in writing by Discloser. Recipient will disclose such Confidential Information only to those employees and independent contractors who have a need to know for Recipient to perform its obligations hereunder and who are subject to binding use and disclosure restrictions at least as protective as those set forth herein.

6.4 Notwithstanding the above, Recipient may disclose Discloser's Confidential Information pursuant to a valid order or requirement of a court or government agency, provided that Recipient gives prompt written notice to Discloser, reasonable assistance to Discloser and the opportunity for Discloser to prevent disclosure or protect Discloser Confidential Information. Notwithstanding the above, Truven Health agrees and acknowledges that the terms and conditions of this Agreement; and any Order Form, SOW or pricing contained therein are subject to the California Public Records Act and may be disclosed without additional notice.

6.5 Upon any expiration or other termination of this Agreement or upon termination of the last of any Order Forms or SOWs, Recipient promptly will return to Discloser all Discloser Confidential Information that it has in its possession or control related to such expired agreement. If either party terminates due to the other party's breach of its confidentiality obligations, each party must immediately return all Confidential Information of the other party. If Truven Health terminates due to Licensee's breach of a license grant or restriction, all licenses granted under this Agreement or any Order Form hereunder immediately terminate and Licensee immediately must return all Truven Health Confidential Information, including all Products and Deliverables.

7. WARRANTIES; DISCLAIMERS OF WARRANTIES.

7.1 Truven Health Warranties.

7.1.1 General. Truven Health represents and warrants that it has all rights, title and interest to or is fully authorized to grant the license granted hereunder.

7.1.2 Content.

7.1.2(a) Content is provided "AS IS." Such Content is compiled from materials furnished to or obtained by Truven Health from outside sources. Truven Health does not warrant the completeness or accuracy of the information, that Licensee's use of Content will be uninterrupted or error-free, or that the results obtained will be successful or will satisfy Licensee's requirements. Licensee is solely responsible for its use of Content.

7.1.2(b) Truven Health warrants that, for a period of 90 days after the date of shipment ("Warranty Period"), any media on which Content is provided will be free from material defects and will be of a quality suitable to provide access to Content when used on the Platform. So long as Licensee provides Truven Health with prompt written notice of a defect during the Warranty Period, Licensee's sole and exclusive remedy and Truven Health's sole obligation for breach of this warranty is to fix any reproducible software errors or replace the nonconforming media within 30 days, or give Licensee a pro rata refund of the applicable Fees.

7.1.3 Software and Maintenance.

7.1.3(a) Truven Health will use commercially reasonable efforts to correct Errors when such Errors are reported to Truven Health and can be duplicated by Truven Health in the most current version of Software and in the immediately preceding version to the most

current version of Software. Truven Health is not responsible to correct any Error in versions of Software other than the two versions set forth herein. If a reported Error causes Software to be inoperable, or if such Error substantially adversely affects Licensee's use of Software, Truven Health will use commercially reasonable efforts either to correct the Error or to provide a workaround as expeditiously as possible. Under no circumstances, however, does Truven Health warrant or represent that all Errors can or will be corrected.

7.1.3(b) If Truven Health identifies errors arising from hardware or software other than Truven Health's or from unauthorized modifications to Software, Truven Health reserves the right to charge Licensee for time spent in connection therewith at its then-current rates for such services. Updates will be available to Licensee at no additional charge. Licensee will implement all Updates as soon as is reasonably practical. Truven Health will have no responsibility to provide support or maintenance Services for any versions of Software other than the current and immediately prior versions.

7.1.3(c) Truven Health will use a commercially available software product to ensure that Software is free, at the time of installation, of any Virus. Licensee's sole and exclusive remedy in the event of a Virus at the time of installation is for Truven Health to replace any affected portion(s) of Software within a reasonable time or to provide a pro rata refund of the affected portion(s) of Software to Licensee.

7.1.3(d) Maintenance and support Services under this Agreement or any Order Form attached hereto include only those services expressly stated herein and do not include, without limitation, any of the following: **(i)** on-site service of any kind; **(ii)** installation, data conversion, system integration or other consulting services; **(iii)** service or maintenance of third-party software, operating software, hardware, or other equipment; **(iv)** services caused by Licensee's fault, misuse, negligence or failure to perform Licensee responsibilities, including failure by Licensee to maintain adequate data back-ups; **(v)** services caused by a malfunction of or problem with any product or goods other than those licensed by Licensee; **(vi)** services caused by the use by Licensee of any version of Software other than the current or immediately prior version; or **(vii)** changes to Licensee systems requiring re-mapping of Software and/or modules. To the extent additional Services not included within the support and maintenance Services are requested, they will be performed under a separate Order Form.

7.1.4 Services.

7.1.4(a) Truven Health will perform all Services pursuant to a duly executed SOW with reasonable skill and care by competent and trained personnel. Deliverables resulting from Services provided by Truven Health under any SOW are provided "AS IS."

7.1.4(b) Licensee's sole and exclusive remedy and Truven Health's sole obligation for breach of this warranty, at Truven Health's sole option, is to use commercially reasonable efforts to correct materially defective Services at no additional charge to Licensee; provided that Licensee gives Truven Health specific written notice of the materially defective Services within 30 days after the Services are performed.

7.2 Truven Health Disclaimers.

7.2.1 Internet/Intranet Disclaimer. TO THE EXTENT THAT A PRODUCT OR SERVICE IS DEPENDENT UPON OR USES THE INTERNET OR LICENSEE'S INTERNAL COMPUTER NETWORK, LICENSEE ACKNOWLEDGES THAT TRUVEN HEALTH HAS NO CONTROL OVER THE INTERNET OR LICENSEE'S INTERNAL COMPUTER NETWORK, MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND REGARDING THE PERFORMANCE OF THE INTERNET OR LICENSEE'S INTERNAL COMPUTER NETWORK AND HAS NO LIABILITY WHATSOEVER FOR LICENSEE'S INABILITY TO USE THE PRODUCTS OR SERVICES PROVIDED HEREUNDER AS A RESULT OF THE FAILURE OF OR INOPERABILITY OF THE INTERNET OR LICENSEE'S INTERNAL COMPUTER NETWORK.

7.2.2 General Medical Disclaimer. LICENSEE UNDERSTANDS AND AGREES THAT TRUVEN HEALTH IS NOT ENGAGED IN

THE PRACTICE OF MEDICINE AND THAT PRODUCTS OR DELIVERABLES, ARE INFORMATION TOOLS ONLY AND ARE NOT A SUBSTITUTE FOR COMPETENT MEDICAL ADVISORS. ALL MEDICAL PRACTICE MANAGEMENT AND PATIENT CARE DECISIONS MADE IN WHICH SUCH PRODUCTS OR DELIVERABLES MAY BE USED ARE EXCLUSIVELY THE RESPONSIBILITY OF LICENSEE AND ITS AUTHORIZED USERS. LICENSEE ACKNOWLEDGES AND AGREES THAT TRUVEN HEALTH HAS NO LIABILITY WHATSOEVER FOR ANY AND ALL CLAIMS THAT ANY IMPROPER MEDICAL TREATMENT RESULTED FROM OR AROSE OUT OF USE OR RELIANCE UPON ANY PRODUCT OR DELIVERABLES.

7.3 Licensee Warranties.

7.3.1 If Licensee is required under any Order Forms or SOWs to provide Truven Health with access to and use of such facilities, personnel, resources, equipment or information reasonably necessary to allow Truven Health to perform hereunder, Licensee represents and warrants that it will do so at no cost and on a timely basis, and acknowledges and agrees that Truven Health will not be responsible for any delays caused by Licensee's failure to so provide.

7.3.2 If Licensee is required under any Order Form or SOW to provide Truven Health with materials, data, other information, or Licensee represents and warrants that it owns or has obtained all rights in the materials, data and any other information necessary to allow Truven Health to use such materials, data and other information in the Products or Services offered hereunder and that such use by Truven Health will not violate any intellectual property rights or other rights of the Licensee or any third party.

7.3.3 Licensee will perform tasks as requested by Truven Health to aid in the resolution of Errors, and will implement all reasonable workarounds to problems as directed by Truven Health. Licensee will provide virtual private network (VPN) connectivity to allow Truven Health to remotely access and diagnose Errors in Software.

7.4 Mutual Warranties. Each Party represents and warrants to the other that it has the power and the authority to execute and perform this Agreement and any Order Forms or SOWs attached hereto and thereto or explicitly referencing this Agreement.

7.5 Mutual Disclaimers. EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION NEITHER PARTY MAKES ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO ANY SERVICE OR PRODUCT, INCLUDING, WITHOUT LIMITATION, WARRANTIES OR REPRESENTATIONS CONCERNING MERCHANTABILITY, NONINFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTIES OR REPRESENTATIONS ARE MADE AS TO ANY THIRD PARTY SOFTWARE OR CONTENT THAT MAY BE CONTAINED IN ANY PRODUCT AND ALL REFERENCES TO PRODUCTS IN THIS SECTION 7 MEANS THE PRODUCT EXCEPTING ANY THIRD PARTY SOFTWARE OR CONTENT.

7.6 Warranty Enforcement. To enforce any warranty set forth in this section 7, the party enforcing the warranty must provide the other party with written notification of any failure to comply with any material specification within the warranty period set forth above.

8. INDEMNIFICATION.

8.1 By Truven Health.

8.1.1 Truven Health will indemnify, defend and hold harmless Licensee from and against all damages (including without limitation, reasonable attorney's fees) Licensee actually incurs as a direct result of any claim against Licensee by a third party that a Product infringes or misappropriates a U.S. patent issued as of the Effective Date or U.S. copyright, trademark or trade secret ("Licensee Infringement Claim").

8.1.2 Truven Health will not so indemnify, defend and hold harmless Licensee to the extent any Licensee Infringement Claim would not have arisen but for: **(a)** any modification or alteration of Products not specifically authorized in writing by Truven Health; **(b)** the incorporation of any feature or information provided by or requested by Licensee into Products; **(c)** the combination of Products with any third party software, equipment or information

not specified in the Documentation; (d) the use of a version of Products other than the then-current Updated version, if the infringement would have been avoided by use of the then-current Updated version and Truven Health informed Licensee of same; (e) Licensee's misuse of Products or failure to protect Truven Health Property as required under this Agreement; or (f) Truven Health compliance with designs, plans or specifications furnished by or on behalf of the Licensee.

8.1.3 In the event Truven Health is aware of or suspects the possibility of a Licensee Infringement Claim, Truven Health, as its sole obligation, and in its sole discretion, either: (a) will replace such allegedly infringing Product with substantially similar non-infringing product(s); (b) will modify the Product to be noninfringing; (c) will obtain for Licensee the right to continue to use such infringing Product; or if none of (a), (b), or (c) is commercially reasonable, then (d) Truven Health will terminate Licensee's rights regarding such Product and provide to Licensee a pro rata refund of the applicable Fees attributable to the infringing Product.

8.2 By Licensee.

8.2.1 Licensee will indemnify, defend and hold harmless Truven Health from and against any third party claims alleging that Licensee Information used by Truven Health in accordance with the terms and conditions of any Order Form or SOW attached hereto or thereto infringes or misappropriates a U.S. patent issued as of the Effective Date or U.S. copyright, trademark or trade secret ("Truven Health Infringement Claim").

8.2.2 Licensee will not so indemnify, defend and hold harmless Truven Health to the extent a Truven Health Infringement Claim would not have arisen but for: (a) Truven Health's modification of Licensee Information not in accordance with the applicable, Order Form or SOW for which the Licensee Information was provided; (b) the incorporation of Licensee Information into a Product other than as set forth in applicable Order Form or SOW for which the Licensee Information was provided; (c) the combination of Licensee Information with any third party software, equipment or information not specified in the Order Form or SOW for which the Licensee Information was provided; or (d) Truven Health's failure to comply with designs, plans or specifications furnished by or on behalf of Licensee. In the event Licensee Information is held or is reasonably believed by Truven Health to infringe, Truven Health immediately will cease using such Licensee Information and will not be liable to Licensee in any way for breach or any failure to perform under this Agreement, or the Order Form or SOW for which the Licensee Information was provided.

8.2.3 Licensee will indemnify, defend and hold Truven Health harmless from and against: (a) all third party claims arising from the Licensee's or Licensee's Affiliates' use of Products or the use of Products by any third party allowed access to same by Licensee; (b) Licensee's decision to share the findings or conclusions derived from the Products or any report contained in the Deliverables with any third party(s); or (c) any loss or damage suffered by Truven Health as a result of Licensee's breach of the licenses and rights granted herein. In compliance with title 22, California Code of Regulations, section 70713 Licensee will retain professional and administrative responsibility for services rendered under this Agreement.

8.3 Mutual Indemnification. Each Party will indemnify, defend and hold the other Party harmless from any claim, demands, liabilities, suits or expenses of any kind for personal injury or damage to tangible property to the extent arising from its negligence or willful misconduct on the other Party's premises.

8.4 Indemnification Procedure. The indemnification obligations of each party under this section 8, are contingent upon the indemnified party providing to the party who has the indemnification obligation: (a) prompt written notice of the alleged claim; (b) sole control of the defense or settlement of the alleged claim; and (c) reasonable cooperation and assistance, at the request and expense of party to indemnify, in the defense or settlement of the alleged claim. If the indemnified party chooses to be represented by counsel, it shall be at the indemnified party's sole cost and expense.

9. LIMITATION OF LIABILITY.

9.1 Except for: (a) Licensee's breach of any license grant set forth in this Agreement; (b) either party's breach of its confidentiality obligations under this Agreement; or (c) either party's indemnification obligations; **NEITHER PARTY, NOR ANY TRUVEN HEALTH THIRD PARTY SUPPLIERS, WILL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS EVEN IF INFORMED OF THE POSSIBILITY THEREOF. THESE LIMITATIONS APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE AND APPLY TO ALL CAUSES OF ACTION IN THE AGGREGATE INCLUDING, WITHOUT LIMITATION, BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATION, AND OTHER TORTS, EVEN IF INFORMED OF THE POSSIBILITY THEREOF.**

9.2 Except for: (a) Licensee's breach of any license grant set forth in this Agreement; (b) either party's breach of its confidentiality obligations under this Agreement; (c) either party's indemnification obligations; or (d) as specifically prohibited by law, **NEITHER PARTY'S, NOR ANY TRUVEN HEALTH THIRD PARTY SUPPLIERS' AGGREGATE LIABILITY UNDER THIS AGREEMENT WILL EXCEED THE AMOUNT OF FEES ACTUALLY RECEIVED BY TRUVEN HEALTH FROM LICENSEE (OR, AS APPLICABLE, BY TRUVEN HEALTH'S THIRD PARTY SUPPLIERS FROM TRUVEN HEALTH) DURING THE 12 MONTHS IMMEDIATELY PRECEDING THE EVENT THAT GIVES RISE TO SUCH LIABILITY. SUCH LIMITATION IS AN ESSENTIAL PROVISION OF THIS AGREEMENT AND WAS AND IS A CONDITION UPON WHICH THE PRICING WAS AND IS BASED.**

9.3 TRUVEN HEALTH IS NOT LIABLE FOR ANY DAMAGES ARISING OUT OF OR RELATED IN ANY WAY TO: (a) THE ACCURACY OR COMPLETENESS OF LICENSEE INFORMATION; (b) USE OF PRODUCTS OR SERVICES; (c) LICENSEE'S NEGLIGENCE AND WILLFUL ACT; OR (d) MODIFICATIONS TO PRODUCTS OR SERVICES, WHETHER SUCH DAMAGES ARE SUFFERED BY LICENSEE OR ANY THIRD PARTY.

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

10. FOREIGN CORRUPT PRACTICES ACT. Licensee acknowledges that under the laws of the U.S., it is unlawful for Truven Health, its divisions, subsidiaries and representatives, directly or indirectly, to make any payment or to give anything of value to any foreign official (other than a foreign official whose duties are essentially administrative or clerical) or to any foreign political party, any official of a foreign political party or any candidate for foreign political office for the purposes of influencing any action or failure to take action on the part of such person in connection with the obtaining, retaining or directing of business to any person or company. Licensee will not make any such payment, directly or indirectly, on behalf of Truven Health or its Affiliates while this Agreement is in effect.

11. USE BY OR ON BEHALF OF THE FEDERAL GOVERNMENT. The Products licensed under this Agreement or resulting from services purchased under this Agreement and any related documentation are "commercial items," as that term is defined in 48 C.F.R. 2.101, consisting of "commercial computer software" and "commercial computer software documentation," as such terms are used in 48 C.F.R. 12.212. Consistent with 48 C.F.R. 12.212 and 48 C.F.R. 227.7202-1 through 227.7202-4, all U.S. Government end users and those who use the products on behalf of the U.S. Government acquire such products with only those rights expressly set forth in this Agreement. The Products provided hereunder: (a) were developed at private expense and

are in all respects the proprietary information of Truven Health; (b) were not developed with government funds; (c) are a trade secret of Truven Health for all purposes of the Freedom of Information Act; and (d) are commercial items and thus, pursuant to Section 12.212 of the Federal Acquisition Regulations (FAR) and DFAR Supplement Section 227.7202, Government's use, duplication or disclosure of the Products is subject to the restrictions set forth by Truven Health. Any Product or Services used by, for, or on behalf of the U.S. Government is provided with LIMITED RIGHTS as set forth herein. Any software or tools embedded in Product(s) or Services used by or on behalf of the U.S. Government is provided with RESTRICTED RIGHTS set forth in herein. Use, duplication, or disclosure of data or software by the U.S. Government is subject to restrictions as set forth in the Rights in Technical Data and Computer Software clause at FAR 12.211 and 12.212(a) and/or Commercial Computer Software at DFARS 227.7202-1(a) or subparagraphs (c)(1) and (2) of the Commercial Computer Software-Restricted Rights at 48 CFR 52.227-19, as applicable.

12. EXPORTATION. Licensee may not use or otherwise export or reexport any of the Products except as authorized by and under United States law and, if Licensee obtained such products outside of the United States, the laws of the jurisdiction in which Licensee acquired such products. Such Products may not be exported or re-exported: (a) into any U.S. embargoed countries; or (b) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals or the U.S. Department of Commerce Denied Person's List or Entity List. By execution of this Agreement, Licensee represents and warrants to Truven Health that Licensee is not located in any such country or identified on any such list.

13. AUDIT. During the Term and for an additional 12 months thereafter, upon reasonable notice to Licensee, Licensee will permit Truven Health and its representatives to inspect, during regular business hours, the facilities at which the Products are or were used to determine compliance with this Agreement, and Truven Health will be permitted to report the results of such inspection to its relevant suppliers. Until the expiration of four years after the expiration or termination of this Agreement, Licensee and Truven Health 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 Truven Health provided under this Agreement.

14. TRIALS OF ADDITIONAL PRODUCTS. Licensee acknowledges that any trial of Products is subject to the terms of this Agreement and any applicable Order Form. The length of a trial license may be set forth in the applicable Order Form, but in no event will a trial license last longer than 90 days.

15. ORACLE SOFTWARE PROVISIONS.

15.1 Embedded Oracle Software. Certain software licensed by Truven Health from Oracle Corporation ("Oracle") is embedded in certain Software classified by Truven Health as core server licenses. Licensee's use of Oracle software is restricted to use in conjunction with Truven Health's Software. Licensee may not remove or modify any program markings or any notice of Oracle's or its licensor's proprietary rights. Licensee may not reverse engineer (unless required by law for interoperability), disassemble or decompile the programs (the foregoing prohibition includes but is not limited to review of data structures or similar materials produced by programs), or duplicate the programs except for a sufficient number of copies of each program for Licensee's licensed use and one copy of each program media. Oracle is not liable for: (a) any damages, whether direct, indirect, incidental, special, punitive or consequential; and (b) any loss of profits, revenue, data or data use, arising from the use of Product(s). Licensee may not publish any results of benchmark tests run on Products, without Truven Health's prior written consent. Oracle is an intended third party beneficiary of this Agreement.

15.2 The Software may include source code that Oracle provides as part of its standard shipment of such programs, which source

code will be governed by the terms of this Agreement. Third party technology that may be appropriate or necessary for use with some Oracle programs is specified in Product documentation or as otherwise notified by Truven Health and such third party technology is licensed to the Licensee only for use with Product(s) under the terms of the third party license agreement specified in Product documentation or as otherwise notified by Truven Health and not under the terms of the Agreement.

15.3 In addition to Truven Health's right to audit Licensee's use of the programs, Oracle may audit Licensee's use of the programs to verify compliance with the terms of this license. In the event of such audit Licensee will provide reasonable assistance and access to information in the course of such audit. Licensee will be solely responsible for Licensee's costs incurred in cooperating with the audit.

16. MISCELLANEOUS.

16.1 Governing Law. This Agreement will be interpreted and construed in accordance with the laws of the State of California, without regard to its conflicts of law principles.

16.2 Entire Agreement. This Agreement constitutes the entire agreement between Truven Health and Licensee with respect to the products and services to be furnished hereunder and supersedes all prior and contemporaneous communications between the parties including all oral or written proposals.

16.3 Order of Precedence. The order of precedence is: (i) any Order Form or SOW executed by both parties; (ii) this Agreement and any amendments hereto.

16.4 Licensee Purchase Orders. Nothing contained in any Licensee-issued purchase order, purchase order acknowledgement, purchase order terms and conditions or invoice will in any way modify or add any additional terms or conditions to this Agreement. Such Licensee-issued purchase orders are for Licensee's internal purposes only and do not affect in any way Licensee's obligations under this Agreement; provided however that such typically variable terms as price, quantity, tax exempt status, delivery date, shipping instructions and the like, as applicable and only as mutually agreed upon, may be specified on Licensee-issued purchase orders.

16.5 Assignment. Licensee may assign this Agreement in whole or in part, only with the prior written consent of Truven Health, which consent will not be unreasonably withheld. Any requested assignment: (a) to a direct competitor of Truven Health; (b) that would interfere with performance of obligations under this Agreement; or (c) that changes the scope of the usage and the intent contemplated by the parties under this Agreement, is hereby deemed unreasonable and not subject to a claim of breach of this section. Any attempt by Licensee to assign this Agreement other than in accordance with this Section will be null and void.

16.6 Successors and Assigns. This Agreement will inure to the benefit of each party's successors and permitted assigns. Any permitted assignor will remain liable for performance under the terms of this Agreement.

16.7 Amendment; Waiver. This Agreement may not be modified or amended except by a written instrument signed by duly authorized representatives of Truven Health and Licensee. No failure or delay by either Party to exercise any right hereunder at any time operates as a waiver of such right at any future time.

16.8 Severability. If any portion of this Agreement is found to be invalid or unenforceable, the remaining provisions will remain in effect and the parties will promptly negotiate to replace invalid or unenforceable portions that are essential parts of this Agreement.

16.9 Relationship of the Parties. The parties acknowledge, confirm and agree that they are independent parties and that this Agreement is not intended to create a joint venture, association, partnership, franchise or other form of business or relationship.

16.10 Force Majeure. Neither party will be responsible for delays or failure of performance (other than the failure to make any payment when due) resulting from acts beyond the reasonable control of such party, including but not limited to, acts of God, strikes, walkouts, riots, acts of war, epidemics, governmental regulations, power failure(s), telecommunication failures or Internet failures, earthquakes and other natural disasters.

16.11 Notices. All notices and other communications given or made with respect to this Agreement will be in writing and will be deemed to have been duly given or made on the earlier to occur of delivery of such notice or other communication: (a) if by hand, upon receipt; or (b) if sent by a recognized overnight delivery service, on the first business day following deposit; to the addresses set forth on the signature page of this Agreement or to such other address for a party as will be specified by like notice.

16.12 Publicity and Reference.

16.12.1 Publicity. Truven Health and Licensee agree that Truven Health may publicize the fact that Licensee is a user of the Products and Services in a mutually agreed upon initial press release. Thereafter, Truven Health will use Licensee's name only in a list of other Truven Health Licensees. Any additional publicity concerning Licensee will require Licensee's prior written consent.

16.12.2 Reference. Licensee agrees to participate in the activities that are marked with an 'X' below ("Activity(ies)"); if no Activity is marked, this subsection will not apply:

- Written Case Study** – a document/story describing your experience with use of Truven Health Products
- Video Case Study** – a video version of the case study describing your experience with use of Truven Health Products
- Social Media** – a social media post describing your experience with use of Truven Health Products
- Information Graphics** – graphic visual representation describing your experience with use of Truven Health Products
- Press Release** – issued to press and media in order to make a newsworthy announcement relating to your experience with use of Truven Health Products
- Testimonial Advertisement** – an advertisement describing your experience with use of Truven Health Products
- Reference Customer** – speak at Truven Health Product events and/or with new potential Truven Health Product customers about your experience with use of Truven Health Products
- Customer-facing emails/newsletters** – inclusion in customer and partner-facing emails/newsletters to make a newsworthy announcement relating to your experience with use of Truven Health Products

Licensee's agreement to participate in these activities does not obligate Truven Health to create any such opportunities or to offer such opportunity to Licensee.

16.12.3 Documentation/Use of Marks. If Licensee marks any Activity, above, Licensee grants to Truven Health the right to display Licensee's name, trademarks, service marks, logos, and other identifying information in the documentation associated with such Activity, as approved by Licensee during review of the documentation. Prior to the first public release of any form of documentation, Truven Health will obtain Licensee's approval of the final content. Licensee agrees to review the final content for factual accuracy and to prevent the inadvertent release of any Licensee Confidential Information. Licensee agrees to provide Truven Health with approval or comments in writing.

16.12.4 Ownership. Except for any of Licensee's trademarks, service marks, logos, and other identifying information contained in the documentation, Truven Health will own the documentation, and grants Licensee a license to use and distribute the documentation for Licensee's own advertising and marketing efforts. Both parties will have the right to publish, use, reference, and display the final, approved documentation, in whole or through unedited excerpts, in all forms of media now or hereafter known, and to sublicense the foregoing rights to third parties. Each party agrees that the content of the documentation will not be altered without prior written consent from the other party. Each party also agrees to stop distributing, publicly referencing, and displaying the documentation at any time upon written request from the other party.

16.12.5 Release. Each party agrees to release the other party and its contractors, agents, and employees, from any claims relating to

use of the material that the releasing party provides and which is included in the documentation, so long as such use is in accordance with the rights granted under this subsection.

16.13 Debarment. The parties mutually represent and warrant to one another that they and their respective representatives, to its reasonable knowledge and belief, 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.

16.14 Survival. The terms and conditions of this Agreement or any Order Form or SOW will survive the expiration or other termination to the fullest extent necessary for their enforcement and for the realization of the benefit thereof by the Party in whose favor they operate.

16.15 Third Party Rights. No term of this Agreement, or any Order Form, or SOW is intended to confer a benefit on, or to be enforceable by, any person who is not a party to this Agreement, Order Form, or SOW.

16.16 Authorized Execution. Each person executing this Agreement on behalf of any entity hereby represents and warrants that he or she is duly authorized and has full authority to execute and deliver this Agreement.

16.17 Execution in Counterparts. This Agreement, any Order Form or SOW may be executed simultaneously in two or more counterparts, each or which will be considered an original, but all of which together will constitute one and the same instrument.

16.18 Subcontractors. Licensee acknowledges that Truven Health may use subcontractors in the provision of Products without Licensee's approval or consent. Truven Health will remain fully responsible for performing all obligations under this Agreement. Licensee also acknowledges that any Truven Health Affiliate that performs work under this Agreement is not a subcontractor.

16.19 Nonsolicitation. During the term of any SOW under this Agreement and for a period of 1 year thereafter, the parties will not knowingly directly or indirectly solicit for hire any person who is or has, in the prior 6 months, been an employee, consultant or subcontractor of the other party and was engaged in the provision of Services under the applicable SOW without the other party's prior written consent. Notwithstanding the foregoing, neither party will be deemed to have breached this section by: (a) hiring personnel responding to generally placed help-wanted advertisements or job postings; or (b) hiring personnel of the other party who have been terminated or notified of a pending termination by the other party. In the event either party violates this section the breaching party agrees to pay the other party the equivalent of 6 months compensation, to include, without limitation, salary, bonuses, benefits, training, which the parties agree represents liquidated damages, as direct damages would be difficult, if not impossible to ascertain.

**TRUVEN HEALTH ANALYTICS LLC, AN IBM COMPANY F/K/A TRUVEN HEALTH ANALYTICS INC.
ORDER FORM**

This Order Form ("Order Form") is entered into between Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. ("Truven Health") and Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center ("Licensee") and is incorporated into the Agreement between Truven Health and Licensee effective 12/04/16 ("Agreement"). All capitalized terms not defined herein will have the same meaning as set forth in the Agreement. If Licensee is a new customer, this Order Form has the same effective date as the Agreement to which this Order Form attaches. If Licensee is a renewing customer, the Order Form has the same effective date as the Licensee's subscription start date.

As of the Effective Date for the Fees set forth below and subject to the restrictions, terms and condition set forth herein and in the Agreement, Licensee is granted a license to the following Licensed Content.

| | | | |
|---|---|---|---|
| Client Executive: Scott Bramhall | Currency: US Dollars | Association Membership: N/A | Academic Program: N/A |
| Customer ID, Customer Name, Address T81537 Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center 1700 Mt. Vernon Ave. Bakersfield CA 93306 | Billing Address: 1700 Mt. Vernon Ave. Bakersfield CA 93306 | PO# | Order ID |
| Licensed Locations: See Above | | Subscription Start Date, unless otherwise specified below: 12/04/16 | Subscription End Date: 12/03/17 |
| Integration Vendors (if applicable): Not Integrating | | | |

| Licensed Content | Product Start Date | Delivery Method/Format |
|---|--------------------|------------------------|
| Standard NeoFax and Pediatrics Drug Information | 12/04/16 | |
| Standard NeoFax® Drug Info | 12/04/16 | INTERNET/INTERNET |
| Standard Pediatric Drug Info | 01/01/17 | INTERNET/INTERNET |
| Expanded Drug Information includes: DrugDex® Summary Information (Drug, Disease, Toxicology, & Alternative Med) Drug Identification Complete IV Compatibility Complete Drug Interaction checking | 12/04/16 | INTERNET/INTERNET |
| PDR® & MSDS | 01/01/17 | INTERNET/INTERNET |
| Lab Recommendations | 01/01/17 | INTERNET/INTERNET |
| Micromedex® CareNotes® | 12/04/16 | INTERNET/INTERNET |
| Medication Essential Fact Sheets - Online | 12/04/16 | INTERNET/INTERNET |
| CareNotes® - Integrated | 12/04/16 | INTERNET/INTERNET |

Truven Health will invoice the Total Fees in accordance with the following installment payment schedule and Licensee will pay such invoiced amounts in accordance with the Agreement:

| Billing Date | Installments | Frequency | Note |
|--------------|--------------|-----------|------|
| 12/04/16 | \$40,561.56 | Annual | |

Total Fees: \$40,561.56 ✓

Remit Fees to: Truven Health Analytics LLC, an IBM Company f/k/a Truven Health Analytics Inc. P.O. Box 95334, Chicago, IL 60694-5334
Truven Health Federal Tax ID: 061467923

TRUVEN HEALTH ANALYTICS LLC, AN IBM COMPANY F/K/A TRUVEN HEALTH ANALYTICS INC.
ORDER FORM

SPECIAL TERMS:

For **MICROMEDEX CARENOTES LICENSED CONTENT** only, Truven Health hereby grants Licensee a nonexclusive, nontransferable, limited license: (i) to distribute copies of the document produced using the Licensed Content to patients as either: (a) a reasonable number of printed copies per patient, or (b) an electronic copy made accessible to the patient in connection with their normal non-commercial activities; and (ii) to modify information content within the functionality of such Licensed Content. Licensee's choice of (a) or (b) will be designated under "Platform," above.



E-SIGN RECORD

REGISTERED. SIGNED. TIME-STAMPED.

| | |
|---------------------|--|
| Signed By: | Brendan Williams |
| Date: | 2/1/2017 |
| Time: | 04:03:29 PM (UTC) |
| Original Recipient: | brendanw@us.ibm.com |
| IP: | 157.199.112.25 |
| Message Id | 4F4FC413BAE58242A6920BAEA01362356DD31754 |

Brendan Williams



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

February 15, 2017

Subject: Proposed rescission of Agreement 2017-002-A with HealthTrust Purchasing Group, L.P., and retroactive approval of Participation Agreement with HealthTrust Purchasing Group, L.P.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

On January 18, 2017, your Board approved a Participation Agreement (Agt. #2017-002-A) with HealthTrust Purchasing Group, L.P. (“HealthTrust”) *subject to approval as to form by Counsel*. This item is coming back to your Board because Counsel was unable to approve the agreement as to legal form, as discussed below.

Kern Medical has recommended entering into the agreement with HealthTrust to take advantage of the cost savings of participating in a Group Purchasing Organization (“GPO”). As a GPO, HealthTrust enters into thousands of agreements with third party vendors to provide goods and services at significantly reduced rates to its GPO participants. When purchasing goods and services through HealthTrust, Kern Medical is bound by the terms the HealthTrust vendor contracts. HealthTrust does not permit any changes to the Participation Agreement or these vendor contracts, and Counsel, after reviewing both agreements, has determined they are unable to approve them as to form for the following reasons:

1. The Participation Agreement is evergreen;
2. The Participation Agreement cannot be terminated except for cause; and
3. The vendor agreement contains a limitation of liability in the indemnification provision.



Efforts were made to negotiate revisions to these objectionable provisions, to no avail. Due to the aggregate cost savings associated with participating in the GPO, we feel it is in the best interest of the authority to proceed with the agreement. The risk and potential liability the authority will likely be exposed to by entering into the agreement are unknown. However, Counsel feels that under the circumstances the agreements do not necessarily create a greater than normal level of risk or potential liability on the part of the authority.

Therefore, it is recommended that your Board rescind the previously approved Agreement 2017-002-A with HealthTrust, retroactively approve a new Participation Agreement with HealthTrust, for group purchasing services from February 1, 2017 through January 31, 2022, in exchange for an administrative fee equal to 3% or less of the purchase price of the goods and services purchased from participating vendors, and authorize the Chairman to sign.



**KERN MEDICAL
SUPPLY CHAIN OPTIMIZATION - UPDATE**

Prior State

PURCHASING:

- Transactions accomplished via County Blanket Purchase Orders
- Enormous time frames to accommodate new vendors/products
- Contracting only via competitive bid, even for proprietary products
- No automation: all purchase transactions documented via manual paper based records

INVENTORY MANAGEMENT

- Point of use inventory managed by end users and clinicians
- Fragmented leadership on clinical initiatives = long lead times for resolution

COST MANAGEMENT

- Limited to individual manager initiatives

Initiatives

PURCHASING

Implemented the HBOC/STAR Purchasing System

- Creation of an Item Master File (catalogue of all items purchased by KCHA)
- Multiple data set installations
- End user training

Streamlined Contracting Process

Review/Contracted with New Group Purchasing Organization (GPO)

BENEFITS

- Eliminates paper based records
- Improved productivity
- Automates price management

- Faster access to new/lower cost technology and vendors

- Dramatic Cost Savings associated with conversion

Initiatives

INVENTORY MANAGEMENT

PAR Locations (nursing units) are being redesigned to allow all supplies to be replenished by Central Supply

Patient Charging is being automated via charge labels/charge cards in all “bedded” units.

Implementing bar code labels and readers in all PAR locations

BENEFITS

- Frees clinical staff from supply functions
- Improves reliability of supply availability
- Greatly increases patient charge revenue capture
- Greater accuracy in data collection, charging

Initiatives

SUPPLY COST SAVINGS

Group Purchasing Organization (GPO) Change
From Vizient to HealthTrust Purchasing Group

Multiple direct contracting efforts underway

BENEFITS

- More aggressive contracting
- Better contract alignment with key vendors
- Many vendors have charged higher than market prices, now being addressed.

Future State

ERP SYSTEM REPLACEMENT


From HBOC/STAR to Peoplesoft

- Fully Integrated Purchasing/Contracting/Payables management
- Replaces STAR and Q Sight for inventory management at major points of use (two systems)
- Fully supports GTEN (Global Item Identification) standards

BENEFITS

- Much more robust item activity capabilities
- Automated ordering – greatly reduced clerical activity
- GTEN-Greater pricing and other transparency across products
- Improves abilities to secure prompt pay and other discounts

Background

|  <i>Health for Life.</i> Supply Savings Log 1/11/17 | | | | | |
|--|-------|---------------------------------|--------------|-------------|--|
| | | | | | \$5,444,074 |
| DATE | BUYER | VENDOR | ITEMS | SAVINGS | COMMENTS |
| 9/1/2016 | MS | Stinson's Office Products | Multiple | \$172,500 | No vendor change required |
| 1/1/2017 | CSS | MediSpec | Lithotripsy | \$46,800 | Requires C arm purchase |
| 5/1/2017 | CSS | HPG (GPO Change) | Multiple | \$3,750,000 | GPO Conversion |
| 1/1/2017 | CSS | Neuroradiology | Stents, GW | \$82,500 | New Service |
| 6/1/2016 | CSS | Orthopedic Implants | Implants | \$784,325 | Requires refund/credit from vendor |
| 2/1/2017 | CSS | Siemens Medical | Lab Reagents | \$210,000 | Tier Upgrade (not additive to HPG improvement) |
| 3/1/2017 | CSS | Prime Distributor Consolidation | Multiple | \$259,949 | Estimated savings. To be verified. |
| 2/1/2017 | CSS | MobileMed | Laser Fibers | \$138,000 | New Vendor |

Questions?



HEALTHTRUSTSM

PARTICIPATION AGREEMENT

FOR

QUORUM PURCHASING ADVANTAGE, LLC MEMBERS

Participant Name: Kern County Hospital Authority

Effective Date: 2 | 10 | 2017

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Exhibits



HEALTHTRUSTSM

PARTICIPATION AGREEMENT

This Participation Agreement is between **HealthTrust Purchasing Group, L.P.** (“**HealthTrust**”), a Delaware limited partnership and the following entity (“**Participant**”) (together with all Exhibits, this “**Agreement**”).

| | |
|--------------------------|--------------------------------|
| Participant Legal Name: | Kern County Hospital Authority |
| d/b/a: | Kern Medical |
| Address: | 1700 Mt. Vernon Ave. |
| City, State, Zip: | Bakersfield, California 93306 |
| State of Organization: | California |
| Signer’s Name and Title: | Russell Judd CEO |
| Signer’s Phone Number: | (661) 326-2102 |
| Signer’s Email: | mona.allen@kernmedical.com |

WHEREAS, HealthTrust is a “group purchasing organization” that is structured to comply with the requirements of the “safe harbor” regulations regarding payments to group purchasing organizations set forth in 42 C.F.R. §1001.952(j) and that maintains agreements with vendors for purchasing products, dietary products, equipment and services used by hospitals and other healthcare facilities as part of a group purchasing program; and

WHEREAS, Participant desires to participate in such group purchasing program, and to purchase products and services under such agreements in accordance with the terms and conditions thereof.

NOW, THEREFORE, in consideration of the premises as well as the agreements and covenants detailed in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. Definitions.

The following terms have the following meanings:

- 1.1 “**Affiliate**” means, with respect to any specified entity, any entity that directly or indirectly controls, is controlled by or is under common control with such specified entity. An entity shall be deemed to control another entity if such first entity has the power, directly or indirectly, to direct or cause the direction of the management and policies of such other entity, whether through ownership of voting securities, by contract or otherwise.
- 1.2 “**Agreement**” means this Participation Agreement, including all attachments, addenda, appendices and exhibits as amended from time to time.

- 1.3 “**BAA**” means a business associate agreement entered into between HealthTrust and a Vendor to address possible disclosure of Protected Health Information under HIPAA by a Facility to a Vendor.
- 1.4 “**Compliance Level**” has the meaning set forth in Section 5.2 hereof.
- 1.5 “**Effective Date**” means the date indicated in the title page of this Agreement.
- 1.6 “**Eligibility Date**” means the date Participant and Facilities will be able to start purchasing products and services under the Program.
- 1.7 “**Facility**” or “**Facilities**” means Participant, the Participant hospitals, other Participant healthcare facilities, and other Affiliates of Participant listed on Exhibit B, which will participate in the Program.
- 1.8 “**GPO Affiliation Certificate**” means a certificate in the form set forth as Exhibit C hereto.
- 1.9 “**GPO Fees**” has the meaning set forth in Section 7.
- 1.10 “**HCA**” means HCA Holdings, Inc., a Delaware corporation, and any successor thereto.
- 1.11 “**HealthTrust Website**” means the portion of HealthTrust’s website that is restricted to access by participants in HealthTrust (www.healthtrustpg.com).
- 1.12 “**HealthTrust Vendor Lists**” has the meaning set forth in Section 4.1.
- 1.13 “**HIPAA**” means the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. §1320d.
- 1.14 “**PHI**” means Protected Health Information or individually identifiable health information.
- 1.15 “**Party or Parties**” means HealthTrust and Participant individually as Party or together as Parties.
- 1.16 “**Products and Services**” means the products, dietary products, pharmaceuticals, equipment and services, including distribution services, available pursuant to Vendor Contracts.
- 1.17 “**Program**” means the group purchasing program conducted by HealthTrust, pursuant to which Participant, its Facilities and other healthcare facilities are provided access to Vendor Contracts to purchase Products and Services.
- 1.18 “**Term**” has the meaning set forth in Section 3.
- 1.19 “**Vendor(s)**” or “**HealthTrust Vendor(s)**” means the supplier(s) of Products and Services under Vendor Contracts.
- 1.20 “**Vendor Contracts**” means the purchasing agreements between Vendors and HealthTrust for the purchase of Products and Services through the Program, as well as

any other agreements related thereto, such as, but not limited to, BAAs, which are listed on the HealthTrust Website, as updated from time to time by HealthTrust.

2. Purchase of Products and Services; Facilities.

- 2.1 Eligibility Date. On the Eligibility Date, Participant and Facilities shall be eligible to purchase Products and Services under the Program. HealthTrust shall provide notice to Participant of the Eligibility Date.
- 2.2 Intent of Parties. It is the intent of the Parties to establish a business relationship that complies with the federal anti-kickback statute set forth in 42 U.S.C. §1320a-7b(b). The Parties agree that, for the purposes of this Agreement, HealthTrust is acting as a group purchasing organization. The Parties intend to comply with the requirements of the “safe harbor” regulations regarding payments to group purchasing organizations set forth in 42 C.F.R. §1001.952(j) and the Parties believe that this Agreement satisfies those requirements.
- 2.3 Exclusivity. Subject to the terms and conditions set forth in this Agreement and except for: (i) Participant’s membership in Cardinal Health 188 LLC, doing business as VitalSource, for the purchase of oncology, rheumatology and other specialty pharmaceutical products; and (ii) Participant’s membership in Quorum Purchasing Advantage, LLC (“**Quorum**”) for participation in Quorum’s group purchasing program (the “**QPA Program**”), Participant hereby designates HealthTrust to act as the exclusive independent group purchasing organization for Participant and all Facilities. During the Term, neither Participant nor any of its Facilities shall utilize, participate in or maintain membership in any other group purchasing organization, or utilize any group purchasing, consulting, analytics or contracting services in any other group purchasing organization except for Participant’s and its Facilities’ participation in the QPA Program and receipt of services from Quorum. Notwithstanding the foregoing, and with the exception of Cardinal Health 188 LLC, doing business as VitalSource, and the QPA Program, the Parties intend that this Agreement shall be the exclusive arrangement that Participant and its Facilities utilize for the purchase through a group purchasing organization or similar entity. Participant represents and warrants that its entering into this Agreement does not constitute a default or breach by Participant of any agreement to which Participant is a party; this warranty and representation shall remain in effect throughout the Term. Notwithstanding the foregoing provisions, Participant shall be permitted to contract for services from entities that are competitive to HealthTrust provided Participant does not provide or cause others to provide Confidential Information to such entities.
- 2.4 Authorization. Participant, on behalf of itself and its Facilities, hereby authorizes HealthTrust, as agent to: (i) negotiate the terms of and enter into Vendor Contracts, and to cancel or modify any Vendor Contracts as it deems necessary, advisable or appropriate; (ii) receive rebates from HealthTrust Vendors based on purchases under Vendor Contracts by Participant and Facilities, for payment by HealthTrust to Participant pursuant to Section 7.4; and (iii) receive from Vendors, distributors, and e-commerce companies, data relating to purchases of Products and Services under Vendor Contracts, as well as for products and services not purchased through Vendor Contracts, by Participant and Facilities.

- 2.5 No Separate Agreements. Participant and its Facilities shall not (itself or through third parties) negotiate amendments or modifications to Vendor Contracts or enter into separate agreements with Vendors for Products and Services without the prior written approval of HealthTrust, not to be unreasonably withheld. Participant may negotiate and enter into its own vendor contracts for: (i) products and/or services not covered under any sole, dual, or multi source award HealthTrust Vendor Contract; or (ii) that are covered by an optional source HealthTrust Vendor Contract.
- 2.6 GPO Affiliation Certificate. Each Facility shall execute and deliver to HealthTrust the GPO Affiliation Certificate (a copy of which is attached as Exhibit C) prior to being granted access to the Program.
- 2.7 Facilities Acquired by Participant. If Participant or any of its Affiliates acquires any new hospital or other healthcare facility, or enters into an agreement to manage the supply chain function of an independent healthcare provider, Participant shall advise HealthTrust in writing of such event within thirty (30) days following closing of the transaction. Unless otherwise mutually agreed, HealthTrust and Participant shall enter into an amendment adding such entity as a Facility effective not later than one hundred eighty (180) days following the date of such closing; or in the event such entity is subject to a membership agreement with another GPO signed prior to the closing date, not later than thirty (30) days following the expiration of the then existing term of the GPO membership agreement for such entity. Each entity must qualify as an Affiliate of Participant to qualify as a Facility and Participant must be able to meet its obligations under Section 5.6 as to any entity listed as a Facility.
- 2.8 Facilities Divested by Participant. Any Facilities divested by Participant or its parent Affiliate, or which no longer qualify as an Affiliate of Participant, shall be removed from participation under this Agreement at the conclusion of the transition period described as follows. In this event, Participant shall provide HealthTrust with written notice thereof at least thirty (30) days prior to the closing date of such divestiture or date of ceasing to be an Affiliate of Participant (“**Divestiture Date**”). Such divested Facility shall have the right to continue to participate under this Agreement for a ninety (90) day transition period following the Divestiture Date, or until the divested Facility commences participation with a competitor GPO, whichever first occurs. During such transition period, the divested Facility shall participate under this Agreement as an independent member of HealthTrust separate from Participant and the non-divested Facilities. All payments for rebates earned by the divested Facility during such transition period and any reports or other communications shall be provided by HealthTrust directly to the divested Facility.
- 2.9 Purchase of Products and Services. The Facilities shall have access to the Program and may purchase Products and Services under Vendor Contracts. Each Facility that makes a purchase shall be subject to all terms and conditions of this Agreement.

3. Term and Custom Agreements.

- 3.1 Term. Subject to termination under Section 8, this Agreement shall be in effect for a period of five (5) years commencing on the Effective Date (“**Initial Term**”) with automatic renewals thereafter for periods of five (5) years each (“**Renewal Term**”) unless either Party provides thirty (30) days written notice of non-renewal. “**Term**”

means collectively the Initial Term and all Renewal Terms.

- 3.2 Custom Agreements. In the event this Agreement expires or is terminated without being replaced by a new participation agreement, any separate agreement or commitment entered into by Participant or any of its Facilities under any Vendor Contract (“**Custom Agreement**”) shall terminate concurrently with this Agreement unless such Custom Agreement: (i) expressly provides that it survives termination of this Agreement; or (ii) has a stated term related to the purchase or lease of capital equipment and does not have any automatic termination provision in the event Participant and/or Facilities no longer participate in the Program.
- 3.3 Survival. To ensure regulatory compliance and to permit Participant and its Facilities to meet their contractual commitments to HealthTrust Vendors: (i) if a Vendor permits Participant to actually purchase Products and Services under any Vendor Contracts after the designated termination or expiration date for this Agreement; or (ii) Participant or any Facility has an obligation to purchase Products or Services under its own commitment under a Vendor Contract or Custom Agreement, then Participant remains a member of the Program and this Agreement remains in effect on a non-exclusive basis for such limited purposes and for so long as such purchases continue, HealthTrust shall have the right to retain all of the GPO Fees received for purchases of Products and Services made after the designated termination or expiration date of this Agreement.
- 3.4 Vendor Audits. From time to time, HealthTrust, in its sole discretion, may perform periodic audits of Vendors for purposes including verifying their compliance with: (i) the pricing and other terms of Vendor Contracts; (ii) the amounts paid and payable by participants to Vendor under Vendor Contracts; and (iii) the GPO Fees and Rebates payable by Vendor. Participant agrees that, as fair market value compensation for HealthTrust’s performance of the auditing function, HealthTrust may retain up to ten percent (10%) of the aggregate net positive sum (if any) recovered on behalf of Participant as a result of such audits of purchases during the Term (e.g., overpayments; Rebates), and will pay the balance to the Participant. Participant understands and acknowledges that any portion of Rebates retained as compensation by HealthTrust will still remain subject to disclosure and allocation in full in accordance with Section 7.4. Notwithstanding the foregoing, and subject to Section 3.3, HealthTrust shall have the right to retain the full amount of any recoveries from audits performed more than one (1) year following the termination or expiration of this Agreement, excluding any period for survival as stated in Section 3.3.

4. Covenants and Responsibilities of HealthTrust.

- 4.1 Access to the Program. HealthTrust shall provide Participant with access to the HealthTrust Website. HealthTrust maintains a current list of Vendor Contracts on the HealthTrust Website which are hereby incorporated as part of this Agreement (“**HealthTrust Vendor Lists**”). The HealthTrust Website also provides access to Products and Services, pricing, delivery, ordering requirements and other terms thereof, available for purchase under Vendor Contracts, which can be accessed in the secure section of HealthTrust’s Website under the tab titled “Contracts”. HealthTrust shall notify Participant of new Vendor Contracts and shall periodically update the HealthTrust Website to provide a current list of Vendor Contracts. The Parties hereby agree that, upon posting an updated list of Vendor Contracts on the HealthTrust

Website, this Agreement shall be deemed amended to incorporate such updated list of Vendor Contracts. Participant and its Facilities agree: (i) to periodically (at least annually) check such website to obtain a copy of this updated list of Vendor Contracts; and (ii) to comply with all terms and conditions of access and use of the HealthTrust Website, as provided on such HealthTrust Website.

- 4.2 Notification to Vendors. HealthTrust shall notify HealthTrust Vendors that Participant and its Facilities are eligible to purchase under Vendor Contracts.
- 4.3 HealthTrust Conferences. HealthTrust may host conferences in which educational presentations are provided for members and HealthTrust Vendors participate in a vendor event in which their products and services are featured to member attendees. In such event, a limited number of Participant representatives may be permitted to attend such conferences with HealthTrust underwriting a portion of the costs thereof. The number of Participant representatives invited and the costs covered shall be at the discretion of HealthTrust, but will generally be comparable to that provided other members of HealthTrust of similar size as Participant.
- 4.4 Services by HealthTrust Affiliates. Participant acknowledges that HealthTrust and partners in HealthTrust have Affiliates that provide healthcare services and other kinds of services related to the provision of healthcare. Certain of these Affiliates may, from time to time, make proposals to, or do business with, Participant or its Affiliates. Participant and its Affiliates shall not be required to accept any such proposal, or to do any such business, as a result of this Agreement or any other business relationship between HealthTrust and Participant and their respective Affiliates. It is understood by the Parties that execution of this Agreement does not give rise to any obligation whatsoever, either express or implied, on the part of Participant or any of its Affiliates to provide any business or referrals to HealthTrust, any partner in HealthTrust, or any Affiliates of HealthTrust or any Affiliates of such partner.

5. Covenants and Responsibilities of Participant.

Participant, for itself and for each of the Facilities that purchase under Vendor Contracts, whether or not set forth on Exhibit B, represents and warrants to, and covenants with, HealthTrust as follows:

- 5.1 Compliance with Contract Terms. Participant will cause each of the Facilities to: (i) comply with all terms of this Agreement as if a party hereto; (ii) comply with all terms of Vendor Contracts, including without limitation, payment terms and compliance levels; and (iii) execute separate agreements or acknowledgements as reasonably requested by HealthTrust or any particular HealthTrust Vendor evidencing such Facility's participation in the Program and agreement to comply with the terms of this Agreement and the relevant Vendor Contracts.
- 5.2 Meeting the Compliance Level. Subject to any exceptions expressly stated in this Agreement, for: (i) the twelve (12) month period commencing on the Eligibility Date; and (ii) each twelve (12) month period commencing on the first day of each calendar quarter during the Term, Participant and its Facilities in the aggregate shall meet or exceed the Compliance Level. "**Compliance Level**" means of all products and services purchased by Participant and Facilities which are the same or comparable to Products

and Services available under Vendor Contracts with a sole, dual or multi-source award status, at least eighty percent (80%) of such purchases (as measured in dollars spent by Participant and Facilities) were made under Vendor Contracts. Notwithstanding the foregoing, purchases of products or services other than under Vendor Contracts, when necessary for patient care considerations that are not able to be met by Products and Services, shall not be included in the calculation for meeting the Compliance Level.

- 5.3 Compliance Certificate. Intentionally Omitted.
- 5.4 Existing Vendor Contracts. In the event that Participant's existing Vendor Contracts set forth on Exhibit A do not permit Participant to comply with Section 5.2 with respect to one or more Facilities and any one or more particular Vendor Contracts, Participant shall transition such Facility or Facilities to the particular Vendor Contracts in the Program at the first appropriate opportunity. Nothing in this Section 5.4 shall be construed to require or encourage Participant or any of its Facilities to improperly terminate or breach in any way any existing Vendor Contract to which Participant or any of its Facilities is a party.
- 5.5 Purchases Are For Own Use. Participant agrees that all products purchased by it or its Facilities under Vendor Contracts will be for use in the provision of healthcare services in its Facilities, and not for resale or distribution to third parties other than in the course of the provision of healthcare services by such Facilities. Participant acknowledges that such prohibition on resale and distribution extends to resale or distribution to physician practices other than those owned, controlled, or managed by Participant and listed on Exhibit B. The Parties acknowledge that to the extent any Vendor Contracts contain prohibition of purchases by physician practices, physician practice Facilities shall not be able to purchase under those contracts until so advised by HealthTrust.
- 5.6 Affiliates of Participant. Participant warrants that all Facilities as of the Effective Date and as later added to Exhibit B by amendment, qualify as Affiliates of Participant and furnish services to third parties for which payment may be made in whole or in part under Medicare or a state healthcare program.
- 5.7 Warranty of Non-Exclusion. The Parties hereby represents and warrants that they are not currently excluded, debarred, or otherwise ineligible to participate in Federal healthcare programs as defined in 42 U.S.C. § 1320a-7b(f) or any state healthcare program (the "**Healthcare Programs**") and to the Parties' knowledge, are not under investigation or otherwise aware of any circumstances which may result in the Parties being excluded from participation in the Healthcare Programs. These representations and warranties shall be ongoing during the Term, and the Parties shall immediately notify the other Party of any change in the status of the representations and warranties set forth in this Section 5.7.
- 5.8 Business Associate Agreements. Participant acknowledges and agrees that HealthTrust may provide on the HealthTrust Website, copies of BAAs as a convenience for all HealthTrust participants. HealthTrust does not accept any legal, financial or other obligation or responsibility relating to the BAAs or the posting of BAAs. Participant further acknowledges and agrees that it is solely responsible for determining if the BAAs meet its own legal and other obligations under HIPAA and any other laws and regulations. Participant further acknowledges that there may be certain Vendors which

have not entered into a BAA with HealthTrust. HealthTrust does not accept any legal, financial, or other obligation relating to Participant's reliance on the absence of a BAA between a Vendor and HealthTrust as suggesting that a BAA is not required, and Participant is solely responsible for determining: (i) whether a BAA with a Vendor is required; and (ii) the content of any such BAA.

- 5.9 HealthTrust is Not a Business Associate. It is not the intent of this relationship to have PHI disclosed by Participant or any Facility to HealthTrust or to, in any way, make HealthTrust a business associate (as defined in HIPAA) to Participant or any Facility.

6. HealthTrust Disclaimer, Company Release and Indemnification

- 6.1 Disclaimer. All purchases under Vendor Contracts by Participant and its Facilities for Products and Services shall be between Participant or such Facility as applicable and the Vendor. HealthTrust shall not be a party to any such purchases and shall have no liability under any such agreement or with respect to any such purchases or any Products and Services furnished under any such agreement. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING: (i) HEALTHTRUST DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED, AS TO ANY PRODUCTS AND SERVICES SOLD BY ANY HEALTHTRUST VENDOR; AND (ii) PARTICIPANT HEREBY EXPRESSLY RELEASES HEALTHTRUST FROM ANY AND ALL LIABILITY AND CLAIMS RELATING TO THE PRODUCTS AND SERVICES, AND ANY BREACH OR ALLEGED BREACH OF WARRANTY IN CONNECTION WITH THE PRODUCTS AND SERVICES.
- 6.2 Participant/Facility Indemnity. Participant and its Facilities shall defend, indemnify and hold harmless HealthTrust, the partners in HealthTrust, and their respective Affiliates, agents, officers, directors and employees (the "Indemnitees") from and against any and all losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees, witness fees, investigation expenses, any and all other out-of-pocket expenses, any punitive or consequential damages, and any other expenses incident thereto), in connection with third party claims or actions relating to acts or omissions of Participant and Facilities which relate in any way to this Agreement or purchases from Vendors, including without limitation, any claims resulting from a failure to pay for any Products and Services purchased by Participant or any of its Facilities, any product liability claims associated with the Products and Services purchased by Participant or any of its Facilities, or any failure to comply with Participant's obligations to allocate Rebates under Section 7.4.
- 6.3 HealthTrust Indemnity. HealthTrust shall defend, indemnify and hold harmless Participant, the Facilities, and their respective Affiliates, agents, officers, directors and employees (the "Participant Indemnitees") from and against any and all losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees in connection with third party claims or actions relating to negligent acts or omissions of HealthTrust which relate in any way to this Agreement.

7. GPO Fees, Rebates, and Global Sourcing Fees.

- 7.1 GPO Fees. Participant acknowledges that: (i) HealthTrust will receive payment of fees for administrative and other services provided by HealthTrust from Vendors based on Products and Services purchased, licensed or leased by Participant and its Facilities (“GPO Fees”) during the Term; (ii) the percentage of the GPO Fees will generally be three percent (3%) or less from each Vendor if a GPO Fee is paid, but may in some cases be higher; and (iii) HealthTrust will receive GPO Fees from some Vendors that are distributors of Products in amounts that are one percent (1%) or less but resulting in an aggregate GPO Fee from both HealthTrust Vendor manufacturer and HealthTrust Vendor distributor that may exceed three percent (3%) of the purchase price paid by a Facility, but which shall not exceed four percent (4%) of the purchase price paid by a Facility. With respect to Vendor Contract between AT&T and HealthTrust for long distance telephone services, HealthTrust receives a GPO Fee of four and one half percent (4.5%).
- 7.2 The HealthTrust Website. The HealthTrust Website includes: (i) a list of Vendor Contracts; (ii) a list of Vendor Contracts where HealthTrust Vendors have agreed to pay GPO Fees of three percent (3%) or less; (iii) a list of Vendor Contracts with distributors listing the GPO Fee to be paid to HealthTrust by each distributor; and (iv) a list of Vendor Contracts where HealthTrust Vendors have agreed to pay GPO Fees to HealthTrust greater than three percent (3%), including the specific percentage of the GPO Fee or the maximum GPO Fee.
- 7.3 Disclosure of GPO Fees. HealthTrust shall disclose to Participant on an annual basis, in writing, with respect to purchases of Products and Services by each Participant and by each of the Facilities, the names of HealthTrust Vendors and the specific amount of GPO Fees received from each such Vendor for Products and Services purchased by Participant and its Facilities. HealthTrust shall disclose to the Secretary of the United States Department of Health and Human Services, upon request, the amount of GPO Fees received by HealthTrust from each Vendor with respect to Products and Services which are purchased, licensed or leased by Participant and its Facilities. Participant will disclose the applicable GPO Fee information provided by HealthTrust regarding such GPO Fees to each of its Facilities. All GPO Fees received by HealthTrust as a result of purchases by Participant and its Facilities under the survival provisions of Section 3.3 shall be retained by HealthTrust.
- 7.4 Rebates. HealthTrust will pay to Participant any funds received from Vendors designated as Vendor rebates based on purchases of Products and Services by Participant and its Facilities during the Term. Participant acknowledges that any such rebates received from HealthTrust in respect to purchases made under HealthTrust Vendor Contracts will be allocated among all Facilities participating in the Program in amounts proportionate to the dollar amount of Products and Services giving rise to such rebate purchased by each Facility participating in the Program and as otherwise required by law and/or regulation. The amount of any rebate distributed to Participant shall be treated as a discount to Participant’s and Facilities’ cost for the applicable Products and Services. Participant is responsible for allocating any such rebate so received, as well as any rebate received directly from any Vendor, among its Facilities and for providing all required information regarding such rebate amounts and allocations to its Facilities as required by law and/or regulation. It is the intent of the Parties to establish a business

relationship that complies with the Medicare, and Medicaid anti-kickback statutes set forth at 42 U.S.C. §1320a-7b(b). In certain instances, invoices from Vendors may not accurately reflect the net cost of Products and Services to Participant and/or Facility. Where a discount or other reduction in price is applicable, the Parties also intend to comply with the requirements of 42 U.S.C. §1320a-7b(b)(3)(A) and the “safe harbor” regulations regarding discounts or other reductions in price set forth in 42 C.F.R. §1001.952(h). In this regard, the Parties acknowledge that Participant will satisfy, and ensure that its Facilities satisfy any and all legal and regulatory requirements imposed on buyers. Thus, Participant will accurately report, under any state or federal program that provides cost or charge based reimbursement for the Products and Services covered by this Agreement, the net cost actually paid by the Participant and/or Facility, pursuant to such Vendor Contracts.

7.5 Global Products and Global Sourcing Fee. Participant acknowledges that HealthTrust is engaged in a program to achieve savings on products (“**Global Products**”) by sourcing them internationally through a coordinated arrangement with a third party (or third parties). Due to the investment of HealthTrust in this program, as well as the services and clinical expertise that HealthTrust will dedicate to sourcing products globally, pricing for Global Products made available to Participant and Facilities for purchase may also include a fee payable to HealthTrust (a “**Global Sourcing Fee**”). While the Global Sourcing Fee is not calculated based on a specific formula related to sourcing costs, the amount of the Global Sourcing Fee will range from zero percent (0%) up to a maximum of five percent (5%) of the sourcing costs. As used in this Section, “sourcing costs” includes costs for purchasing Global Products from the manufacturer and transportation and logistics costs for delivery to the distribution warehouse.

8. Termination.

8.1 HealthTrust’s Right to Terminate for Non-Compliance or Breach.

8.1.1 Termination for Non-Compliance or Breach. HealthTrust shall have the right to terminate this Agreement on ninety (90) days’ prior written notice to Participant if: (i) Participant and its Facilities, taken as a whole, fail to maintain the Compliance Level for any two consecutive calendar quarters; (ii) Participant or any of its Facilities fails to comply with the terms and conditions of any of Vendor Contracts; or (iii) Participant or any of its Facilities otherwise breaches any material provision of this Agreement, *provided, however*, that HealthTrust may so terminate this Agreement in the event of a breach described above only if HealthTrust shall have given Participant written notice of the specifics of the breach and Participant shall not have cured such breach or caused such breach to be cured within ninety (90) days after receipt of such written notice. Notwithstanding the foregoing, in the event Participant is in breach of the exclusive group purchasing provisions in Sections 2.3 of this Agreement, HealthTrust may terminate this Agreement immediately if such breach has not been cured within fifteen (15) days following Participant’s receipt of written notice of such breach. The foregoing termination rights shall be in addition to the rights and remedies provided in Section 9.6 or elsewhere in this Agreement, or at law or equity. HealthTrust’s termination rights under this Agreement shall not be construed to alter, modify or limit in any way HealthTrust’s or any Indemnitee’s rights and remedies as an Indemnitee under this Agreement.

- 8.1.2 Termination for Transfer of Ownership or Bankruptcy of Participant. HealthTrust shall also have the right to terminate this Agreement in its entirety upon ninety (90) days' prior notice: (i) upon the transfer, directly or indirectly, by sale, merger or otherwise, of substantially all of the assets of Participant or its ultimate parent or any permitted assignee to an independent third party (upon assignment to such assignee); (ii) in the event that more than forty-nine percent (49%) of Participant's capital stock or equity ownership, or the capital stock or equity ownership of its ultimate parent, or any such permitted assignee is transferred to an independent third party entity; (iii) upon Participant filing for protection under any bankruptcy laws or being the subject of any involuntary bankruptcy proceeding; or (iv) upon Participant and all Facilities failing to make any purchases under any Vendor Contracts over any sixty (60) day period. If Participant ceases to do business as a going concern at the address(es) listed on Exhibit B or any subsequent new address for which notice has been provided to HealthTrust, HealthTrust shall have the right to terminate this Agreement effective fifteen (15) days after sending notice of termination to Participant.
- 8.1.3 Termination for Transfer of Ownership or Bankruptcy of a Facility. HealthTrust shall also have the right to terminate this Agreement with respect to any particular Facility, upon ninety (90) days' prior notice to Participant and the Facility: (i) upon the transfer, directly or indirectly, by sale, merger or otherwise, of substantially all of the assets of the Facility to an independent third party; (ii) in the event that more than forty-nine percent (49%) of the Facility's capital stock or equity ownership is transferred to an independent third party entity; (iii) upon Facility filing for protection under any bankruptcy laws or being the subject of any involuntary bankruptcy proceeding; (iv) upon Facility failing to make any purchases under any Vendor Contracts over any sixty (60) day period; or (v) if Facility is managed by Participant, upon termination of Participant's agreement with Facility to manage its material management function. HealthTrust shall also have the right to terminate this Agreement with respect to any Facility with fifteen (15) days' prior notice upon the Facility becoming a member of another group purchasing organization. If a Facility ceases to do business as a going concern at the address(es) listed on Exhibit B, HealthTrust shall have the right to terminate this Agreement with respect to such Facility effective fifteen (15) days after sending notice of termination to Participant and the Facility.
- 8.2 Participant's Right to Terminate; Sole Remedy. Except as provided in Section 9.6, as it's sole remedy Participant may terminate this Agreement if HealthTrust (including HealthTrust employees, agents, officers, partners or subcontractors) breaches any material provision in this Agreement and fails to cure such breach within ninety (90) days from receipt of written notice thereof.
- 8.3 Non-appropriation. Participant, as a government entity, reserves the right to terminate this Agreement in the event insufficient funds are appropriated for this Agreement in any fiscal year under the provisions of California Constitution Article 16 section 18a. Participants's fiscal year is July 1 to June 30 of each calendar year. Upon such termination, Participant will be released from any further financial obligation to HealthTrust, 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. HealthTrust will be given thirty (30) days' prior written notice in the event that Participant requires such an action.

- 8.4 Termination by Participant. Notwithstanding the foregoing, Participant shall have the right to immediately suspend this Agreement for any of the following reasons and terminate this Agreement if not cured within sixty (60) days following HealthTrust's receipt of written notice in the event: (i) continuation by HealthTrust in the providing of services may result in civil, criminal, or monetary penalties against Participant; (ii) the violation of any federal or state law or regulatory rule or regulation or condition of accreditation or certification to which Participant is subject; (iii) commission of a material act involving moral turpitude, fraud, dishonesty, embezzlement, misappropriation or financial dishonesty by HealthTrust against Participant; or (iv) the loss or threatened loss of Participants's ability to participate in any federal or state health care program, including Medicare or Medi-Cal, due to the actions of HealthTrust.
- 8.5 No Continuing Obligations. Upon termination of this Agreement, HealthTrust shall have no further obligations hereunder, including, without limitation, no obligation to maintain, update or advise Participant or its Facilities concerning any Products or Services, except: (i) as necessary to support any continuing contracts under Section 3.3; (ii) to receive, process and pay to Participant its allocable portion of any rebates earned prior to termination; and (iii) to provide the applicable reporting for rebates and GPO Fees with respect to Participant purchases from Vendors made prior to termination or for any Custom Agreements that remain in effect after the date of intended termination. HealthTrust shall have no obligation to pay Participant any amounts received by HealthTrust from Vendors more than one (1) year after termination of this Agreement based on purchases by Participant or Facilities under Vendor Contracts. Participant shall remain obligated to pay for all purchases by it and the Facilities made under such Vendor Contracts.

9. Confidentiality.

- 9.1 Confidential Information. "Confidential Information" is defined to include all information, documents and instruments (including, without limitation, all information regarding the pricing, rebates, discounts, shipping terms and other terms and conditions of Vendor Contracts) delivered or otherwise provided to Participant or its Facilities, or any of their agents, directors, officers or employees as well as information relating to quantities of Products and Services purchased by Participant and/or its Facilities, except as otherwise expressly provided in this Agreement.
- 9.2 Confidentiality Requirements; Authorization to use Confidential Information. Participant agrees that throughout the Term and for a period of five (5) years thereafter it and Facilities shall maintain all Confidential Information in strict confidence, shall use such Confidential Information only as is required in connection with its provision of healthcare services, and may disclose such Confidential Information only on a "need to know" basis to its duly authorized officers, directors, representatives, consultants, accountants, attorneys and agents and to the duly authorized officers, directors, representatives and agents of its Affiliates, subject to the confidentiality provisions contained in this Agreement and any Vendor Contract. Participant shall communicate to each recipient the confidentiality obligations of this Agreement, and shall cause those

persons to hold Confidential Information in strict confidence as if a party hereto. Prior to receipt of any Confidential Information, Participant shall submit the above described non-employees of Participant or any Facility (e.g., consultants) (“**Other Persons**”) to HealthTrust for approval, not to be unreasonably withheld, and for signing, a written confidentiality agreement prepared by HealthTrust. Notwithstanding anything herein to the contrary, the definition of “Other Persons” shall not include any entity that functions as a group purchasing organization or is an Affiliate of such an entity, such disclosures being expressly prohibited unless approved in advance in writing by HealthTrust. HealthTrust will maintain in confidence the quantities of Products and Services purchased by Participant and its Facilities and any other information on written documents disclosed to HealthTrust by Participant and labeled as “Confidential” (“**Participant Confidential Information**”) and to not disclose such Participant Confidential Information to any third parties, except that HealthTrust may use and disclose Participant Confidential Information as permitted in Section 21, Data.

- 9.3 Exceptions. Notwithstanding the foregoing, no Party shall be prohibited from using or permitting the use of and no Party shall be required to hold in confidence any information to the extent that: (i) such information is or becomes available in the public domain, or publically known, through no fault of such Party; (ii) such information is lawfully acquired by such Party from sources other than a Party, any Facility or Affiliate of such Party, or any of their respective agents, directors, officers or employees, and the acquisition of such information is without restriction of further disclosure and, to the knowledge of the acquiring Party, is not in breach of any confidentiality obligation to which the Party providing such information is subject, or (iii) disclosure is required by law.
- 9.4 Government Facilities. Notwithstanding Section 9.2, in the event that any Facility is a governmental unit and is required by law to disclose certain confidential information to the public, Participant shall not be liable pursuant to Section 9.2 above, *provided*, that such Facility: (i) furnishes only that portion of the information which such Facility is required by law to disclose; (ii) furnishes such information only in a manner to the extent that is required to comply with applicable laws and regulations; (iii) informs HealthTrust of the required disclosure and the legal basis on which such disclosure is required to be made prior to making such disclosure; and (iv) affords HealthTrust the opportunity to intervene for the purpose of seeking an appropriate protective order or otherwise protecting HealthTrust’s interest in the information to be disclosed.
- 9.5 Compelled Disclosures. To the extent that a Party, any Affiliate of a Party, any Facility or, to the knowledge of such Party, any current or former employee of any such Party or entity is requested (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any information required to be kept confidential pursuant to Section 9.2 above, such Party will take all necessary action to maintain, or cause to be maintained (and to cause any such Affiliate or Facility, or in respect of a current or former employee, to use its reasonable efforts to cause such employee to maintain) the confidentiality of such information and to provide prompt notice to the other Party, so that such other Party may seek an appropriate protective order or waive compliance with Section 9.2 above. If, in the absence of a protective order or the receipt of a waiver hereunder, the person who has received such a request is, nonetheless, in the reasonable written opinion of counsel, legally required to disclose such information, such person may disclose such

information, and no Party shall be liable pursuant to Section 9.2 above, *provided*, that such person: (i) furnishes only that portion of the information which it is legally compelled to disclose; and (ii) exercises its reasonable efforts to obtain assurance that confidential treatment will be accorded to the disclosed portion of the information. Notwithstanding the foregoing, each Party shall be permitted to disclose confidential information in any proceeding in which it is in an adversarial position to the other Party.

- 9.6 **Remedies for Breach of Confidentiality.** In the event HealthTrust, Participant or any of its Facilities breaches any confidentiality obligation provided herein, the non-breaching entity shall be entitled to specific performance and injunctive relief, without any showing of irreparable harm or damage. Any requirement for the securing or posting of any bond, or submitting proof of the economic value of any trade secret in connection with such remedy is hereby waived. Such remedies shall not be deemed to be the exclusive remedies for any breach by HealthTrust, Participant or any of its Facilities of any confidentiality obligation herein, and will be in addition to all other remedies available at law or in equity.

10. Limitation of Liability.

Except for indemnification and confidentiality obligations provided herein, in no event will Participant, Facilities, HealthTrust or any of their respective Affiliates, agents, officers, directors and employees be liable to each other for any indirect, punitive, special, incidental or consequential damage each may suffer in connection with or arising out of this Agreement (including loss of profits, use, data or other economic advantage), however it arises, whether for breach of this Agreement, or in tort, even if they have been previously advised of the possibility of such damage. The liabilities or obligations of Participant with respect to its activities pursuant to this Agreement shall be the liabilities or obligations solely of Participant and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

11. Access to Books and Records.

Until the expiration of four (4) years after the Term (including any renewal term), HealthTrust shall make available to the Secretary of the United States Department of Health and Human Services, the United States Comptroller General, and their duly authorized representatives, in accordance with 42 C.F.R. § 420.300 et seq., this Agreement and all books, documents, and records necessary to certify the nature and extent of the costs of the services provided by HealthTrust hereunder. If HealthTrust carries out any of its duties hereunder through a subcontract worth ten thousand dollars (\$10,000.00) or more over a twelve (12) month period with a related organization, the subcontract also shall contain an access clause to permit such access by the Secretary, the Comptroller General, and their duly authorized representatives to the related organization's books, documents and records. The Parties agree that any attorney-client, accountant-client or any other legal privilege shall not be deemed waived by virtue of the provisions of this Section 11.

12. Audit Rights.

- 12.1 **HealthTrust Audit Rights.** HealthTrust shall have the right, at its expense, to review and audit the books, records, and documents (whether in hardcopy, electronic or other form) of Participant and the Facilities to verify compliance with their obligations under this

Agreement, the volumes of purchases of Products and Services under Vendor Contracts, and to obtain any data and information required for HealthTrust to fulfill its responsibilities as a group purchasing organization for healthcare providers. The audit shall be conducted only after reasonable notice and during normal business hours, and may be conducted by HealthTrust's employees or agents, or by a third party auditor. This right of audit may be exercised no more than one (1) time per year for Participant and each Facility. Participant will cooperate with HealthTrust to provide the above-stated materials, and to provide any reasonable assistance to HealthTrust and its auditors necessary for HealthTrust to carry out any audit as permitted herein, at no cost to HealthTrust.

- 12.2 Participant Rights to Access Records. HealthTrust agrees to maintain and make available to Participant accurate books and records relative to Participant's purchases of Products and Services under Vendor Contracts and information related to the contracted Vendors.. HealthTrust shall permit Participant to examine and make excerpts and transcripts from such records, and to conduct reviews of all invoices, materials, records or personnel or other data related to all other matters related to Participant's purchases of Products and Services under Vendor Contracts and information required by Participant to produce by a requesting state or federal agency. HealthTrust 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 Participant herein.

13. Notices.

All notices or other communications required or permitted under this Agreement shall be in writing and sent by express delivery service, with proof of delivery, electronic mail with receipt acknowledgement or delivered personally. Notices shall be deemed to have been given upon receipt. Notices shall be addressed to each Party as set forth below:

Address for Notice:

Vice-President, Sales and Marketing
HealthTrust Purchasing Group, L.P.
1100 Charlotte Avenue, Suite 1100
Nashville, Tennessee 37203
Email: CorpDLSalesNotice@Healthtrustpg.com

With a copy to:

Chief Legal Officer
HealthTrust Purchasing Group, L.P.
1100 Charlotte Avenue, Suite 1100
Nashville, Tennessee 37203
Email: CorpDLLegalNotice@Healthtrustpg.com

Participant: to the address provided in the text box.

14. Assignment.

Neither Participant nor any Facility may assign this Agreement, or any of its rights or obligations set forth herein, without the prior written consent of HealthTrust. No assignment in violation of the provisions of this Agreement shall vest any rights in any purported assignee. Participant hereby consents to assignment by HealthTrust of its rights and obligations under this Agreement to any Affiliate of HCA Holdings, Inc., or to a successor entity of HealthTrust as part of an internal reorganization of HealthTrust which results in HealthTrust being organized in one or more different legal entities or any other corporate form(s), whether through conversion, merger, or otherwise. Subject to the foregoing, all terms, conditions, covenants and agreements contained herein shall inure to the benefit of and be binding upon any successor and any permitted assignees of the respective Parties. It is further understood and agreed that consent by HealthTrust to the assignment of this Agreement by Participant or any Facility in one instance shall not constitute consent by HealthTrust to any other assignment.

15. Entire Agreement.

15.1 Entire Agreement. This Agreement, together with the exhibits thereto, as such exhibits may be modified or supplemented from time to time pursuant to the terms of this Agreement, sets forth the entire agreement and understanding of the Parties in respect of the transactions contemplated hereby, and supersedes all prior agreements, arrangements and understandings relating to the subject matter hereof. No Party has relied upon any oral or written statement, representation, warranty, covenant, condition, understanding or agreement made by any other Party or any representative, agent or employee thereof, except for those expressly set forth in this Agreement or in the exhibits hereto.

15.2 All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently. The failure by either Party to enforce any term shall not be deemed to be a waiver of future enforcement of that or any other term of this Agreement.

16. Severability.

This Agreement shall be construed to be in accordance with any and all applicable federal and state laws and regulations. In the event there is a change in any applicable laws and regulation that has any material effect on the legality of any provision of this Agreement (“**Affected Provision**”), then the Affected Provision shall be deemed ineffective to the extent of such change in law or regulation without invalidating the remaining provisions hereof or affecting the validity or enforceability of such Affected Provision in any other jurisdiction. The Affected Provision shall be renegotiated in good faith by the Parties at the written request of either Party (the Party making such request is hereinafter referred to as the “**Requesting Party**”). If the parties are unable to renegotiate the Affected Provision to bring it into compliance with the applicable law or regulation within forty-five (45) days of the date on which the Requesting Party provides notice of the change, the Affected Provision will be terminated and be of no further force and effect. In such event, the remainder of the Agreement shall remain in full force and effect.

17. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws and principles.

18. Counterparts; Means of Execution.

This Agreement and any amendments may be executed by the Parties individually or in any combination, in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same agreement. Execution and delivery of this Agreement and any amendments by the Parties shall be legally valid and effective through: (i) executing and delivering the paper copy of the document; (ii) transmitting the executed paper copy of the document by facsimile transmission, or electronic mail in “portable document format” (“**.pdf**”) or other electronically scanned format; or (iii) creating, generating, sending, receiving or storing by electronic means this Agreement and any amendments, the execution of which is accomplished through use of an electronic process associated with this Agreement, and executed or adopted by a Party with the intent to execute this Agreement (i.e., “electronic signature” through a process such as DocuSign®).

19. Amendment.

Except as provided in Section 4.1, this Agreement may be amended, modified, superseded or supplemented only by a written instrument expressly stating an intent to amend, modify, supersede, or supplement this Agreement, executed and delivered by each of the Parties.

20. Conflict of Interest.

HealthTrust 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. HealthTrust 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, Participant may immediately terminate this Agreement by giving written notice thereof.

21. Data.

HealthTrust shall be the exclusive owner of the compilation of pricing data related to Products and Services. All purchasing transaction data (other than pricing data related to Products and Services) resulting from purchase of Products and Services by Participant and Facilities shall be owned by Participant. Participant will transmit its procurement data to HealthTrust through a data feed in a format and frequency specified by HealthTrust. Participant hereby authorizes HealthTrust to have access to Participant’s (and Facilities’) purchasing transaction data, whether through Vendors, distributors, or any business-to-business e-commerce companies through which orders for Products and Services, as well as for products and services not purchased through Vendor Contracts, are placed by Participant and its Facilities. Participant further authorizes HealthTrust to use purchasing transaction data from Participant and Facilities for statistical analysis, GPO functions and other similar purposes, to provide such data to other

members and third parties provided such data is de-identified and no portion of the data contains any PHI or other patient identification information or information that can be specifically traced to Participant or any of its Facilities, in which case such purchasing transaction data shall not be Confidential Information.

22. No Third-Party Beneficiaries.

This Agreement is solely for the benefit of the Parties, and should not be construed to confer upon any other person any remedy, claim, liability, right of reimbursement, claim of action or other right.

23. Authority to Bind Participant. It is understood that HealthTrust, in its performance of any and all duties under this Agreement, has no authority to commit Participant to purchase Products and Services under any Vendor Contracts.

24. Drug Enforcement Administration Registration Numbers.

Participant hereby consents to HealthTrust providing Drug Enforcement Administration registration numbers (“DEA” numbers) for itself and all Facilities, to HealthTrust Vendors, including authorized HealthTrust distributors; and to HealthTrust receiving such DEA numbers from HealthTrust Vendors, authorized HealthTrust distributors, and any other appropriate sources.

25. Name and Logos.

Participant authorizes HealthTrust to use Participant’s names and logos, as provided by Participant to HealthTrust, on HealthTrust’s proprietary website and other HealthTrust publications listing Participant among other entities that are members of HealthTrust.

26. Force Majeure.

Neither Party shall be liable to the other Party for any delay or failure to perform its obligations hereunder if such delay or failure results from causes beyond its reasonable control. Such causes may include, without limitation, acts of God, fires or other catastrophes, telecommunications failures, equipment failures, power failures, labor disputes, strikes, delays in transportation, riots, war, governmental regulations, non-performance by suppliers and Vendors, or problems experienced by HealthTrust as a result of its own, HCA Holdings, Inc. or any other third party’s computer software or hardware failures (an “Event of Force Majeure”). Each party shall give the other party prompt notice of any Event of Force Majeure that may cause delay or non-performance of its obligations hereunder.

[Signature page follows]

IN WITNESS WHEREOF, each Party has duly executed, or has caused this Agreement to be duly executed, as of the date first above written.

HealthTrust Purchasing Group, L.P.
by its general partner, HPG Enterprises, LLC

Kern County Hospital Authority

HealthTrust Signee: 

Participant Signee:

HealthTrust Signee Name: **DOUG SWANSON**

Participant Signee Name:

HealthTrust Signee Title: **SENIOR VICE PRESIDENT**

Participant Signee Title:

HealthTrust Signature Date: **2/10/2017**

Participant Signature Date:

REVIEWED ONLY
NOT APPROVED as to form
by 
Office of County Counsel

Exhibits List

The following Exhibits are part of the Agreement and are hereby incorporated by reference.

- A. Compliance Exceptions Required by Limitations Imposed Under Participant's Existing Vendor Contracts
- B. List of Participant Hospitals and Other Healthcare Facilities and Services
- C. GPO Affiliation Certificate
- D. Compliance Certificate

**Compliance Exceptions Required by Limitations
Imposed by Participant's Existing Vendor Contracts**

None

**List of Hospitals and Other
Healthcare Facilities and Services**

Relationship to Participant: Owned Managed Joint Venture Partnership

| Operating Name | Address | City | State | Zip | Class of Trade | Facility Type |
|---------------------------------------|-----------------------|-------------|-------|-------|-----------------|---------------|
| Kern Medical | 1700 Mt. Vernon Ave. | Bakersfield | CA | 93306 | Acute Care | Hospital |
| Kern Medical Stockdale Medical Clinic | 3850 San Dimas St. | Bakersfield | CA | 93301 | Ambulatory Care | Surgery Ctr |
| Kern Medical Sagebrush Medical Plaza | 1111 Columbus Street | Bakersfield | CA | 93305 | Other | Clinic |
| Kern Medical Clinic Park Stockdale | 6401 Truxtun Ave. A-1 | Bakersfield | CA | 93309 | Other | Clinic |

GPO Affiliation Certificate

The Participant listed at the end of this GPO Affiliation Certificate ("GPOAC") and those Facilities on the attached list (if any is attached) hereby confirm that they have designated HealthTrust Purchasing Group, L.P. ("HealthTrust") as their sole GPO affiliation (except as to Quorum Purchasing Advantage, LLC) pursuant to a written Participation Agreement with Kern County Hospital Authority dated as of 2/10/2017. Participant and those Facilities listed on the attached shall be eligible to participate in the Program upon HealthTrust providing notice to Vendor and Participant of Participant's "Eligibility Date". Eligibility Date shall mean the date Participant and Facilities will be able to start purchasing products and services under the Program. Vendors having contracts with HealthTrust are hereby instructed and authorized to remove the Participant and Facilities from any other GPO affiliations for purchasing products from such Vendors. HealthTrust is hereby authorized to provide copies of this GPOAC to its Vendors and HealthTrust Vendors shall be entitled to rely on the contents of this GPOAC. The parties agree that changes to Participant's and any Facility's DEA number, contact information, address correction and other such information that do not change the terms and conditions of the Participation Agreement may be completed in the HealthTrust databases without requiring any amendment to the Participation Agreement.

Participant, on behalf of each Facility on the attached list also confirms that an authorized representative of the Facility has received a copy of the referenced Participation Agreement. All terms used but not otherwise defined herein have the meanings stated in the Participation Agreement. This GPOAC confirms agreement by each Facility that, in consideration of being granted access to the Program and HealthTrust Vendor Contracts available under the Program, the Facility will comply with, and be bound by, all of the terms and conditions of the Participation Agreement as if a party thereto. This GPOAC further confirms agreement that, with regard to purchases made by any Participant/Facility under HealthTrust Vendor Contracts, each will purchase products from Vendor only for its "own use" in the provision of healthcare services. Each Participant/Facility will comply with all terms and conditions of such Vendor Contracts, including without limitation payment terms, compliance levels, and arbitration or other dispute resolution provisions. Participant and each Facility recognize that failure to comply with these obligations could result in termination of the Participation Agreement.

This GPOAC, the Participation Agreement and any amendments to such documents (each, a "Document"), may be executed by the Parties hereto individually or in any combination, in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same agreement. Execution and delivery of this Agreement and any amendments by the Parties shall be legally valid and effective through: (i) executing and delivering the paper copy of the document; (ii) transmitting the executed paper copy of the document by facsimile transmission, or electronic mail in "portable document format" (".pdf") or other electronically scanned format; or (iii) creating, generating, sending, receiving or storing by electronic means this Agreement and any amendments, the execution of which is accomplished through use of an electronic process associated with this Agreement, and executed or adopted by a Party with the intent to execute this Agreement (i.e., "electronic signature" through a process such as DocuSign®).

Participant, on behalf of itself and each Facility, acknowledges that with respect to its purchases ii) Participant and Facilities may receive rebates from Vendors either directly or through HealthTrust. With respect to such rebates, Participant and Facilities intend to comply with the requirements of the applicable law and safe harbor regulations.

Kern County Hospital Authority

*GPOID:

Participant Signee:

Participant Signee Name:

Participant Signee Title:

Participant Signature Date:

A list containing the name of the Facilities with specific identification information is attached hereto and incorporated herein.

*GPOID will be entered by HealthTrust for all locations.

REVIEWED ONLY
NOT APPROVED as to form
by [Signature]
Office of County Counsel

GPO Affiliation Certificate Facility List

| | |
|--------------------------------|--|
| Non-Pharmacy Eligibility Date: | April 1, 2017 |
| Relationship to Participant: | <input checked="" type="checkbox"/> Owned <input type="checkbox"/> Managed <input type="checkbox"/> Joint Venture <input type="checkbox"/> Partnership |

| *GPOID | Operating Name | Address | City | State | Zip | Class of Trade | Facility Type | Pharmacy Eligible Date |
|--------|---------------------------------------|-----------------------|-------------|-------|-------|-----------------|---------------|------------------------|
| | Kern Medical | 1700 Mt. Vernon Ave. | Bakersfield | CA | 93306 | Acute Care | Hospital | 5/1/2017 |
| | Kern Medical Stockdale Medical Clinic | 3850 San Dimas St. | Bakersfield | CA | 93301 | Ambulatory Care | Surgery Ctr | N/A |
| | Kern Medical Sagebrush Medical Plaza | 1111 Columbus Street | Bakersfield | CA | 93305 | Other | Clinic | N/A |
| | Kern Medical Clinic Park Stockdale | 6401 Truxtun Ave. A-1 | Bakersfield | CA | 93309 | Other | Clinic | N/A |

*GPOID will be entered by HealthTrust for all locations

Compliance Certificate

At HealthTrust's request, the compliance certificate described in Section 5.3 of the Agreement shall include, at least, the following information for each Facility:

1. Participant at a minimum must provide to HealthTrust, on a quarterly (calendar) basis, the total non-distributed supply expense and total non-distributed enterprise-wide expense.
2. Where possible, Participant must additionally supply on a quarterly basis to HealthTrust total non-distributed contract spend by contract number.
3. Participant agrees to cause its distributor to provide to HealthTrust, on a quarterly basis, total distributed and contracted supply expense (net of distributor mark-up) by contract number and to additionally provide total distributed (contract and non-contract) supply expense by Facility.



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

February 15, 2017

Subject: Proposed retroactive Amendment No. 1 to Transition Services Agreement 2016-021 with the County of Kern, as represented by the County Administrative Office

Recommended Action: Approve; Authorize Chairman to sign.

Summary:

On May 18, 2016, your Board approved Agreement No. 2016-021 for the provision of transition administrative services. The agreement included the services of the Information Security Officer on a part-time basis through September 2016. The Authority continues to require the services of the Information Security Officer. This Amendment No. 1 extends the term of the Agreement for the services provided by the Information Security Officer from October 1, 2016 through September 30, 2018 on a part-time basis.

**AMENDMENT NO. 1 TO
TRANSITION SERVICES AGREEMENT
BY AND BETWEEN
THE COUNTY OF KERN
AND
KERN COUNTY HOSPITAL AUTHORITY**

This Amendment No. 1 to the Transition Services Agreement (“Amendment No.1”) is entered into this 7th day of February, 2017, by and between the County of Kern (“County”), and the Kern County Hospital Authority (“Authority”). County and Authority are referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

- A. County and Authority heretofore entered into a Transition Services Agreement (Kern County Agt. #552-2016, dated May 10, 2016), for the County to provide and the Authority to purchase, certain services and assistance to facilitate the transition of the Health Facilities to the Authority; and
- B. Exhibit A – Agreement of County Services: County Administrative Office expired on September 30, 2016, unless by mutual agreement of the parties the period is extended; and
- C. The Authority continues to require the services of the County Administrative Office and the County has agreed to continue to provide such services; and
- D. The Parties agree to extend the period of time for use of the Information Security Officer as outlined in the Agreement; and
- F. The Agreement is amended effective October 1, 2016;

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

- 1. Subsection 1 of Exhibit A – Agreement of County Services: County Administrative Office shall be deleted in its entirety and superseded by the following:

“1. Information Security Officer on a part-time basis, not to exceed 32 hours per pay period through September 30, 2018, unless by mutual agreement of the parties, the period is extended.”

- 2. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 1 have the meaning set forth in the Agreement.

- 3. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the state of California.


4. This Amendment No. 1 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.

5. 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 TO THE FOREGOING, the Parties have executed this Amendment No. 1 as of the day and year first written above.

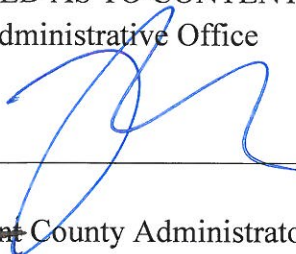
COUNTY OF KERN

By: 
Chairman
Board of Supervisors


KERN COUNTY HOSPITAL AUTHORITY

By: _____
Chairman
Board of Governors

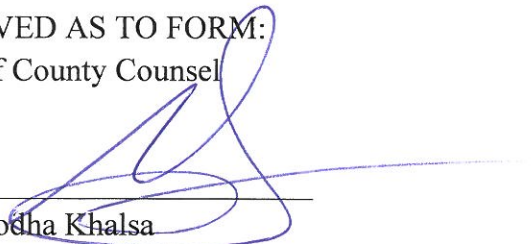
APPROVED AS TO CONTENT:
County Administrative Office

By: 
~~Assistant~~ County Administrator Officer


APPROVED AS TO CONTENT:
Kern County Hospital Authority

By: 
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
Office of County Counsel

By: 
Gurujodha Khalsa
Chief Deputy County Counsel
Counsel for County of Kern

APPROVED AS TO FORM:
Office of County Counsel

By: 
Shannon Hochstein
Deputy County Counsel
Counsel for Kern County Hospital Authority



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

February 15, 2017

Subject: Proposed Amendment No. 1 to Agreement 27716 with Hill-Rom Company, Inc.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Due to failing Nurse Call systems, a new system is necessary to keep patient rooms operational at Kern Medical. The proposed Amendment No. 1 to Agreement 27716 with Hill-Rom Company, Inc., an independent contractor, for products and services related to the 2nd floor, C wing new nurse call system project, adding products and services to include the 3rd floor, D wing, and increasing the maximum payable by \$265,000, to cover the cost of additional products and services.

**AMENDMENT NO. 1 TO THE
CLINICAL WORKFLOW SOLUTIONS PURCHASE AND LICENSE
MASTER AGREEMENT
(Kern County Hospital Authority – Hill-Rom Company, Inc.)**

This Amendment No. 1 to the Clinical Workflow Solutions Purchase and License Master Agreement (“Amendment No.1”) is entered into this _____ day of _____, 2017, by and between Hill-Rom Company, Inc., an Indiana Corporation, with offices at 1225 Crescent Green Suite 300, Cary, North Carolina 27518 (“Hill-Rom”), and the Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center (“Customer”).

RECITALS

A. Hill-Rom and Customer have heretofore entered into a Clinical Workflow Solutions Purchase and License Master Agreement (Customer Agt. #27716PA, dated November 17, 2016), to provide Clinical Workflow Solutions Products and Services to Customer for the Nurse Call System located on the Second Floor of C Wing; and

B. Customer requires additional services to complete the phased installation of the New Nurse Call System located on the Third Floor of D Wing; and

C. Hill-Rom has agreed to provide such products and services as necessary to complete this project; and

D. The services and products needed to complete the project are outlined in Appendix #2 and the maximum cost for this project will not exceed \$265,000.00, which is in addition to the costs of the Second Floor of C Wing Nurse Call System which had a maximum not to exceed of \$173,915.25; and

F. The Parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

G. The Agreement is amended effective February 15, 2017;

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

1. Appendix #2

Appendix #2, Proposal Number LRDSQ1199-01, to Amendment No. 1 is added to the Agreement and incorporated herein by this reference.

2. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 1 have the meaning set forth in the Agreement.

3. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the state of California.

4. This Amendment No. 1 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.

5. 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 TO THE FOREGOING, the Parties have executed this Amendment No. 1 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

HILL-ROM COMPANY, INC.

By _____
Chairman
Board of Governors

By _____
Printed Name: _____
Title/Position: _____

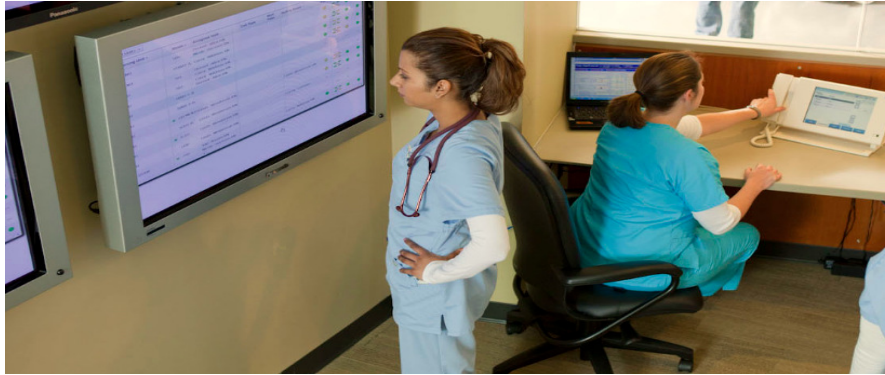
APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Jared Leavitt
Chief Operational Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Deputy

NaviCare® Nurse Call



Prepared for:

**Kern Medical Center
1700 Mt. Vernon Ave.
Bakersfield, CA 93306**

Hill-Rom provides safe effective products and services of the highest possible quality on a timely basis that meet or exceed the requirements and expectations of its customers and patients, and that are in compliance with applicable international, federal, state, and local regulations. Our unique market position allows for integration of our products, providing enhanced customer value. Since the inception of Hill-Rom, our sole focus has been on the healthcare industry. All of our 6,700+ nationwide Hill-Rom associates make vital contributions to patients and caregivers worldwide by developing and delivering innovative solutions that improve the quality and dignity of patient care through a customized combination of people, products, and services.

Our portfolio includes:

- Clinical Workflow Solutions (nurse call, RTLS, OB data management, integrations)
- Patient Support Systems (frames, surfaces, stretchers)
- Architectural Products (headwalls, surgical columns, lighting)
- Healthcare Furniture (recliners, sleepers, seating, cabinets and overbed tables)
- Patient Handling Solutions (lifts, accessories)
- Medical Equipment Rentals
- Clinical Programs and Services

To explore our complete portfolio, please visit our website: www.hill-rom.com

Khaled Aoude'
IT Sales Executive
Hill-Rom Clinical Workflow Solutions
Hill-Rom Company, Inc.
Mobile phone (949) 232-2541
Email Khaled.Aoude@Hill-Rom.com
Customer Service (888) 445-3730

| | |
|-----------------|---------------------------|
| Account Number | 604551 |
| Proposal Number | LRDSQ1199-02 |
| Proposal Date | 2/7/2017 |
| Proposal Type | Budgetary Proposal |

This proposal is valid for 60 days from the proposal date.

Project Information - 3rd Floor MedSurg D Wing NNC





NaviCare Nurse Call

Please see Statement of Work for details of the project scope.









Proposal Summary

| Proposal | Proposal Number | Price |
|--|-----------------------------|---------------------|
| 3rd Floor MedSurg | LRDSQ1199-02 | \$165,251.65 |
| Enterprise/VOIP Server | LRDSQ1199-02 | \$0.00 |
| ADT/HL7 Integration | LRDSQ1199-02 | \$6,936.00 |
| Wireless Integration | LRDSQ1199-02 | \$7,910.42 |
| Standard Reporting | LRDSQ1199-02 | \$2,570.00 |
| Clinical Services | LRDSQ1199-02 | \$15,143.00 |
| Additional Services by Hill-Rom Subcontractor | LRDSQ1199-02 | \$42,408.00 |
| Additional Services by Hill-Rom Subcontractor | LRDSQ1199-02 | \$13,110.00 |
| Additional Services by Hill-Rom Subcontractor | LRDSQ1199-02 | \$1,368.00 |
| | Proposal Grand Total | \$254,697.07 |









| Option Proposal(s) | Proposal Number |
|--------------------|-----------------|
|--------------------|-----------------|

| Feature Description | | Basic Nurse Call Requirement | Included in Base Proposal | Included in Options Proposal |
|---|---|------------------------------------|---------------------------------|------------------------------------|
| <p>Staff Console Intuitive, easy-to-use centralized call station with touch screen, typically used by unit clerks to answer and respond to patient and staff calls.</p> |  | * | * | |
| <p>Standard Patient/Staff Station Traditional patient nurse call station with audio and three call types – emergency, staff assist, and code blue. Code Blue function is optional on staff station.</p> |  | * | * | |
| <p>Smart Graphical Patient/Staff Stations Next-generation nurse call station that allows for bi-directional exchange of information between NaviCare® applications and 3rd party applications. Code Blue function is optional on staff station.</p> |  | | * | |
| <p>Icon-Based Dome/ Zone Lights LED-based visual call indicators with 7-color selection across 8 lenses and includes optional and customizable icons. Can be configured to illuminate based upon staff member role. (Requires Enhanced Staff Locating and Smart Client)</p> |  | * | * | |


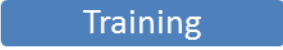
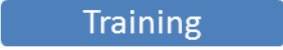
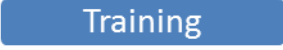






| Feature Description | | Basic Nurse Call Requirement | Included in Base Proposal | Included in Options Proposal |
|---|---|------------------------------|---------------------------|------------------------------|
| <p>Smart Bed Connectors Allows for the extraction of bed data and calls from the pillow speaker and/or equipment jack.</p> |  | * | * | |
| <p>Emergency Switches Standard emergency call switches.</p> |  | * | * | |
| <p>Patient Pillow Speaker * Optional Microphone, Light and TV Controls for Pillow Speaker.</p> |  | * | * | |
| <p>Patient Call Cord Basic patient call device used where TV and Light controls are not required.</p> |  | * | | |
| <p>Centralized Call Display (CCD) Allows a nursing unit to maintain primary annunciation for its calls and monitors a subset of calls from another nursing unit. Sample uses include centralized operator call models or centralized code blue monitoring.</p> |  | * | | |
| <p>Basic Medical Device Alarms Integrations Quarter inch jack for routing of medical alarms through the nurse call system. Device is available in 1, 2 and 6 port design.</p> |  | | | |
| <p>Room Disable / Enable Switch Device used in certain areas of a facility where there is a need to disable calls, such as a psychiatric ward.</p> |  | | | |
| <p>Bathroom Audio Remote audio device that can be placed in a bathroom for audio communication between patient and caregiver.</p> |  | | | |



| Feature Description | | Basic Nurse Call Requirement | Included in Base Proposal | Included in Options Proposal |
|--|---|------------------------------|---------------------------|------------------------------|
| <p>Smart Client Web-based application that allows both patient and staff information to be updated in the NaviCare® application and that enables assignments of caregivers to patients from within the NaviCare® application.</p> |  | | * | |
| <p>Bed Status Board Bed information can be displayed in a central location to show patient risk assessment, head of bed angle and patient weight. *Requires Hill-Rom Smart Bed and Smart Client application. Computer and display provided by others.</p> |  | | * | |
| <p>Standard Reports w/Auto Delivery Web-based application comprised of a set of predefined reports based on nurse call data sets, which can be scheduled for continuous email delivery. *Requires Standard Reporting server/software</p> |  | | * | |
| <p>Enhanced Reports w/Auto Delivery Web-based application comprised of a set of predefined reports based on nurse call data sets, which can be scheduled for continuous email delivery. *Requires Enhanced Reporting server/software</p> |  | | | |
| <p>Installation Review Scope of Work for installation details.</p> |  | * | * | |
| <p>Project Management Our team enters every service engagement with the strong foundation of our scalable methodology, enabling you to benefit from our experience. The principles of our proven solution development and project management methodology guarantee the success of your implementation project, independent of size.</p> |  | * | * | |
| <p>Warranty Support Best in class warranty coverage includes full coverage of parts and labor for the first 18 months from shipment. Also includes five year defective parts coverage on the core solution.</p> |  | * | * | |
| <p>Software Maintenance Agreement (SMA) Protects your investment with software upgrades including major, minor and maintenance releases. Also includes 24 x 7 technical support for your entire solution.</p> |  | * | * | |



| Feature Description | | Basic Nurse Call Requirement | Included in Base Proposal | Included in Options Proposal |
|---|---|------------------------------|---------------------------|------------------------------|
| <p>Enhanced Service Agreement (ESA) Optional coverage to extend the initial warranty on an annual renewal basis. Provides full parts and on-site labor coverage plus additional benefits such as preventative maintenance and on-site labor for software upgrades.</p> |  | | | |
| <p>Clinical Workshop Two-part session that consists of unit observation and interviews, identification of clinical goals, challenges, workflows, and call flow analysis to determine optimal/effective utilization of technology.</p> |  | | * | |
| <p>Caregiver Session Focuses on the nurse call features and functions including call types, tones, dome lights, audio stations and call devices/switches within the patient station.</p> |  | * | * | |
| <p>Go-Live Support On-site application expert is available to answer questions quickly, provide troubleshooting, and a liaison to technical support for fast resolution of issues and coaching for continued success.</p> |  | | | |
| <p>Advanced User Training Designed to provide clinical educations and preceptors with the knowledge and information necessary in preparation for their training of hospital personnel on the functions and capabilities the NaviCare® Nurse Call system.</p> |  | | | |
| <p>e-Learning Modules include:</p> <ul style="list-style-type: none"> ▪ NaviCare® Nurse Call Clinical Training eLearning Module- Designed to deliver training on basic system functionality including wearing of the staff badge, staff console, smart patient stations, remote switches, and Smart Client®. |  | | | |
| <p>Remote Services Our support team can provide timely support without the time delay of travel to your facility Using Hill-Rom Remote Services (HRRS), we can monitor your system and actively identify possible areas of concern.</p> |  | * | * | |
| <p>Enhanced Staff Locating Enables automatic staff location identification and documentation, enhanced staff-to-patient and staff-to-staff communication, and routes calls to the patient station closest in proximity to the assigned caregiver. Staff badge buttons can be configured to place staff duress calls.</p> <p>*Requires Centrak Hardware Infrastructure</p> |  | | | |



| Feature Description | | Basic Nurse Call Requirement | Included in Base Proposal | Included in Options Proposal |
|--|---|------------------------------|---------------------------|------------------------------|
| <p><u>Hand Hygiene Compliance Monitoring</u> Cable-free, automated monitoring and reporting of hand hygiene events, driving improved hand hygiene protocol adherence and improved compliance.</p> <p>*Requires Centrak Hardware Infrastructure</p> |  | | | |
| <p><u>Asset Tracking</u> Cable-free tracking of equipment to drive increased utilization, decreased procurement, and loss prevention.</p> <p>*Requires Centrak Hardware Infrastructure</p> |  | | | |
| <p><u>Patient Locating</u> Cable-free locating of patients for enhanced caregiver workflow.</p> <p>*Requires Centrak Hardware Infrastructure</p> |  | | | |
| <p><u>Temperature Monitoring</u> Cable-free monitoring or refrigerator temperature monitoring for Joint Commission reporting and to help improve medication management.</p> <p>*Requires Centrak Hardware Infrastructure</p> |  | | | |
| <p><u>Electronic Patient Room Signage</u> Electronic message board securely displays key information about the patient including risk (ex. Falls risk), assigned caregiver, precautions and more. Integrates to EMR and other clinical software.</p> |  | | | |





Enhancing Outcomes for Patients and Their Caregivers.™

| | |
|-----------------|--------------|
| Document Number | LRDSQ1199-02 |
| Proposal Date | 2/7/2017 |
| JDE Number | 604551 |

Sold To:

Kern Medical Center
1700 Mt. Vernon Ave.
Bakersfield, CA 93306

Ship To:

Kern Medical Center
1700 Mt. Vernon Ave.
Bakersfield, CA 93306

A bill of materials (BOM) has been included in this proposal containing the components that comprise this system. Any requested changes to the BOM by the customer, or any additional required hardware, software, or services identified by Hill-Rom representatives as part of the installation process, will be quoted and will require a change order form to be processed for installation to be completed.

System to be installed based upon a mutually agreed upon schedule.

Customer to provide (on a template provided by Hill-Rom) a list of: nursing unit names with department, floor numbers, and all patient rooms, staff locations, and associated names / descriptions (i.e. room numbers) when applicable for the upgrade / system modification. This information must be provided to Hill-Rom no less than 45 days prior to scheduled installation date.

Hill-Rom's performance under this Proposal is contingent upon our access to all areas within the facility to complete the work, including access to existing Hill-Rom system servers and clients (clinical workstations) for required upgrade installation, testing, and configuration.

Hill-Rom Remote Service Network Connection, or HRRS Connectivity, is required. The customer is responsible to install/provide network connectivity to each Hill-Rom system server and client for remote access. Lack of network connectivity for Hill-Rom's secure remote access may result in higher service and support costs.

Parts removed from their original packaging cannot be returned for credit. Hill-Rom will not be responsible for any stolen, damaged, or lost equipment after delivery.

Payment terms are NET 30

Hardware/Software invoiced upon shipment.
Services invoiced upon certification of system.
Software Maintenance is invoiced 30 days after shipment.
Preventative Maintenance is invoiced 30 days after shipment.

Acceptance of this Proposal constitutes acceptance of the Project Assumptions attached to this Proposal as well as the Terms and Conditions found at <http://www.hill-rom.com/usa/Products/Category/Workflow-and-Communications/Hill-Rom-IT-Solutions-Terms-and-Conditions/> (password: navicare). The warranties in this Proposal and the Terms and Conditions are the sole and exclusive warranties provided.

IN NO CASE SHALL HILL-ROM BE LIABLE FOR INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES INCLUDING LOSS OF DATA, COSTS OF RECOVERY, LOST OPPORTUNITY, LOST REVENUES OR LOST PROFITS EVEN IF NOTIFIED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER ARISING FROM CONTRACT, TORT LAW OR OTHERWISE.

Except and solely for any separate master agreement or group purchasing agreement executed by the parties for the purchase and license of the Hill-Rom Products purchased hereunder, the Terms and Conditions supersede any inconsistent provisions and understandings, oral or written, between the parties, including any terms and conditions in any purchase order or other documentation submitted by Customer to Hill-Rom, unless explicitly agreed to in writing by an authorized representative of Hill-Rom holding the title of Vice President or General Manager.

HILL-ROM COMPANY, INC.

CUSTOMER

By: *Diane Burns*

By: _____

Printed Name: Diane Burns

Printed Name: _____

Title: Sales Operations Manager

Title: _____

Date: 2/7/2017

Date: _____

| Qty | Part Number | Description | Unit | Extended |
|-----|-------------------|--|-------------|---------------------|
| | Group | 3rd Floor MedSurg | | |
| 1 | P2500NNC1B00 | GRAPHICAL STAFF CONSOLE (DESK MT.) | \$2,209.05 | \$2,209.05 |
| 1 | P2500NNC0A00 | GROUNDING KIT STAFF CONSOLE (DESK) | \$197.54 | \$197.54 |
| 26 | P2594NNC2C11 | GRAPHICAL ROOM STATION (GRS) - PATIENT | \$1,025.54 | \$26,664.04 |
| 1 | P2594NNC2C00 | GRAPHICAL ROOM STATION (GRS) - STAFF | \$927.85 | \$927.85 |
| 3 | P2594NNC1B01 | STAFF STATION - STANDARD ROOM STATION W/O CODE | \$221.11 | \$663.33 |
| 26 | P2505NNC1B00 | AUDIO STATION BED CONNECTOR (ASBC) | \$106.53 | \$2,769.78 |
| 26 | P2535A0101 | CABLE, ENTERTAINMENT CABLE, 18IN | \$22.60 | \$587.60 |
| 26 | P2510-CFGBTN | PILLOW SPEAKER WITH CONFIGURABLE BUTTONS | \$184.86 | \$4,806.36 |
| 26 | P2520B02 | SWITCH, BATH SWITCH, W/O CANCEL, SUPERVISED | \$51.53 | \$1,339.78 |
| 26 | P2520B01 | SWITCH, BATH SWITCH, W/CANCEL, SUPERVISED | \$62.63 | \$1,628.38 |
| 26 | P2545A01 | SYSTEM ALARM INTERFACE MODULE, W/BOX W/ PIGTAILS | \$83.79 | \$2,178.54 |
| 30 | P2506NNC8A00 | ICON BASED-LIGHT LED DOME/ZONE LIGHT | \$143.41 | \$4,302.30 |
| 18 | P2549A03 | ENCLOSURE, ROOM BOX, FOR USE WITH RCB | \$57.76 | \$1,039.68 |
| 18 | P2599NNC2D00 | RCB2 WO ENCL-ENHCED, UPOE CMPT | \$289.38 | \$5,208.84 |
| 2 | P2519NNC2A24 | POE SWTCH NNC 24-PORT UL60950 | \$4,373.81 | \$8,747.62 |
| 7 | P2537C0101 | RJ45 PLUG, FOR CAT5E/CAT6 CABLE, BAG OF 100 | \$35.10 | \$245.70 |
| 15 | P2536A0701 | COMM CABLE, 4PR, CAT6, PLENUM | \$217.22 | \$3,258.30 |
| 32 | P2570IMPLSERV | IMPLEMENTATION SERVICES | \$237.00 | \$7,584.00 |
| 1 | P2570RBRPMSERVICE | PROJECT MANAGEMENT ROOM BY ROOM SERVICES | \$2,700.00 | \$2,700.00 |
| 18 | P25NNC096 | NNC ENHANCED BASE SOFTWARE | \$429.00 | \$7,722.00 |
| 1 | P25NNC010 | SOFTWARE MAINTENANCE AGREEMENT | \$2,242.00 | \$2,242.00 |
| 1 | P25NNC007 | NNC FEATURES- SMART CLIENT | \$1,506.96 | \$1,506.96 |
| 1 | P2570A0003 | INSTALLATION BY HILL-ROM SUBCONTRACTOR | \$76,722.00 | \$76,722.00 |
| | | SubTotal | | \$165,251.65 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|--|--------|---------------|
| | Group | Enterprise/VOIP Server | | |
| 1 | SERVER-VOIP | VOIP SERVER BY OTHERS (Virtualized VOIP Server for Unit 2C project must be in place prior to 3rd floor MedSurg going live) | \$0.00 | \$0.00 |
| | | SubTotal | | \$0.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|------------------|--------------------------------|------------|-------------------|
| | Group | ADT/HL7 Integration | | |
| 1 | PS111ADT-ADDSW | ADT ADDITIONAL FLOOR SOFTWARE | \$3,978.00 | \$3,978.00 |
| 1 | PS111ADT-ADDSVCS | ADT ADD FLOOR SERVICES | \$1,020.00 | \$1,020.00 |
| 1 | P2570PMSERVICE | PROJECT MANAGEMENT SERVICES | \$1,020.00 | \$1,020.00 |
| 1 | P25NNC010 | SOFTWARE MAINTENANCE AGREEMENT | \$918.00 | \$918.00 |
| | | SubTotal | | \$6,936.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|---|------------|-------------------|
| | Group | Wireless Integration | | |
| 1 | PS101WIADD | WIRELESS ADDITIONAL FLOOR SOFTWARE | \$5,529.42 | \$5,529.42 |
| 1 | P2570WIADD | WIRELESS SERVICES ADDITIONAL FLOOR | \$1,104.00 | \$1,104.00 |
| 1 | P25NNC010 | SOFTWARE MAINTENANCE AGREEMENT | \$1,277.00 | \$1,277.00 |
| | | SubTotal | | \$7,910.42 |
| | Group | Standard Reporting | | |
| 1 | SERVER-SR | STANDARD REPORT SERVER BY OTHERS | \$0.00 | \$0.00 |
| 1 | P25NNC072 | HR Reporting License - 1 Per Nursing Unit | \$780.00 | \$780.00 |
| 1 | P25NNC075 | HR Reporting- User License-Per Nursing Unit | \$780.00 | \$780.00 |
| 1 | P25NNC078 | HR Reporting - (1 Year SMA) | \$379.00 | \$379.00 |
| 1 | P25NNC105 | WEB BASED REPORTS TRAINING | \$631.00 | \$631.00 |
| | | SubTotal | | \$2,570.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|-------------------------------|------------|--------------------|
| | Group | Clinical Services | | |
| 2 | P25NNC014 | CAREGIVER TRAINING (PER DAY) | \$2,207.00 | \$4,414.00 |
| 1 | P25NNC069 | CLINICAL WORKSHOP | \$3,783.00 | \$3,783.00 |
| 1 | P25NNC106-3 | CLINICAL CONSULTING ADV APP 3 | \$5,400.00 | \$5,400.00 |
| 2 | P2570TRAVEL | TRAVEL | \$773.00 | \$1,546.00 |
| | | SubTotal | | \$15,143.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|---|-------------|--------------------|
| | Group | Additional Services by Hill-Rom Subcontractor | | |
| 1 | P2570A0003 | Conduit and Back Box Installation (Includes prevailing wage, non-union electricians) | \$42,408.00 | \$42,408.00 |
| | | SubTotal | | \$42,408.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|--|-------------|--------------------|
| | Group | Additional Services by Hill-Rom Subcontractor | | |
| 1 | P2570A0003 | One 4 1/4" Concrete Core from 4th Floor IDF to 3rd Floor This option is dependent to standard IT distance limitations. The suggested new IDF room on the 3rd floor will eliminate this option if built. (Includes concrete x-ray, fire stopping, and 2 1/2" EMT conduit to area of work in 3D, non-union electricians). *Note: Bergelectric is a non-union company. We have included non-union labor to install the equipment, conduit and back boxes. If it is determined that the conduit and back box scope of work is required to be executed by union electricians, it shall be run through the general contractor and subcontracted project electricians, eliminating the above two services.* | \$13,110.00 | \$13,110.00 |
| | | SubTotal | | \$13,110.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|--------------|--|------------|-------------------|
| | Group | Additional Services by Hill-Rom Subcontractor | | |
| 1 | P2570A0003 | Bond (Includes bid, performance, and payment bonds) | \$1,368.00 | \$1,368.00 |
| | | SubTotal | | \$1,368.00 |

| Qty | Part Number | Description | Unit | Extended |
|-----|-------------|---------------------|---------|--------------|
| | | Sales Tax @ | 0.000 % | \$0.00 |
| | | Project Grand Total | | \$254,697.07 |

Sales Tax not Included. Acceptance of this proposal by issuing a purchase order based upon this proposal constitutes acceptance of the terms and conditions of this proposal.

**Please send purchase orders to:
email: HitsOrderManagement@hill-rom.com
Fax: 919 869-1733**

Hill-Rom NaviCare Nurse Call Statement Of Work (SOW)

Room by Room Construction with Hill-Rom Clinical Workflow Solutions Certified Installer on Hill-Rom Proposal

****By issuing a PO or incorporating into a 1449 against this proposal, assumes acceptance of this Hill-Rom NaviCare Nurse Call Statement of Work by the customer****

1. Stakeholder participation:
 - 1.1. Project team members will participate in the following at a minimum:
 - 1.1.1. Project Kick-off meeting (on-site or conference call)
 - 1.1.2. Weekly project team conference calls to be attended by all stakeholders identified. Calls may be cancelled as needed.
 - 1.1.3. Nurse call system acceptance - Following certification of nurse call system, customer PM will sign work orders provided and return them to the Hill-Rom Clinical Workflow Solutions PM
 - 1.2. Customer will appoint the following key project stakeholders:
 - 1.2.1. Project Manager
 - 1.2.2. IT Lead
 - 1.2.3. Clinical Lead
 - 1.2.4. Contractor leads
2. Equipment Acceptance & Storage & Warranty:
 - 2.1. Inventory of equipment will be completed by Hill-Rom Clinical Workflow Solutions Certified Installation Contractor. Customer shall assign a representative to complete/participate in inventory of equipment. Customer will note any Bill of Materials (BoM) discrepancies on the accompanying pick slip, sign the pick slip, and return to the Hill-Rom Clinical Workflow Solutions Project Manager (PM) within 72 hours of receipt of the equipment, or as pre-arranged with customer and Installation Contractor. Customer will store equipment in a place that is both climate and access controlled.
 - 2.2. The Hill-Rom warranty does not cover devices or components which are not acquired from Hill-Rom Clinical Workflow Solutions, nor any software other than the Licensed Software from Hill-Rom Clinical Workflow Solutions. Similarly, any extended service/software maintenance plan does not apply to devices or components, including software, not acquired from Hill-Rom Clinical Workflow Solutions.
3. Service DELIVERY GUIDELINES (not all services are provided, please refer to proposal bill of material for purchased services):
 - 3.1. Project Management Services:
 - 3.1.1. Project management services are provided remotely, however, project managers may travel to the customer site for pre-designated milestone events.
 - 3.1.2. Project management work hours are generally Monday – Friday, 8:30am to 5:30pm local time.
 - 3.2. Installation Services (cabling, termination, cabling testing, and hardware deicing):
 - 3.2.1. Installers generally work Monday – Friday, 7am to 6pm local time.
 - 3.2.2. Installation services must be completed before Hill-Rom Clinical Workflow Solutions Engineer arrives on site to begin configuration/certification of the system.
 - 3.3. Implementation Services (software configuration, testing, and system certification):
 - 3.3.1. Implementation services are provided on-site and/or remotely as granted by site sponsor.
 - 3.3.2. Implementation Engineers travel Monday mornings and Friday afternoons.
 - 3.3.3. Implementation Engineer work hours are generally (local times): Monday – 1pm to 5:30pm, Tuesday – Thursday – 8:30am – 5:30pm, Friday – 8:30am – 12pm (noon).
 - 3.3.4. Implementation Engineers do not work nights or weekends without prior approval from Hill-Rom Clinical Workflow Solutions. Additional charges may apply.
 - 3.4. Educational Services:
 - 3.4.1. Educational services work hours are generally (local times): Monday – 1pm to 5:30pm, Tuesday – Thursday – 8:30am – 5:30pm, Friday – 8:30am – 12pm (noon)
 - 3.4.2. Clinical service providers do not work nights or weekends without prior approval from Hill-Rom Clinical Workflow Solutions. Additional charges may apply.
 - 3.5. ADT Services:
 - 3.5.1. A Hill-Rom Clinical Workflow Solutions Interface Engineer will work with the designated hospital interface resource.
 - 3.5.2. ADT services are provided remotely.
 - 3.5.3. ADT services work hours are generally Monday – Friday, 8:30am to 5:30pm, Eastern Time.
 - 3.6. Virtualization Services:
 - 3.6.1. A Hill-Rom Clinical Workflow Solutions technical resource will be assigned to work on the virtualization with the hospital.
 - 3.6.2. Virtualization services are provided on-site and/or remotely as granted by site sponsor.
 - 3.6.3. Virtualization work hours are generally Monday – Friday, 8:30am to 5:30pm Eastern Time.
 - 3.7. Hill-Rom Clinical Workflow Solutions systems comply with UL 1069 standard. Hill-Rom Certified Installation Contractor is responsible for all necessary permits required by federal, state or local codes. Customer is responsible for any state-mandated regulatory requirements such as AHCA and OSHPD. In cases where additional requirements are provided after the PO is cut, a change order will be required.
 - 3.8. Customer is responsible for entering all staff information, including assignments and locator badge IDs, into Smart Client.

3.9. Go-live support, both clinical and technical, will be completed in one trip on site. Additional trips on site for phased or staged go-live events will require a change order.

4. Networking & Infrastructure Requirements:

4.1. The Hill-Rom Clinical Workflow Solutions proposal should be accompanied by a network topology. This topology diagram will describe the physical and logical components and connectivity of the proposed solution.

4.2. Servers (if provided by customer):

4.2.1. Customer will provide servers, virtual or physical, that meet the minimum specs provided by Hill-Rom Clinical Workflow Solutions

4.2.2. Hill-Rom Clinical Workflow Solutions requires an Administrator account & 3CX Administrator account on the Hill-Rom Clinical Workflow Solutions enterprise server

4.3. DHCP (Dynamic Host Code Protocol):

4.3.1. DHCP is required for NaviCare Nurse Call and prefers to run DHCP, however, it can be run by the hospital.

4.3.2. If Hospital DHCP Scope used these Scope Options are needed:

4.3.2.1. IP Address — the IP address to be assigned to the nurse call device

4.3.2.2. Subnet Mask — the subnet that the IP address belongs to

4.3.2.3. DNS Server(s) (DHCP Option 006) — the DNS server(s) configured to contain entries for the Enterprise and Logging servers

4.3.2.4. NTP Server(s) (DHCP Option 042) — the IP address of the Enterprise Server, unless another NTP server is desired

4.3.2.5. Domain Name (DHCP Option 015) — the domain that the DNS server is on

4.3.2.6. Router (DHCP Option 003)-- give it the IP address of the default gateway for the NNC devices

4.3.2.7. If Hill-Rom is providing DHCP service Customer IT will need to determine whether access needs to be granted or authorize to run DHCP services on the server.

4.3.3. DNS (Domain Name Server):

4.3.3.1. Hill-Rom Clinical Workflow Solutions prefers to run DNS; however, it can be run by the customer if preferable.

4.3.3.2. Customer will provide two (2) host A records that nurse call devices can access and host A records for Enterprise, SQL & Report servers that customer machines can access.

4.3.3.3. hr-nnc-networkcfg-3 (Pointed at Hillrom Enterprise Server IP)

4.3.3.4. hr-nnc-networklog (Pointed at Hillrom Enterprise Server IP)

4.3.4. IP Schema: NaviCare Nurse Call does not require any particular IP address schema. The hospital should choose a block of unused IP addresses which will be large enough to cover an IP address for each of the network devices, as well as anticipating any future growth that the nurse call network may undergo. Network devices include Room Control Boards (RCBs), Staff Consoles, locating stars (if enhanced locating is implemented), as well as all servers and switches.

4.3.5. **Hill-Rom does not support the use of Network Address Translation (NAT) between the Hill-Rom servers and the nurse call devices. Hill-Rom servers must either have a layer 2 interface on the subnet with the embedded devices, or have full bi-directional routing between the subnets.**

4.3.6. Customer will open firewall ports for NNC application per list provided by Hill-Rom Clinical Workflow Solutions.

4.3.7. Customer to provide direction to Hill-Rom Clinical Workflow Solutions regarding whether any nurse call devices will be added to the hospital domain for Active Directory (AD) This will be used for the Smart Client application and reporting application access.

4.3.8. Regarding anti-virus, customer will exclude the following Navicare folders from on access scanning:

4.3.8.1. SQL folder that has the SQL instance the hospital is running

4.3.8.2. c:\basesystemsettings" folder

4.3.8.3. [root] programfiles\Hill-Rom\navicare\web samm\upgradedevicesoftware

4.3.8.4. [root] basesystemssetting

4.3.8.5. [root] programfiles\Hill-Rom\navicare\smartclient

4.3.8.6. [root] temp\baselogs

4.3.9. FTP:

4.3.9.1. FTP server must be run on a server in the Hill Rom network. Hill-Rom Clinical Workflow Solutions prefers the Enterprise server.

4.3.9.2. Hill-Rom Clinical Workflow Solutions will use the FTP client to download the installation software to the server

4.3.10. Customer will grant Hill-Rom Clinical Workflow Solutions remote access through Hill-Rom Clinical Workflow Solutions Remote Services (HRRS)

4.3.11. Hill-Rom Clinical Workflow Solutions schedules nightly local DB backups. Customer is responsible for implementing any further backup/disaster recovery

4.3.12. Customer is responsible for scheduling OS or other server patching as appropriate or necessary.

4.3.13. IT Racks:

4.3.13.1. Customer to provide IT racks or rack space for Hill-Rom Clinical Workflow Solutions equipment

4.3.13.2. Patch Panels: See Installation Contractor section

4.3.13.3. Patch Panel Terminations: See Installation Contractor section

4.3.14. Centralized Code Blue: Addition of a Centralized Code Blue Device (CCD) will require either a new back box and wall space or new Hill-Rom Clinical Workflow Solutions faceplate/Ethernet jack and desk space. The old CCD will run concurrent with new CCD during room by room transition.

5. Miscellaneous:

5.1. Pillow Speakers:

- 5.1.1. This Hill-Rom proposal includes "Standard" pillow speakers or a place-holder part number (P2510) for a "standard" pillow speaker until the customer confirms the model it needs.
- 5.1.2. "Standard" functionality (part number P2510) includes: TV control, lighting control, nurse call control, and audio communication
- 5.1.3. "Custom" functionality - Any other functionality is considered a "custom" pillow speaker and may require a change order. Examples of custom functionality are: entertainment/education system integration, cable box integration, HVAC integration, and window blind control.
- 5.1.4. Functionality -any functionality desired by the customer is dependent on the manufacturer and style purchased. Not all functionality available by all pillow speakers is compatible with NaviCare Nurse Call nor will Hill-Rom accept any responsibility for installation, wiring, or troubleshooting.
- 5.1.5. Lead time – ordering lead times for Pillow Speakers are between two (2) and sixteen (16) weeks depending on the model the customer chooses. Any delays by the customer in choosing (or changing) the manufacturer or style of pillow speaker will impact Hill-Rom nurse call implementation and are the responsibility of the customer.
- 5.2. Bed Data Integrations: Customer responsible for working with their Hill-Rom Account Executive to verify beds on site that can integrate with NaviCare Nurse Call.
- 5.3. Hill-Rom excludes any and all permits, licenses, taxes, or fees required by the city and / or state where the physical implementation of this proposal occurs.
- 5.4. Project Contingency: This proposal may include a project contingency of 2.5% (not to exceed \$10,000) to cover errors, omissions, delays in construction as applicable and any unforeseen events. The project contingency will not be billed unless required to cover any of the above events. This contingency is intended to cover in scope hardware, software and services and is not intended to cover hardware and software additions or out of scope services.

SOW NNC Room by Room Includes Installation

6. SCHEDULE:

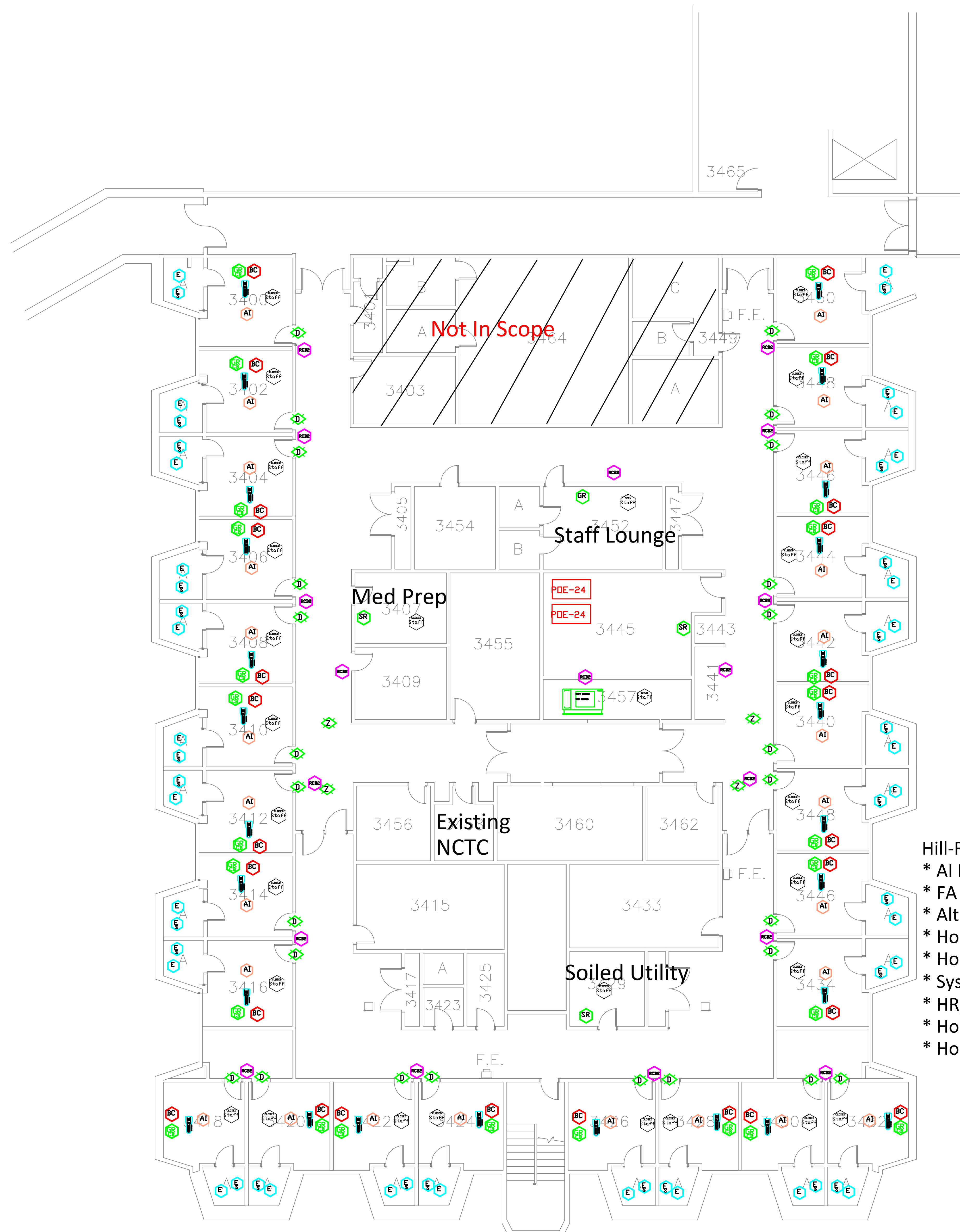
6.1. This project will be a _____TBD_____ phase project with a proposed kick-off date of _____TBD_____ and proposed date of complete system functionality of _____TBD_____.

7. INSTALLATION:

- 7.1. Hill-Rom Certified Installer is required to comply with and meet Hardware installation specifications from the NNC "Hardware Installation" guidelines for the version of NNC to be deployed.
- 7.2. Emergency circuit electrical power required for Hill-Rom servers, appliances, etc.
- 7.3. Hill-Rom Certified Installation Contractor will complete the following documents during installation and provide to the Hill-Rom Clinical Workflow Solutions Project Manager
 - 7.3.1. RCB forms (one per Room Control Board)
 - 7.3.2. RLR dipswitch settings form (if standard locating)
 - 7.3.3. Physical Device Location Reference form for RLR's
 - 7.3.4. Red-line drawings in CAD or printed
 - 7.3.5. Customer signed Pick-Slip from associated Hill-Rom equipment shipment
 - 7.3.6. Cabling termination test results
- 7.4. Customer will provide all site work credentialing requirements to Hill-Rom Clinical Workflow Solutions prior to cutting a PO. Cost for obtaining said credentials will not be included in attached quote until those requirements are provided.
- 7.5. Hill-Rom Certified Installation Contractor is required to inventory the Hill-Rom equipment shipment associated with this proposal with the customer and obtain signature on pick-slip and return customer signed pick-list to Hill-Rom Project Manager.
- 7.6. The Hill-Rom Certified Installer will unbox all Hill-Rom nurse call devices to be pre-staged and cable them together with cabling provided by Hill-Rom.
- 7.7. As Hill-Rom Certified Installer moves devices from the pre-staging area to the patient rooms being installed, it will complete the Room Readiness Acceptance (RRA) Form.
 - 7.7.1. Install devices in room. Verify that device in pre-staged area is being moved to pre-determined correct location.
 - 7.7.2. Test all devices for functionality per RRA
 - 7.7.3. Obtain initials and signatures on RRA by both hospital and its installation contractor who performed testing
 - 7.7.4. Submit completed RRA form to Hill-Rom PM for transition of patient room to Technical Support
- 7.8. Hill-Rom is not responsible for delays in the project due to inspections, asbestos or labor disputes.
- 7.9. Installation Contractor presence on site:
 - 7.9.1. Pricing is based on (1) mobilization(s) to complete the installation, project to complete within (365) day(s). Additional trips on-site will be charged at a rate of \$115.00 per hour which is inclusive of travel expenses. Pricing also anticipates Hill-Rom Clinical Workflow Solutions 3rd Party Installer attending (1) Pre-installation coordination meeting. The area designated for equipment installation will be made available to meet to project timeline for completion noted above.
 - 7.9.2. Utilizing standard prevailing wage rates.
 - 7.9.3. Field Inventory of Hill-Rom equipment delivered to the site.
 - 7.9.4. Connection to TV interface.
 - 7.9.5. Infectious controls in patient occupied areas
 - 7.9.6. All field wiring will conform to National Electrical Code (NEC) and TIA/EIA 569-A Pathways/ Spaces Standards
 - 7.9.7. Interface / monitor modules for patient room smoke detectors

- 7.9.8. Demolition of existing equipment and electrical rough-in
- 7.9.9. 1-year installation warranty from date of acceptance
- 7.9.10. New devices shall tie into the system included in the 2C project

- 7.10. Hill-Rom Clinical Workflow Solutions proposal EXCLUDES:
 - 7.10.1. Network racks
 - 7.10.2. Conduit, back boxes, cable trays, J-hooks, cable management items, and penetration sleeves (Conduit and back boxes are optional additional services)
 - 7.10.3. Backbone cabling (defined as cabling between servers and POE switches)
 - 7.10.4. Fiber Core Switch, Fiber Cable, Gigabit Interface Converters (GBIC)
 - 7.10.5. Trim plates, wall plates, adaptor plates, blank plates, reducer rings, surface mount boxes, conduit, back boxes, cable trays, core drilling, and fire stop. (Conduit, core drilling, and back boxes are optional additional services)
 - 7.10.6. Payment and performance bonds fees (Optional additional service)
 - 7.10.7. Any additional hardware or software not included in the attached bill of materials
 - 7.10.8. Television wall plates and coax cable to television
 - 7.10.9. Connection of cable/wire from ASBC/NIU to lighting controller
 - 7.10.10. Connection of cable/wire from ASBC/NIU to blind controls
 - 7.10.11. Low voltage lighting controllers
 - 7.10.12. Any equipment or service noted as "BY OTHERS" or "BY CUSTOMER"
 - 7.10.13. Nurse Call grounding (assumed existing by others)
 - 7.10.14. Receiving personnel and bulk storage for equipment.
 - 7.10.15. 120VAC circuiting for Nurse Call cabinet (assumed existing by others)
 - 7.10.16. Patch and paint
 - 7.10.17. Abatement of any kind
 - 7.10.18. Liquidated damages
 - 7.10.19. Permit fees
 - 7.10.20. Servers and installation of servers
 - 7.10.21. Additional required or requested components, services, training, or integrations not detailed in the attached quote, regardless of reason or request



THIRD FLOOR
MED/SURG D-WING

| System Type = NNC | | Unit: 3rd Floor MedSurg | |
|-------------------|----------------|-------------------------|--|
| | PNumber | QTY | Description |
| | P2500NNC1B00 | 1 | STAFF CONSOLE, DESK MOUNT |
| | P2505NNC1B00 | 26 | AUDIO STATION BED CONNECTOR (ASBC) |
| | P2506NNC8A00-D | 26 | ICON BASED-LIGHT LED DOME LIGHT |
| | P2506NNC8A00-Z | 4 | ICON BASED-LIGHT LED ZONE LIGHT |
| | P2510-CFGBTN | 26 | PILLOW SPEAKER WITH CONFIGURABLE BUTTONS |
| | P2519NNC2A24 | 2 | PDE SWITCH NNC 24-PORT UL60950 |
| | P2520B01 | 26 | SWITCH, BATH SWITCH, W/CANCEL, SUPERVISED |
| | P2520B02 | 26 | SWITCH, BATH SWITCH, W/D CANCEL, SUPERVISED |
| | P2545A01 | 26 | SYSTEM ALARM INTERFACE MODULE, W/BOX W/ PIGTAILS |
| | P2594NNC1B01 | 3 | STAFF STATION - STANDARD ROOM STATION W/O CODE |
| | P2594NNC2C00 | 1 | GRAPHICAL ROOM STATION (GRS) - STAFF |
| | P2594NNC2C11 | 26 | GRAPHICAL ROOM STATION (GRS) - PATIENT |
| | P2599NNC2D00 | 18 | RCB2 ROOM CONTROL BOARD |
| | RTLS-CLOSED | 28 | RTLS - STAFF LOCATING LOCATION-CLOSED AREA |
| | RTLS-OPEN | 2 | RTLS - STAFF LOCATING LOCATION GLASS/OPEN AREA |

Hill-Rom Notes:

- * AI Module for Fire Alarm Interface
- * FA Contractor to provide cable from Relay Based Smoke Detector to AI Module
- * Alternate PoE Location can be on 4th Floor as long as there are no distance limitation
- * Hospital IT to provide Network connectivity from PoE location to Data Center
- * Hospital to provide 120v Power @ PoE location
- * System to tie to existing NaviCare VM VoIP/Reporting Servers as well as Code Blue Annunciator
- * HR/Berg to provide OSHPD ready drawings with Electrical and Structural Stamps
- * Hospital to provide Fire Rated wall drawings as well as circuit #'s
- * Hospital Architect to Submit to OSHPD

**PRELIMINARY
DRAWING ONLY**
10/5/2016
DO NOT USE FOR
CONSTRUCTION

DRAWN BY: SWJ
CHECKED BY:

NOTICE
The drawings and all information thereon is property of:
HILL-ROM COMPANY, INC.
BATESVILLE, INDIANA
This drawing and information thereon is confidential and must not be made public, copied or used to disadvantage of Hill-Rom Company, Inc.
The drawing and all information is subject to return to Hill-Rom Company, Inc. on demand.

HILL-ROM IT
SOLUTIONS
1225 CRESENT GREEN
SUITE 200
CARY, NC 27518
www.hill-rom.com

Hill-Rom
Enhancing Outcomes For Patients and their Caregivers

| Revision Date | Revised by | Comments |
|---------------|------------|----------|
| | | |
| | | |

Revision History

| Drawing Information | |
|---|-------------------|
| DWG LRDSQ1199-02-LRDSQ1239 KERN MED CTR 3rd Floor MedSurg.dwg | |
| Sheet Number 1 | Total Sheets 1 |
| Drawing Scale 1/8" = 1' | |

| Project Information | |
|----------------------------------|------------|
| THIRD FLOOR MED-SURG D WING | |
| Proposal #LRDSQ1199-02-LRDSQ1239 | |
| U.L. LISTED | NNC LAYOUT |

| Customer Information | |
|----------------------|---|
| 604551 | KERN MEDICAL CENTER 1700 MT VERNON AVE BAKERSFIELD CA 93306 |



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

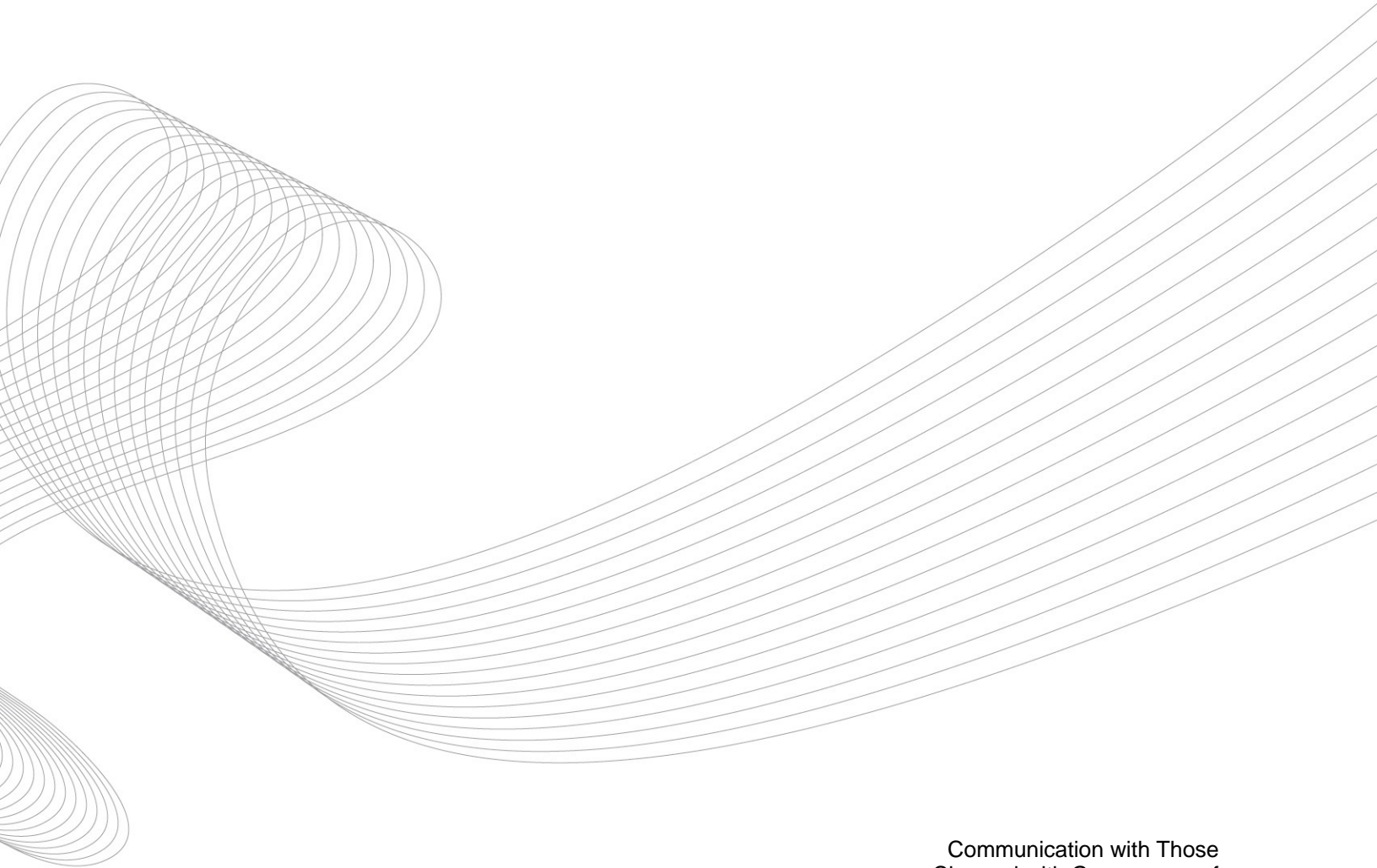
February 15, 2017

Subject: Proposed Report of Independent Auditors from Moss-Adams, LLP

Recommended Action: Receive and File; Refer to Kern County Board of Supervisors

Summary:

Kern Medical requests your Board receive and file the Report of Independent Auditors from Moss-Adams, LLP, for the audit of Kern Medical's financial statements pursuant to Kern County Agreement No. 584-2015. The scope of the audit includes the audit of Kern Medical financial statements, which comprise the statement of net position as of June 30, 2016, 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. There was one misstatement detected as a result of audit procedures. The misstatement was to record a \$453,018 Medi-Cal settlement liability as of June 30, 2016 and was corrected immediately.



Communication with Those
Charged with Governance of

Kern Medical Center

June 30, 2016

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

To the Board of Governors
Kern Medical Center

We have audited the financial statements of Kern Medical Center (the “Medical Center”) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 22, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated June 14, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Medical Center’s internal control over financial reporting. Accordingly, we considered The Medical Center’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for other information in the financial statements and our report does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.



PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in the audit entrance meeting and was included in the engagement letter dated June 14, 2016.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Medical Center are described in Note 2 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2016. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred, other than approximately \$18,100,000 in revenues recognized during the fiscal year ended June 30, 2016 related to the final settlement of the prior year risk sharing contract, as described in Note 12 to the financial statements.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowances for doubtful accounts, actuarially determined accruals for medical malpractice liabilities, pension, and other post-employment liabilities, accruals for third party cost report settlements and supplemental funding, and accruals for intergovernmental transfers are based on knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimates above in determining that it is reasonable in relation to the financial statements as a whole.



Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Nature of Operations and Reporting Entity
- Note 2 – Summary of Significant Accounting and Reporting Policies
- Note 10 – Net Patient Service Revenue
- Note 11 – Indigent Patient Care Funding
- Note 12 – Shared Risk and Incentive Revenues
- Note 14 – Related Party Transactions
- Note 15 – Pension Plan
- Note 17 – Self-Insurance Programs
- Note 18 – Post-Retirement Health Care Benefits
- Note 21 – Commitments and Contingencies;
- Note 22 – Audit of Federal Disproportionate Share Payments
- Note 24 – Subsequent Events

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There was one uncorrected misstatement of the financial statements detected as a result of audit procedures. The uncorrected misstatement was to record a \$453,018 Medi-Cal settlement liability as of June 30, 2016. Management has determined that its effect is immaterial to the financial statements as a whole.

Disagreements with Management

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



Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Company’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

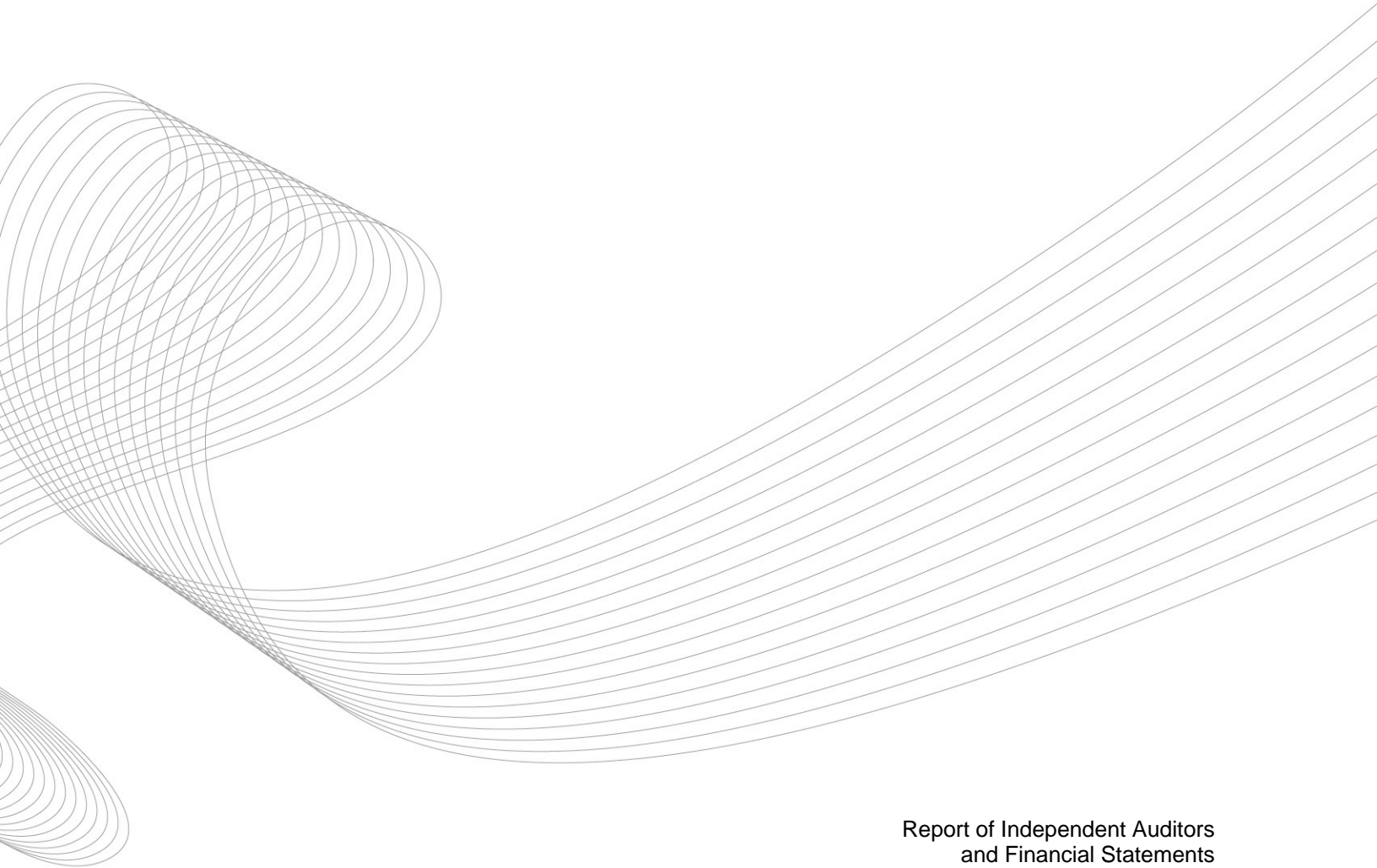
Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Governors and the management of Kern Medical Center and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moss Adams LLP".

Los Angeles, California
February 2, 2017



Report of Independent Auditors
and Financial Statements
with Supplementary Information for

Kern Medical Center

June 30, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Honorable Board of Supervisors
Kern Medical Center

Report on Financial Statements

We have audited the accompanying financial statements of Kern Medical Center (the Medical Center), an enterprise fund of the County of Kern, California, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS ADAMS LLP***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Medical Center as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Medical Center, and do not purport to, and do not, present fairly the financial position of the County of Kern, California, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit schedules, including schedules of funding progress, on pages 3-10, and 51-55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.



Los Angeles, California
December 22, 2016

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Kern Medical Center (the Medical Center) Enterprise Fund's financial performance provides an overall review of the Medical Center's financial activities for the fiscal years ending June 30, 2016 and 2015. The intent of this discussion and analysis is to provide further information on the Medical Center's financial performance as a whole. Readers should also review the financial statements and the accompanying notes to the financial statements to enhance their understanding of the Medical Center's financial performance.

Summary of Organization and Business

The Medical Center provides comprehensive inpatient, outpatient, and ancillary services. It is the largest provider of health care services and the only hospital with physician residency programs in the County of Kern (the County). There are seven residency programs: Pharmacy, Emergency Medicine, Family Practice, Internal Medicine, Surgery, Obstetrics/Gynecology, and Psychiatry. All residency programs are fully accredited by the Accreditation Council on Graduate Medical Education. The Medical Center is designated by the Kern County Emergency Medical Services as the County's only trauma II center. The Medical Center is engaged in continuing program improvements to align the community medical needs while staying within its budget. Since Medi-Cal, indigent, and uninsured patients comprise nearly 73 percent of its patients, the major challenge facing the Medical Center is to continue to be able to provide quality services to patient populations within the limited sources available to the Medical Center.

Key Performance Indicators

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------|-------------|-------------|
| Admissions (Excluding Births) | 9,172 | 8,823 | 8,990 |
| Discharges | 11,706 | 11,374 | 11,887 |
| Births | 2,556 | 2,521 | 2,899 |
| Patient Days (Excluding Newborns) | 48,529 | 48,098 | 48,906 |
| Average Daily Census | 133 | 132 | 134 |

Overview of the Financial Statements

The financial statements of the Medical Center report information about the Medical Center's use of accounting methods, which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities and include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, the accompanying notes are an integral part of these financial statements.

The statement of net position includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Medical Center creditors (liabilities). It also provides the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of revenues, expenses, and changes in net position reports all of the revenues and expenses during the time period indicated. This statement measures the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all its costs through its charges at established rates and other revenues. Over time, increases or decreases in net position may serve as a unique indicator of whether or not the financial position of the Medical Center is improving or deteriorating.

The statement of cash flows reports cash receipts; cash payments; and net changes in cash resulting from operations, investing, and financing activities, and the changes in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Medical Center's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Financial Analysis

Condensed Statements of Net Position

| | 2016 | 2015 | 2014 As Restated |
|---|-----------------------|-----------------------|-----------------------|
| Current assets | \$ 97,131,637 | \$ 60,608,296 | \$ 74,115,147 |
| Capital assets | 49,182,445 | 48,301,708 | 47,029,137 |
| Restricted and other assets | 906,469 | 895,663 | 889,242 |
| Total assets | 147,220,551 | 109,805,667 | 122,033,526 |
| DEFERRED OUTFLOWS OF RESOURCES | 49,355,076 | 54,532,940 | 30,022,776 |
| Total assets and deferred outflows of resources | <u>\$ 196,575,627</u> | <u>\$ 164,338,607</u> | <u>\$ 152,056,302</u> |
| Current liabilities | \$ 87,298,654 | \$ 83,602,088 | \$ 90,279,416 |
| Long-term debt | 410,096,211 | 401,402,489 | 444,080,778 |
| Total liabilities | 497,394,865 | 485,004,577 | 534,360,194 |
| DEFERRED INFLOWS OF RESOURCES | 15,299,688 | 33,503,503 | - |
| Net investment in capital assets | 44,945,672 | 43,124,216 | 40,829,870 |
| Restricted | 7,437,005 | 9,473,585 | 14,106,319 |
| Unrestricted | (368,501,603) | (406,767,274) | (437,240,081) |
| Total net position | <u>(316,118,926)</u> | <u>(354,169,473)</u> | <u>(382,303,892)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 196,575,627</u> | <u>\$ 164,338,607</u> | <u>\$ 152,056,302</u> |

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Net Position Highlights:

Changes from June 30, 2015 to June 30, 2016

Current assets – Current assets increased \$36.5 million, or 60%, from fiscal year 2015 to 2016 mainly due to increases in the cash balance and receivables from third party governmental payers. The cash balance increased to \$32.6 million at June 30, 2016 compared to a balance of \$8.6 million at June 30, 2015 due in large part to improved efficiency in the revenue cycle process realized after the implementation of new management and new policies and procedures. Receivables booked from third party governmental payers increased about \$26.4 million or 104.3% due to the approval by the Federal Centers for Medicaid and Medicare of the renewal of California's Section 1115 Medicaid Waiver in December 2015.

Deferred outflows of resources – In connection with GASB No. 68, the Medical Center reported deferred outflows of resources of \$49.4 million for fiscal year 2015-16 and \$54.5 million for fiscal year 2014-15 related to changes in actuarial assumptions and contributions made subsequent to the measurement date.

Long-term liabilities – Long-term liabilities in fiscal year 2015-16 increased from fiscal year 2014-15 by approximately \$8.7 million or 2.2%. This increase is due mainly to an increase in the net pension liability. The Medical Center maintained a \$0 long-term funds balance due to the County General Fund which was \$0 for fiscal years 2015-16 and 2014-15. The total of the current and noncurrent loan balance due to the County General Fund was \$0, \$4.6 million, and \$61.3 million for fiscal years 2015-16, 2014-15 and 2013-14, respectively. Continued improvement in financial performance in fiscal year 2015-16 allowed the Medical Center to keep this balance paid down.

Deferred inflows of resources – In connection with GASB No. 68, the Medical Center reported deferred inflows of resources of \$15.3 and \$33.5 million for fiscal year 2015-16 and 2014-15, respectively, related to the net differences between projected and actual earnings on pension plan investments.

Changes from June 30, 2014 to June 30, 2015

Current assets – Current assets decreased \$13.5 million or 18% from 2014 to 2015 mainly due to a change in the due to other governmental agencies, net. This balance was a net receivable balance of \$24.0 million at June 30, 2014 and a net payable balance of \$34.3 million at June 30, 2015 due to changes in the estimates of the amount expected to be received and paid of (\$28.4) million. The remaining change in the balance is due mainly to the estimate of the 2015 waiver receivable of (\$11.9) million.

Deferred outflows of resources – In connection with the implementation of GASB No. 68 effective July 1, 2015, the Medical Center reported deferred outflows of resources of \$54.5 million for fiscal year 2014-15 and \$30.0 million for fiscal year 2013-14 related to changes in actuarial assumptions and contributions made subsequent to the measurement date.

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term liabilities – In connection with the implementation of GASB No. 68 effective July 1, 2015, the Medical Center reported the net pension liability retrospectively in fiscal year 2013-14 which resulted in an increase in long-term liabilities from fiscal year 2012-13 to fiscal year 2013-14. Long-term debt in fiscal year 2014-15 decreased from fiscal year 2013-14 by approximately \$42.7 million or 9.6%. This decrease is due mainly to a decrease in the long-term funds due to the County General Fund which was \$0 and \$23.2 million for fiscal years 2014-15 and 2013-14, respectively. The total of the current and noncurrent loan balance due to the County General Fund was \$4.6 million, \$61.3 million and \$85.4 million for fiscal years 2014-15, 2013-14 and 2012-13, respectively. Due to improvements in financial performance in fiscal year 2014-15, the Medical Center paid down these balances.

Deferred inflows of resources – In connection with the implementation of GASB No. 68 effective July 1, 2015, the Medical Center reported deferred inflows of resources of \$33.5 million for fiscal year 2014-15 related to the net differences between projected and actual earnings on pension plan investments.

Unrestricted net position – In connection with the implementation of GASB No. 68 effective July 1, 2014, the Medical Center reported a change in accounting principle of \$324.3 million for fiscal year 2013-14 to report the net pension liability retrospectively in accordance with GASB No. 68. The cumulative effect of the change in accounting principle is shown in the condensed Statements of Revenue, Expenses, and Change in Net Position on the following page.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | 2016 | 2015 | 2014 As Restated |
|---|-------------------------|-------------------------|-------------------------|
| Operating revenue | \$ 315,516,639 | \$ 264,133,106 | \$ 231,267,149 |
| Nonoperating revenue | 2,411,430 | 368,049 | 330,154 |
| Total revenue | <u>317,928,069</u> | <u>264,501,155</u> | <u>231,597,303</u> |
| Depreciation and amortization | 5,754,432 | 4,993,503 | 4,523,711 |
| Operating expenses | 302,414,828 | 266,591,519 | 282,556,078 |
| Nonoperating expenses | 4,863,963 | 7,458,823 | 10,687,984 |
| Total expenses | <u>313,033,223</u> | <u>279,043,845</u> | <u>297,767,773</u> |
| Net loss before transfers | 4,894,846 | (14,542,690) | (66,170,470) |
| Other transfers in | 33,155,701 | 42,677,109 | 61,609,282 |
| Change in net position | 38,050,547 | 28,134,419 | (4,561,188) |
| Beginning net position, as previously stated | (354,169,473) | (382,303,892) | (53,435,117) |
| Cumulative effect of change in accounting principle | - | - | (324,307,587) |
| Beginning net position, as restated | <u>(354,169,473)</u> | <u>(382,303,892)</u> | <u>(377,742,704)</u> |
| Ending net position | <u>\$ (316,118,926)</u> | <u>\$ (354,169,473)</u> | <u>\$ (382,303,892)</u> |

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Revenue, Expenses, and Changes in Net Position Highlights:

Changes from June 30, 2015 to June 30, 2016

The first component of the overall change in the Medical Center's net position is its operating revenue. Operating revenue increased by \$51.4 million or 19.5% in fiscal year 2015-16 as compared to fiscal year 2014-15. The primary components of the changes in operating revenue are as follows:

Net patient service revenue and indigent patient funding for the Medical Center increased by \$24.0 million or 15.2% in fiscal year 2014-15 compared to fiscal year 2013-14. The Medical Center recognized revenue from various supplemental funding sources including the IGT Program, Disproportionate Share funding, and the Hospital Fee Program totaling \$67.7 million and \$76.9 million in fiscal years 2015-16 and 2014-15, respectively.

Shared risk and incentives revenue – the Medical Center recognized revenue of \$52.9 million in fiscal year 2015-16 related to a risk sharing agreement with a health plan for hospital and specialist medical services provided to members assigned to the Medical Center. The risk sharing agreement sets forth provisions whereby the Medical Center receives the surplus between the negotiated capitated amounts and the cost of the hospital and specialist medical services provided to members over the period of the contract. The shared risk arrangement also contains certain provisions that may result in additional incentive revenue to the Medical Center if certain performance measures are met.

The second component of the overall change in the Medical Center's net position is its operating expenses. Operating expenses increased by \$36.6 million or 13.5% in fiscal year 2015-16 as compared to fiscal year 2014-15. This increase is due in part to an increase in salaries and employee benefits, as well as purchased services as the Medical Center completed its transition from being a department of the County of Kern to the newly formed entity of the Kern County Hospital Authority.

Changes from June 30, 2014 to June 30, 2015

The first component of the overall change in the Medical Center's net position is its operating revenue. Operating revenue increased by \$32.9 million or 14.2% in fiscal year 2014-15 as compared to fiscal year 2013-14. The primary components of the changes in operating revenue are as follows:

Net patient service revenue and indigent patient funding for the Medical Center increased by \$17.5 million or 8% in fiscal year 2014-15 compared to fiscal year 2013-14. The Medical Center recognized revenue from various supplemental funding sources including the IGT Program, Disproportionate Share funding, and the Hospital Fee Program totaling \$76.9 million and \$96.6 million in fiscal years 2014-15 and 2013-14, respectively.

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Shared risk and incentives revenue – the Medical Center recognized revenue of \$14.8 million in fiscal year 2014-15 related to a risk sharing agreement with a health plan for hospital and specialist medical services provided to members assigned to the Medical Center which was entered into during fiscal year 2014-15. The risk sharing agreement sets forth provisions whereby the Medical Center receives the surplus between the negotiated capitated amounts and the cost of the hospital and specialist medical services provided to members over the period of the contract. The shared risk arrangement also contains certain provisions that may result in additional incentive revenue to the Medical Center if certain performance measures are met.

The second component of the overall change in the Medical Center's net position is its operating expenses. Operating expenses decreased by \$18.9 million or 5.7% in fiscal year 2014-15 as compared to fiscal year 2013-14. This decrease is primarily due to a decrease in salaries and employee benefits which was a result of lower levels of staffing and decreased employee benefit expenses.

Analysis of Capital Assets

In fiscal year 2015-16, the Medical Center's capital assets increased approximately \$881 thousand due to additions to Construction in Progress (CIP) and various other additions and deletions of equipment and additions of accumulated depreciation. In fiscal year 2014-15, the Medical Center's capital assets increased by approximately \$1.3 million, also due to additions to CIP and various other additions of equipment. The remaining activity related to various additions and deletions of equipment and additions of accumulated depreciation. The tables below provide summarized information for the Medical Center's outstanding capital assets at June 30, 2016, 2015 and 2014:

| | Balance June 30, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| Capital Assets Not Being Depreciated | \$ 1,252,729 | \$ 1,402,168 | \$ 910,304 | \$ 1,744,593 |
| Capital Assets Being Depreciated | 131,459,368 | 6,442,341 | 2,236,668 | 135,665,041 |
| Less Accumulated Depreciation and Amortization | 84,410,389 | 5,754,432 | 1,937,632 | 88,227,189 |
| Capital Assets Being Depreciated, Net | 47,048,979 | 687,909 | 299,036 | 47,437,852 |
| Capital Assets, Net | <u>\$ 48,301,708</u> | <u>\$ 2,090,077</u> | <u>\$ 1,209,340</u> | <u>\$ 49,182,445</u> |
| | Balance June 30, 2014 | Additions | Deletions | Balance June 30, 2015 |
| Capital Assets Not Being Depreciated | \$ 595,934 | \$ 656,795 | \$ - | \$ 1,252,729 |
| Capital Assets Being Depreciated | 128,179,564 | 5,469,940 | 2,190,136 | 131,459,368 |
| Less Accumulated Depreciation and Amortization | 81,746,361 | 4,993,503 | 2,329,475 | 84,410,389 |
| Capital Assets Being Depreciated, Net | 46,433,203 | 476,437 | (139,339) | 47,048,979 |
| Capital Assets, Net | <u>\$ 47,029,137</u> | <u>\$ 1,133,232</u> | <u>\$ (139,339)</u> | <u>\$ 48,301,708</u> |

Additional information on the Medical Center's capital assets can be found in Note 6 of this report.

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt Summary

In fiscal years 2015-16 and 2014-15, the reduction of long-term debt is the result of principal payments on existing debt. The tables below provide summarized information for the Medical Center's outstanding long-term liabilities at June 30, 2016, 2015 and 2014:

| | Balance July 1, 2015 | Incurred or Issued | Satisfied or Matured | Balance June 30, 2015 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|-------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|-----------------------------------|---|
| Certificates of Participation | \$ 5,177,493 | \$ - | \$ 940,719 | \$ 4,236,774 | \$ 986,694 | \$ 3,250,080 |
| Unamortized Net Premium | 99,962 | - | 19,986 | 79,976 | - | 79,976 |
| Capital Lease | 750,390 | 2,046,800 | 344,977 | 2,452,213 | 314,177 | 2,138,036 |
| Pension Obligation Bonds | 33,232,950 | - | 2,309,778 | 30,923,172 | 2,481,767 | 28,441,405 |
| Total | \$ 39,260,795 | \$ 2,046,800 | \$ 3,615,460 | \$ 37,692,135 | \$ 3,782,638 | \$ 33,909,497 |

| | Balance July 1, 2014 | Incurred or Issued | Satisfied or Matured | Balance June 30, 2015 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|-------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|-----------------------------------|---|
| Certificates of Participation | \$ 6,079,311 | \$ - | \$ 901,818 | \$ 5,177,493 | \$ 940,719 | \$ 4,236,774 |
| Unamortized Net Premium | 119,955 | - | 19,993 | 99,962 | - | 99,962 |
| Capital Lease | 719,296 | 31,094 | - | 750,390 | 131,482 | 618,908 |
| Pension Obligation Bonds | 38,481,655 | - | 5,248,705 | 33,232,950 | 2,309,778 | 30,923,172 |
| Total | \$ 45,400,217 | \$ 31,094 | \$ 6,170,516 | \$ 39,260,795 | \$ 3,381,979 | \$ 35,878,816 |

Additional information on the Medical Center's long-term debt can be found in Note 8 of this report.

Economic Factors Affecting Next Year

- Patient volumes from all payor sources are expected to remain flat. The Medical Center does not anticipate that the volume will stay constant. However, due to the Affordable Care Act, the Medical Center has realized a shift in the payor source toward Medi-Cal and Managed Medi-Cal plans as more patients qualify for some form of insurance coverage.
- For FY 2016-17, the Medical Center has qualified for governmental funding from the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. This program replaces the Delivery System Reform Incentive Payment (DSRIP) program funding that the Medical Center qualified for in previous years. The Medical Center also qualified for the Global Payment Program (GPP). The GPP replaces the Disproportionate Share Hospital Intergovernmental Transfer (DSH-IGT) funding and the Safety Net Care Pool (SNCP) funding that the Medical Center qualified for in previous years. The Medical Center was also approved to participate in the Whole Person Care (WPC) pilot program for FY 2016-17. This program is also part of the Section 1115 Medicaid Waiver, Medi-Cal 2020, that was approved by the Centers for Medicare and Medicaid Services (CMS) in December 2015. This program is designed to provide integrated, patient-centered care through coordination of physical and behavioral health and social services to meet patients' holistic needs.

KERN MEDICAL CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

- Expenses are expected to remain flat without significant increases to the employee benefit expense.
- The timing of State and Federal funding will continue to impact cash flow throughout the year.

Contacting the Medical Center's Chief Financial Officer

This financial report is designed to provide citizens, customers, and creditors with a general overview of the Medical Center's finances, and to demonstrate the Medical Center's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Chief Financial Officer, Kern Medical Center, 1700 Mount Vernon Ave., Bakersfield, California 93306.

KERN MEDICAL CENTER STATEMENTS OF NET POSITION

| | June 30, | |
|---|-----------------------|-----------------------|
| | 2016 | 2015 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Pooled cash and investments (Note 3) | \$ 32,595,016 | \$ 8,577,920 |
| Revolving fund cash (Note 3) | 10,980 | 10,980 |
| Patient accounts receivable, net of allowances for doubtful accounts of \$25,463,389 in 2016 and \$23,255,041 in 2015 (Note 5) | 27,033,032 | 29,757,971 |
| Due from other County funds (Note 14) | - | 278,170 |
| Other receivables (Note 12) | 31,569,111 | 17,174,884 |
| Interest receivable | 85,508 | 11,240 |
| Inventories | 3,374,529 | 2,899,573 |
| Prepaid expenses | 2,463,461 | 1,897,558 |
| Total current assets | 97,131,637 | 60,608,296 |
| CASH AND INVESTMENTS DEPOSITED WITH TRUSTEE (Notes 3 and 4) | 906,469 | 895,663 |
| CAPITAL ASSETS, net (Note 6) | 49,182,445 | 48,301,708 |
| Total assets | 147,220,551 | 109,805,667 |
| DEFERRED OUTFLOWS OF RESOURCES (Note 15) | 49,355,076 | 54,532,940 |
| Total assets and deferred outflows of resources | \$ 196,575,627 | \$ 164,338,607 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 20,719,257 | \$ 21,234,279 |
| Due to governmental agencies (Note 11) | 38,671,905 | 34,308,659 |
| Salaries and employee benefits payable | 10,558,863 | 7,990,421 |
| Due to other County funds (Note 14) | - | 4,580,539 |
| Interest payable, current portion (Note 9) | 4,207,059 | 3,895,935 |
| Current portion of compensated absences payable (Note 7) | 7,456,932 | 6,630,276 |
| Current portion of capital leases (Note 8) | 314,177 | 131,482 |
| Current portion of estimate for professional liability (Note 17) | 1,902,000 | 1,580,000 |
| Current portion of long-term debt (Note 8) | 3,468,461 | 3,250,497 |
| Total current liabilities | 87,298,654 | 83,602,088 |
| NONCURRENT LIABILITIES | | |
| Interest payable, non-current portion (Note 9) | 20,730,010 | 22,266,360 |
| Capital lease, non-current portion (Note 8) | 2,138,036 | 618,908 |
| Compensated absences payable (Note 7) | 2,462,221 | 2,841,548 |
| Net pension liability (Note 15) | 345,262,534 | 330,492,938 |
| Net other post-employment benefits (Note 18) | 5,354,890 | 6,070,276 |
| Estimate for professional liability (Note 17) | 2,377,059 | 3,852,551 |
| Long-term debt, net of current portion (Note 8) | 31,771,461 | 35,259,908 |
| Total liabilities | 497,394,865 | 485,004,577 |
| DEFERRED INFLOWS OF RESOURCES (Note 15) | 15,299,688 | 33,503,503 |
| NET POSITION | | |
| Net investment in capital assets | 44,945,672 | 43,124,216 |
| Restricted for: | | |
| Debt service | 906,469 | 895,663 |
| Capital assets | 5,686,499 | 7,733,885 |
| Education | 844,037 | 844,037 |
| Unrestricted | (368,501,603) | (406,767,274) |
| Total net position | (316,118,926) | (354,169,473) |
| Total liabilities, deferred inflows of resources and net position | \$ 196,575,627 | \$ 164,338,607 |

KERN MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | Years Ended June 30, | |
|--|-------------------------|-------------------------|
| | 2016 | 2015 |
| OPERATING REVENUES | | |
| Net patient service revenue net of provision for uncollectible accounts of \$438,902 in 2016 and \$3,548,030 in 2015 | \$ 181,856,732 | \$ 157,803,610 |
| Indigent patient care funding | 67,719,639 | 76,923,861 |
| Shared risk and incentives | 52,976,792 | 14,800,865 |
| Other operating revenue | 12,963,476 | 14,604,770 |
| Total operating revenues | <u>315,516,639</u> | <u>264,133,106</u> |
| OPERATING EXPENSES | | |
| Salaries and employee benefits | 182,152,699 | 167,130,988 |
| Services and supplies | 119,523,080 | 99,230,452 |
| Other expenses | 739,049 | 230,079 |
| Depreciation and amortization | 5,754,432 | 4,993,503 |
| Total operating expenses | <u>308,169,260</u> | <u>271,585,022</u> |
| OPERATING INCOME (LOSS) | <u>7,347,379</u> | <u>(7,451,916)</u> |
| NONOPERATING REVENUE (EXPENSES) | | |
| Interest on bank deposits and investments, net | 203,785 | 92,256 |
| Aid from other governmental agencies | 122,400 | 154,315 |
| Other nonoperating revenues | 2,085,245 | 121,478 |
| Other nonoperating expenses | (918,578) | (3,636,818) |
| Interest expense | (3,649,551) | (3,805,838) |
| Loss on sale of capital assets | (295,834) | (16,167) |
| Total nonoperating expenses, net | <u>(2,452,533)</u> | <u>(7,090,774)</u> |
| Net income (loss) before capital contribution and transfers | 4,894,846 | (14,542,690) |
| OTHER TRANSFERS IN | <u>33,155,701</u> | <u>42,677,109</u> |
| Change in net position | <u>38,050,547</u> | <u>28,134,419</u> |
| NET POSITION, Beginning of year | <u>(354,169,473)</u> | <u>(382,303,892)</u> |
| NET POSITION, End of year | <u>\$ (316,118,926)</u> | <u>\$ (354,169,473)</u> |

**KERN MEDICAL CENTER
STATEMENTS OF CASH FLOWS**

| | Years Ended June 30, | |
|---|----------------------|---------------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received for patient/current services | \$ 184,581,671 | \$ 183,959,777 |
| Cash received for other operations | 133,659,907 | 106,329,496 |
| Cash paid for salaries and benefits | (178,108,669) | (172,652,169) |
| Cash paid for services and supplies | (118,608,256) | (74,129,672) |
| Net cash provided by operating activities | <u>21,524,653</u> | <u>43,507,432</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from other funds | 20,328,711 | 22,407,178 |
| Cash received for advances | 216,240,600 | 215,980,500 |
| Cash repayments of advances | (220,821,139) | (272,717,275) |
| Interest paid - pension obligation bond | (4,678,708) | (1,241,458) |
| Principal paid - pension obligation bond | (2,309,778) | (5,268,699) |
| Net cash provided by (used in) noncapital financing activities | <u>8,759,686</u> | <u>(40,839,754)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition or construction of capital assets | (4,884,496) | (5,478,207) |
| Proceeds from sale of surplus assets | 293 | 17,966 |
| Payment of long-term debt - capital lease | (344,977) | (790,906) |
| Capital lease interest paid | (11,738) | (14,131) |
| Payment of long-term debt - Certificates of Participation (COP) | (940,719) | (901,817) |
| COP interest paid | (204,317) | (225,574) |
| Net cash used in capital and related financing activities | <u>(6,385,954)</u> | <u>(7,392,669)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on bank deposits and investments | <u>129,517</u> | <u>92,256</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 24,027,902 | (4,632,735) |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>9,484,563</u> | <u>14,117,298</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 33,512,465</u> | <u>\$ 9,484,563</u> |

KERN MEDICAL CENTER
STATEMENTS OF CASH FLOWS (CONTINUED)

| | Years Ended June 30, | |
|---|----------------------|----------------------|
| | 2016 | 2015 |
| Reconciliation of cash and cash equivalents to the Statements of Net Position: | | |
| Pooled cash and investments | \$ 32,595,016 | \$ 8,577,920 |
| Revolving fund cash | 10,980 | 10,980 |
| Cash and investments deposited with a trustee | 906,469 | 895,663 |
| Total cash and cash equivalents at the end of year | <u>\$ 33,512,465</u> | <u>\$ 9,484,563</u> |
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 7,347,379 | \$ (7,451,916) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | |
| Provision for bad debts | 438,902 | 3,548,030 |
| Depreciation and amortization | 5,754,432 | 4,993,503 |
| Changes in assets and liabilities: | | |
| Patient accounts receivable, net | 2,286,037 | (1,441,056) |
| Inventories | (474,956) | 121,696 |
| Prepaid expenses | (565,903) | (500,761) |
| Due from governmental agencies | - | 24,049,193 |
| Deferred outflows of resources | 5,177,864 | (24,510,164) |
| Accounts payable and accrued expenses | (515,022) | (282,117) |
| Salaries and employee benefits payable | 2,568,442 | 545,746 |
| Compensated absences payable | 447,329 | (1,779,535) |
| Estimate for professional liability | (1,153,492) | (1,590,246) |
| Due to governmental agencies | 4,363,246 | 27,582,287 |
| Net other post-employment benefits obligations | (715,386) | (25,257) |
| Net pension liability | 14,769,596 | (13,255,474) |
| Deferred inflows of resources | (18,203,815) | 33,503,503 |
| Net cash provided by operating activities | <u>\$ 21,524,653</u> | <u>\$ 43,507,432</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Capital assets acquired through capital leases | <u>\$ 2,046,800</u> | <u>\$ 822,000</u> |

KERN MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Operations and Reporting Entity

Kern Medical Center (the Medical Center) is a 222-bed acute care teaching hospital affiliated with the University of California Schools of Medicine at Los Angeles, San Diego, and Irvine. The Medical Center is an Enterprise Fund of the County of Kern (the County) and is operated for the benefit of the County residents. The Medical Center is responsible for the provision of health care services for emergency, outpatient, and inpatient medical care to all classes of patients including Medicare and Medi-Cal eligibles, medically indigent persons, and inmates of County institutions and juvenile facilities. The management of the Medical Center reports directly to the County's five-member Board of Supervisors. These financial statements present only the Medical Center and are not intended to present fairly the position of the County and the results of its operations and cost of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

AB 2546 passed the California State Legislature on September 26, 2014 and authorizes the Board of Supervisors of the County of Kern to establish, by ordinance, the Kern County Hospital Authority to manage, administer, and control the Medical Center and other health care facilities, and other functions affiliated or consolidated with the Medical Center. The Board has adopted the ordinance organizing the Hospital Authority effective November 6, 2015. The Medical Center was transferred to the Kern County Hospital Authority during the fiscal year ending June 30, 2017. Refer to Note 24 for further detail on the transfer of the Medical Center.

Note 2 – Summary of Significant Accounting and Reporting Policies

Basis of accounting and presentation – The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles for healthcare organizations and are presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 and subsequent amendments including GASB Statement No. 63 as discussed below, established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Assets whose use by the Medical Center are subject to externally imposed constraints that can be fulfilled by actions of the Medical Center pursuant to those constraints or that expire by the passage of time. Restricted resources are used in accordance with the Medical Center's policies. When both restricted and unrestricted resources are available for use, the determination to use restricted or unrestricted resources is made on a case-by-case basis.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Unrestricted net position – This amount represents the amount of net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Supervisors or may otherwise be limited by contractual agreements with outside parties.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Pooled cash and investments – Pooled cash and investments are managed by the County Treasury in a commingled pool in accordance with the County Investment Policy. The County Treasury Oversight Committee is responsible for the regulatory oversight of the commingled pool. The County reports all of its investments, including the investments of its commingled pool, at fair value. The County Treasurer determines the fair value of the pool on a monthly basis based upon quoted market prices. The net appreciation (depreciation) in the fair value of investments is included in the interest on bank deposits and investment balance. Realized earnings and losses are allocated quarterly to commingled investment pool participants based on the participants' average daily cash balance relative to the entire pool. A negative average cash balance results in an earnings charge that is netted against the interest on bank deposits and investments balance.

Information regarding the County's cash and investments can be found in the notes to the County's basic financial statements.

Patient accounts receivable – The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables and historical collection information. As a service to the patient, the Medical Center bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Inventories – Inventories consist of expendable supplies held for consumption. Supply inventories are stated at the lower of cost, determined using the "moving-average" method, or market.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Capital assets – Capital assets, which include property, plant, and equipment, are stated at cost if purchased, or fair value on the date received if donated. The Medical Center has established a policy to capitalize expenses for capital assets with an individual cost of \$5,000 for equipment, \$25,000 for intangibles, and \$50,000 for structures with a useful life greater than one year. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Intangible assets are amortized based on estimated useful life and will vary by item. Capital assets other than intangible assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-----------------------------|----------------|
| Structures and improvements | 10 to 40 years |
| Equipment | 3 to 15 years |

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. There were no impairment losses recorded in the years ended June 30, 2016 and 2015.

Compensated absences – The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Net patient service revenue – The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts receivable from patients, third-party payers, and others for services rendered, including a provision for bad debt and estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting and Reporting Policies (continued)

Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue in the current period. These differences were not significant for the year ended June 30, 2016. These differences increased net patient service revenue by approximately \$3,800,000 for the year ended June 30, 2015.

Third-party payers – The Medical Center is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

The majority of the Medical Center's receivables are related to the care of patients covered by Medi-Cal, Medicare, and special funding created by legislative acts that subsidize certain health care facilities that treat a disproportionate share of Medi-Cal beneficiaries.

Uncompensated care – The County is mandated to provide medical care to indigent and dependent poor County residents under California Welfare and Institutions Code Section 17000. The County fulfills its Section 17000 obligation through services provided at the Medical Center. Through its Medically Indigent Adult Program, patients are charged for services and supplies based on their ability to pay. In assessing a patient's ability to pay, the Medical Center utilizes State-determined poverty levels. Additionally, the Medical Center provides services to patients that are outside of the Medically Indigent Adult Program and does not receive compensation for those services. The Medical Center maintains records to identify, monitor, and report the level of indigent and uncompensated care provided to the community. These records include the estimate cost of services and supplies furnished yet uncompensated for. The following information measures the level of uncompensated care provided during the fiscal years ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Estimated Cost of Services Provided but Uncompensated | \$ 22,678,153 | \$ 21,412,243 |

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of the County of Kern's Kern County Employees' Retirement Association (KCERA) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Disclosures about fair value of financial instruments – The carrying amount of revolving fund cash, pooled cash and investments, cash and investments deposited with a trustee, patient accounts receivable, other current assets, accounts payable, and accrued expenses approximates fair value because of the short-term maturity of these instruments.

Risk management – The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental, and accident benefits. As discussed in Note 13, commercial insurance coverage is purchased by the County for claims arising from such matters where the County has not retained the risk of loss. The Medical Center is self-insured for medical malpractice claims and judgments. The provision for estimated self-insured medical malpractice includes estimates of the ultimate costs for both reported claims and claims incurred but not reported (IBNR), and other allocated claim adjustment expenses.

Concentration of credit risk – Receivables from government programs present the only concentrated group of credit risk for the Medical Center. Management does not believe that there are any credit risks associated with these governmental agencies. Negotiated and private receivables consist of receivables from various payers, including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risk to the Medical Center. Management continually monitors and adjusts its reserves and allowances associated with these receivables, and such allowances have historically been adequate to cover losses realized.

Income taxes – The Medical Center is owned and operated by the County and is exempt from Federal and State income tax pursuant to Internal Revenue Code (IRC) Section 115 and similar provisions of the California Franchise Tax Code and is also exempt from Federal and State income tax filing requirements.

Cash and investments deposited with a trustee – Cash and investments deposited with a trustee represent restricted cash and investments, which include unexpected bond proceeds, interest earnings, and reserves established in accordance with related bond indentures. These funds are managed by fiscal agents in accordance with debt agreements.

Operating revenues and expenses – The statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Medical Center's principal activity. Non-exchange revenues, including grants, contributions and income (losses) from investments, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Reclassifications – Certain prior year amounts were reclassified to conform to the current year presentation.

KERN MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

Implemented Governmental Accounting Standards Board Statements

Adoption of accounting pronouncements in current year – During the year ended June 30, 2016, the Medical Center adopted GASB Statement No. 72, *Fair Value Measurement and Application* which requires the Medical Center to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. There was no material impact on the Medical Center’s financial statements as a result of the implementation of GASB Statement No. 72.

Future Governmental Accounting Standards Board Statements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 intends to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 74 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This guidance is effective for the Medical Center in the year ended June 30, 2017. The Medical Center is currently assessing the impact of this standard on the Medical Center’s financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This guidance is effective for the Medical Center in the year ended June 30, 2018. The Medical Center is currently assessing the impact of this standard on the Medical Center’s financial statements.

Note 3 – Pooled Cash and Investments

The Medical Center’s share of the County’s total pooled cash and investments is included in the Statement of Net Position under the captions pooled cash and investments, revolving fund cash, and cash and investments deposited with a trustee. Substantially all the County’s cash balances are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is credited to the Medical Center based upon the Medical Center’s average daily deposit balance during the allocation period with all remaining interest deposited with the County.

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The County Treasurer determines the fair value of the pool on a monthly basis based upon quoted market prices. The portfolio is typically comprised of U.S. agency securities and high-quality short-term instruments, resulting in a relatively short-weighted average maturity. Fair value calculations are based on market values provided by the County’s investment custodian. Investments in the pool are highly liquid. All of the County’s pooled cash and investments accounted for at fair value are considered to be Level 1 as of June 30, 2016 and 2015. The Medical Center does not have any withdrawal restrictions on the pooled cash and investments.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 – Pooled Cash and Investments (continued)

The valuation methods used by the Medical Center may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash and investments as of June 30, 2016 and 2015, consist of the following:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|---------------------|
| Deposits: | | |
| Cash in Revolving Fund | \$ 10,980 | \$ 10,980 |
| Pooled Funds: | | |
| Cash and Investments in County Treasury | 32,595,016 | 8,577,920 |
| Cash and Investments Deposited with Bond Trustee | <u>906,469</u> | <u>895,663</u> |
| Total Cash and Investments | <u>\$ 33,512,465</u> | <u>\$ 9,484,563</u> |

Authorized investments – Investments in the County Treasurer’s pool have been made as permitted by the County’s written investment policy as approved by the Board of Supervisors. Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County’s investment policy. The table on the following page identifies the investment types that are authorized for investments held by bond trustees.

Interest rate risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 – Pooled Cash and Investments (continued)

Information about the sensitivity of the fair values of the Medical Center’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the County’s investments by maturity:

| Investment Type | Amount | 2016 Remaining Maturity (in Months) | | | |
|------------------------|----------------------|--|--------------------|--------------------|------------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More than 60 Months |
| County Investment Pool | \$ 32,595,016 | \$ 32,595,016 | \$ - | \$ - | \$ - |
| Held by Bond Trustee: | | | | | |
| Investment Contract | 859,775 | - | - | - | 859,775 |
| Money Market Funds | 46,694 | 46,694 | - | - | - |
| Total | \$ 33,501,485 | \$ 32,641,710 | \$ - | \$ - | \$ 859,775 |

| Investment Type | Amount | 2015 Remaining Maturity (in Months) | | | |
|------------------------|---------------------|--|--------------------|--------------------|------------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More than 60 Months |
| County Investment Pool | \$ 8,577,920 | \$ 8,577,920 | \$ - | \$ - | \$ - |
| Held by Bond Trustee: | | | | | |
| Investment Contract | 857,049 | - | - | - | 857,049 |
| Money Market Funds | 38,614 | 38,614 | - | - | - |
| Total | \$ 9,473,583 | \$ 8,616,534 | \$ - | \$ - | \$ 857,049 |

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 – Pooled Cash and Investments (continued)

Credit risk – Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the County’s investment policy, and the actual rating as rated by Standard & Poor’s as of year-end for each investment type.

| Investment Type | Amount | Minimum Legal Rating | 2016 Ratings at Year-End | |
|------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| | | | AAAm-G | Not Rated |
| County Investment Pool | \$ 32,595,016 | N/A | \$ - | \$ 32,595,016 |
| Held by Bond Trustee: | | | | |
| Investment Contract | 859,775 | N/A | - | 859,775 |
| Money Market | <u>46,694</u> | AAAm-G | <u>46,694</u> | <u>-</u> |
| Total | <u>\$ 33,501,485</u> | | <u>\$ 46,694</u> | <u>\$ 33,454,791</u> |

| Investment Type | Amount | Minimum Legal Rating | 2015 Ratings at Year-End | |
|------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| | | | AAAm-G | Not Rated |
| County Investment Pool | \$ 8,577,920 | N/A | \$ - | \$ 8,577,920 |
| Held by Bond Trustee: | | | | |
| Investment Contract | 857,049 | N/A | - | 857,049 |
| Money Market | <u>38,614</u> | AAAm-G | <u>38,614</u> | <u>-</u> |
| Total | <u>\$ 9,473,583</u> | | <u>\$ 38,614</u> | <u>\$ 9,434,969</u> |

Concentration of credit risk – Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Medical Center. The Medical Center’s investment with the County Treasury’s pool mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5 percent of the total portfolio, other than securities issued by the U.S. government and its affiliated agencies. Investments issued by, or explicitly guaranteed by the U.S. government, and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

The Medical Center’s debt agreement places no limit on the amount the County may invest in any one issuer.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 4 - Cash and Investments Deposited with a Trustee

Cash and investments deposited with a trustee relate to construction debt refinancing and equipment acquisition funds from certificates of participation held by the trustee. Amounts held by trustee are to be used for the following purposes:

| | 2016 | 2015 |
|-------------------------------------|------------|------------|
| Reserve Required by Debt Agreements | \$ 859,775 | \$ 857,049 |
| Construction of Facilities | 46,694 | 38,614 |
| | \$ 906,469 | \$ 895,663 |

Cash and investments deposited with a trustee are invested in various cash equivalents, which are registered and held in trust in the County's name.

Note 5 - Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Gross patient accounts receivable as of June 30 consisted of:

| | 2016 | 2015 |
|--|-------|-------|
| Medicare | 9 % | 9 % |
| Medi-Cal | 65 | 61 |
| Other third-party and commercial payor | 15 | 17 |
| Self pay | 9 | 12 |
| County responsibility | 2 | 1 |
| Total | 100 % | 100 % |

KERN MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 6 – Capital Assets, Depreciation, and Amortization

Capital asset activity for the fiscal year ended June 30, 2016 and 2015, are shown below:

| | Balance 2015 | Additions | Deletions | Balance 2016 |
|---|----------------------|---------------------|---------------------|----------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 168,115 | \$ - | \$ - | \$ 168,115 |
| Construction in progress | 1,084,614 | 1,402,168 | 910,304 | 1,576,478 |
| Total Capital Assets Not Being Depreciated | 1,252,729 | 1,402,168 | 910,304 | 1,744,593 |
| Capital Assets Being Depreciated: | | | | |
| Equipment | 39,062,288 | 5,623,743 | 2,236,668 | 42,449,363 |
| Structures and improvements | 82,049,915 | 412,708 | - | 82,462,623 |
| Intangibles | 10,347,165 | 405,890 | - | 10,753,055 |
| Total Capital Assets Being Depreciated | 131,459,368 | 6,442,341 | 2,236,668 | 135,665,041 |
| Less Accumulated Depreciation and Amortization for: | | | | |
| Equipment | 29,840,021 | 2,533,894 | 1,937,632 | 30,436,283 |
| Structures and improvements | 45,063,398 | 2,498,750 | - | 47,562,148 |
| Intangibles | 9,506,970 | 721,788 | - | 10,228,758 |
| Total Accumulated Depreciation | 84,410,389 | 5,754,432 | 1,937,632 | 88,227,189 |
| Total Capital Assets Being Depreciated, Net | 47,048,979 | 687,909 | 299,036 | 47,437,852 |
| Total Capital Assets, Net | \$ 48,301,708 | \$ 2,090,077 | \$ 1,209,340 | \$ 49,182,445 |
| | Balance 2014 | Additions | Deletions | Balance 2015 |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 168,115 | \$ - | \$ - | \$ 168,115 |
| Equipment in progress | - | - | - | - |
| Construction in progress | 427,819 | 656,795 | - | 1,084,614 |
| Total Capital Assets Not Being Depreciated | 595,934 | 656,795 | - | 1,252,729 |
| Capital Assets Being Depreciated: | | | | |
| Equipment | 36,164,122 | 5,088,302 | 2,190,136 | 39,062,288 |
| Structures and improvements | 81,964,852 | 85,063 | - | 82,049,915 |
| Intangibles | 10,050,590 | 296,575 | - | 10,347,165 |
| Total Capital Assets Being Depreciated | 128,179,564 | 5,469,940 | 2,190,136 | 131,459,368 |
| Less Accumulated Depreciation and Amortization for: | | | | |
| Equipment | 30,259,554 | 1,909,942 | 2,329,475 | 29,840,021 |
| Structures and improvements | 42,549,062 | 2,514,336 | - | 45,063,398 |
| Intangibles | 8,937,745 | 569,225 | - | 9,506,970 |
| Total Accumulated Depreciation | 81,746,361 | 4,993,503 | 2,329,475 | 84,410,389 |
| Total Capital Assets Being Depreciated, Net | 46,433,203 | 476,437 | (139,339) | 47,048,979 |
| Total Capital Assets, Net | \$ 47,029,137 | \$ 1,133,232 | \$ (139,339) | \$ 48,301,708 |

Depreciation and amortization expense as of June 30, 2016 and 2015 was \$5,754,432 and \$4,993,503, respectively.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 7 - Compensated Absences Payable

Under the terms of union contracts, employees are granted vacation and sick leave in varying amounts depending upon their respective bargaining unit. In the event of termination or death, an employee, or the employee's estate, is compensated 100% of accumulated vacation. In the event of an employee's death or retirement, excluding deferred retirement, an employee, or the employee's estate, is compensated for accumulated sick leave in varying amounts from 50% to 100% depending on the employee's bargaining unit and length of service. The value of accumulated vacation and sick leave as of June 30, 2016 and 2015 are summarized below:

| | 2016 | 2015 |
|-------------------|--------------|--------------|
| Current Portion | \$ 7,456,932 | \$ 6,630,276 |
| Long-Term Portion | 2,462,221 | 2,841,548 |
| | \$ 9,919,153 | \$ 9,471,824 |

Note 8 - Long-Term Debt

The following is a summary of long-term obligation transactions of the Medical Center for the years ended June 30, 2016 and 2015:

| | Balance 2015 | Incurred or Issued | Satisfied or Matured | Balance 2016 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|---|-----------------|-----------------------|-------------------------|-----------------|-----------------------------------|---|
| Certificates of Participation, 2011 Refunding COP Series A - Kern Medical Center Portion | \$ 5,177,493 | \$ - | \$ 940,719 | \$ 4,236,774 | \$ 986,694 | \$ 3,250,080 |
| Unamortized Net Premium | 99,962 | - | 19,986 | 79,976 | - | 79,976 |
| Capital Lease | 750,390 | 2,046,800 | 344,977 | 2,452,213 | 314,177 | 2,138,036 |
| Pension Obligation Bonds | 33,232,950 | - | 2,309,778 | 30,923,172 | 2,481,767 | 28,441,405 |
| Total | \$ 39,260,795 | \$ 2,046,800 | \$ 3,615,460 | \$ 37,692,135 | \$ 3,782,638 | \$ 33,909,497 |
| | Balance 2014 | Incurred or Issued | Satisfied or Matured | Balance 2015 | Amounts Due Within One Year | Amounts Due in More Than One Year |
| Certificates of Participation, 2011 Refunding COP Series A - Kern Medical Center Portion | \$ 6,079,311 | \$ - | \$ 901,818 | \$ 5,177,493 | \$ 940,719 | \$ 4,236,774 |
| Unamortized Net Premium | 119,955 | - | 19,993 | 99,962 | - | 99,962 |
| Capital Lease | 719,296 | 31,094 | - | 750,390 | 131,482 | 618,908 |
| Pension Obligation Bonds | 38,481,655 | - | 5,248,705 | 33,232,950 | 2,309,778 | 30,923,172 |
| Total | \$ 45,400,217 | \$ 31,094 | \$ 6,170,516 | \$ 39,260,795 | \$ 3,381,979 | \$ 35,878,816 |

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 8 - Long-Term Debt (continued)

Scheduled principal and interest repayments for long-term debt are as follows:

| Year Ending June 30, | Principal | Interest |
|-------------------------|----------------------|----------------------|
| 2017 | \$ 3,468,461 | \$ 1,144,271 |
| 2018 | 3,707,501 | 1,036,340 |
| 2019 | 3,974,194 | 901,204 |
| 2020 | 4,260,642 | 755,053 |
| 2021 | 3,396,695 | 623,755 |
| 2022 - 2026 | 10,259,692 | 7,576,616 |
| 2027 - 2028 | 6,092,761 | 2,015,327 |
| | <u>\$ 35,159,946</u> | <u>\$ 14,052,566</u> |

Total interest costs incurred for the years ended June 30, 2016 and 2015, was \$4,796,200 and \$3,805,838, respectively.

Certificates of participation - The original issue amount of the 2011 Refunding Certificate of Participation (COP), Series A, is \$8,558,425 and the expected maturity dates are from November 1, 2011- 2019. The 2011 Refunding COP, Series A has fixed interest rates from 2.00% to 5.00%. The proceeds of the 2011 Refunding COP are being used for the acquisition of equipment and acquisition of construction and renovation of certain facilities.

Under the terms of the COP issue, the Medical Center is required to maintain certain investments with a trustee to pay principal and interest. These investments are classified as cash and investments deposited with a trustee in the accompanying financial statements.

Pension obligation bonds - In November 1995, the County issued pension obligation bonds to finance the County's share of the unfunded accrued actuarial liability of the Kern County Employees' Retirement Association. As of June 30, 2016 and 2015, the amount of total 1995 pension obligation bonds outstanding for the County as a whole was \$40,444,035 and \$47,939,841, respectively. Of this amount, \$5,775,894 and \$6,846,380 in 2016 and 2015, respectively were allocated to the Medical Center. The initial basis of the amount allocated to the Medical Center was determined by the Medical Center's share of the County-wide retirement contribution for the fiscal year ended June 30, 1995.

The bonds have various maturity dates between 2016 and 2022 for the capital appreciation bonds. Interest ranges from 6.16% to 7.26% for the current interest bonds and from 7.56% to 7.61% for the capital appreciation bonds.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 8 – Long-Term Debt (continued)

In May 2003, the County issued pension obligation bonds to finance the County’s share of the unfunded accrued actuarial liability of the Kern County Employees’ Retirement Association. In August 2008, the County issued pension obligation bonds, Series 2008 A. The Series 2003 B Bonds have been redeemed with the proceeds of the Series 2008 A Refunding Bonds. As of June 30, 2016 and 2015, the amount of total 2003 and 2008 pension obligation bonds outstanding for the County as a whole was \$233,152,067 and \$244,642,067, respectively. Of this amount, \$25,147,283 and \$26,386,570 was allocated to the Medical Center. The initial basis of the amount allocated to the Medical Center was determined by the Medical Center’s share of the County-wide retirement contribution for the fiscal year ended June 30, 2003.

The Series 2003 A Bonds were issued as Current Interest Bonds and Capital Appreciation Bonds; the Series 2003 B were refunded as Adjustable Rate Bonds in August 2008. The bonds have various maturity dates between 2006 and 2023 for the Current Interest Bonds and from 2023 and 2028 for the Capital Appreciation Bonds. Series 2003 A Bonds have fixed interest rates that range from 2.33% to 4.88% for the current interest bonds and 5.50% to 5.57% for the capital appreciation bonds. The 2008 A Bonds have an adjustable rate. Adjustable rates follow LIBOR plus 0.75%. Starting in April 2014, the 2008 A Bonds have a fixed interest rate of 4.185%.

Capital leases – The Medical Center has entered into several long-term lease purchase agreements for certain major pieces of equipment. At the end of the lease, when all terms have been met, the related equipment will become property of the Medical Center.

The following is a schedule of future minimum lease payments for capital leases:

| Year Ending June 30, | | |
|--|----|-----------|
| 2017 | \$ | 314,177 |
| 2018 | | 570,210 |
| 2019 | | 570,210 |
| 2020 | | 570,210 |
| 2021 | | 541,138 |
| Total minimum lease payments | \$ | 2,565,945 |
| Less amount representing interest | | 113,732 |
| Present value of future minimum lease payments | \$ | 2,452,213 |

For the fiscal year ended June 30, 2016, the interest expense and interest paid for the capital leases were \$11,738. For the fiscal year ended June 30, 2015, the interest expense and interest paid for the capital leases were \$14,132, respectively.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 9 - Interest Payable

The following is a summary of interest payable transactions of the Medical Center for the years ended June 30, 2016 and 2015:

| | Beginning June 30, 2016 | Amount Accrued | Amount Paid | Ending June 30, 2016 |
|--------------------------------|----------------------------|---------------------|---------------------|-------------------------|
| <u>Current</u> | | | | |
| Capital Lease Interest | \$ - | \$ 27,698 | \$ 11,738 | \$ 15,960 |
| 2011 Refunding COP, Series A | 38,325 | 195,539 | 204,317 | 29,547 |
| Pension Obligation Bonds (POB) | 3,857,610 | 4,895,826 | 4,591,884 | 4,161,552 |
| Total Current Interest Payable | <u>3,895,935</u> | <u>5,119,063</u> | <u>4,807,939</u> | <u>4,207,059</u> |
| <u>Non-Current</u> | | | | |
| POB Capital Appreciation Bonds | <u>22,266,360</u> | <u>(1,536,350)</u> | - | <u>20,730,010</u> |
| Total Interest Payable | <u>\$ 26,162,295</u> | <u>\$ 3,582,713</u> | <u>\$ 4,807,939</u> | <u>\$ 24,937,069</u> |

| | Beginning June 30, 2015 | Amount Accrued | Amount Paid | Ending June 30, 2015 |
|--------------------------------|----------------------------|---------------------|---------------------|-------------------------|
| <u>Current</u> | | | | |
| Capital Lease Interest | \$ 6,439 | \$ 7,693 | \$ 14,132 | \$ - |
| 2011 Refunding COP, Series A | 43,365 | 240,024 | 245,064 | 38,325 |
| Pension Obligation Bonds (POB) | 437,868 | 4,661,200 | 1,241,458 | 3,857,610 |
| Total Current Interest Payable | <u>487,672</u> | <u>4,908,917</u> | <u>1,500,654</u> | <u>3,895,935</u> |
| <u>Non-Current</u> | | | | |
| POB Capital Appreciation Bonds | <u>23,349,447</u> | <u>(1,083,087)</u> | - | <u>22,266,360</u> |
| Total Interest Payable | <u>\$ 23,837,119</u> | <u>\$ 3,825,830</u> | <u>\$ 1,500,654</u> | <u>\$ 26,162,295</u> |

Note 10 - Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare - Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, acuity and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor. The Medicare administrative contractor has audited the Medical Center's cost reports through June 30, 2014.

Note 10 – Net Patient Service Revenue (continued)

Medi-Cal – Inpatient acute services rendered to Medi-Cal program beneficiaries are paid at a prospectively determined rate per discharge (APR-DRG). These rates vary according to a patient classification system based on clinical, diagnostic and other factors. Outpatient services are reimbursed based upon a fee schedule per procedure, test or service.

Approximately 78% and 77% of net patient service revenue is from participation in the Medicare and state-sponsored Medi-Cal programs for the years ended June 30, 2016 and 2015, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 11 – Indigent Patient Care Funding

The Medical Center is entitled to receive supplemental funding from various governmental sources based on the patients served. A summary of the major payment arrangements follows:

Medi-Cal waiver – California’s Medi-Cal Hospital/Uninsured Care Demonstration Project (Demonstration) is a system for paying selected hospitals, including the Medical Center, for hospital care provided to Medi-Cal and uninsured patients. The Demonstration was negotiated between the State of California’s Department of Health Services (SDHS) and the Federal Centers for Medicare and Medicaid Services (CMS) in 2006, and covers the period from July 1, 2005, to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration affects payments for 23 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients. The program was extended in 2010 to cover the period from July 1, 2010, to June 30, 2015. The program was further extended in 2015 to cover the period from July 1, 2015, to June 30, 2020.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 11 - Indigent Patient Care Funding (continued)

Under the Demonstration, payments for the public hospitals are comprised of: 1) Fee for Service (FFS) cost-based reimbursement for inpatient hospital services (exclusive of physician component); 2) Disproportionate Share Hospital (DSH) Program payments (formerly SB 855); and 3) distribution from a newly created pool of Federal funding for uninsured care, known as the Safety Net Care Pool (SNCP). The nonfederal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the Federal financial participation (FFP), currently provided at a 50% match. For the inpatient hospital FFS cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting Federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the Federal match. It is therefore possible for one hospital to receive the Federal match that results from another hospital's CPEs. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The Demonstration prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum "baseline" level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The three funding components that will be utilized to meet each hospital's baseline level are as follows:

1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents approximately half of the facility-specific costs or CPE. The hospital's amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost-computations that will be adjusted on an interim and final basis. The Medical Center estimates its aggregate Medi-Cal inpatient FFS value (Federal share) for fiscal years ended June 30, 2016 and 2015 to be \$18,983,000 and \$33,100,000, respectively.

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, including undocumented immigrants, as well as shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The nonfederal share of these funds will be a combination of CPEs for these services and Intergovernmental Transfers (IGTs) and as such are subject to interim and final cost settlement. There is an annual fixed allotment of Federal DSH funds and the waiver allocates almost all of these funds to public hospitals. The Medical Center estimates the Medical Center's Federal DSH payment for the fiscal years ended June 30, 2016 and 2015, to be \$11,800,000 and \$30,500,000, respectively. The related IGT payments were estimated at \$2,700,000 and \$13,900,000 for the fiscal years ended June 30, 2016 and 2015, respectively.

Note 11 – Indigent Patient Care Funding (continued)

3) SNCP distributions: Federal payments made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The nonfederal share of these funds will be based on CPEs for these services and as such are subject to interim and final cost settlement. The Medical Center received SNCP funds of \$11,700,000 and \$5,700,000 for the fiscal years ended June 30, 2016 and 2015, respectively. Effective January 1, 2016, this program was replaced with the Global Payment Program, described below.

Included in due to governmental agencies in the accompanying statements of net position are amounts payable to DHS as of June 30, 2016 and 2015 of approximately \$56,500,000 and \$42,700,000, respectively, which represent the amounts received but not yet earned by the Hospital under the waiver program net of amounts earned but not yet received by the Hospital under the program. The Hospital recorded changes in estimates in amounts expected to be received resulting in reductions in net patient service revenue of approximately \$3,600,000 and \$10,000,000 during the years ended June 30, 2016 and 2015, respectively.

Global Payment Program (GPP) – Effective January 1, 2016, California’s Section 1115 Waiver Renewal (Renewal), called Medi-Cal 2020, was approved by CMS. As part of the Renewal, the Global Payment Program (GPP) establishes a statewide pool of funding for the remaining uninsured by combining federal disproportionate share (DSH) and uncompensated care funding where selected Designated Public Hospital systems, like the Medical Center, can achieve their goal of “global budget” by meeting a service threshold that incentivizes movement from high cost, avoidable services to providing higher value, and preventative services. The Medical Center recognized approximately \$16,500,000 in revenue during the year ended June 30, 2016 for section 1115 waiver programs including GPP. As of June 30, 2016 the Medical Center recorded a receivable of approximately \$7,000,000 for this program which is included in due to governmental agencies.

Public Hospital Redesign and Incentives in Medi-Cal program (PRIME) – Additionally, as part of the Renewal, CMS authorized California to invest savings generated through the Demonstration to achieve critical objectives, such as improved quality of care and better care coordination through safety net providers. Over 5 years, up to approximately \$7,464,000,000 in federal funds will be available to all hospitals participating in the PRIME program. As a result of participating in PRIME, the Medical Center recorded \$31,710,000 for the year ended June 30, 2016. As of June 30, 2016, the entire \$31,710,000 is recorded as a receivable in due to governmental agencies.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 11 – Indigent Patient Care Funding (continued)

Coverage Initiative and Low Income Health Plan – Coverage initiative (CI) Plan and Low Income Health Plan (LIHP) funds are segregated DSH funding which were awarded to California counties to pilot expanded coverage to uninsured. This three-year grant reimburses the Medical Center at 50% of cost up to total grant of \$10,000,000 under the CI Plan. No amounts were recognized for the fiscal year ended June 30, 2016 and 2015. On December 31, 2013, the Department of Health Care Services ended the LIHP program as the Affordable Care Act took effect. Included in due to governmental agencies in the accompanying statements of net position are amounts payable to DHS of \$5,700,000 as of June 30, 2016 which represent amounts received but not yet earned by the Medical Center under the program.

Note 12 – Shared Risk and Incentive Revenues

During the fiscal year ended June 30, 2015, the Medical Center entered into a risk sharing agreement with a health plan for hospital and specialist medical services provided to members assigned to the Medical Center. The risk sharing agreement sets forth provisions whereby the Medical Center receives the surplus between the negotiated capitated amounts and the cost of the hospital and specialist medical services provided to members over the period of the contract. The program is administered by the health plan, and according to the agreement, the Medical Center is not required to fund deficits if the cost of providing services exceeds the capitated amounts. Estimated settlements are accrued based upon the performance of the risk-sharing contracts in the period covered by the contract and adjusted in the future periods as final settlements are determined. Shared risk receivable totaled approximately \$18,400,000 and \$11,000,000 as of June 30, 2016 and 2015, respectively, and is included in the other receivable balance on the accompanying statement of net position. The shared risk arrangement also contains certain provisions that may result in additional incentive revenue to the Medical Center if certain performance measures are met. Incentives receivable totaled approximately \$3,800,000 and \$3,700,000 as of June 30, 2016 and 2015, respectively, and is included in the other receivable balance on the accompanying statement of net position. The Medical Center recognized approximately \$52,200,000 and \$14,800,000 of revenues related to these agreements for the fiscal year ended June 30, 2016 and 2015, respectively. Of the revenue recognized during the fiscal year ended June 30, 2016, approximately \$18,100,000 related to the final settlement of the prior year contract.

Note 13 – Health and Welfare Realignment Act

The Health and Welfare Realignment Act transferred a significant portion of the financial and administrative responsibilities for local health and welfare programs from the State to counties. The State utilizes a one-half cent sales tax increase and an increase in vehicle license fees as the sources for funding allocations to the counties in lieu of previous State General Fund financing. The amount to be received by counties is dependent upon the actual increased sales tax and vehicle license fees. The Medical Center's share of these revenues for the fiscal year ended June 30, 2016 and 2015 were approximately \$2,300,000 and \$11,900,000, respectively, and have been classified as transfers in on the Statements of Revenues, Expenses, and Changes in Net Position.

Note 14 – Related Party Transactions

County General fund contribution – The Medical Center receives funds from the County as funding for providing care for inmates of Kern County jail and inmates of Kern County juvenile hall. The County Board of Supervisors approves a budgeted amount to be paid to the Medical Center. Based on the approved budgeted amount, the Medical Center recognized revenues of approximately \$23,200,000 and \$20,900,000, for the years ended June 30, 2016 and 2015, respectively. These revenues have been classified as transfers in on the Statements of Revenues, Expenses, and Changes in Net Position.

Amounts due to/from other Kern County funds – The Medical Center provides health care services to Medically Indigent Adults as provided under Section 17000 of the Health and Safety regulations under the State of California. Reimbursement for the services is provided by the County’s General Fund through the use of State Health and Welfare Realignment Revenues. As of June 30, 2016 and 2015, the Medical Center recorded a receivable of \$0 and \$278,000, respectively, from the County’s General Fund for these services.

Advances payable – The Medical Center has an agreement with the County allowing for advances from the County’s General Fund up to \$100,000,000. As of June 30, 2016, there were no amounts due to the County’s General Fund. As of June 30, 2015, the amount due to the County’s General Fund was \$4,850,000. These amounts are included as due to other County funds on the Statements of Net Position.

Capital contribution – The Medical Center has an agreement with Kern Health Systems to make building improvements to the Medical Center. As of June 30, 2016 and 2015, no amounts were paid to the Medical Center.

Note 15 – Pension Plan

General Information about the Pension Plans

Plan descriptions – The County of Kern’s Board of Supervisors established the Kern County Employees’ Retirement Association (KCERA) under the provisions of the County Employees’ Retirement Law of 1937 (CERL) on January 1, 1945. All permanent employees of the County of Kern and thirteen related agencies are covered by KCERA, which operates as a cost-sharing multi-employer defined benefit plan. It is the responsibility of KCERA to function as an investment and administrative agent for the County of Kern with respect to the pension plan. KCERA became independent from the County’s supervision and control as a result of the 1992 passage of Proposition 162, which legally established the independent control of the Board of Retirement. Separate audited financial statements can be obtained through KCERA at 11125 River Run Boulevard, Bakersfield, CA 93311. Management of the KCERA plan is vested with the Board of Retirement, which consists of nine members and two alternates.

KERN MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

The Board of Retirement establishes policy for the operation of the plan, considers applications for disability retirement, recommends contributions on the basis of actuarial valuations and controls investments of assets. Prior to January 1, 1996, the Kern County Treasurer-Tax Collector was responsible for financial reporting and accounting for all investments as required by Government Code Section 31596 et seq., as amended. On January 11, 1987, the Board of Retirement authorized the retirement fund to incur an administrative expense and hire an Administrator to serve at the Board of Retirement's pleasure. The Administrator is responsible for the processing and computing of applications for retirement benefits, refunds, beneficiary allowances, death benefits, reciprocity, and any other duties the Board of Retirement may assign. The Administrator also acts as Secretary for all Board of Retirement and Committee meetings and performs other activities as directed by the Board of Retirement. The KCERA Plan provides for retirement, disability, death, beneficiary and cost-of-living benefits.

All regular full-time employees of the County of Kern or contracting districts who work 50% or more of their regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire.

General Tier I and Tier II members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

The amount of such monthly benefit is determined as a percentage of their final monthly compensation and is based on age at retirement and the number of years of service. The final monthly compensation is the monthly average of the final 12 months compensation, or, if the member so elects, any other continuous 12-month period in the member's work history. If hired on or after January 1, 2013 the final compensation is measured over a period of 36 months.

An annual 2% cost-of-living adjustment (COLA) for all retirees and continuance beneficiaries was adopted as of April 1, 1973. The liability for this annual retirement benefit increase was funded entirely from the unreserved fund balance until February 5, 1983. After this date (as recommended by the plan's Independent Actuary, adopted by KCERA Board of Retirement, and approved by the County Board) and prior to fiscal year 2003, funding the 2% COLA was included in the employers' contribution. COLA for all retirees and continuance beneficiaries was increased to 2.5% effective April 1, 2002.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

The Memorandum of Understanding (MOU) adopted March 2012 between the County and its general employees states that all general members hired prior to the first day of payroll period 2004-16 shall start to pay, in the second year of the agreement, one-sixth of the employee's normal contribution to retirement. In the third year, the employee's normal contribution will increase to one-third. All general members hired on or after the first day of payroll period 2005-16 shall pay 100% of the new employee's normal contribution to retirement. The County Administrative Office negotiated an agreement with the Central California Association of Public Employees (CCAPE) adopting Government Code Section 31676.17 which provides enhanced retirement benefits, commonly known as 3% at 60, for General members, in August 2004.

Basis of accounting – KCERA follows GASB accounting principles and reporting guidelines. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of KCERA. Employer and member contributions are recognized in the period in which the contributions are due, an benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of KCERA.

Fair valuation of investments – Fair value for investments are derived by various methods as indicated in the following table:

| | |
|--|--|
| Publicly traded stocks | Most recent exchange closing price. International securities reflect currency exchange rates in effect at June 30, 2015 and 2014. |
| Short-term investments and bonds | Institutional evaluations or priced at par. |
| OTC securities | Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security. |
| Commingled funds | Net asset value provided by the investments manager. |
| Alternative investments | Provided by the Fund manager based on the underlying financial statements and performance of the investments. |
| Private equity real estate investments | Estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques used by the investment manager. |

Contributions – As a condition of participation under the provisions of CERL, members are required to contribute to KCERA a percentage of their salaries. Member contribution rates for fiscal year 2015 ranged from 4.25% to 17.50% and were applied to the member's base pay plus pensionable special pays. For general members hired prior to 2013, contribution rates were determined by benefit tier and KCERA entry age. The contribution rates of general members who first joined KCERA on or after January 1, 2013 are at least 50% of the normal cost rate. Furthermore, the rate of members integrated with Social Security is reduced by one-third on the first \$161 of biweekly salary.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members that were not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. Employer rates include the "normal cost" and an annual amortization payment toward the Plan's unfunded actuarial accrued liability. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2016 ranged from 31.50% to 56.28% of covered payroll. Contributions to the pension plan from the Medical Center were approximately \$33,000,000 and \$34,300,000 for the years ended June 30, 2016 and 2015, respectively.

Actuarial assumptions - The total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value projected benefit payments attributable to past periods of service for current and inactive employees.

| | |
|---------------------------|--|
| Inflation | 3.25% |
| Salary increases | 4.25 to 9.25%, including inflation |
| COLA increases | 2.50 % (actual increases contingent upon CPI increases with a 2.50% maximum) |
| Administrative Expenses | 0.90 % of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member |
| Investment rate of return | 7.50%, net of pension plan investment expenses, including inflation |
| Mortality | RP-2000 Combined Health Mortality Table projected with Scal BB to 2023 for males and females |

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015. The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014. The actuarial assumptions for the June 30, 2014 actuarial report were based on the results of an experience study for the period July 1, 2010 through June 30, 2013. They are the same assumptions used in the June 30, 2015 funding valuation for KCERA.

The Entry Age Normal Actuarial Cost method used in KCERA's annual actuarial valuation has also been applied in measuring the service cost and TPL with one exception. For purposes of measuring the service cost and TPL, KCERA has reflected the same plan provisions used in determining the member's actuarial present value of projected benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the normal cost and actuarial accrued liability are determined as if the current benefit accrual rate had always been in effect.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized below:

| | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------------------|------------------------------|---|
| Large Cap U.S. Equity | 19.00 % | 5.92 % |
| Small/Mid Cap U.S. Equity | 4.00 | 6.49 |
| Developed International Equity | 18.00 | 6.90 |
| Emerging Markets Equity | 4.00 | 8.34 |
| Core Bonds | 18.00 | 0.73 |
| High Yield Bonds | 4.00 | 2.67 |
| Emerging Market Debt | 4.00 | 4.00 |
| TIPS | 3.00 | 0.35 |
| Real Estate | 5.00 | 4.96 |
| Commodities | 6.00 | 4.35 |
| Hedge Funds | 10.00 | 4.30 |
| Private Equity | 5.00 | 8.10 |

Discount rate – The discount rates used to measure the total pension liability was 7.50% as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rates assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability as of June 30, 2015, calculated using a discount rate of 7.50%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.50%) or one point higher (8.50%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|--------------------------|------------------------------------|--------------------------|
| Medical Center's proportionate share of the net pension liability | \$ 464,099,371 | \$ 345,262,534 | \$ 246,960,576 |

Pension fund fiduciary net position – Detailed information about the pension fund's fiduciary net position is available in the separately issued KCERA annual report.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
 Related to Pensions**

The Medical Center's net pension liability for the Plan is measured as the proportionate share of the net pension liability. As of June 30, 2016, the Medical Center reported a liability of \$345,262,534 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability for each membership class is the total pension liability minus the Plan's Fiduciary Net Position. The total pension liability for each membership class is obtained from internal valuation results based on the actual participants in each membership class. The Plan's Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total KCERA Plan's Fiduciary Net Position (excluding SRBR) to total KCERA valuation value of assets. Based on this methodology, any non-valuation reserves are allocated amongst the membership classes based on each membership class' valuation value of assets. The Medical Center's proportion of the net pension liability was based on a projection of the Medical Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating County departments and agencies, actuarially determined. As of June 30, 2016, the Medical Center's proportion was 17.17 percent, which was a decrease of 0.20 percent from its proportion measured as of June 30, 2015.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 15 - Pension Plan (continued)

For the fiscal year ended June 30, 2016, the Medical Center recognized pension expense of \$33,543,802. Pension expense represents the change in net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. As of June 30, 2016, the Medical Center reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ (13,538,857) |
| Changes of assumptions | 16,024,909 | |
| Net difference between projected and actual earnings on pension plan investments | - | (66,458) |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 304,761 | (1,694,373) |
| County contributions subsequent to the measurement date | 33,025,406 | - |
| Total | \$ 49,355,076 | \$ (15,299,688) |

Deferred outflows and deferred inflows of resources above represent the unamortized portion of changes to NPL to be recognized in future periods in a systematic and rational manner. \$33,025,406 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expense as follows:

| Year ended June 30: | |
|---------------------|--------------|
| 2017 | \$ (517,508) |
| 2018 | (517,108) |
| 2019 | (517,108) |
| 2020 | 3,069,944 |
| 2021 | (488,638) |
| | \$ 1,029,582 |

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 16 - Physician Employee Retirement Plan

The Medical Center, through the County, contributes to the Kern County Physician Employee Retirement Plan (the Plan), a defined contribution plan. The Plan covers salaried physicians in the employment of the County, except physicians employed under Civil Service and physicians employed and paid on an hourly basis. County contributions for each plan year (as defined in the Plan Document) under the amended and restated Plan Document shall be as follows: County shall contribute as County's required contribution the sum of Seventeen Thousand Five Hundred Dollars (\$17,500) for the account of Core Physician for each completed Plan Year of service (as defined in the Plan Document) by Core Physician. Participants are allowed to make voluntary contributions to the Plan. All amounts contributed are vested immediately. The County's contributions and participants' contributions to the Plan for fiscal year ended 2016 and 2015 are as follows:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|---------------------|---------------------|
| County's contributions | \$ 1,134,813 | \$ 1,117,986 |
| Participants' contributions | <u>2,265,338</u> | <u>2,193,452</u> |
| | <u>\$ 3,400,151</u> | <u>\$ 3,311,438</u> |

Audited financial statements for the Plan may be obtained through the Kern County Auditor-Controller-County Clerk, 1115 Truxtun Avenue, Bakersfield, CA 93301.

Note 17 - Self-Insurance Programs

Medical malpractice claims - The Medical Center is self-insured for medical malpractice claims for the first \$2,500,000 per incident with a \$12,000,000 total maximum policy limitation. The Medical Center also maintains excess liability coverage for claims in excess of total maximum policy limitation. Insurance coverage is on a claims-made basis.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Annual estimated provisions are accrued based on the Medical Center's past experience as well as other considerations, including the nature of the claim or incident and relevant trend factors. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are actuarially determined based on the Medical Center's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. These unpaid claim liabilities were discounted at 4.0% in 2016 and in 2015 to account for the time value of money to determine the current estimated liabilities as reflected below. It is reasonably possible that this estimate could change materially in the near term.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 17 - Self-Insurance Programs (continued)

The Medical Center has unlimited retention on most open policy years. Since July 1, 1998, the Medical Center has purchased excess insurance to cover annual claims. Excess insurance was maintained for claims based on the following policy years:

A reconciliation for claims (including IBNR claims) for the current fiscal year and the past two fiscal years is as follows (in thousands):

| | 2016 | 2015 |
|--|--------------|--------------|
| Balance, beginning of the year | \$ 5,432,551 | \$ 7,022,797 |
| Current year claims incurred and changes in estimates for claims incurred in prior periods | 1,044,950 | 5,570,000 |
| Claims and expenses paid | (2,198,442) | (7,160,246) |
| Balance, end of year | \$ 4,279,059 | \$ 5,432,551 |

Workers' compensation and health claims - Under the California Unemployment and Workers' Compensation Insurance provisions, the County has elected to pay the actual claims filed for unemployment and workers' compensation benefits. The County has also elected to self-insure its employee health care costs. Reinsurance policies have been purchased by the County for claims incurred above selected retention levels for a small portion of enrolled members. The liability associated with the self-insurance policies of the County is included in the General Liability, Workers' Compensation, and Group Health internal service funds and is based upon the County's historical trend analysis and includes amounts for claims incurred but not reported. The Medical Center claims in regard to the above programs are covered by the County and are included in the above internal service funds. The Medical Center is charged on a premium basis each fiscal year based on historical losses and headcount. The Medical Center was charged a workers' compensation premium of \$1,549,560 and \$1,691,875 for the years ended June 30, 2016 and 2015, respectively. The Medical Center's contribution to the County's Self-Insurance Fund during the years ended June 30, 2016 and 2015, was \$509,371 and \$404,163, respectively.

Note 18 - Post-Retirement Health Care Benefits

Plan description - In addition to the pension benefits described in Note 15, the County provides post-retirement health care benefits in accordance with union contracts and Board of Supervisors' order. There are two programs, which contribute funding for retirees' health insurance. The Retiree Health Premium Supplement Program (RHPSP) is available to employees who: a) elect to participate or were required to participate, b) retire on or after July 1, 1990, c) are between the ages of 50 and 64, and d) have at least 20 years of continuous County service as a permanent employee. The supplement amount is permanently fixed once determined and is, depending on years of service, equal to 50% to 100% of the active employee monthly health premium for a single individual at the time of retirement.

KERN MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 18 - Post-Retirement Health Care Benefits (continued)

The Retiree Health Stipend (RHS) is available to employees who choose continuous County health coverage upon retirement. As of June 30, 2016, there were approximately 2,851 retirees receiving the stipend. The monthly stipend paid on behalf of each retiree is a maximum of \$39.75 for single coverage, \$53.69 for two-party coverage, and \$61.50 for family coverage, limited to the cost of the plan selected for both 2016 and 2015. Both the RHPSP and RHS are single-employer benefit plans.

During the year ended June 30, 2016 the County gave a one-time offer to SEIU-represented or Management, Mid-Management, and Confidential employees the option to opt out of the RHPS. By opting out of the plan: the employee will be ineligible to receive the RHPSP supplement upon retirement, including service connected disability retirement; be ineligible to receive the RHS upon retirement; upon active retirement from the County, the employee will be eligible to receive an employer contribution to a Health Reimbursement Arrangement in the following manner (a lump sum contribution equivalent to all of the employees RHPSP deductions from payroll period August 11-24, 2012 up to the final pay period that the employee contributed to the RHPSP; Employees retiring at or after age 70 will not will not receive any contribution); the change will be effective the first biweekly pay period following receipt of the form by County Human Resources - Health Benefits; and the County will no longer deduct 2.12% of the employee's salary for participating in the RHPSP. The actuary report for June 30, 2016 will reflect this change.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 18 - Post-Retirement Health Care Benefits (continued)

Funding policies (extracted from county CAFR) - County, Special Districts and employee contributions fund the RHPSP and County contributions fund all of the RHS. As of the June 30, 2014 actuary report, the RHPSP was paid on the ARC basis. During the fiscal year ended June 30, 2013, the County entered into a postemployment health benefit (OPEB) trust with the Public Agency Retirement Services (PARS) to accumulate resources to fund future benefit payments of the RHPSP and RHS. The employee contribution for RHPSP is 2.12% of covered payroll for the majority of the employee union contracts. The overall contribution rate is determined to meet the overall rate determined by an independent actuary. The contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

| | 2016 | |
|--|---------------|--------------|
| | RHPSP | RHS |
| Annual Required Contribution | \$ 10,273,000 | \$ 3,164,000 |
| Interest on net OPEB obligation | 1,577,000 | 240,000 |
| Adjustment to annual required contribution | (1,668,000) | (254,000) |
| Annual OPEB cost (expense) | 10,182,000 | 3,150,000 |
| Contributions made | (12,119,000) | (1,265,000) |
| Increase (decrease) in net OPEB obligation | (1,937,000) | 1,885,000 |
| Net OPEB obligation - beginning of year | 35,031,000 | 5,339,000 |
| Net OPEB obligation - end of year | \$ 33,094,000 | \$ 7,224,000 |
| | 2015 | |
| | RHPSP | RHS |
| Annual Required Contribution | \$ 10,273,000 | \$ 3,164,000 |
| Interest on net OPEB obligation | 1,595,000 | 161,000 |
| Adjustment to annual required contribution | (1,611,000) | (163,000) |
| Annual OPEB cost (expense) | 10,257,000 | 3,162,000 |
| Contributions made | (10,675,000) | (1,407,000) |
| Increase (decrease) in net OPEB obligation | (418,000) | 1,755,000 |
| Net OPEB obligation - beginning of year | 35,449,000 | 3,584,000 |
| Net OPEB obligation - end of year | \$ 35,031,000 | \$ 5,339,000 |

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 18 – Post-Retirement Health Care Benefits (continued)

Funded status and funding progress (extracted from county CAFR) – As of June 30, 2014, the most recent actuarial valuation date, the RHPSP and RHS were funded 42.67% and 0.77%, respectively. The actuarial accrued liability for RHPSP benefits was \$108,976,000, and the actuarial value of the assets was \$46,496,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$62,480,000. The actuarial accrued liability for RHS benefits was \$28,885,000, and the actuarial value of the assets was \$221,000, resulting in an UAAL of \$28,664,000. The covered payroll (annual payroll of active employees covered by the plan) was \$501,431,000 for both plans, and the ratio of the UAAL to the covered payroll was 12.46% for RHPSP and 5.72% for RHS.

In fiscal year 2016, contributions for the RHPSP were \$12,119,000, \$4,348,000 of which was from the County and \$7,771,000 was from employee contributions. The RHS is funded by County contributions of approximately \$168 per active employee per year, which totaled \$1,265,000 for the year ended June 30, 2016.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, annual investment return, mortality, inflation and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions (extracted from county CAFR) – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuations for RHPSP and the RHS, the projected unit credit actuarial cost method was used. The amortization period is 22 years closed on a level dollar basis. The actuarial assumptions include a 4.5% investment rate of return, a medical premiums trend rate for the supplement of 6.87% in 2014, grading down 0.25% per year to an ultimate rate of 5.00% and 0.00% for the stipend.

KERN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 18 – Post-Retirement Health Care Benefits (continued)

Per the June 30, 2014 actuary report the RHPSP ARC was \$10,273,000, or 2.05% of the County's estimated annual covered payroll, the RHS was \$3,164,000, or 0.63% of estimated annual covered payroll. This included the normal cost for the year for current active employees of \$4,560,000, and \$5,086,000 for UAAL amortization. The County's contribution to the RHPSP Plan for the fiscal year ended June 30, 2016 was \$12,119,000. The County's contribution to the RHS Plan for the fiscal year ended June 30, 2016 was \$1,265,000. The Medical Center's portion of the liability is allocated based on the number of active participants in the each plan as a percentage of the total County active participants. This allocation resulted in recording a decrease in benefit expense by \$715,386 and \$25,257 in 2016 and 2015, respectively, in net other post-employment benefits. The total net other post-employment liabilities were \$5,354,890 and \$6,070,276 as of June 30, 2016 and 2015, respectively.

Note 19 – Deferred Compensation

The Medical Center offers its employees a deferred compensation plan created by the County in accordance with IRC Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Amounts accumulated under the plan have been invested in several investment options at the direction of the employee.

In accordance with requirements of IRC Section 457 and the Small Business Job Protection Act of 1996, the assets in the plan were transferred to a trust as approved by the County Board of Supervisors. The trust holds the plan assets for the exclusive benefit of the participants and their beneficiaries.

Completed financial statements for the Deferred Compensation Plan may be obtained from the Office of the Kern County Treasurer-Tax Collector located at 1115 Truxtun Avenue, Bakersfield, CA 93301.

Note 20 – Donated Services

The Medical Center receives donated services from unpaid volunteers assisting in the auxiliary coffee shop and gift shop. Additionally, the hospital receives donated services from a variety of unpaid individuals who are under the work release program and are required to complete hours of manual labor at the hospital. No amounts have been recognized in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for those services, since the criteria for recognition of such volunteer effort was not met under FASB Accounting Standards Codification (ASC) 605-10-15.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 21 - Commitments and Contingencies

Litigation – The Medical Center is the subject of certain claims and assessments arising in the normal course of its operations. In certain instances, these matters have been tried and awards have been submitted by the respective juries and/or courts.

The County, along with seven other counties, is the plaintiff in a case regarding Medi-Cal outpatient payment rates for current and prior services. The complaint is that the SDHS did not comply with certain Federal and State requirements in setting current and prior outpatient payment rates. The case was settled during the 2005 year in the County's favor and the Medical Center received one half of the settlement amount. The other half is contingent upon the Federal government's provision of Federal financial participation for the settlement. Therefore, the Medical Center has not accrued any amounts as a result of this settlement.

Operating leases – The Medical Center leases certain office space under operating lease agreements. Total lease expense amounted to approximately \$2,100,000 and \$2,500,000 in the years ended June 30, 2016 and 2015, respectively. Minimum future lease payments and sublease rental income offsets on existing non-cancelable leases as of June 30, 2016 are as follows:

| | Minimum Future Lease Payments |
|------------------------------|-------------------------------------|
| 2017 | \$ 1,079,045 |
| 2018 | 886,251 |
| 2019 | 905,508 |
| 2020 | 925,344 |
| 2021 | 945,774 |
| Total minimum lease payments | <u>\$ 4,741,922</u> |

Regulatory matters – The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program requirements and reimbursements for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory action unknown or unasserted at this time.

Note 21 – Commitments and Contingencies (continued)

In addition, the Medical Center is subject to changes in government legislation that could impact Medicare and Medi-Cal payment levels and is also subject to increased levels of managed care penetration and changes in payer patterns that may impact the level and timing of payments for services rendered.

Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments that could result from such reviews.

Note 22 – Audit of Federal Disproportionate Share Payments

The DSH program was established in 1981 as part of the Medicaid program and requires State Medicaid agencies to make additional payments to hospitals serving disproportionate numbers of low-income patients with special needs. Effective July 1, 1997, the program was amended to limit DSH payments to 100 percent of the amount of incurred uncompensated care costs (UCC) with a special provision that allowed payments of up to 175 percent of UCC to those public hospitals qualifying as “high DSH” hospitals in the State of California.

In 2001, the Office of Inspector General (OIG) of the U.S. Department of Health of Human Services conducted an audit of DSH payments to the Medical Center in order to determine that those payments did not exceed the hospital specific limit for fiscal year 1998. In September 2002, the OIG issued its final report, claiming total overpayments to the Medical Center of approximately \$38,700,000, of which approximately \$19,400,000 represents the Federal share.

The report states that Federal law requires the State to recover overpayments, and State law requires that overpayments determined by audit or Federal disallowance should be recouped by the State. However, in its conclusions, the report does not specifically request the Medical Center to refund the overpayment.

The SDHS and the Medical Center generally disagree with the findings of the OIG and maintain that the DSH payments were properly paid in accordance with the approved State plan. Furthermore, both the State and the Medical Center assert that the governing statute, OBRA 1993, does not require retrospective settlement, as these settlements are extremely disruptive and counter-productive to the purposes of the DSH program. No provision has been made in these financial statements to repay the amounts claimed by the OIG in its report.

KERN MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 22 – Audit of Federal Disproportionate Share Payments (continued)

California State Department of Health Service (DHS) has completed its audit and reconciliation of the 2005-2006 Medi-Cal funds and noted that the Medical Center was overpaid in the total amount of \$2,116,022. The Medical Center paid this amount back to DHS on October 9, 2013. The Medical Center hired a third party consultant to evaluate its outstanding receivables related to the remaining years subject to audit from 2006-2007 through 2013-2014 noting the Medical Center is estimated to have been overpaid by DHS in the amount of approximately \$41,100,000 over the course of these stated 8 years. The amount has been recorded in due to governmental agencies in the accompanying Statements of Net Position and is subject to audit by DHS.

Note 23 – Construction and Seismic Standards

Under current California laws, the Medical Center's facilities must comply with specific provisions related to structural and nonstructural seismic standards. These laws generally required hospitals to retrofit, remodel or upgrade several buildings before 2013, subject to legislative changes and certain available exemptions. The Medical Center received an extension to comply by 2019. The Medical Center is currently working on improvements to noncompliant buildings in order to receive exemptions available under current legislation through 2030. The cost estimates associated with this compliance have not been completed but will likely be significant.

Note 24 – Subsequent Events

Pursuant to the Kern County Hospital Authority Act, the California Legislature authorized the County of Kern to establish the Kern County Hospital Authority (Authority) and to transfer ownership, control, management, and operation of Kern Medical Center to the Authority. Effective July 1, 2016, ownership, control, management, medical facilities, and operation of the Medical Center was transferred to the Authority. The Authority is a local unit of government separate and apart from the County and any other public entity.

REQUIRED SUPPLEMENTARY INFORMATION

**KERN MEDICAL CENTER
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS FOR THE COUNTY OF KERN**

Retiree Health Premium Supplement Program (RHPSP)*
(Amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) (c) | Funded Ratio (a/b) (a/b) | Covered Payroll (d) | UAAL as a Percentage of Annual Covered Payroll (c/d) |
|--------------------------|-------------------------------|---------------------------------------|-------------------------------|--------------------------|---------------------|--|
| 6/30/2010 | \$ - | \$ 133,583 | \$ 133,583 | 0.00% | \$ 481,701 | 27.73% |
| 6/30/2012 | - | 132,528 | 132,528 | 0.00% | 490,762 | 27.00% |
| 6/30/2012 | - | 132,528 | 132,528 | 0.00% | 512,702 | 25.85% |
| 6/30/2014 | 46,496 | 108,976 | 62,480 | 42.67% | 501,431 | 12.46% |
| 6/30/2014 | 46,496 | 108,976 | 62,480 | 42.67% | 501,431 | 12.46% |

Retiree Health Stipend (RHS)*
(Amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) (c) | Funded Ratio (a/b) (a/b) | Covered Payroll (d) | UAAL as a Percentage of Annual Covered Payroll (c/d) |
|--------------------------|-------------------------------|---------------------------------------|-------------------------------|--------------------------|---------------------|--|
| 6/30/2010 | \$ - | \$ 16,379 | \$ 16,379 | 0.00% | \$ 487,323 | 3.36% |
| 6/30/2010 | - | 16,379 | 16,379 | 0.00% | 481,701 | 3.40% |
| 6/30/2012 | - | 36,525 | 36,525 | 0.00% | 490,762 | 7.44% |
| 6/30/2012 | - | 36,525 | 36,525 | 0.00% | 512,702 | 7.12% |
| 6/30/2014 | 221 | 28,885 | 28,664 | 0.77% | 501,431 | 5.72% |
| 6/30/2014 | 221 | 28,885 | 28,664 | 0.77% | 501,431 | 5.72% |

* These schedules represent the entire County of Kern's (the County) benefits and obligations. The Medical Center's benefits and obligations are allocated as a portion from the County.

**KERN MEDICAL CENTER
OTHER POST-EMPLOYMENT BENEFITS
ACTUARIAL ASSUMPTIONS AND METHODOLOGY FOR THE COUNTY OF KERN**

Retiree Health Premium Supplement Program (RHPSP)
Retiree Health Stipend

| | |
|---|---|
| Valuation Date: | 6/30/2014 |
| Investment Return: | 6.5% |
| General Inflation Rate: | Not used in calculating liability |
| Mortality: | <i>Healthy</i> - RP 2000 Combined Healthy Mortality Table set back one year for males and females for both General and Safety. <i>Disabled</i> - RP 2000 Combined Healthy Mortality Table set forward eight years for General and four years for Safety members. |
| Medical Plan Premiums (Trend) Stipend: | 6.87% in 2014/15, grading down 0.25% per year to an ultimate rate of 5.00% |

Retiree Health Premium Supplement Program (RHPSP) Only

| | |
|--|--|
| Monthly Premium Contributions | \$441.04 - \$882.07 depending on years of service |
| Other Factors for Monthly Premium Contributions: | Above premium is for new retirees who are under age 65 and completed 20 or more years of continuous service. Employees who retire with a minimum of 20 years of continuous service only receive a percentage as follows: |
| | 20 years 441.04 |
| | 21 years 529.24 |
| | 22 years 617.45 |
| | 23 years 705.66 |
| | 24 years 793.86 |
| | 25 years 882.07 |

Retiree Health Stipend Only

| | | |
|--|--|----------------|
| Monthly Premium Contributions for Future Retirees: | <u>Coverage</u> | <u>Stipend</u> |
| | Single-Retiree Only | 39.75 |
| | Two-Party (retiree plus dependent) | 53.69 |
| | Family (retiree plus two or more dependents) | 61.50 |

**KERN MEDICAL CENTER
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CONTRIBUTIONS FOR THE COUNTY OF KERN**

Retiree Health Premium Supplement Program (RHPSP)*
(Amounts in thousands)

| Fiscal Year Ended June 30, | Annual RHPSP Cost | Percentage of Cost Contributed | Net OPEB Obligation |
|----------------------------------|----------------------|--------------------------------------|------------------------|
| 2013 | \$ 13,385 | 100% | \$ 35,015 |
| 2014 | 15,187 | 97% | 35,449 |
| 2015 | 10,257 | 104% | 35,031 |
| 2016 | 10,182 | 119% | 33,094 |

Retiree Health Stipend (RHS)*
(Amounts in thousands)

| Fiscal Year Ended June 30, | Annual RHS Cost | Percentage of Cost Contributed | Net OPEB Obligation |
|----------------------------------|--------------------|--------------------------------------|------------------------|
| 2013 | \$ 3,486 | 34% | \$ 2,311 |
| 2014 | 3,490 | 64% | 3,584 |
| 2015 | 3,162 | 44% | 5,339 |
| 2016 | 3,150 | 40% | 7,224 |

* These schedules represent the entire County of Kern's (the County) benefits and obligations. The Medical Center's benefits and obligations are allocated as a portion from the County.

**KERN MEDICAL CENTER
 OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF THE PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY**

| <u>Reporting Date for Employer under GASB 68 as of June 30</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of Net Pension Liability</u> | <u>County's Covered- employee Payroll</u> | <u>Proportionate Share of the Net Pension Liability as Percentage of its Covered-employee Payroll</u> | <u>Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|--|--|---|---|---|---|
| 2014 | 16.18% | \$ 343,748,412 | \$ 75,331,439 | 456.31% | 59.59% |
| 2015 | 15.97% | \$ 330,492,938 | \$ 77,008,989 | 429.16% | 63.49% |
| 2016 | 17.17% | \$ 345,262,534 | \$ 81,925,123 | 421.44% | 62.20% |

**KERN MEDICAL CENTER
PENSION PLAN
SCHEDULE OF CONTRIBUTIONS**

| Reporting Date for Employer under GASB 68 as of June 30 | Actuarially Determined Contribution | Medical Center's Contribution | Contribution Deficiency (Excess) | Medical Center's Covered-employee Payroll | Contributions as a percentage of covered- employee payroll |
|---|---|-------------------------------------|--|---|--|
| 2015 | \$ 34,286,046 | \$ 34,286,046 | \$ - | \$ 77,008,989 | 44.52% |
| 2016 | \$ 30,093,110 | \$ 30,093,110 | \$ - | \$ 81,925,123 | 36.73% |

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

To the Honorable Board of Supervisors
County of Kern, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kern Medical Center (the Medical Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MOSS ADAMS LLP

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2016-01 and 2016-02, that we consider to be significant deficiencies.

Compliance and Other Matters

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

The Medical Center's Response to Findings

The Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Los Angeles, California
December 22, 2016

Finding 2016-01 Uncompensated Care

Condition

The Medical Center provides financial assistance to the community and its indigent population through various programs including its Charity Care Program and Kern Medical Wellness Program (KMWP) policies. During fiscal year 2016, the Medical Center did not consistently document and track its implementation of these policies resulting in inconsistencies in how relevant information is reported.

Recommendation

We recommend that Management consistently track its implementation of the Charity Care Program and Kern Medical Wellness Program policies ensuring that relevant information is appropriately tracked and reported.

Management Response

Management agrees with the recommendation to implement and consistently track Charity Care and Kern Wellness Program patients. All staff involved with the entire revenue cycle is currently being educated about the policies and procedures regarding the classification of patient accounts into charity care and the Kern Wellness Program. Designated line items within the income statement are being created to track these items specifically and corresponding adjustment codes are being created that map to these line items. A large part of the staff training will be about the proper use and application of these codes. Management will carefully review the use of the new coding to ensure that charity care and the Kern Wellness Program are being properly accounted for going forward.

Finding 2016-02 Trial Balance Reconciliation

Condition

During fiscal year 2016, the Medical Center did not complete monthly reconciliations of the trial balance to the trial balance maintained by the County of Kern. The Medical Center completed a reconciliation at the end of fiscal year 2016. This year-end reconciliation resulted in a large number of journal entries recorded after year-end close. Performing the reconciliation and recording the related entries only on an annual basis exposes the Medical Center to potential errors that are not identified and resolved timely. Further, reconciling with the County of Kern on an annual basis can cause delays in the annual financial reporting process.

**KERN MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

Recommendation

We recommend that the Medical Center trial balance be reconciled to the trial balance maintained by the County of Kern on a monthly basis.

Management Response

Management agrees with the recommendation that the trial balance maintained by the County of Kern should have been reconciled with the Medical Center's trial balance on a monthly basis. However, since the Medical Center became its own entity, the Kern County Hospital Authority, effective July 1, 2016, the same reconciliation that was done in prior years will no longer be necessary. The Medical Center will still be referenced in the Comprehensive Annual Financial Report (CAFR) issued by the County of Kern. Going forward, the Medical Center will ensure that they and the County of Kern are in agreement regarding the information reported in the CAFR.

Finding 2016-03 Journal Entry Process

Condition

During fiscal year 2016, the Medical Center did not have a consistent process to document the review of all journal entries and supporting documentation by personnel at a level above the preparer. Additionally, all personnel in the accounting department are able to post journal entries into the system.

Recommendation

We recommend that a process be implemented to properly document review of all journal entries and the supporting documents for all entries posted. We recommend that the list of personnel with the ability to post journal entries be reviewed and a policy implemented to limit access to only the appropriate personnel. We recommend that the reviewer of journal entries does not have access to post entries into the system.

Management Response

Management agrees with the recommendation regarding the preparation and review of all journal entries. Policies and procedures were implemented in late fiscal year 2015 requiring adequate supporting documentation to be attached to all journal entries. These policies and procedures also require that personnel a level above the staff preparing the journal entries to review the journal entries. Management will consider the recommendation to have the Information Systems Department block the ability to post journal entries for personnel that review journal entries.



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

February 15, 2017

Subject: Request for appropriation of unanticipated revenue in the amount of \$22,940,785 for increased operating expenses and additional capital expenditures.

Recommended Action: Approve; Authorize Chief Financial Officer to process the specified budgetary adjustments and accounting transactions

Summary: In October of 2016, Kern County's Whole Person Care application was accepted and approved by the Department of Healthcare Services. With the acceptance of the application, Kern Medical will recognize additional income as well as a corresponding increase to operating expenses of \$6,523,940 and capital budget of \$1,098,600.

In accordance with the Agreement for Health Care Services, Finance and Support between the County of Kern and the Kern County Hospital Authority, the Kern County Hospital Authority may, based upon the specified calculation of excess revenue, appropriate and spend additional funds in excess of the annual approved budget. Based upon a review of fiscal year to date expenditures and additional capital expenditures planned for the remainder of the fiscal year, the Kern County Hospital Authority requests to increase the operating budget by \$12,878,000 and the capital budget by \$2,440,245 to provide for the increase in expenditures.

This request will increase the overall operating budget from \$321,705,361 to \$341,107,301 and the overall capital budget from \$11,938,791 to \$15,477,636.

Budget Amendment Fiscal Year 2017

| | BUDGET FY17 | ACTUAL YTD FY17 JUL - DEC | WPC Adjustment | Excess Revenue Adjustment | New Proposed Budget |
|--|------------------------|--------------------------------------|---------------------------|--------------------------------------|--------------------------------|
| Total Gross Charges | \$ 799,337,619 | \$ 394,813,925 | | | |
| Total Patient Revenue Deductions | (604,574,212) | (290,387,737) | | | |
| Net Patient Revenue | 194,763,407 | 104,426,188 | | 14,088,969 | 208,852,376 |
| Indigent Funding | | | | | |
| Correctional Medicine | 22,663,037 | 44,283,396 | | | 22,663,037 |
| County Indigent Funding | 3,500,000 | 11,845,330 | | | 3,500,000 |
| State Indigent Funding | 81,716,189 | 1,722,205 | 11,800,988 | | 93,517,177 |
| Total County and State Indigent Funding | 107,879,226 | 57,850,931 | 11,800,988 | | 119,680,214 |
| Capitation Premium Revenue | 8,000,000 | 1,698,630 | | | 8,000,000 |
| Other Operating Revenue | 13,017,555 | 5,695,477 | 0 | | 13,017,555 |
| Total Operating Revenue | 323,660,188 | 169,671,226 | 11,800,988 | 14,088,969 | 349,550,145 |
| Expenses | | | | | |
| Salaries | 133,046,432 | 66,324,261 | 1,538,250 | 350,000 | 134,934,682 |
| Benefits | 66,252,769 | 32,280,098 | 1,025,500 | 240,000 | 67,518,269 |
| Registry Nurses | 6,931,179 | 5,316,728 | | 4,000,000 | 10,931,179 |
| Medical Fees | 16,387,030 | 8,307,162 | | 500,000 | 16,887,030 |
| Purchased Services | 30,959,211 | 17,930,757 | 1,463,000 | 5,000,000 | 37,422,211 |
| Supplies | 45,333,505 | 24,104,881 | | 2,500,000 | 47,833,505 |
| Repairs and Maintenance | 3,376,270 | 1,658,052 | | | 3,376,270 |
| Other Expenses | 13,538,496 | 6,027,394 | 2,497,190 | | 16,035,686 |
| Interest | 588,385 | 5,039 | | | 588,385 |
| Depreciation and Amortization | 5,292,084 | 2,805,653 | | 288,000 | 5,580,084 |
| Operating Expenses | 321,705,361 | 164,760,025 | 6,523,940 | 12,878,000 | 341,107,301 |
| Gain/(Loss) From Operations | 1,954,827 | 4,911,201 | 5,277,048 | 1,210,969 | 8,442,844 |
| Non-Operating Revenue | - | 383,027 | - | - | - |
| Earnings Before Depreciation and Amortization | \$ 7,246,911 | \$ 8,099,881 | \$ 5,277,048 | \$ 1,498,969 | \$ 14,022,928 |
| Net Income/(Loss) | \$ 1,954,827 | \$ 5,294,228 | \$ 5,277,048 | \$ 1,210,969 | \$ 8,442,844 |

Budget for Capital Expenditures For Fiscal Year 2017

| | FY 2017 Approved Budget | Additions to Operating Equipment | Additions to IT Capital Projects | Additions to Capital Building and Construction | Proposed FY 2017 Budget |
|-----------------------------------|----------------------------|--|-------------------------------------|--|----------------------------|
| Replacement Equipment | \$ 8,940,430 | | | | \$ 8,940,430 |
| Additional Equipment | 1,853,355 | | | - | \$ 1,853,355 |
| Software | 1,145,006 | | \$2,440,245 | | \$ 3,585,251 |
| WPC Capital | | 580,000 | 518,600 | | \$ 1,098,600 |
| Total Capital Expenditures | \$ 11,938,791 | \$ 580,000 | \$ 2,958,845 | \$ - | \$ 15,477,636 |

Detailed Summary of Additions

WPC Capital:

| | |
|---|--------------|
| 6 Vehicles with Accessibility Modifications | \$580,000.00 |
| Care Coordination HIE Software | \$518,600.00 |

Other Additions to Capital:

| | |
|--|--------------|
| Strata Analytics and Productivity Software | \$961,424.00 |
| Enterprise Data Warehouse | \$840,000.00 |
| Clairvia Nurse Scheduling Software | \$638,821.00 |

Total Addition

\$3,538,845.00



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

February 15, 2017

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 ending December 31, 2016.



**BOARD OF GOVERNORS' VOLUMES REPORT
KERN MEDICAL – DECEMBER 2016**

FEBRUARY 2017

3-Month Trend Analysis: Volume and Strategic Indicators

December 31, 2016

| | | OCTOBER | NOVEMBER | DECEMBER | BUDGET DECEMBER | VARIANCE POS (NEG) | PY DECEMBER |
|---------------|------------------------------------|---------|----------|----------|--------------------|-----------------------|----------------|
| VOLUME | | | | | | | |
| | Adjusted Admissions (AA) | 1,486 | 1,430 | 1,417 | 1,351 | 5% | 1,295 |
| | Adjusted Patient Days | 7,477 | 7,408 | 7,518 | 7,862 | (4%) | 7,199 |
| | Admissions | 798 | 769 | 797 | 723 | 10% | 723 |
| | Average Daily Census | 129 | 133 | 136 | 136 | 0.5% | 130 |
| | Patient Days | 4,014 | 3,983 | 4,227 | 4,208 | 0.5% | 4,019 |
| | Available Occupancy % | 60.5% | 62.0% | 63.7% | 63.4% | 0.5% | 60.6% |
| | Average LOS | 5.0 | 5.2 | 5.3 | 5.8 | (9%) | 5.6 |
| | Surgeries | | | | | | |
| | Inpatient Surgeries (Main Campus) | 254 | 220 | 263 | 225 | 17% | 204 |
| | Outpatient Surgeries (Main Campus) | 267 | 272 | 256 | 223 | 15% | 225 |
| | Total Surgeries | 521 | 492 | 519 | 448 | 16% | 429 |
| | Births | 245 | 214 | 207 | 232 | | 219 |
| | ER Visits | | | | | | |
| | Admissions | 381 | 388 | 436 | 335 | 30% | 377 |
| | Treated & Released | 3,374 | 3,119 | 3,250 | 3,067 | 6% | 2,999 |
| | Total ER Visits | 3,755 | 3,507 | 3,686 | 3,402 | 8% | 3,376 |
| | Outpatient Clinic Visits | | | | | | |
| | Total Clinic Visits | 10,495 | 11,352 | 10,024 | 7,917 | 27% | 8,672 |

Year-to-Date: Volume and Strategic Indicators

December 31, 2016

| | | ACTUAL | BUDGET | VARIANCE | PY | PY VARIANCE |
|---------------|------------------------------------|--------|--------|-----------|--------|-------------|
| | | FYTD | FYTD | POS (NEG) | FYTD | POS (NEG) |
| VOLUME | | | | | | |
| | Adjusted Admissions (AA) | 7,634 | 7,209 | 6% | 7,106 | 7% |
| | Adjusted Patient Days | 45,313 | 46,524 | (3%) | 43,745 | 4% |
| | Admissions | 4,016 | 3,843 | 5% | 4,519 | (11%) |
| | Average Daily Census | 131 | 136 | (3%) | 130 | 1% |
| | Patient Days | 24,127 | 24,903 | (3%) | 24,034 | 0.4% |
| | Available Occupancy % | 61.3% | 63.2% | (3%) | 61.0% | 0.4% |
| | Average LOS | 6.0 | 6.5 | (7%) | 5.3 | 13% |
| | Surgeries | | | | | |
| | Inpatient Surgeries (Main Campus) | 1,408 | 1,374 | 2% | 1,226 | 15% |
| | Outpatient Surgeries (Main Campus) | 1,557 | 1,519 | 2% | 1,607 | (3%) |
| | Total Surgeries | 2,965 | 2,893 | 2% | 2,833 | 5% |
| | Births | 1,369 | 1,499 | (9%) | 1,314 | 4% |
| | ER Visits | | | | | |
| | Admissions | 2,397 | 1,988 | 21% | 1,961 | 22% |
| | Treated & Released | 20,283 | 18,220 | 11% | 18,639 | 9% |
| | Total ER Visits | 22,680 | 20,208 | 12% | 20,600 | 10% |
| | Outpatient Clinic Visits | | | | | |
| | Total Clinic Visits | 63,232 | 51,107 | 24% | 56,395 | 12% |

3-Month Trend Analysis: Payor Mix

December 31, 2016

| | OCTOBER | NOVEMBER | DECEMBER | BUDGET DECEMBER | PY DECEMBER |
|------------------------------------|---------------|---------------|---------------|--------------------|----------------|
| PAYOR MIX - Charges | | | | | |
| Commercial FFS | 3.3% | 3.4% | 4.7% | 4.1% | 5.4% |
| Commercial HMO/PPO | 7.0% | 6.0% | 6.5% | 7.1% | 4.9% |
| Medi-Cal | 27.2% | 29.2% | 29.1% | 28.8% | 27.0% |
| Medi-Cal HMO - Kern Health Systems | 24.6% | 31.2% | 31.7% | 21.3% | 20.9% |
| Medi-Cal HMO - Health Net | 14.6% | 9.0% | 9.7% | 5.6% | 6.1% |
| Medi-Cal HMO - Other | 2.1% | 1.2% | 1.1% | 12.5% | 12.3% |
| Medicare | 9.4% | 8.6% | 5.9% | 9.9% | 9.7% |
| Medicare - HMO | 2.8% | 2.2% | 1.0% | 2.2% | 1.8% |
| County Programs | 1.5% | 2.0% | 3.0% | 1.1% | 2.6% |
| Workers' Compensation | 0.4% | 0.7% | 0.6% | 1.7% | 1.6% |
| Self Pay | 7.1% | 6.4% | 6.7% | 5.8% | 7.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Year-to-Date: Payor Mix

December 31, 2016

| | ACTUAL | BUDGET | PY |
|------------------------------------|---------------|---------------|---------------|
| | FYTD | FYTD | FYTD |
| PAYOR MIX - Charges | | | |
| Commercial FFS | 4.1% | 4.4% | 5.3% |
| Commercial HMO/PPO | 6.4% | 4.5% | 5.1% |
| Medi-Cal | 28.7% | 28.6% | 29.5% |
| Medi-Cal HMO - Kern Health Systems | 28.5% | 25.0% | 21.2% |
| Medi-Cal HMO - Health Net | 9.9% | 8.9% | 7.3% |
| Medi-Cal HMO - Other | 1.1% | 6.0% | 8.7% |
| Medicare | 9.5% | 10.3% | 9.4% |
| Medicare - HMO | 2.1% | 2.3% | 1.7% |
| County Programs | 2.2% | 1.6% | 2.9% |
| Workers' Compensation | 0.6% | 1.1% | 1.3% |
| Self Pay | 7.0% | 7.4% | 7.6% |
| Total | 100.0% | 100.0% | 100.0% |

3-Month Trend Analysis: Labor and Productivity Metrics

December 31, 2016

| | | | | | BUDGET | VARIANCE | PY |
|---|--|------------|------------|------------|------------|-----------|------------|
| | | OCTOBER | NOVEMBER | DECEMBER | DECEMBER | POS (NEG) | DECEMBER |
| Labor Metrics | | | | | | | |
| Productive FTEs | | 1,269.53 | 1,230.89 | 1,200.25 | 1,274.72 | (6%) | 1,108.03 |
| Non-Productive FTEs | | 142.81 | 254.33 | 310.08 | 224.95 | 38% | 344.85 |
| Contract Labor FTEs | | 70.03 | 68.91 | 62.96 | 39.49 | 59% | 45.63 |
| Total FTEs | | 1,427.19 | 1,485.22 | 1,510.33 | 1,499.67 | 1% | 1,452.88 |
| FTE's Per AOB Paid | | 5.92 | 6.01 | 6.23 | 6.45 | (3%) | 6.26 |
| FTE's Per AOB Worked | | 5.26 | 4.98 | 4.95 | 5.48 | (10%) | 4.77 |
| Labor Cost/FTE (Annualized) | | 130,107.51 | 125,077.40 | 124,455.58 | 117,045.51 | 6% | 121,408.65 |
| Benefits Expense as a % of Benefitted Labor Expense | | 72% | 74% | 75% | 72% | 4% | 70% |
| Salaries & Benefits as % of Net Patient Revenue | | 64% | 63% | 63% | 65% | (3%) | 66% |

Year-to-Date: Labor and Productivity Metrics

December 31, 2016

| | | ACTUAL | BUDGET | VARIANCE | PY | PY VARIANCE |
|----------------------|---|------------|------------|-----------|------------|-------------|
| | | FYTD | FYTD | POS (NEG) | FYTD | POS (NEG) |
| Labor Metrics | | | | | | |
| | Productive FTEs | 1,225.59 | 1,273.13 | (4%) | 1,141.83 | 7% |
| | Non-Productive FTEs | 220.00 | 224.67 | (2%) | 211.97 | 4% |
| | Contract Labor FTEs | 65.45 | 47.15 | 39% | 36.60 | 79% |
| | Total FTEs | 1,445.59 | 1,497.80 | (3%) | 1,353.80 | 7% |
| | FTE's Per AOB Paid | 5.87 | 5.92 | (1%) | 5.69 | 3% |
| | FTE's Per AOB Worked | 4.98 | 5.04 | (1%) | 4.80 | 4% |
| | Labor Cost/FTE (Annualized) | 128,013.17 | 120,823.61 | 6% | 123,951.53 | 3% |
| | Benefits Expense as a % of Benefitted Labor Expense | 71% | 72% | (1%) | 70% | 2% |
| | Salaries & Benefits as % of Net Patient Revenue | 63% | 66% | (4%) | 65% | (2%) |



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

February 15, 2017

Subject: Kern County Hospital Authority, Chief Financial Officer Report

Recommended Action: Receive and File.

Summary:

Kern County's Hospital Authority Chief Financial Officer will provide a report on Finances ending December 31, 2016.



BOARD OF GOVERNORS' FINANCIAL REPORT KERN MEDICAL – DECEMBER 2016

FEBRUARY 2017

3-Month Trend Analysis: Revenue & Expense

December 31, 2016

| | OCTOBER | NOVEMBER | DECEMBER | BUDGET DECEMBER | VARIANCE POS (NEG) | PY DECEMBER |
|---|---------------|---------------|---------------|--------------------|-----------------------|-----------------|
| Gross Patient Revenue | \$ 67,536,402 | \$ 63,484,833 | \$ 65,634,927 | \$ 61,572,722 | 7% | \$ 60,590,437 |
| Contractual Deductions | (49,962,584) | (45,968,653) | (47,980,890) | (46,439,919) | 3% | \$ (44,496,662) |
| Net Revenue | 17,573,818 | 17,516,180 | 17,654,037 | 15,132,803 | 17% | 16,093,775 |
| Indigent Funding | 7,188,107 | 7,795,895 | 7,874,837 | 6,876,297 | 15% | 7,003,794 |
| Correctional Medicine | 1,976,045 | 1,976,045 | 1,976,045 | 1,942,469 | 2% | 1,049,190 |
| County Contribution | 285,211 | 285,211 | 285,211 | 297,261 | (4%) | 631,414 |
| Incentive Funding | 0 | 0 | 0 | 833,333 | (100%) | 0 |
| Net Patient Revenue | 27,023,181 | 27,573,331 | 27,790,130 | 25,082,163 | 11% | 24,778,173 |
| Other Operating Revenue | 952,306 | 903,502 | 946,219 | 1,301,412 | (27%) | 982,632 |
| Other Non-Operating Revenue | 85,437 | 42,750 | 44,663 | 22,187 | 101% | 235,312 |
| Total Operating Revenue | 28,060,924 | 28,519,583 | 28,781,012 | 26,405,762 | 8% | 25,996,117 |
| Expenses | | | | | | |
| Salaries | 11,024,716 | 11,099,323 | 10,851,301 | 10,583,857 | 3% | 10,456,532 |
| Employee Benefits | 5,396,241 | 5,337,301 | 5,780,062 | 5,195,450 | 11% | 5,248,326 |
| Contract Labor | 946,227 | 918,282 | 946,017 | 593,409 | 59% | 746,216 |
| Medical Fees | 1,365,361 | 1,419,622 | 1,432,227 | 1,391,775 | 3% | 1,373,587 |
| Other Professional Fees | 1,653,636 | 978,458 | 2,009,171 | 1,546,276 | 30% | 1,041,760 |
| Supplies | 3,728,266 | 4,248,469 | 4,669,782 | 3,386,166 | 38% | 4,071,790 |
| Purchased Services | 1,094,882 | 1,477,496 | 1,418,012 | 1,213,903 | 17% | 850,348 |
| Other Expenses | 1,270,262 | 1,289,292 | 83,171 | 1,535,226 | (95%) | 1,210,717 |
| Operating Expenses | 26,479,591 | 26,768,243 | 27,189,743 | 25,446,062 | 7% | 24,999,275 |
| Earnings Before Interest, Depreciation, and Amortization (EBIDA) | 1,581,332 | 1,751,340 | 1,591,269 | 959,700 | 66% | 996,842 |
| EBIDA Margin | 6% | 6% | 6% | 4% | 52% | 4% |
| Interest | 19,168 | 18,550 | 24,207 | 49,973 | (52%) | 60,543 |
| Depreciation | 480,902 | 524,308 | 474,567 | 399,667 | 19% | 400,534 |
| Amortization | 28,952 | (3,253) | 20,313 | 49,797 | (59%) | 48,259 |
| Total Expenses | 27,008,613 | 27,307,848 | 27,708,830 | 25,945,499 | 7% | 25,508,611 |
| Operating Gain (Loss) | 1,052,310 | 1,211,735 | 1,072,182 | 460,263 | 133% | 487,506 |
| Operating Margin | 4% | 4% | 4% | 1.7% | 114% | 2% |

3-Month Trend Analysis: Cash Indicators

December 31, 2016

| | | | | | BUDGET | VARIANCE | PY |
|-------------|-------------------------------|---------------|---------------|---------------|------------|-----------|---------------|
| | | OCTOBER | NOVEMBER | DECEMBER | DECEMBER | POS (NEG) | DECEMBER |
| CASH | | | | | | | |
| | Total Cash Per General Ledger | 25,655,971 | 60,613,182 | 82,059,137 | 39,145,776 | 55% | 31,355,500 |
| | Cash Planning - Waivers | 41,107,672 | 60,753,864 | 60,753,864 | N/A | N/A | 23,268,150 |
| | Cash Planning - IGTs | 22,267,000 | 22,267,000 | 22,267,000 | N/A | N/A | 5,989,214 |
| | Cash Planning - KHS Capital | 5,706,095 | 5,706,095 | 5,706,095 | N/A | N/A | N/A |
| | Days Cash On Hand | 30 | 68 | 91 | 46 | 47% | 38 |
| | Days In A/R - Gross | 103.8 | 101.9 | 96.8 | 76.0 | 34% | 84.2 |
| | Patient Cash Collections | \$ 13,814,971 | \$ 23,203,984 | \$ 18,109,925 | N/A | N/A | \$ 14,708,012 |
| | Patient Cash Goal | \$ 17,022,814 | \$ 17,742,157 | \$ 17,369,639 | N/A | N/A | \$ 17,912,603 |

3-Month Trend Analysis: Operating Metrics

December 31, 2016

| | | | | | BUDGET | VARIANCE | PY |
|--|----|---------|-----------|-----------|-----------|-----------|-----------|
| | | OCTOBER | NOVEMBER | DECEMBER | DECEMBER | POS (NEG) | DECEMBER |
| Operating Metrics | | | | | | | |
| Total Expense per Adjusted Admission | | 18,170 | 19,094 | 19,549 | 19,209 | 2% | 19,696 |
| Total Expense per Adjusted Patient Day | | 3,612 | 3,687 | 3,686 | 3,300 | 12% | 3,543 |
| Supply Expense per Adjusted Admission | | 2,508 | 2,971 | 3,295 | 2,507 | 31% | 3,144 |
| Supply Expense per Surgery | | 2,351 | 2,040 | 1,941 | 1,616 | 20% | 1,724 |
| Supplies as % of Net Patient Revenue | | 14% | 15% | 17% | 14% | 24% | 16% |
| Pharmaceutical Cost per Adjusted Admission | | 810 | 1,189 | 1,367 | 1,105 | 24% | 1,315 |
| Net Revenue Per Adjusted Admission | \$ | 11,823 | \$ 12,247 | \$ 12,455 | \$ 11,203 | 11% | \$ 12,427 |

Year-to-Date: Operating Metrics

December 31, 2016

| | ACTUAL | BUDGET | VARIANCE | PY | PY VARIANCE |
|--|-----------|-----------|-----------|-----------|-------------|
| | FYTD | FYTD | POS (NEG) | FYTD | POS (NEG) |
| Operating Metrics | | | | | |
| Total Expense per Adjusted Admission | 21,581 | 22,277 | (3%) | 21,124 | 2% |
| Total Expense per Adjusted Patient Day | 3,636 | 3,452 | 5% | 3,431 | 6% |
| Supply Expense per Adjusted Admission | 3,157 | 3,033 | 4% | 3,193 | (1%) |
| Supply Expense per Surgery | 2,031 | 1,615 | 26% | 1,607 | 26% |
| Supplies as % of Net Patient Revenue | 15% | 14% | 4% | 16% | (5%) |
| Pharmaceutical Cost per Adjusted Admission | 1,220 | 1,337 | (9%) | 1,472 | (17%) |
| Net Revenue Per Adjusted Admission | \$ 13,678 | \$ 13,188 | 3.7% | \$ 12,369 | 11% |

INDIGENT PATIENT CARE FUNDING - MTD & YTD

FOR THE MONTH DECEMBER 31, 2016

| MTD ACT | MTD BUD | VAR \$ FAV/(UNFAV) | VAR % | DESCRIPTION | YTD ACT | YTD BUD | VAR \$ FAV/(UNFAV) | VAR % |
|------------|-----------|-----------------------|--------|---|------------|------------|-----------------------|--------|
| 311,379 | 345,977 | (34,598) | -10.0% | MEDI-CAL HOSPITAL QUALITY ASSURANCE FEE | 1,848,186 | 2,053,541 | (205,355) | -10.0% |
| 855,876 | 950,973 | (95,097) | -10.0% | MEDI-CAL EXPANSION REVENUE FROM HMO | 6,783,827 | 5,644,489 | 1,139,338 | 20.2% |
| 80,906 | 196,257 | (115,351) | -58.8% | COUNTY REALIGNMENT FUNDS | 1,513,481 | 1,164,881 | 348,600 | 29.9% |
| 1,016,900 | 960,366 | 56,534 | 5.9% | MEDI-CAL SUPPLEMENTAL FUNDING | 6,035,796 | 5,700,235 | 335,561 | 5.9% |
| 2,181,474 | 2,423,861 | (242,387) | -10.0% | PRIME - NEW WAIVER | 13,044,983 | 14,386,784 | (1,341,801) | -9.3% |
| 3,428,302 | 1,998,863 | 1,429,439 | 71.5% | GPP - NEW WAIVER | 15,057,123 | 11,864,219 | 3,192,904 | 26.9% |
| 7,874,837 | 6,876,297 | 998,540 | 14.5% | SUB-TOTAL - GOVERNMENTAL REVENUE | 44,283,396 | 40,814,149 | 3,469,247 | 8.5% |
| 1,976,045 | 1,942,469 | 33,576 | 1.7% | CORRECTIONAL MEDICINE | 11,845,330 | 11,529,492 | 315,838 | 2.7% |
| 285,211 | 297,261 | (12,050) | -4.1% | COUNTY CONTRIBUTION | 1,722,205 | 1,764,384 | (42,179) | -2.4% |
| 10,136,093 | 9,116,027 | 1,020,066 | 11.2% | TOTAL INDIGENT CARE & COUNTY FUNDING | 57,850,931 | 54,108,025 | 3,742,906 | 6.9% |

OTHER REVENUE

FOR THE MONTH DECEMBER 31, 2016

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> |
|--------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|--------------------|
| PARKING LOT REVENUE | 718 | 510 | 208 | 4,526 | 3,025 | 1,501 |
| OTHER CO. DEPT. REIMBURSEMENT | 24,563 | 14,234 | 10,329 | 147,885 | 84,489 | 63,396 |
| EMS REVENUE (SB-612) | 0 | 71,264 | (71,264) | 192,502 | 422,986 | (230,484) |
| FEDERAL INMATE REVENUE | 0 | 54,598 | (54,598) | (47,071) | 324,066 | (371,137) |
| MEDICAL RECORDS FEES | 2,870 | 1,999 | 871 | 13,355 | 11,866 | 1,489 |
| X-RAY COPY FEES | 8 | 0 | 8 | 24 | 0 | 24 |
| MEDICAL SCHOOL STUDENT FEES | 334,787 | 383,616 | (48,829) | 2,003,020 | 2,276,944 | (273,924) |
| JURY/WITNESS FEES | 500 | 0 | 500 | 2,075 | 0 | 2,075 |
| CANCELLED OUTLAWED WARRANTS | 0 | 2,754 | (2,754) | (1,664) | 16,346 | (18,010) |
| PROFESSIONAL FEES | 302,352 | 501,007 | (198,655) | 1,705,837 | 2,973,728 | (1,267,891) |
| CAFETERIA SALES | 65,671 | 68,115 | (2,444) | 425,434 | 404,304 | 21,130 |
| FEDERAL-OTHER AID | 7,691 | 0 | 7,691 | 34,126 | 0 | 34,126 |
| GRANTS | 0 | 0 | 0 | 527 | 0 | 527 |
| MENTAL HEALTH MOU | 202,336 | 191,986 | 10,350 | 1,071,460 | 1,139,526 | (68,066) |
| REBATES & REFUNDS | 4,723 | 6,622 | (1,899) | 143,444 | 39,302 | 104,142 |
| TOTAL OTHER OPERATING REVENUE | 946,219 | 1,296,705 | (350,486) | 5,695,479 | 7,696,582 | (2,001,103) |
| OTHER NON-OPERATING REVENUE | | | | | | |
| INTEREST ON COLLECTIONS | 6,286 | 12,881 | (6,595) | 104,783 | 76,456 | 28,327 |
| OTHER MISCELLANEOUS REVENUE | 21,302 | 8,860 | 12,442 | 142,769 | 52,589 | 90,180 |
| INTEREST ON FUND BALANCE | 17,075 | 5,153 | 11,922 | 135,475 | 30,586 | 104,889 |
| TOTAL OTHER NON-OPER REVENUE | 44,663 | 26,894 | 17,769 | 383,027 | 159,631 | 223,396 |

CORRECTIONAL MEDICINE P&L - MTD & YTD

FOR THE MONTH DECEMBER 31, 2016

| <u>MTD ACT</u> | <u>MTD BUD</u> | <u>VAR \$</u> <u>FAV/(UNFAV)</u> | <u>VAR %</u> | <u>DESCRIPTION</u> | <u>YTD ACT</u> | <u>YTD BUD</u> | <u>VAR \$</u> <u>FAV/(UNFAV)</u> | <u>VAR %</u> |
|----------------|----------------|-------------------------------------|--------------|--|----------------|----------------|-------------------------------------|--------------|
| 1,976,045 | 1,942,469 | 33,576 | 1.7% | COUNTY INMATE REVENUE | 11,845,330 | 11,529,492 | 315,838 | 2.7% |
| 0 | 0 | 0 | 100.0% | FEDERAL INMATE REVENUE | 0 | 0 | 0 | 100.0% |
| 1,976,045 | 1,942,469 | 33,576 | 1.7% | TOTAL REVENUE | 11,845,330 | 11,529,492 | 315,838 | 2.7% |
| | | | | DIRECT INMATE EXPENSES | | | | |
| 1,077,391 | 1,139,474 | (62,083) | -5.4% | SALARIES & BENEFITS | 6,511,867 | 6,763,329 | (26,702) | -0.4% |
| 515,582 | 42,152 | 473,430 | 1123.1% | SUPPLIES & OTHER EXP | 2,057,166 | 250,193 | 343,281 | 201.5% |
| 1,592,973 | 1,181,626 | 411,347 | 34.8% | TOTAL DIRECT INMATE EXPENSES | 8,569,034 | 7,013,522 | 1,555,512 | 22.2% |
| | | | | ALLOCATED INMATE EXPENSES | | | | |
| 31,570 | 166,111 | (134,541) | -81.0% | INPATIENT | 734,577 | 985,948 | (251,371) | -25.5% |
| 345,921 | 293,773 | 52,148 | 17.8% | OUTPATIENT | 2,147,354 | 1,743,685 | 403,669 | 23.2% |
| 377,491 | 459,884 | (82,393) | -17.9% | TOTAL ALLOCATED INMATE EXPENSES | 2,881,930 | 2,729,633 | 152,297 | 5.6% |
| 164,733 | 134,288 | 30,445 | 22.7% | AMBULANCE/OTHER HC PROVIDER EXPENSES | 825,394 | 799,250 | 26,144 | 3.3% |
| 2,135,198 | 1,775,798 | 359,400 | 20.2% | TOTAL EXPENSES | 12,276,358 | 10,542,405 | 1,733,953 | 16.4% |
| (159,153) | 166,671 | (325,824) | -195.5% | NET INCOME | (431,028) | 987,087 | (1,418,115) | -143.7% |



BOARD OF GOVERNORS KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

February 15, 2017

Subject: Comments Regarding Budget Variances for Operating Expenses – December 2016

Summary:

Other Professional Fees:

- Other Professional Fees have an unfavorable budget variance for the month of December 2016 due to increased expenses paid to AMF Media advertising, PayTech payroll system consulting, Kapsis information systems consulting, and Hamel, Green, and Abrahamson architecture and planning fees.

Supplies:

- Supplies have an unfavorable budget variance for the month of December 2016 due to an increase in Cardinal pharmaceutical expenses, Nova Biomed, Dell Marketing, Accriva Diagnostics, and Synthes prostheses and medical devices. There was also a process change within the Materials Management inventory system. This caused a temporary timing issue regarding supplies orders that resulted in some duplication of orders in the month of December.

Purchased Services:

- Purchased Services have an unfavorable budget variance for the month of December 2016 due in part to three months of Bright House cable invoices paid in December and an increase in CSS consulting expenses. Also, this line item now reports the accrual for the monthly services that are provided to Kern Medical by the Kern County Auditor's Office, including A/P and payroll processing. This expense was previously accounted for in the Other Expenses line item.

Other Expenses:

- Other Expenses have a large favorable budget variance for the month of December 2016 due to the fact that we no longer use this line item to accrue for the expenses allocated to us by the County of Kern. Prior to Kern Medical's transfer to the Kern County Hospital Authority, this monthly accrual was a relatively large dollar amount. Kern Medical just received their first invoice for the services now provided by the County per the Master Transfer Agreement. The monthly expense for these services is much less than the County allocation of expenses was prior to transfer. These services provided by the County are also now reported on the Purchased Services line item as mentioned above in the explanation for the Purchased Services budget variance.

**KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS
HAVE BEEN PROVIDED AN ELECTRONIC COPY OF
"2016 Comprehensive Annual Financial Report and 2016 Actuarial Valuation"**

**A COPY OF THE REPORT
IS AVAILABLE FOR PUBLIC INSPECTION WITH THE
AUTHORITY BOARD COORDINATOR**

**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 February 15, 2017, 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**

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 X Request for Closed Session regarding peer review of health facilities (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 February 15, 2017, to consider:

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

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

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2017, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

- X CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code Section 54956.9(d)(1)) Name of case: Rosemarie Thompson
v. County of Kern, Workers' Compensation Appeals Board Case Nos. ADJ-
258405, ADJ-1640644 –

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

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2017, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

- X CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(3).) Number of cases: One (1)
Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: The receipt of a claim pursuant to the Government Claims Act or some other written communication from a potential plaintiff threatening litigation, which non-exempt claim or communication is available for public inspection –

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

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2017, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

- X CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(1).) Number of cases: Three hundred sixty-seven (367) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: Facts and circumstances that might result in litigation against the authority but which the authority believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed –