



AGENDA

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

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

Regular Meeting
Wednesday, June 21, 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 by the Chief Executive Officer recognizing the Kern Medical nurse residency program –
MAKE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on May 17, 2017 –
APPROVE

CA

- 5) Proposed Amendment to the Kern County Hospital Authority Bylaws for Governance, changing the term of office for elected officers from one year to two years –
APPROVE; AUTHORIZE THE CHAIRMAN TO SIGN; REFER TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL

CA

- 6) Proposed Amendment No. 1 to Agreement 2016-033 with CSS Staffing, LLC doing business as CSS Consulting Group, an independent contractor, for healthcare supply chain consulting services, extending the term for one year from July 1, 2017 through June 30, 2018, and increasing the maximum payable by \$524,544, from \$534,320 to \$1,058,864, to cover the term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 7) Proposed renewal and binding of insurance coverages for hospital professional liability, general liability and umbrella/excess liability, workers' compensation and employers liability, automobile liability, helipad liability, directors and officers liability, employment practices liability, crime, privacy and securing (cyber) liability, premises pollution liability, underground storage tank liability, property (building, equipment, business interruption, earthquake and flood), and employed lawyers liability from July 1, 2017 through June 30, 2018, in an amount not to exceed \$1,717,154 –
APPROVE

CA

- 8) Proposed Amendment No. 2 to Agreement 027-2016 with B.E. Smith Interim Services, Inc., an independent contractor, for temporary staffing services, increasing the maximum payable by \$75,000, from \$760,000 to \$835,000, to cover the term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 9) Proposed retroactive Agreement with OmniSYS, LLC, an independent contractor, containing nonstandard terms and conditions, for processing of Medicare Part B pharmacy claims from May 18, 2017 through May 17, 2018, in an amount not to exceed \$5,000 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 10) Proposed Agreement with Aisha W. Shaheen, M.D., a contract employee, for professional medical services in the Department of Surgery from September 16, 2017 through September 15, 2020, in an amount not to exceed \$1,835,400 –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 11) Request for appropriation of unanticipated revenue in the amount of \$17,812,294.35 from the state of California, Department of Health Care Services for increased operating expenses –
APPROVE; AUTHORIZE CHIEF FINANCIAL OFFICER TO PROCESS THE SPECIFIED BUDGETARY ADJUSTMENTS AND ACCOUNTING TRANSACTIONS

CA

- 12) Proposed retroactive Amendment No. 3 to Agreement 1119-2009 with Language Line Services, Inc., an independent contractor, for telephonic interpreter services, extending the term for three years from December 14, 2016 through December 13, 2019, and increasing the maximum payable by \$600,000, from \$1,400,000 to \$2,000,000, to cover the term –
APPROVE; AUTHORIZE CHAIRMAN TO SIGN SUBJECT TO APPROVAL AS TO CONTENT BY CHIEF EXECUTIVE OFFICER

CA

- 13) Proposed Amendment No. 1 to Agreement 09916 with George R. Moro, M.D., Inc., an independent contractor, for professional medical services in the Department of Surgery, extending the term through June 30, 2020, and increasing the maximum payable by \$1,875,000, from \$325,000 to \$2,200,000, to cover the extended term – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 14) Proposed Engagement Letter from Moss-Adams LLP, an independent contractor, regarding the audit of Kern Medical financial statements for the fiscal years ended June 30, 2017 and 2016, in an amount not to exceed \$120,000 – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 15) Request to employ retired Kern County Hospital Authority employees Novella Gamboa, as Per Diem Nurse II; Cheri Mudryk, as Per Diem Nurse II; Lisa Neri, as Per Diem Nurse II; and Susan Price, as Per Diem Nurse II, for the period ending June 30, 2018, or 960 hours, whichever occurs first, effective July 1, 2017 – APPROVE

CA

- 16) Proposed Amendment No. 2 to 717-2016 with the County of Kern, as represented by Behavioral Health and Recovery Services (f/k/a Kern County Mental Health), for the provision of reciprocal mental health services, revising the fee schedule, effective July 1, 2017, at no cost – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

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

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

CA

- 19) Claims and Lawsuits Filed as of May 31, 2017 – RECEIVE AND FILE

ADJOURN TO CLOSED SESSION

CLOSED SESSION

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

- 21) CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code Section 54956.9(d)(2), (e)(3)) Number of cases: Two (2) Significant exposure to litigation in the opinion of the Board of Governors on the advice of legal counsel, based on: 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 –
- 22) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organization: Service Employees International Union, Local 521 (Government Code Section 54957.6) –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, JULY 19, 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.

CA

19) CLAIMS AND LAWSUITS FILED AS OF MAY 31, 2017 –
RECEIVE AND FILE

- A) Claim in the matter of Douglas Lee Munis, Jr. v. County of Kern
- B) Claim in the matter of Victoria Marie Munis v. County of Kern
- C) Claim in the matter of Brandy L. Hernandez v. County of Kern
- D) Claim in the matter of Gerardo Romero v. County of Kern
- E) Claim in the matter of Sara L. Ruiz v. Kern County Hospital Authority



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, May 17, 2017

11:30 A.M.

BOARD RECONVENED

Directors present: Berjis, Bigler, Lawson, McGauley, McLaughlin, Pelz
Directors absent: Sistrunk

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

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

BOARD ACTION SHOWN IN CAPS

PUBLIC PRESENTATIONS

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

**DALE ROBBINS HEARD REGARDING STATUS OF CONTRACT NEGOTIATIONS
WITH SERVICE EMPLOYEES INTERNATIONAL UNION, LOCAL 521**

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 the results of the Kern Medical Research Forum –
MADE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for Kern County Hospital Authority Board of Governors regular meeting on April 19, 2017 –
APPROVED

Pelz-Lawson: 6 Ayes; 1 Absent - Sistrunk

- 5) Proposed Agreement with Ruby A. Skinner, M.D., a contract employee, for professional medical services in the Department of Surgery from July 1, 2017, through June 30, 2020, in an amount not to exceed \$1,950,000 –
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-036

Berjis-McGauley: 6 Ayes; 1 Absent - Sistrunk

CA

- 6) Proposed Agreement with ATA Properties, LLC, an independent contractor, for lease of medical office space at 2920 F Street, Suites B-1 and B-2 for a term of 10 years commencing upon completion of Tenant Improvements, in an amount not to exceed \$914,204 –

APPROVED; MADE FINDING THAT PROJECT IS EXEMPT FROM CEQA REVIEW PER SECTIONS 15301 AND 15061 (b)(3) OF STATE CEQA GUIDELINES; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 2017-037

Pelz-Lawson: 6 Ayes; 1 Absent - Sistrunk

- 7) Report on Graduate Medical Education Annual Institutional Review for 2016-2017 –
RECEIVED AND FILED

McLaughlin-Pelz: 6 Ayes; 1 Absent - Sistrunk

- 8) Kern County Hospital Authority Chief Financial Officer report –
RECEIVED AND FILED

Berjis-Lawson: 6 Ayes; 1 Absent - Sistrunk

- 9) Proposed Kern County Hospital Authority operating and capital budget for Fiscal year 2017-2018 –
APPROVED; REFERRED TO KERN COUNTY BOARD OF SUPERVISORS FOR APPROVAL
Pelz-McGauley: 6 Ayes; 1 Absent - Sistrunk
- 10) Kern County Hospital Authority Chief Executive Officer report –
RECEIVED AND FILED
Berjis-McLaughlin: 6 Ayes; 1 Absent - Sistrunk
- CA
- 11) Claims and Lawsuits Filed as of April 30, 2017 –
RECEIVED AND FILED
Pelz-Lawson: 6 Ayes; 1 Absent - Sistrunk

ADJOURNED TO CLOSED SESSION
McGauley-Pelz

CLOSED SESSION

- 12) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) – SEE RESULTS BELOW
- 13) PUBLIC EMPLOYEE PERFORMANCE EVALUATION – Title: Chief Executive Officer (Government Code Section 54957) – SEE RESULTS BELOW
- 14) 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 – SEE RESULTS BELOW
- 15) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Elizabeth Tidwell, et al. v. County of Kern, et al., United States District Court, Case No. 1:16-CV-01697-JLT – SEE RESULTS BELOW
- 16) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Maria G. Villanueva v. County of Kern, et al., Kern County Superior Court, Case No. BCV-15-101614-SPC – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION
Berjis-McGauley

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

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

Item No. 13 concerning PUBLIC EMPLOYEE PERFORMANCE EVALUATION – Title: Chief Executive Officer (Government Code Section 54957) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 14 concerning 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 – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 15 concerning CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Elizabeth Tidwell, et al. v. County of Kern, et al., United States District Court, Case No. 1:16-CV-01697-JLT – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 16 concerning CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Maria G. Villanueva v. County of Kern, et al., Kern County Superior Court, Case No. BCV-15-101614 – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, JUNE 21, 2017 AT 11:30 A.M.

Pelz

/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**

June 21, 2017

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

Requested Action: Approve; Authorize the Chairman to sign; 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 change the term of office for elected officers from one year to two years, to provide for continuity of leadership of your Board. This change is reflected in Section 4.02, Appointment; Terms of Office on page 17 of the Bylaws. The signature block on the last page also was updated to reflect the appropriate approvals.

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, authorize the Chairman to sign, 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) 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-two~~ (12) ~~year-years~~ 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

APPROVED AS TO CONTENT:
KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman, Board of Governors

APPROVED AS TO CONTENT:
COUNTY ADMINISTRATIVE OFFICE

By _____
Ryan Alsop, County Administrative Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Mark L. Nations, Interim County Counsel

APPROVED AS TO FORM:
LEGAL SERVICES DEPARTMENT

By _____
Karen S. Barnes, General Counsel
Kern County Hospital Authority

**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 two (2) years 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

APPROVED AS TO CONTENT:
KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman, Board of Governors

APPROVED AS TO CONTENT:
COUNTY ADMINISTRATIVE OFFICE

By _____
Ryan Alsop, County Administrative Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Mark L. Nations, Interim County Counsel

APPROVED AS TO FORM:
LEGAL SERVICES DEPARTMENT

By _____
Karen S. Barnes, General Counsel
Kern County Hospital Authority

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Amendment No. 1 to Agreement 2016-033 with CSS Staffing, LLC dba CSS Consulting Group

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Kern County Hospital Authority entered into Agreement 2016-033 on June 22, 2016 and continues to require the assistance of CSS Staffing LLC to provide healthcare supply chain consulting services. Kern County Hospital Authority has a need to implement programs for procurement automation, supply cost management, and revenue improvement (supply charging). A full description of Services can be found in the attached Amendment No. 1, extending the term for one year from July 1, 2017 through June 30, 2018, and increasing the maximum payable by \$524,544, from \$534,320 to \$1,058,864 to cover the term.

**AMENDMENT NO. 1 TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – CSS Staffing, LLC)**

This Amendment No. 1 to the Agreement for Professional Services Independent Contractor (“Amendment No.1”) is entered into this _____ day of _____, 2017, by and between Kern County Hospital Authority (“KCHA”), a local unit of government which owns and operates Kern Medical Center (“Kern Medical”) and CSS Staffing, LLC doing business as CSS Consulting Group, (“Contractor”), with its principal place of business located at 320 Arden Avenue, #108, Glendale, CA 91203.

RECITALS

A. KCHA and Contractor have heretofore entered into an Agreement for Professional Services (KCHA Agt. #2016-033, dated June 22, 2016) (“Agreement”), for the period of July 1, 2016 through June 30, 2017, to provide healthcare supply chain consulting services to Kern Medical, as such services are unavailable from KCHA resources; and

B. Kern Medical requires continued services from Consultant and Consultant has agreed to continue to provide such services; and

D. The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

F. The Agreement is amended effective July 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 1. **Term** shall be deleted in its entirety and superseded by the following:

“1. **Term.** The term of this Agreement shall be commence July 1, 2016 (the “Effective Date”) and shall end June 30, 2018, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.”

2. Section 2.1 **Specified Services** shall be deleted in its entirety and superseded by the following:

“2.1 **Specified Services.** Contractor shall perform the services set forth in Exhibit “A” and “A-1” attached hereto and incorporated herein by this reference. Such services may be changed from time to time by the parties in order to meet the anticipated needs Kern Medical.”

3. Section 4.4 Maximum Payable shall be deleted in its entirety and superseded by the following:

“4.4 Maximum Payable. The maximum payable under this Agreement will not exceed \$1,058,864 over the two (2) year term of this Agreement.”

4. Exhibit A-1

Exhibit A-1, SCOPE OF WORK, to Amendment No. 1 is added to the Agreement and incorporated herein by this reference.

5. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 1 have the meaning set forth in the Agreement.

6. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the state of California.

7. 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.

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

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 1 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

CSS STAFFING, LLC dba
CSS CONSULTING GROUP

By _____
Chairman
Board of Governors

By _____
Scott A. Frost
Principal

APPROVED AS TO CONTENT:
Kern Medical Center

By _____
Andrew Cantu
Chief Financial Officer

APPROVED AS TO FORM:
Legal Services Department

By _____
Hospital Counsel

EXHIBIT "A-1" SCOPE OF WORK

Information Technology

- Financial Systems are being converted from HBOC STAR to Peoplesoft 9.2 effective 9/1/17.
 - Full effect will be for General Ledger, Income Statement, Procurement, and Accounts Payable.
 - Patient Accounting, refunds, etc. will remain via the incumbent system.
 - Activity will be interfaced between STAR General Ledger and Peoplesoft GL for financial reporting purposes.
 - Peoplesoft will require 2.0 FTE support analysts in addition to subject matter analysts in Supply Chain and Finance.
- STRATA Decision Support system is being implemented commensurate with the Peoplesoft implementation.
- Integration with Ultipro (Payroll), and STAR GL (for A/R and patient refund accounting, is being addressed as part of this effort.
- The Kern IT infrastructure replacement project is being managed by our group as the Project Manager, coordinating a broad spectrum of provisioners and vendors, as well as analysts and technicians, across this broad multi year project.
- A number of other projects are underway via our group, including the Office 365 implementation.

These projects are being managed by Mr. Dennis Maliani, supported by Mr. Nate Castor, and others, of our group.

Materials Management Support

We have staff providing support functions which will be necessary through December 2017. These are as follows.

- To support the STAR to Peoplesoft implementation we have staff providing services around augmenting item and vendor master files sufficient to facilitate continuation of business activities. A mapping plan for work involved in this area is attached.
- The buying group conversion (from Vizient to HPG) and other supply cost reduction activities are mid stream and will require supporting work to realize the full impact of the conversion. These include furthering enrollment in GPO contracts as well as facilitating product conversion from existing to contracted products. We will be adding other value analysis techniques such as disposable to

reusable conversions, product utilization management, and other concepts to this work.

For both topics we project separate resources at 20 hours per week each through December 2017. Of course, should work be completed earlier than this date we will scale back hours work accordingly.

Description of Services

You have asked that we propose Project Management Officer services, i.e. resources to support the current projects under management, and support analyst roles for the new Financial Management system (Peoplesoft).

Our recommendation is that we provide initially one Support Analyst for the Financial Management System, who will assume sufficient amounts of the workload of the Peoplesoft implementation to allow Mr. Maliani to transition to the PMO role. In this role Dennis will continue with the projects he has, while facilitating hand off to others as possible.

Project Management

Key Resource: Dennis Maliani
PM Analyst

Existing Project Management

- STRATA (Decision Support & Forecasting) Project
 - STRATA decision support implementation, including integration with Peoplesoft financial management system.
 - Integration of interfacing systems (eg. Ultipro) with STAR Financial Management System.
- Kern Infrastructure Project
 - Data center, MDFs, IDF's (Construction and set up)
 - Wireless (Phase 1 & 2
 - Telecommunications, WAN, LAN, network initialization, staff training
 -
- Office 365 (Replace Groupwise)
 - Organization structure creation and refinement to be adopted by Ultipro as part of the future update
 - Active directory clean up and integration with UltiPro
 - Users profiles Integration with STRATA, Peoplesoft etc
 - Security policies implementation
 - End user adoption post migration
- PeopleSoft Financial System Implementation (Phase 1) Project
 - Current & future state documentation (with respect to assigned systems)
 - Interface development for general ledger to general ledger, etc.

- Completion of database augmentation and installation
- Staff training and integration testing coordination
- Coordinate equipment procurement and installation
- PeopleSoft Financial System Implementation (Phase 2: On-boarding other departments)
 - Surgery perpetual location set up and implementation (replace Q Sight)
 - Integration of non supply payments (contract, professional services) with new system processes.
 - Evaluate and implement advanced procure to payment processes

System Analysts (1)

Provide one (1) FTE technical system analyst personnel for support of the now onboarding Peoplesoft system.

Responsibilities of the System Analyst shall include the following.

- Assist end users and managers with “behind screen” support with log in, program access, and related activities.
- Coordinate development of reports, queries, and interrogations for data analytics needs.
- Serve as primary contact point for vendor communication and contact.
- Coordinate end user training and development of system related skills and understanding.
- Monitor system performance and end user activities, providing reporting of activity levels, errors, incomplete transactions, and action plans for training/correction.
- Post implementation testing, end user orientation, and other ongoing maintenance services.
- Coordinate adoption of system post implementation to key end user sites: surgery, clinical laboratory, and facilities operations, as well as others.
- Coordinate upgrades, systems enhancements, custom configuration, etc.

Fees

We recommend the following fees for the above tasks.

July - Dec. 2017 Jan. - June 2018

	Rate	Applied Rate	Hours	Fees	Hours	Fees
Principal	\$425	\$425	480	\$204,000	360	\$153,000
Manager (PMO)	\$285	\$185	1032	\$190,920	1048	\$193,880
System Consultant (Analyst)	\$225	\$67.05	1032	\$69,196	1048	\$70,268
Consultant - Master File	\$225	\$185	480	\$88,800		
Consultant - Cost Mgt.	\$225	\$185	480	\$88,800		
				<u>\$641,716</u>		<u>\$417,148</u>

Please note that with respect to the system analyst position, the actual salary will be based on experience and education of the selected candidate(s). The recommended formula for salary for these positions is as follows.

Systems Analysts - Rate Calculation

	Base Rate	Taxes (14%)	Benefits (15%)	Overhead (20%)	Net Rate	Total Hours	Total Fees
Sys. Analyst *	\$45	\$6.30	\$6.75	\$9.00	\$67.05	2080	\$139,464
							<u>\$139,464</u>

*Base rate is not to exceed, actual rate to be approved by client.

These rates are for professional services only. Travel, housing, and other out of pocket expenses will be billed as incurred, at actual cost.

Summary

It has been a pleasure to provide services to Kern Medical Center. I look forward to our association going forward.

Thank you for considering us for this service.

Sincerely,



Scott Frost
CSS Consulting Group

BOARD OF GOVERNORS KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed renewal and binding of insurance coverages

Recommended Action: Approve

Kern County Hospital Authority (KCHA) seeks to bind the following insurance coverages:

- Hospital Professional Liability, General Liability and Umbrella/Excess Liability
- Workers Compensation and Employers Liability
- Automobile Liability
- Heliport & Non-Owned Aircraft Liability
- Directors & Officers Liability
- Employment Practices Liability
- Crime
- Privacy and Security (Cyber) Liability
- Premises Pollution Liability
- Underground Storage Tanks (UST) Liability
- Property: Building, Equipment, Business Interruption, Earthquake & Flood
- Employed Lawyers Liability

KCHA utilizes Alliant Insurance services as its insurance consultant and broker to access the insurance market. Alliant also provides the day to day servicing of the account.

Hospital Professional Liability, General Liability and Umbrella/Excess Liability

Management recommends renewing coverage for the Hospital Professional Liability, General Liability and Umbrella/Excess Liability with Columbia Casualty Company (CNA).

- Insurance Carriers: Columbia Casualty Company (CNA) and National Fire & Marine Insurance Company (MedPro)
- Rating: Carriers have the following ratings with A.M. Best – CNA [A (Excellent) XV] and MedPro [A++ (Superior) XV]
- Term: July 1, 2017 through July 1, 2018
- Coverage: Hospital Professional Liability insurance protects physicians and other licensed health care professionals from liability associated with wrongful practices resulting in bodily injury, medical expenses, and the cost of defending lawsuits related to such claims. General Liability insures against losses from bodily injury, personal injury

and property damage. Umbrella/Excess Liability provides additional limits excess Self-Insured Retentions and Underlying Coverages.

- Limit per Medical Incident or per Occurrence: \$25,000,000
- SIR:
 - \$2,000,000 per Professional Liability Claim
 - \$1,000,000 per General Liability Occurrence
- Underlying Coverages: Automobile Liability, Employers Liability and Heliport Liability
- Annual Premium: \$643,246

Workers Compensation and Employers Liability

Management recommends continued participation in the Workers Compensation and Employer Liability program offered by California State Association of Counties Excess Insurance Authority (CSAC-EIA).

- Insurance Reinsurers and Carriers: CSAC Excess Insurance Authority (Pool Layer) with Reinsurers Great American Insurance Company, and ACE American Insurance Company, and Insurer Liberty Insurance Corporation
- Ratings: Reinsurers and Insurers have the following ratings with A.M. Best – Great American [A+ (Superior) XV], ACE [A++ (Superior) XV] and Liberty [A (Excellent) XV]
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy insures against losses from work-related bodily injury or disease and coverage against the common law liability of an employer for injuries sustained by employees.
- Limit per Occurrence:
 - Workers Compensation – Statutory
 - Employers Liability - \$5,000,000
- SIR: \$1,000,000
- Annual Premium: \$389,000

Automobile Liability

KCHA owns and operates 12 vehicles and 1 trailer. Management recommends purchasing Automobile Liability and Physical Damage insurance for each of these exposures.

- Insurance Carrier: Philadelphia Indemnity Insurance Co.
- Rating: Carrier has an A++ (Superior) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy insures against losses from automobile accident related injuries and property damage, including Owned, Non-Owned and Hired Automobiles.
- Limit per Occurrence: \$1,000,000
- Deductible: \$1,000 for comprehensive and collision; \$0 for liability
- Annual Premium: \$13,425

Heliport Liability

Management recommends renewing Heliport Liability insurance through ACE Property & Casualty Insurance Co (Chubb).

- Insurance Carrier: ACE Property & Casualty Insurance Co. (Chubb)
- Rating: Carrier has an A++ (Superior) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy insures against losses for injury to a third-party or their property arising from KCHA's operation and maintenance of the hospital's helipad; for example, damage caused to a vehicle from debris. The policy also protects the hospital against losses associated with non-owned aircraft (for example, patient transport by helicopter).
- Limit per Occurrence: \$10,000,000
- Deductible: \$0
- Annual Premium: \$6,019

Directors and Officers Liability

Management recommends renewing coverage for Directors and Officers Liability insurance through AIG Specialty Insurance Company.

- Insurance Carrier: AIG Specialty Insurance Company
- Rating: Carrier has an A (Excellent) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy provides financial protection for managers against the consequences of actual or "wrongful acts" when acting within the scope of their managerial duties.
- Limit Each Wrongful Act Claim: \$5,000,000
- SIR: \$25,000
- Annual Premium: \$20,023

Employment Practices Liability

Management recommends renewing Employment Practices Liability insurance through AIG Specialty Insurance Company.

- Insurance Carrier: AIG Specialty Insurance Company
- Rating: Carrier has an A (Excellent) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy insures against losses for wrongful acts, including wrongful termination, sexual harassment, discrimination, invasion of privacy, false imprisonment, breach of contract, and emotional distress.
- Limit Each Wrongful Act Claim: \$5,000,000
- SIR: \$500,000
- Annual Premium: \$77,810

Crime

Management recommends continued participation in the Crime insurance program offered by California State Association of Counties Excess Insurance Authority (CSAC-EIA).

- Insurance Carrier: National Union Fire Insurance of Pittsburgh, PA (AIG)
- Rating: Carrier has an A (Excellent) XV rating from A.M. Best
- Term: June 30, 2017 – June 30, 2018
- Coverage: This policy insures against employee theft, robbery, forgery, extortion, and computer fraud.
- Limit per Occurrence: \$15,000,000
- Deductible: \$25,000
- Annual Premium: \$11,183

Cyber Liability

Management recommends continued participation in the Cyber Liability program through California State Association of Counties Excess Insurance Authority (CSAC-EIA).

- Insurance Carrier: Primary program layer and breach notification Lloyd's of London – (Beazley Syndicate) and excess program layer Greenwich Insurance Company (XL)
- Rating: Carriers have the following ratings with A.M. Best – Lloyd's/Beazley [A (Excellent) XV] and Greenwich [A (Excellent) XV]
- Term: July 1, 2017 – July 1, 2018
- Coverage: This policy insures against website media content liability (including cyber extortion, first party data protection and first party network business interruption) and privacy notification costs from data breaches in which the hospital's patients and employees personal information, such as names, date of birth, Social Security and credit card information, is exposed and stolen.
- Limit – Incident and Aggregate: \$5,000,000
- SIR: \$100,000
- Annual Premium: \$21,987

Premises Pollution Liability

Management recommends renewing Premises Pollution Liability insurance through Illinois Union Insurance Company (Chubb).

- Insurance Carrier: Illinois Union Insurance Company (Chubb)
- Rating: Carrier has an A++ (Superior) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: Coverage for first-party claims arising from a pollution condition from premises, including clean-up, emergency response and business interruption; coverage for third-party bodily injury and property damage; coverage for transport of hazardous materials and non-owned disposal sites.
- Limit per Pollution or Indoor Environmental Condition: \$1,000,000
- SIR: \$25,000
- Annual Premium: \$12,130

Underground Storage Tank Liability

KCHA has one underground storage tank containing 10,000 gallons of diesel fuel. Management recommends renewing Underground Storage Tank Liability insurance through ACE American Insurance Company (Chubb).

- Insurance Carrier: ACE American Insurance Company (Chubb)
- Rating: Carrier has an A++ (Superior) XV rating from A.M. Best
- Term: July 1, 2017 – July 1, 2018
- Coverage: Bodily Injury or Property Damage caused by a storage tank incident, including Corrective Action Costs and Legal Defense Expense. Meets requirements for Financial Responsibility.
- Limit per Occurrence: \$1,000,000
- SIR/Deductible: \$25,000
- Annual Premium: \$529

Property

Management recommends renewing Property insurance through California State Association of Counties Excess Insurance Authority (CSAC-EIA).

- Insurance Carriers: CSAC-EIA with excess insurance and/or reinsurance from various carriers.
- Rating: All Carriers must have at least an A- (Excellent) IX rating from A.M. Best
- Term: 3/31/2017 – 3/31/2018 (Billed from 07/01/2017 – 07/01/2018)
- Coverage: This policy provides All Risk coverage, including Earthquake, Flood, Boiler & Machinery
- Limit per Occurrence: \$600,000,000 All Risk and \$540,000,000 Annual Aggregate for Earthquake.
- Deductible: \$100,000 All Risk; 5% of Values for Earthquake (\$100,000 Minimum)
- Annual Premium: \$519,869

Employed Lawyers

Management recommends binding Employed Lawyers Professional Liability insurance through Federal Insurance Co (Chubb).

- Insurance Carrier: Federal Insurance Company (Chubb)
- Rating: Carrier has an A++ (Superior) XV rating from A.M. Best
- Term: 7/1/2017 – 7/1/2018
- Coverage: This policy provides professional liability coverage for employed lawyers and support staff from claims arising from their legal professional services
- Limit per Occurrence/Aggregate: \$1,000,000
- SIR: \$0 Non-Indemnified Person & \$5,000 Organization
- Retroactive Date: May 27, 2017
- Annual Premium: \$1,933

Total Annual Premium: \$1,717,154

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Amendment No. 2 to Agreement 027-2016 with B.E. Smith Interim Services Inc.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed Amendment No. 2 to Agreement 027-2016 with B.E. Smith Interim Services, Inc., an independent contractor, for temporary staffing services, increasing the maximum payable by \$75,000 from \$760,000 to \$835,000 to cover the term.

**AMENDMENT NO. 2 TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – B.E. Smith Interim Services, Inc.)**

This Amendment No. 2 to the Agreement for Professional Services Independent Contractor (“Amendment No.2”) is entered into this _____ day of _____, 2017, by and between Kern County Hospital Authority (“KCHA”), a local unit of government which owns and operates Kern Medical Center (“Kern Medical”) and B.E. Smith Interim Services, Inc., a Kansas based corporation (“Contractor”), with its principal place of business located at 8801 Renner Avenue, Lenexa, Kansas 66219.

RECITALS

A. KCHA and Contractor have heretofore entered into an Agreement for Professional Services (Kern County Agt. #027-2016, dated January 26, 2016), an Assignment of Agreement (Kern County Agt. #225-2016, dated March 1, 2016), and Amendment No. 1 (KCHA Agt.#16417PA, dated May 17, 2017) (“Agreement”), for the period of February 1, 2016 through January 31, 2019, to provide interim leadership professionals for positions at Kern Medical, as such services are unavailable from KCHA resources; and

B. Kern Medical requires additional services from Consultant and Consultant has agreed to provide such services; and

D. The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

F. The Agreement is amended effective June 21, 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. Section 4.3, Maximum Payable, shall be deleted in its entirety and superseded by the following:

“4.3 Maximum Payable. The maximum payable under this Agreement will not exceed \$835,000 over the three (3) year term of this Agreement.”

2. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 2 have the meaning set forth in the Agreement.

3. This Amendment No. 2 shall be governed by and construed in accordance with the laws of the state of California.

6. This Amendment No. 2 may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

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

[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 2 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

B.E. SMITH INTERIM SERVICES, INC.

By _____
Chairman
Board of Governors

By Pamela A. Molano
Printed Name: Pamela A. Molano
Title/Position: Vice President / Leadership
Advisor

APPROVED AS TO CONTENT:
Kern Medical Center

By _____
Toni Smith, RN
Chief Nursing Officer

APPROVED AS TO FORM:
Legal Services Department

By [Signature]
Hospital Counsel

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed retroactive Agreement with OmniSys, LLC

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed retroactive Agreement with OmniSys, LLC, an independent contractor, for Kern Medical's Pharmacy which provides management of Medicare Part B Pharmacy claims. OmniSys's CareCLAIM solution provides for streamlined billing, an integrated payer response system to assure pricing accuracy and decision support analytics, and Medi-Cal eligibility verification. The proposed retroactive Agreement with OmniSys is effective May 18, 2017 through May 17, 2018, in an amount not to exceed \$5,000. Counsel is unable to approve as to form due to non-standard terms in the OmniSys' limitation of liability to the cost of the contract and confidentiality issues with notification of OmniSys when required to disclose information by law.

Master Professional Services Agreement

This **Master Professional Services Agreement** is entered into as of the 18th day of May, 2017, (the “**Effective Date**”) by and between OmniSYS, LLC (hereinafter “**OmniSYS**”) who has an office at 15950 Dallas Parkway, Suite 350, Dallas, Texas 75248 and Kern Medical Center, (hereinafter, “**Provider**”) who has its principal office at 1700 Mount Vernon Avenue, Bakersfield, Kern County, California, 93306. OmniSYS and Provider may be referred to individually as “**Party**” and collectively as the “**Parties**”.

WHEREAS, Provider wishes to obtain from OmniSYS, and OmniSYS wishes to provide Provider, certain professional services (hereinafter “**Services**”) as more fully described herein.

NOW, THEREFORE, in consideration of the premises and the covenants set forth in this Master Professional Services Agreement and the exhibits, attachments, appendices, and Statement(s) of Work (“**SOW**”) entered into and attached hereto from time to time by the Parties (collectively and as applicable, “**Agreement**”), OmniSYS and Provider acknowledge and agree subject to the following terms and conditions:

Section 1. Services to be Performed. The Services shall be provided in accordance with this Agreement and with the associated SOW executed by the Parties, the first of which is attached hereto as Attachment B. Each SOW shall be considered a separate order and shall be valid and binding upon its execution by authorized representatives of OmniSYS and Provider. Each SOW shall specify the Services to be provided pursuant thereto and, to the extent applicable, the fees for such Services and any other additional information relevant to such Services.

Section 2. Exclusivity. Provider agrees that during the Term (i) it will not, directly or indirectly, engage or agree to engage any other person or entity to provide the Services or any replacement or competing products or services and (ii) OmniSYS shall be the exclusive provider of the Services, or any replacement products or services, during the Term.

Section 3. Term.

Initial Term: This Agreement will commence as of the Effective Date and will remain in effect for a term of one year from the Effective Date (the “**Initial Term**”), unless earlier terminated as provided herein.

Renewal Term: At the end of the Initial Term, and each Renewal Term thereafter, this Agreement with all of its terms and conditions, including each outstanding SOW as well as the then-current fee schedules related thereto, will automatically be renewed for an additional term of one (1) year (each, a “**Renewal Term**”, and the Initial Term and every successive Renewal Term is referred to as the “**Term**”), unless earlier terminated by a Party in accordance with this Agreement or Provider submits written notice to OmniSYS of its intent to terminate this Agreement at least thirty (30) days prior to the expiration of the then-current Initial Term or Renewal Term.

Section 4. Charges and Fees. Provider agrees to pay all recurring and non-recurring charges and fees for Services as shown on each SOW. All payments for Services shall be invoiced monthly and are due within thirty (30) calendar days after the date of the applicable invoice. Provider reserves the right to dispute in good faith, in writing, any invoice within thirty (30) days of receipt thereof, provided that Provider will provide a reasonable description of the basis of its dispute and will pay the undisputed portion of any invoice in accordance with the terms herein. All undisputed past due amounts shall bear interest at the lesser of 10% per annum or the maximum rate allowed by law from the date due until paid. Provider shall pay all collection costs, including, without limitation, attorneys’ fees, incurred by OmniSYS in collecting any undisputed past due amount. If Provider does not pay an invoice for Services within sixty (60) days of the invoice date, OmniSYS may, in its sole discretion, cease providing Services until past due amounts are paid in full.

Section 5. Taxes. Provider agrees to pay all applicable taxes (Local, State and Federal) which may now or hereafter be levied, imposed or determined to be applicable for Services rendered under this Agreement and any SOWs related hereto, including but not limited to any sales tax and/or any other additional taxes, charges or assessments levied on or determined to be applicable to the Services rendered hereunder whether in effect on the date of this Agreement or thereafter enacted, increased or levied and irrespective of whether such taxes, charges or assessments are quoted on the applicable invoice.

If OmniSYS has the legal obligation to pay or collect taxes, charges or assessments for which Provider is responsible under this Section 5, or has otherwise paid or collected any such taxes, charges or assessments, OmniSYS will invoice Provider and Provider will promptly reimburse OmniSYS for that amount. If Provider is legally entitled to an exemption from the payment of any taxes, Provider will promptly provide OmniSYS with legally sufficient tax exemption certificates for each taxing

jurisdiction for which it claims exemption.

Section 6. Proprietary Information. Provider acknowledges that in connection with the provision of Services by OmniSYS to Provider, Provider may be provided and be allowed to use certain intellectual property of OmniSYS and/or its affiliates (collectively, “OmniSYS Group”), including copyrights, trade secrets, patents, trademarks and other proprietary information (collectively, the “Intellectual Property”). Provider acknowledges and agrees that it will have a non-exclusive right to use the Intellectual Property solely to the extent necessary to fulfill its obligations under this Agreement. Provider acknowledges and agrees that the applicable member of OmniSYS Group shall retain sole and exclusive ownership and all title, right and interest in and to its Intellectual Property and all modifications, enhancements, and other works derivative of such Intellectual Property. Except as provided herein, Provider does not acquire any rights whatsoever, whether expressed or implied, in the Intellectual Property. Provider agrees on its own behalf and on behalf of its affiliates, agents and employees, not to copy or use the Services except as otherwise specified in this Agreement or the applicable SOW. Provider agrees on its own behalf and on behalf of its affiliates, agents and employees, not to reverse engineer, disassemble or decompile the Intellectual Property in any manner or otherwise attempt to discern the source code of the Products.

Provider agrees on its own behalf and on behalf of its affiliates, agents and employees, not to use in any manner, except as expressly permitted under this Agreement, or commercially exploit any of the (i) Services or other information provided to Provider by OmniSYS in its performance under this Agreement, including any copy, modification, compilation, or derivative work therefrom and all intellectual or industrial property in the Services or pertaining thereto, or any copy, modification, compilation, or derivative work therefrom (collectively, the “OmniSYS Data”) or (ii) other Confidential Information of OmniSYS, including any copy, modification, compilation, or derivative work therefrom and all intellectual or industrial property in the Confidential Information or pertaining thereto, or any copy, modification, compilation, or derivative work therefrom, or do any other thing that may in any manner adversely affect the integrity, security or confidentiality of such items, other than as specified herein or as directed by OmniSYS in writing.

Notwithstanding anything to the contrary in this Agreement and without limiting any of the foregoing, Provider agrees on its own behalf and on behalf of its affiliates, agents and employees, that no such party shall have the right to use, and hereby agrees not to use, any of the OmniSYS Data, Products, Services or other Confidential Information of OmniSYS Group for purposes of creating or developing any similar products or services.

Upon termination of this Agreement in accordance with Section 3, Provider will cease and desist from using all Intellectual Property and will immediately return to OmniSYS all Intellectual Property and Confidential Information and any materials related thereto, including without limitation, any manuals, books, drawings, models, sketches, designs, logos, disks or other documentation relating to OmniSYS Group. Provider agrees to return any copies with the original materials. To the extent that OmniSYS has received any intellectual property or Confidential Information of Provider, it shall cease and desist from using such intellectual property and return to Provider all such intellectual property and Confidential Information and any materials related thereto, including without limitation, any manuals, books, drawings, models, sketches, designs, logos, disks or other documentation relating to Provider. OmniSYS agrees to return any copies with the original materials.

Section 7. Confidentiality.

Each Party, on its own behalf and on behalf of its affiliates, agents and employees, acknowledges that, in the course of the performance of this Agreement, such Party and its affiliates, agents and employees will receive certain non-public and confidential information from or about the other Party and its affiliates, including but not limited to the technical, financial, and business information, names of customers, potential customers or partners, software programs, data or any other confidential and proprietary information relating to the performance of such Party’s obligations under this Agreement (collectively, “Confidential Information”). For the avoidance of doubt, any information relating to the Intellectual Property, OmniSYS Data and Services shall be considered Confidential Information. The term “Confidential Information” as used herein also includes any of the terms, conditions, or other facts with respect to the Agreement or other related transactions, including the status of the Parties’ respective performance thereof. Any Confidential Information supplied by a Party to the other Party prior to the execution of this Agreement shall be considered in the same manner and be subject to the same treatment as the Confidential Information made available after the execution of this Agreement. The term “Confidential Information” as used herein does not include any data or information which before being divulged by a disclosing Party, such disclosing Party can establish (i) has become generally known to the public through no wrongful act of the disclosing Party or any of its affiliates, agents or employees or breach of its obligations under this Agreement; or (ii) has been rightfully received by the disclosing Party from a third party without restriction on disclosure and without, to the knowledge of the disclosing Party, a breach of an obligation of confidentiality running directly or indirectly to the non-disclosing Party.

Each Party agrees, on its own behalf and on behalf of its affiliates, agents and employees, that it shall keep such

Confidential Information confidential, shall not use any Confidential Information for any purpose other than as provided in this Agreement, and shall not disclose such Confidential Information, in whole or in part, to any person other than to such Party's employees, affiliates, agents and representatives who need to know such Confidential Information in connection with such Party's performance of its obligations under this Agreement (it being agreed and understood that such persons shall be informed by such Party of the confidential nature of the Confidential Information and that such Party shall be liable to the other Party for any violation of the terms of this Agreement by such persons), except with the prior written consent of the other Party or as otherwise permitted hereunder. In no event shall any Party or any of its employees, affiliates or agents, provide any Confidential Information of the other Party to any of such other Party's competitors.

Provider is strictly prohibited from placing any Confidential Information on portable computing/storage devices, which are not owned and secured by Provider. Provider will take all reasonable, necessary, and appropriate measures, including encryption, to ensure that such Confidential Information stored on Provider owned and secured devices cannot be accessed by unauthorized/inappropriate individuals. Provider further agrees to monitor networks, systems, and physical plant for violations of this Section 8 and to take the appropriate reasonable technical and procedural actions to ensure to the extent commercially feasible that any Confidential Information is completely removed from any device, technologies, and/or locations in the event of any violation of security policy or procedure or any perceived infraction thereof. Provider shall give OmniSYS notice immediately if Provider has knowledge that Confidential Information has been accessed by unauthorized individuals.

In the event that any Party is legally requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process, or, in the opinion of counsel for such Party, by federal or state securities or other statutes, regulations, or laws) to disclose any Confidential Information, such Party shall, to the extent practicable without violation of applicable legal requirements, promptly notify the other Party of such requests or requirement prior to disclosure so that such other Party may, at its expense, seek an appropriate protective order and/or waive compliance with the terms of this Agreement.

No license to any Party, under any trademark, patent, copyright, mask work protection right, or any other intellectual property right, is either granted or implied by the conveying of Confidential Information to such Party. All Confidential Information (including tangible copies and computerized or electronic versions thereof) of OmniSYS shall remain the property of OmniSYS Group and all Confidential Information (including tangible copies and computerized or electronic versions thereof) of Provider shall remain the property of Provider.

Section 8. Representations and Warranties. OmniSYS represents and warrants that Services conform to the minimum specifications to the extent set forth in this Agreement or in any SOW. In the event that a documented and reproducible flaw inconsistent with this warranty is discovered, OmniSYS' sole responsibility shall be to use commercially reasonable efforts to correct such flaw in a timely manner. This warranty does not apply to any media or documentation which has been subjected to damage or abuse or to any claim resulting, in whole or in part, from changes in the operating characteristics of computer hardware or computer operating systems used by Services and made after the release of Services, or which result from problems in the interaction of Services with non-OmniSYS software or equipment, or from a breach by Provider of any obligations hereunder.

Section 9. Insurance. OmniSYS, at its own cost and expense, shall obtain and maintain appropriate commercial general liability insurance coverage with reasonable coverage limits, including coverage for any acts of errors and omissions, covering Provider in an amount not less than \$1,000,000 per claim and \$3,000,000 annual aggregate. The aggregate limit shall apply separately to operations under this Agreement. Upon request, OmniSYS shall furnish Provider reasonably satisfactory evidence of its liability insurance coverage. To the extent OmniSYS is reasonably able to do so, OmniSYS shall provide Provider with at least sixty (60) days prior written notice prior to any coverage being cancelled, non-renewed, or materially altered.

Section 10. Indemnification. For a period of one year after the termination of this Agreement, OmniSYS will protect, defend, indemnify, and hold Provider and its officers, directors, employees, agents, affiliates, and representatives harmless from and against any and all liabilities, claims, demands, damages, suits, losses, fines, causes of action, out-of-pocket costs and expenses, judgments, or other financial demands (including, but not limited to, reasonable and necessary attorneys' fees, courts costs, expert fees, and expenses) arising out of OmniSYS's material breach of this Agreement. Provider's exclusive remedies for a failure by OmniSYS to perform its obligations under this Agreement shall be as set forth in the foregoing sentence and subject to Section 11 and Section 12 below.

Section 11. Limitations of Liability.

OMNISYS' ONLY REPRESENTATIONS AND WARRANTIES ARE THOSE SET FORTH IN SECTION 8 OF THIS AGREEMENT. OMNISYS EXPLICITLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, WARRANTIES OF DILIGENCE, AND WARRANTIES OF FREEDOM FROM PATENT OR COPYRIGHT INFRINGEMENT. IN NO EVENT SHALL OMNISYS OR ANY OF ITS AFFILIATES OR THEIR RESPECTIVE OFFICERS, DIRECTORS, REPRESENTATIVES, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNEES (THE "OMNISYS PARTIES") BE LIABLE TO PROVIDER, ANY OF PROVIDER'S CUSTOMERS, OR ANYONE CLAIMING LOSSES THROUGH ANY OF THEM OR ANY OTHER USER OF THE SERVICES, OR THEIR RESPECTIVE AFFILIATES, AGENTS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS OR TRANSFEREES FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL, PUNITIVE, OR SPECIAL DAMAGES OF ANY NATURE OR KIND WHATSOEVER (INCLUDING, WITHOUT LIMITATION, ECONOMIC LOSS, LOSS OF REVENUES OR PROFITS OR ANTICIPATED REVENUES OR PROFITS, LOSS OF PRODUCT, LOST OR DAMAGED DATA, LOSS OF USE OF SERVICES, PROPERTY OR EQUIPMENT (INCLUDING THOSE PROVIDED BY THIRD PARTIES), BUSINESS INTERRUPTIONS, LOSS OF BUSINESS OPPORTUNITIES, COST OF CAPITAL, COST OF SUBSTITUTE GOODS, DAMAGE TO ASSOCIATED EQUIPMENT, DOWNTIME COSTS OR CLAIMS OF THEIR RESPECTIVE CUSTOMERS FOR SUCH DAMAGES) WHETHER OR NOT ANY OMNISYS PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, IN ANY ACTION ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT OR THE PERFORMANCE OF THE SERVICES, REGARDLESS OF WHETHER SUCH LIABILITY ARISES UNDER CONTRACT, TORT, EQUITY OR BREACH OF DUTY (WHETHER STATUTORY OR OTHERWISE) AND BY WHOMSOEVER CAUSED.

PROVIDER AGREES THAT OMNISYS' AGGREGATE LIABILITY TO PROVIDER AND TO PROVIDER'S CUSTOMERS FOR ANY CLAIM ARISING FROM OR RELATED TO SERVICES OR THIS AGREEMENT (WHETHER BY STATUTE, COMMON LAW OR UNDER CONTRACT, TORT OR ANY OTHER THEORY OF LAW OR EQUITY, INCLUDING, WITHOUT LIMITATION, STRICT LIABILITY AND NEGLIGENCE, WHETHER OCCASIONED BY ACTS OR OMISSIONS OF THE OMNISYS PARTIES, OR ANY OF THE OMNISYS PARTIES' SOLE NEGLIGENCE OR CONCURRENT NEGLIGENCE) SHALL NOT EXCEED, UNDER ANY CIRCUMSTANCES, AN AMOUNT GREATER THAN THE AGGREGATE AMOUNT PAID TO OMNISYS DURING THE THEN-PRECEDING 12-MONTH PERIOD UNDER THIS AGREEMENT. THE FOREGOING LIMITATION OF LIABILITY REPRESENTS THE ALLOCATION OF RISK OF FAILURE BETWEEN THE PARTIES AS REFLECTED IN THE PRICING HEREUNDER AND IS AN ESSENTIAL ELEMENT OF THE BASIS OF THE BARGAIN BETWEEN THE PARTIES. THIS SECTION 9 SHALL SURVIVE TERMINATION OF THIS AGREEMENT.

OMNISYS SHALL HAVE THE RIGHT TO CONTROL THE DEFENSE OF ANY THIRD PARTY ACTION, CLAIM, OR DEMAND BROUGHT AGAINST THE PROVIDER BASED ON A CLAIM THAT SERVICES INFRINGE THE INTELLECTUAL PROPERTY OF SUCH THIRD PARTY (HEREINAFTER, A "CLAIM OF INFRINGEMENT"). PROVIDER SHALL PROMPTLY PROVIDE NOTICE TO OMNISYS IN WRITING OF THE CLAIM OF INFRINGEMENT AND ALLOW OMNISYS TO CONTROL, AND COOPERATE WITH OMNISYS IN, THE DEFENSE OF SUCH CLAIM OF INFRINGEMENT AND ANY RELATED SETTLEMENT NEGOTIATIONS. IN THE EVENT THAT SERVICES ARE HELD BY AN APPLICABLE GOVERNMENTAL AUTHORITY TO BE, OR IN OMNISYS' OPINION ARE LIKELY TO BECOME, THE SUBJECT OF A CLAIM OF INFRINGEMENT, OMNISYS MAY, AT ITS SOLE OPTION, EITHER (I) PROCURE FOR PROVIDER THE RIGHT TO CONTINUE USING SERVICES, (II) REPLACE OR MODIFY SERVICES TO MAKE SUCH SERVICES NON-INFRINGEMENT, OR (III) TERMINATE THIS AGREEMENT. THIS SECTION 9 STATES OMNISYS' SOLE LIABILITY WITH RESPECT TO INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES AND SUCH LIABILITY IS FURTHER LIMITED BY THE LIMITATIONS OF LIABILITY IN THE PARAGRAPHS ABOVE.

No action arising out of this Agreement may be brought by Provider or any other party more than sixty (60) days after the cause of action has arisen.

Services may be dependent upon the accurate transmission and processing of data by electronic means. OmniSYS has established a disaster recovery system for computer records and shall take reasonable steps to remedy service interruptions in transmission or processing for which OmniSYS is responsible, but OmniSYS shall not be responsible for any damages or claims arising out of any interruption. IN NO EVENT SHALL OMNISYS BE LIABLE TO PROVIDER FOR ANY

INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, BUSINESS OR GOODWILL OR LOSS OR INACCURACY OF DATA, RESULTING FROM ANY SUCH INTERRUPTION.

Nothing in this Agreement shall be construed or be deemed to create any rights or remedies in any third party, except as set forth in Section 24 below, including, but not limited to, any of Provider's Customers. The Parties agree that in no event shall OmniSYS have any liability to any of Provider's Customers in connection with acts or omissions in connection with this Agreement, nor shall OmniSYS have any responsibility for acts or omissions of any Provider, any of Provider's Employees or Designees who perform services in connection with this Agreement.

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

Section 12. Force Majeure. OmniSYS shall not be liable for a failure or delay in performance hereunder arising from natural disasters, acts of God, acts of a public enemy, terrorism, acts of a sovereign nation or any state or political subdivision or any department or regulatory agency thereof or entity created thereby, acts of any person engaged in a subversive activity or sabotage, strikes, slow-downs, lockouts or labor stoppage, or freight embargoes, acts of any person engaged in any criminal activity or a crime that involves the internet, a computer system, or computer technology, quarantines, floods, storms, hurricanes, tornadoes, droughts or other adverse weather conditions, fires, explosions, or any other cause not reasonably within the control of OmniSYS (each such event, a "Force Majeure Event"), unless such Force Majeure Event is caused by OmniSYS. OmniSYS shall have the additional right, in the event of any Force Majeure Event to cancel this Agreement, in whole or in part, without any resulting liability.

Section 13. Assignment. Either Party may assign this Agreement or any of its rights, interests, or obligations hereunder after providing five days' prior written notice to the other Party.

Section 14. Independent Contractor. Each Party, its officers, agents, and employees are at all times independent contractors to the other Party and nothing in this Agreement shall be construed to create a partnership, joint venture, principal or agency relationship between the Parties. Neither Party has any express or implied authority to bind the other Party by contract or otherwise.

Section 15. Covered Hours. Support services are provided from 8:00 a.m. to 7:00 p.m. Central time Monday through Friday, which such times may change as conditions dictate as determined by OmniSYS' in its sole and absolute discretion.

Section 16. HIPAA. The Parties have entered into a Business Associates Agreement (BAA) which is attached hereto as Attachment A. Provider agrees that data resulting from this Agreement may be used for the purposes of clinical research studies and, further, that Provider may participate in and contribute to such research studies as may be necessary. Provider further agrees that any data resulting from such research studies shall become the exclusive property of OmniSYS.

Section 17. Entire Agreement. The Parties have read this Agreement and agree to be bound by its terms and conditions and, further, agree that it constitutes the entire agreement between the Parties hereto and shall be binding on OmniSYS and Provider. The Parties agree that this Agreement supersedes any and all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

Section 18. Severability. If any of the provisions of this Agreement, or portions thereof, are found to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof or thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 19. Consent to Breach Not Waiver. No term or provision hereof shall be deemed waived and no breach excused, unless such waiver or consent shall be in writing and signed by the Party claimed to have waived or consented. Any consent by any Party to or waiver of a breach by the other shall not constitute a consent to or waiver or excuse of any other different or subsequent breach.

Section 20. Jurisdiction, Venue and Governing Law.

PERSONAL JURISDICTION AND VENUE. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES OF AMERICA LOCATED IN CALIFORNIA, AND, EACH OF THE PARTIES HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. Each Party further consents to the exercise of personal jurisdiction over it by courts in California with respect to any proceedings arising from or related to this Agreement.

GOVERNING LAW. This Agreement will be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to any choice or conflict of laws rules, provisions or principles (whether of the State of California or any other jurisdiction), the application of which would result in the application of the laws of any jurisdiction other than the State of California.

Section 21. Non-Solicitation. During the Term and for a period of one (1) year following the termination of this Agreement, each Party hereby agrees not to solicit, nor offer employment in any fashion to, the employees of the other Party, or induce any employee or independent contractor to terminate or breach an employment, contractual or other relationship with the other Party, in each case, without the express written permission of the other Party. This Section 21 shall not restrict either Party from offering employment or employing any employees of the other Party who responds to any general advertisement or other general recruiting method used in the ordinary course of business that is not specifically targeted at the other Party's employees.

Section 22. Survival. The respective rights and obligations of the Parties hereunder shall indefinitely survive the termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations, including Section 6 (Proprietary Information), Section 7 (Confidentiality), Section 9 (Limitations of Liability), Section 13 (Assignment), Section 14 (Independent Contractor), Section 16 (HIPAA), Section 17 (Entire Agreement), Section 18 (Severability), Section 19 (Consent to Breach Not Waiver), Section 20 (Jurisdiction, Venue and Governing Law), Section 21 (Non-Solicitation), Section 22 (Survival), Section 23 (Counterparts) and Section 24 (Third-Party Beneficiaries).

Section 23. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in one or more counterparts, all of which will be considered one and the same agreement. Facsimile or pdf transmission of any signed original document or retransmission of any signed facsimile or pdf transmission will be deemed the same as delivery of an original.

Section 24. Third Party Beneficiaries. Provider acknowledges and agrees that the members of OmniSYS Group and OmniSYS Parties are intended third-party beneficiaries of this Agreement, including, without limitation, pursuant to Section 6 (Proprietary Information), Section 7 (Confidentiality), and Section 9 (Limitations of Liability), and that such members are entitled to rights and benefits hereunder and may enforce the provisions hereof as if parties hereto, provided that no such members shall have any liabilities or obligations arising under this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered by their respective duly authorized officers or agents as of the Effective Date.

For Provider:

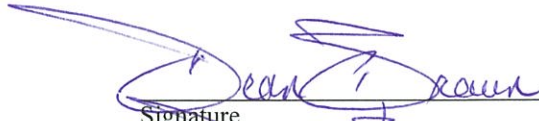
Signature

Printed Name

Title

Date

For OmniSYS:



Signature

Signature

Printed Name

Title

Date

DEAN BRAUN
SVP, Business Development
5-18-17

ATTACHMENT "A"
BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement ("**BAA**") is entered into by and between the Kern County Hospital Authority on behalf of Kern Medical Center ("**Covered Entity**") and VENDOR ("**Business Associate**") (each a "**Party**" and collectively the "**Parties**"), effective as of May 18th 2017 (the "**Effective Date**").

RECITALS

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

WHEREAS, Business Associate performs Services for or on behalf of Covered Entity, and in performing said Services, Business Associate creates, receives, maintains, or transmits Protected Health Information ("**PHI**");

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

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

AGREEMENT

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

ARTICLE I
DEFINITIONS

- 1.1 "**Breach**" shall have the meaning given under 45 C.F.R. § 164.402.
- 1.2 "**Breach Notification Rule**" shall mean the Breach Notification for Unsecured Protected Health Information interim final rule at 45 C.F.R. Parts 160 and 164, Subpart D, as may be amended from time to time.
- 1.3 "**Designated Record Set**" shall have the meaning given such term under 45 C.F.R. § 164.501.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II OBLIGATIONS OF BUSINESS ASSOCIATE

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

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

2.3 Reporting Non-Permitted Use or Disclosure.

2.3.1 Reporting Security Incidents and Non-Permitted Use or Disclosure. Business Associate shall report to Covered Entity in writing each Security Incident or Use or Disclosure that is made by Business Associate, members of its Workforce, or SubContractors that is not specifically permitted by this BAA no later than twenty-four (24) hours days after becoming aware of such Security Incident or non-permitted Use or Disclosure, in accordance with the notice provisions set forth herein. Notwithstanding the foregoing, Business Associate and Covered Entity acknowledge the ongoing existence and occurrence of attempted but ineffective Security Incidents that are trivial in nature, such as pings and other broadcast service attacks, and Covered Entity acknowledges and agrees that no additional notification to Covered Entity of such ineffective Security Incidents is required, as long as no such incident results in unauthorized access, Use or Disclosure of PHI. Business Associate shall investigate each Security Incident or non-permitted Use or Disclosure of Covered Entity's PHI that it discovers to determine whether such Security Incident or non-permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI and shall provide a summary of its investigation and risk assessment to Covered Entity. Business Associate shall document and retain records of its investigation of any suspected Breach, including its reports to Covered Entity under this Section 2.3.1. Business Associate shall take prompt corrective action and any action required by applicable state or federal laws and regulations relating to such Security Incident or non-permitted disclosure. If Business Associate or Covered Entity, in its review of this initial report,

determines that such Security Incident or non-permitted Use or Disclosure constitutes a reportable Breach of Unsecured PHI, then Business Associate shall comply with the additional requirements of Section 2.3.2 below.

2.3.2 Breach of Unsecured PHI. If Business Associate or Covered Entity determines that a reportable Breach of Unsecured PHI has occurred, Business Associate shall provide a written report to Covered Entity without unreasonable delay but no later than five (5) calendar days after discovery of the Breach. To the extent that information is available to Business Associate, Business Associate's written report to Covered Entity shall be in accordance with 45 C.F.R. §164.410(c). Business Associate shall cooperate with Covered Entity in meeting Covered Entity's obligations under the HIPAA Rules with respect to such Breach. Covered Entity shall have sole control over the timing and method of providing notification of such Breach to the affected individual(s), the Secretary and, if applicable, the media. Business Associate shall reimburse Covered Entity for its reasonable and actual costs and expenses in providing the notification, including, but not limited to, any administrative costs associated with providing notice, printing and mailing costs, public relations costs, and costs of mitigating the harm (which may include the costs of obtaining credit monitoring services and identity theft insurance) for affected individuals whose PHI has or may have been compromised as a result of the Breach.

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

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

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

2.6 Access to Protected Health Information. To the extent that Business Associate maintains a Designated Record Set on behalf of Covered Entity and within fifteen (15) days of a request by Covered Entity, Business Associate shall make the PHI it maintains (or which is maintained by its SubContractors) in Designated Record Sets available to Covered Entity for inspection and copying, or to an Individual to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524. If Business Associate maintains PHI in a Designated Record Set electronically, Business Associate shall provide such information in the electronic form and format requested by the Covered Entity if it is readily reproducible in such form and format, and, if not, in such other form and format agreed to by Covered Entity to enable Covered Entity to fulfill its obligations under 45 C.F.R. § 164.524(c)(2). Business Associate shall notify Covered Entity within five (5) days of receipt of a request for access to PHI from an Individual.

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

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

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

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

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

2.12 Acknowledgement. Business Associate acknowledges that it is obligated by law to comply, and represents and warrants that it shall comply, with HIPAA, the HITECH Act, and the HIPAA Rules. Business Associate shall comply with all applicable state privacy and security laws, to the extent that such state laws are not preempted by HIPAA or the HITECH Act.

ARTICLE III OBLIGATIONS OF COVERED ENTITY

3.1 Covered Entity's Obligations.

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

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

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

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

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

ARTICLE IV TERM AND TERMINATION

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

4.2 Termination of Underlying Agreement.

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

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

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

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

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

4.4 Disposition of Protected Health Information Upon Termination or Expiration.

4.4.1 Upon termination or expiration of this BAA, Business Associate shall return or destroy all PHI received from, or created or received by Business Associate on behalf of Covered Entity, that Business Associate still maintains in any form and retain no copies of such PHI. If Covered Entity requests that Business Associate return PHI, PHI shall be returned in a mutually agreed upon format and timeframe.

4.4.2 If return or destruction is not feasible, Business Associate shall: (a) retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities; (b) return to Covered Entity the remaining PHI that the Business Associate still maintains in any form; (c) continue to extend the protections of this BAA to the PHI for as long as Business Associate retains the PHI; (d) limit further Uses and Disclosures of such PHI to those purposes that make the return or destruction of the PHI not feasible and subject to the same conditions set out in Sections 2.1 and 2.2 above, which applied prior to termination; and (e) return to Covered Entity the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

ARTICLE V MISCELLANEOUS

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

5.2 Amendment. The Parties agree to take such action as is necessary to amend this BAA from time to time as necessary for Covered Entity to implement its obligations pursuant to HIPAA, the HIPAA Rules, or the HITECH Act.

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

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

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

5.6 **Insurance.** OmniSYS, at its own cost and expense, shall obtain and maintain appropriate commercial general liability insurance coverage with reasonable coverage limits, including coverage for any acts of errors and omissions, covering Provider in an amount not less than \$1,000,000 per claim and \$3,000,000 annual aggregate. The aggregate limit shall apply separately to operations under this Agreement. Upon request, OmniSYS shall furnish Provider reasonably satisfactory evidence of its liability insurance coverage. To the extent OmniSYS is reasonably able to do so, OmniSYS shall provide Provider with at least sixty (60) days prior written notice prior to any coverage being cancelled, non-renewed, or materially altered.

5.7 Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself and any SubContractors or members of its Workforce assisting Business Associate in the performance of its obligations under this BAA available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against Covered Entity, its directors, officers or employees based upon a claim of violation of the HIPAA or other applicable laws relating to privacy or security.

5.8 Indemnification. Notwithstanding anything to the contrary which may be contained in any Underlying Agreement, including but not limited to any limitations on liability contained therein, Business Associate hereby agrees to indemnify and hold harmless Covered Entity and its respective officers, directors, managers, members, employees and agents from and against any and all losses, damages, fines, penalties, claims or causes of action and associated expenses (including, without limitation, costs of judgments, settlements, court costs and attorney's fees) resulting from Business Associate's (including its employees, directors, officers, agents, or other members of its Workforce, and its SubContractors) breach of PHI or violation of the terms of this BAA, including but not limited to failure of Business Associate to perform its obligations under this BAA, or to comply with HIPAA or applicable state privacy or security law.

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

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

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

5.12 Notices. Any notices required or permitted to be given hereunder by either Party to the other shall be given in writing: (1) by personal delivery; (2) by electronic mail or facsimile with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (3) by bonded courier or by a nationally recognized overnight delivery service; or (4) by United States first class registered or certified mail, postage prepaid, return receipt, in each case, addressed to a Party on the signature page(s) to this BAA, or to such other addresses as the Parties may request in writing by notice given pursuant to this Section 5.12. Notices shall be deemed received on the earliest of personal delivery; upon delivery by electronic facsimile with confirmation from the transmitting machine that the transmission was completed; twenty-four (24) hours following deposit with a bonded courier or overnight delivery service; or seventy-two (72) hours following deposit in the U.S. mail as required herein.

Covered Entity's Notice Address:

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

Business Associate's Notice Address:

VENDOR
ADDRESS

Attn:

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

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

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

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

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

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

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

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

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

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

COVERED ENTITY:

The Kern County Hospital Authority on
behalf of Kern Medical Center

Title: Chief Executive Officer

Date: _____

BUSINESS ASSOCIATE:

VENDOR



Title:

Date: 5-18-2014

Attachment B – Statement of Work

Standard Subscription Services

Solution	Monthly Subscription	One Time Fees
CareCLAIM Billing Solution	\$300	\$550
Commercial & Medicaid Primary and Secondary Eligibility Verification*	\$0.45 per transaction	-
Supplemental Information Charge*	\$2.00 per transaction	-
Medicaid Secondary Non-Autocross Claim Submission*	\$2.50 per transaction	-

Optional Services

Solution	Monthly Subscription	One Time Fees	Enrolled
Denial Tracking	\$0.20 per claim	\$250	<input checked="" type="checkbox"/>
Medicare Audit Coordination and Response	\$10.00 per month + \$20.00 per audit	\$250	<input checked="" type="checkbox"/>
Web-based Medicare Eligibility Verification	\$10.00 per location	N/A	<input type="checkbox"/>

*Billed only if Services are used. Pricing excludes applicable taxes.

The Parties have executed and delivered this SOW as of the ___ day of _____, 20__.

For Provider

For OmniSYS

Signature

Signature

Printed Name

Printed Name

Title

Title

Date

Date

Standard Subscription Services

CareCLAIM Billing Solution

\$300 per month

Ability to electronically submit medical claims including Durable Medical Equipment, drugs and vaccinations (e.g. flu, pneumonia) via NCPDP standards to appropriate Medicare, Medicaid or Commercial payer. Submission of the first one-hundred (100) claims per calendar month. NCPDP messaging identifies claims with eligibility issues. OmniSYS' pre-edit rejections and pharmacy reversals do not count towards monthly claim count. There is no additional charge for secondary claims automatically forwarded by the primary payer to the secondary payer. Submission of more than one-hundred (100) claims during a calendar month will be charged an additional \$2.00 for each claim submitted above the claim threshold. Online, real-time Medicare Part B eligibility verification.

Features -

- Formulary, ICD-9 or ICD-10, COBA and Medicare Allowable Pricing maintenance; coordination of Medicare and Medical Policy Changes including implementation of coding guidelines
- OmniANALYTIX - real time interactive dashboards with drill down capabilities
 - Claims that do not benefit from online, real-time eligibility verification
 - Summary provides specific details for each claim
 - Transactional reporting to analyze detailed claims data
 - Storage of summary and detail reports include: RX number, fill number, HCPC descriptions, remark codes
- Easy access to CMS fee schedules, CMS medical policy, and CMS pharmacy forms
- 24/7/365 toll-free hot-line support

Commercial & Medicaid Primary and Secondary Eligibility Verification

\$0.45 per request submitted

Real-time Medicaid eligibility verification edits confirm active coverage, date of service, member ID, name, and date of birth. Eligibility verified monthly per patient. Notes: (1) Only available for certain states (2) In the event information sent is incorrectly, eligibility verification is made on each attempt. Edits for HMO and managed care plan coverage exists for most payers.

Supplemental Information Charge

\$2.00 per transaction

Provider will incur a supplemental information charge for applying supplemental information noted in the below list to a patient/Rx record. Provider may submit the above information via facsimile or email for which there shall be a charge per occurrence.

- Physician/provider narrative (NTE record)
- DME information form (DIF)
- Certificate of medical necessity (CMN)
- Patient's legal representative and/or Responsible Party
- Patient's Testing Facility/Laboratory Information
- Transplant information
- Manual Entry of Any Other Information not included in NCPDP Claim Submitted by Provider

Medicaid Secondary Non-Autocross Claim Submission

\$2.50 per claim

Claims are counted separately from monthly claims included in the subscription package. Once remittance on Medicare primary claims is received claims with a Medicaid secondary payer will be submitted via NCPDP or ANSI standards depending on claim type and payer requirements. COB payer will automatically be submitted to the State Medicaid for secondary payment. Pharmacy must (1) authorize OmniSYS to receive Medicare electronic remittance notices from all DME MACs to process Medicaid secondary COB claims (2) provide state provider identification number for Medicaid claims (3) complete EDI documents authorizing OmniSYS to submit Medicaid claims. If a pharmacy has payment issues from Medicaid, it is their responsibility to work their denials and notify OmniSYS within 30 days of the remittance date to reprocess claims.

Activation Services

One Time Activation Fee

\$550

- Standard pharmacy setup includes (a) submission of complete EDI forms to DME MACs (b) setup, training and certification testing for Medicare, Medicaid and Commercial claim submission for DME, drug and vaccination medical claims and (c) setup and training for Medicare eligibility verification.
- OmniSYS provides a walkthrough of current Medicare policies and procedures, reporting tools and OmniANALYTIX.
- Complete system implementation to process sold date files. OmniSYS will create and provide a sold date file template and make transaction changes to disable/bypass the reversal window for all claims. Only claims with updated sold dates should be marked a 'ready to send' and be treated as non-reversible. OmniSYS will update date of service received in the NCPDP transaction to date provided in the sold date file for submission to Medicare in the ANSI 837 file and track the receipt of the sold date to identify potential issues with receiving the data
- Customization of edits are subject to additional fees

Optional Services

Denial Tracking

\$0.20 per claim

OmniSYS billing specialists analyze Medicare denials and resubmit workable claims. Denials are prioritized based on dollar amount and age of claim. OmniSYS determines whether a claim is workable. If additional documentation is necessary to resubmit the claim OmniSYS will make up to three attempts to obtain required documentation from pharmacy or ordering physician identified on the claim. If supporting documentation exists, denied claims will be worked through two levels of appeal (Redetermination and Reconsideration). A per claim fee is assessed on every claim received for billing.

Medicare Audit Coordination and Response

\$10.00 per month + \$20.00 per audit

Medicare Audit Coordination and Response services are available for the following audit types: (a) Comprehensive Error Rate Testing (CERT) Program Documentation Requests (b) Additional Documentation Requests (ADRs) (c) Recovery Audit Contractor (RAC) Requests (d) Zone Program Integrity Contractor (ZPIC) Audits (e) DME MAC Medical Review Department Requests.

OmniSYS will outreach to the pharmacy to gather supplier documentation required for the Medicare Part B audit in question, if not already on file with OmniSYS. Documents could include the following: Physician Written Order (PWO); Patient Attestation Letter (PAL) or Acceptable Refill Request Documentation; Proof of Delivery / Signature Log (POD), Delivery Slip or Shipping Notice; Physician Narrative, Letter of Medical Necessity; Diabetes Testing Logs (DTL); Physician Progress Notes (PPN); Transplant Information; Nebulizer information; Enteral Nutrition DIF; External Infusion Pump DIF. Any pending documentation is reported to the supplier via secure web portal. OmniSYS submits the audit to the appropriate contractor and monitors responses. Addressable denied audits are reviewed and appeals are submitted if required documentation is on file to support payment. Redetermination and Reconsideration appeals levels are supported. OmniSYS archives images of all documents and makes accessible via secure web portal.

Web-based Medicare Eligibility Verification

\$10.00 per location per month

This service provides manual look up access to Medicare eligibility verification through OmniSYS secure web portal. Eligibility verification edits confirm active coverage, date of service, member ID, name, and date of birth.

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Agreement with Aisha W. Shaheen, M.D.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed approval of Agreement with Aisha W. Shaheen, M.D., a contract employee, for professional medical services in the Surgery Department from September 16, 2017 through September 15, 2020, in an amount not to exceed \$1,835,400 over the initial three-year term of the Agreement.

**AGREEMENT FOR PROFESSIONAL SERVICES
CONTRACT EMPLOYEE
(Kern County Hospital Authority – Aisha W. Shaheen, M.D.)**

This Agreement is made and entered into this ____ day of _____, 2017, between the Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Aisha W. Shaheen, 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; and

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," Job Description, 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.** Authority recognizes that (i) Physician does not have a current valid license to practice medicine in the state of California; (ii) Physician is not permitted to practice medicine in the state of California, in the absence of a current valid license issued by the Medical Board of California; and (iii) Physician has submitted an application form and application fee to the Medical Board of California to obtain such license. Physician understands that (i) she is not permitted to practice medicine in the state of California until she is issued a current valid license by the Medical Board of California; and (ii) she will maintain a current valid license to practice medicine in the state of California upon receipt thereof and at all times thereafter during the Term of 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.

4.3.2 Board Certification. Physician shall be board certified by the American Board of Surgery in surgery-general with subspecialty certification by the American Board of Surgery in surgical critical care and maintain such certifications 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 her obligations under this Agreement.

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 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 she 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 her 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 that is 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.** Physician shall work full time, which is a minimum of 40 hours per week, and will be compensated with cash and other value as described below in this paragraph 5.1 ("Annual Salary").

5.1.1 **Annual Salary.** Authority shall pay Physician an Annual Salary of \$17,500 biweekly not to exceed \$455,000 annually. The Annual Salary shall be comprised of (i) a base salary for teaching and administrative services and (ii) payment for care of KMC patients. Physician understands and agrees that (i) the Annual Salary set forth in this paragraph 5.1 is calculated based on the current Medical Group Management Association Physician Compensation and Production Survey ("MGMA Survey") for specialty and (ii) Physician will maintain a 50th percentile level of worked relative value units ("Worked RVU") based on the current MGMA Survey and fulfill all the duties set forth in Exhibit "A" during the Term of this Agreement.

5.1.2 **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 shall be subject to all applicable federal and state taxes and withholding requirements.

5.2 **Restricted Call Coverage.** Authority shall pay Physician for "restricted call"² coverage as follows: (i) Physician shall be paid a fixed fee in the amount of \$2,400 per 24-hour day for every weekend and holiday of restricted call coverage assigned (Saturday and Sunday; designated Authority holidays only); (ii) Physician shall be paid a fixed fee in the amount of \$1,200 for every weekday night of restricted call coverage assigned (Monday through Friday); and (iii) Physician shall be paid a per diem rate of \$500 per 24-hour day for backup call coverage.

5.3 **Incentive Compensation.** Within 30 days following the end of each Employment Year, beginning from the Commencement Date, KMC will calculate the professional fee net collections (defined as actual cash received) for all professional services provided by Physician. Physician shall receive 25% of the professional fee net collections in excess of \$455,000, less all applicable federal and state taxes and withholdings, per Employment Year.

² "Restricted call" means Physician must be physically present in the hospital during the entire call period and may not leave the hospital until Physician has been relieved from call duty.

5.4 Starting Bonus.

5.4.1 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 she fails to report to work on the Commencement Date.

5.4.2 Repayment. In the event that Physician voluntarily terminates her 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 her termination of employment with Authority.

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

5.5 Quality Bonus. Upon satisfaction of the relevant criteria set forth below and subject to the other terms and conditions set forth in this Agreement, in addition to the Annual Salary, Physician shall be eligible to receive a quality bonus based on the following measures:

5.5.1 Quality/Safety Measure(s). Physician shall be eligible to receive a quality bonus an amount not to exceed \$12,500 each Employment Year if Physician achieves certain quality/safety measure(s). Measures shall be determined annually. Measures shall be calculated within 60 days of the end of each fiscal year ending June 30. The first quality bonus, if any, shall be paid for the 12 months ending June 30, 2018. If multiple measures are used (i.e., more than one measure annually), the annual bonus amount of \$12,500 shall be divided by the total number of measures and the prorated amount paid if the target metric is achieved.

5.5.2 Patient Satisfaction Measure. Physician shall be eligible to receive a quality bonus in an amount not to exceed \$12,500 each Employment Year if the trauma and general surgery physicians as a group achieve certain patient satisfaction target metrics. Measures shall be determined annually. Measures shall be calculated within 60 days of the end of each fiscal year ending June 30. The first quality bonus, if any, shall be paid for the 12 months ending June 30, 2018.

5.5.3 Criteria for Payment. Physician understands and agrees that she must remain actively employed by Authority and in compliance with Authority policies and directives concerning job performance and conduct as of each payout date in order to earn and receive the quality bonus payment. All quality bonus payments made by Authority to Physician shall be subject to all applicable federal and state taxes and withholding requirements.

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), 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 \$1,835,400 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 she 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, she shall be entitled to an equivalent period of time off at a later date. Physician will not be paid for banked holidays upon termination of employment.

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 she 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 she 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 she 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 \$208.34 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.³

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 her 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.

³ By way of example only, in the event Physician terminates her employment after 12-months then Physician will be vested to the extent of \$2,500 in the relocation expenses described herein and will be obligated to repay Authority the amount of \$5,000. **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.**

9. **Authority to Bind Authority.** It is understood that Physician, in her performance of any and all duties under this Agreement, has no authority to bind Authority to any agreements or undertakings.
10. **Captions and Interpretation.** Paragraph headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement. No provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted such provision, and this Agreement shall be construed as if jointly prepared by the parties.
11. **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 she receives in the course of her 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 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 she has no interest and that she 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 her 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:

Aisha W. Shaheen, M.D.
221 South 12th Street, Apt. 608N
Philadelphia, Pennsylvania 19107

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 90 days' prior written notice to the other party.

28.2 **Immediate Termination.** 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; (xv) insubordination, flagrant tardiness, or interpersonal problems in the workplace with colleagues, patients or associates; or (xvi) 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.

PHYSICIAN

By _____
Aisha W. Shaheen, M.D.

KERN COUNTY HOSPITAL AUTHORITY

By _____
Chairman
Board of Governors

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Russell V. Judd
Chief Executive Officer

APPROVED AS TO FORM:
LEGAL SERVICES DEPARTMENT

By _____
General Counsel

Agreement.Shaheen.053017

**EXHIBIT “A”
Job Description
Aisha W. Shaheen, M.D.**

Position Description: Reports to Chair, Department of Surgery; serves as a full-time core trauma, general surgery, bariatric, critical care, and minimally invasive surgery faculty member in the Department; Physician work effort will be a minimum 2,500 hours annually in teaching, administrative, and clinical activity; day-to-day activities and clinical workload will include call coverage for trauma, critical care, emergency general surgery; provides comprehensive and safe clinical coverage for day-to-day operations, timely completion of surgery, direct patient care, scholarly research and resident education; 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:
 - Coordinate with current general surgery faculty schedules and activities to provide service and improve efficiency for general surgery clinical activities
 - Conduct daily inpatient rounds
 - Provide service and improve efficiency for trauma, general surgery, bariatric, critical care, and minimally invasive surgery cases
 - Provide faculty service for trauma, critical care, and general surgical call coverage
 - Supervise surgery Physician Assistant activity and competence
 - Operating Room –minimum of two (2) half days per week
 - KMC, Stockdale Highway, Truxtun Avenue, or other designated clinic sites – minimum of three (3) half-day clinics per week
 - Call coverage – weekday coverage, Monday through Thursday, one (1) in six (6) weekdays up to a maximum of 45 weekday call shifts per year; weekend coverage, one (1) in six (6) weekends up to a maximum of 10 weekends per year

2. Administrative Responsibilities:
 - Assist in clinical and administrative integration efforts across KMC as appropriate for trauma, general surgery, bariatric, critical care, and minimally invasive surgery assisting with proper program planning, surgeon recruitment and faculty development, resource allocation, analysis, communication and assessment
 - Assist with and provide program oversight, and conduct strategic planning for the bariatric and minimally invasive surgery services
 - Assist with program oversight and strategic planning for the surgery residency program
 - Gather data through best practices and collaborate with other members of the Department 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 to develop monitoring tools to measure financial, access, quality and satisfaction outcomes for minimally invasive, trauma, and general surgery services
 - Attend and actively participate in assigned Medical Staff and hospital committees

- Participate in clinical and administrative integration efforts across the hospital as appropriate for the Department ensuring proper program planning, resource allocation, analysis, communication, and assessment
- Participate in the preparation, monitoring, review, and performance of clinical activity in the Department
- Participate in the quality improvement and risk management activities, including peer review and quality control functions as assigned to services in the Department
- Provide didactic teaching and resident physician and medical student education as assigned and participate in setting goals and expectations for the surgery resident and 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
- Follow and comply with the Medical Staff bylaws, rules, regulations, and policies and Authority and KMC policies and procedures

3. Teaching Responsibilities:

- Assist the Program Director with individual resident mentoring, counseling, and evaluation as appropriate for general surgery and critical care rotations
- Assist with initiatives to develop KMC the resident bariatric and minimally invasive surgery experience
- Assist with didactic curriculum and teaching conference activity including noon, preoperative, oncology, and journal club
- Assist in resident research and scholarly activity

Employment Standards:

One (1) year of post-residency experience in general and trauma 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 Surgery in surgery-general

Knowledge of: The principles and practices of modern medicine; current techniques, procedures, and equipment applicable to trauma, general surgery, bariatric, critical care, and minimally invasive 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

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Request for appropriation of unanticipated revenue

Recommended Action: Approve; Authorize Chief Financial Officer to process the specified budgetary and adjustments and accounting transactions

Summary:

Kern Medical's annual allocation of PRIME funds is approximately \$31,707,000 and these funds are paid twice annually. Due to the timing of the payments for Fiscal Year 2016, revenue in the appropriation management system was understated by a gross amount of \$32,454,588.70 and a net amount of \$17,812,294.35. This request is to recognize those funds in the current fiscal year to allow payments for operating expenses.

Budget Amendment Fiscal Year 2017

	ORIGINAL BUDGET FY17	ACTUAL YTD FY17 JUL - APR	REVISED Budget	Excess Revenue Adjustment	REVISED Budget
Total Gross Charges	\$ 799,337,619	\$ 663,856,143			
Total Patient Revenue Deductions	(604,574,212)	(496,650,823)			
Net Patient Revenue	194,763,407	167,205,320	208,852,376		208,852,376
Indigent Funding					
Correctional Medicine	22,663,037	19,749,510	22,663,037		22,663,037
County Indigent Funding	3,500,000	2,863,049	3,500,000		3,500,000
State Indigent Funding	81,716,189	101,283,159	93,517,177	17,812,294	111,329,471
Total County and State Indigent Funding	107,879,226	123,895,718	119,680,214	-	119,680,214
Capitation Premium Revenue	8,000,000	1,698,630	8,000,000	0	8,000,000
Other Operating Revenue	13,017,555	9,370,017	13,017,555	0	13,017,555
Total Operating Revenue	323,660,188	302,169,685	349,550,145	17,812,294	367,362,439
Expenses					
Salaries	133,046,432	111,181,505	134,934,682	-	134,934,682
Benefits	66,252,769	61,759,688	67,518,269	-	67,518,269
Registry Nurses	6,931,179	8,754,980	10,931,179	-	10,931,179
Medical Fees	16,387,030	14,130,730	16,887,030	-	16,887,030
Purchased Services	30,959,211	32,160,516	37,422,211	7,812,294	45,234,505
Supplies	45,333,505	41,463,575	47,833,505	10,000,000	57,833,505
Repairs and Maintenance	3,376,270	3,149,228	3,376,270	-	3,376,270
Other Expenses	13,538,496	9,531,010	16,035,686	-	16,035,686
Interest	588,385	193,013	588,385	-	588,385
Depreciation and Amortization	5,292,084	4,947,478	5,580,084	-	5,580,084
Operating Expenses	321,705,361	287,271,723	341,107,301	17,812,294	358,919,595
Gain/(Loss) From Operations	1,954,827	14,897,962	8,442,844	-	8,442,844
Non-Operating Revenue	-	965,395			
Earnings Before Depreciation and Amortization	\$ 7,246,911	\$ 20,810,835	\$ 14,022,928	\$ -	\$ 14,022,928
Net Income/(Loss)	\$ 1,954,827	\$ 15,863,357	\$ 8,442,844	\$ -	\$ 8,442,844

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed retroactive Amendment No. 3 to Agreement 1119-2009 with Language Line Services, Inc.

Recommended Action: Approve; Authorize Chairman to sign subject to approval as to content by Chief Executive Officer

Summary:

Proposed retroactive Amendment No. 3 to Agreement 1119-2009 with Language Line Services, Inc., an independent contractor, for telephonic interpreter services, extending the term for three years from December 14, 2016 through December 13, 2019, and increasing the maximum payable by \$600,000, from \$1,400,000 to \$2,000,000, to cover the term.

**AMENDMENT NO. 3 TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – Language Line Services, Inc.)**

This Amendment No. 3 to the Agreement for Professional Services Independent Contractor (“Amendment No.3”) is entered into this _____ day of _____, 2017, by and between the Kern County Hospital Authority, a local unit of government, which owns and operates Kern Medical Center (“KMC”) and Language Line Services, Inc., a Delaware corporation (“Contractor”).

RECITALS

A. Contractor and KMC have heretofore entered into an Agreement for Professional Services (Kern County Agt. #1119-2009, effective December 14, 2009), an Amendment No. 1 (Kern County Agt. #025-2013, effective January 15, 2013), Amendment No. 2 (Kern County Agt. #921-2013, dated December 9, 2013), and Assignment of Agreement from the County of Kern to the Kern County Hospital Authority (Kern County Agt.#282-2016, dated March 1, 2016) (“Agreement”) for the period of December 14, 2009 through December 13, 2016, to provide telephonic Interpreter Services; and

B. The Agreement expired on December 13, 2016; and

C. KMC continues to require the services of Contractor and Contractor has agreed to continue to provide such services; and

D. The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

F. The Agreement is amended effective December 14, 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. **Section 1, TERM OF AGREEMENT** shall be deleted in its entirety and superseded by the following:

“1. **TERM OF AGREEMENT.** The term of this Agreement shall be effective on December 14, 2009 and, unless terminated as provided in Section 13 below, shall be for a period of, not to exceed, ten (10) years with a termination date of December 13, 2019.”

2. **Section 3. A, PAYMENT AMOUNT**, shall be deleted in its entirety and superseded by the following:

“3.A PAYMENT AMOUNT. The total payment for services under the terms and conditions of this Agreement shall not exceed Two Hundred Thousand Dollars (\$200,000.00) for each year of the Agreement and shall not exceed amount of Two Million Dollars (\$2,000,000.00) for the ten (10) year term of the Agreement.”

3. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 3 have the meaning set forth in the Agreement.

4. This Amendment No. 3 shall be governed by and construed in accordance with the laws of the state of California.

5. This Amendment No. 3 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.

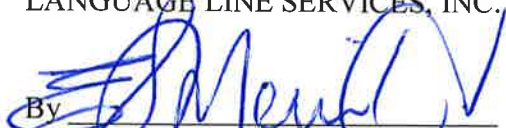
[Signatures follow on next page]

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 3 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

LANGUAGE LINE SERVICES, INC.

By _____
Chairman
Board of Governors

By 
Printed Name: Scott Merritt
Title/Position: VP Operations

APPROVED AS TO CONTENT:
KERN MEDICAL CENTER

By _____
Toni Smith, RN
Chief Nursing Officer

APPROVED AS TO FORM:
OFFICE OF COUNTY COUNSEL

By _____
Deputy

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Amendment No. 1 with George R. Moro, M.D., Inc.

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed Amendment No. 1 to the Agreement with George R. Moro, M.D., Inc., an independent contractor, for professional medical services in the Department of Surgery, extending the term through June 30, 2020, and increasing the maximum amount payable by \$1,875,000, from \$325,000 to \$2,200,000, to cover the four-year term.

**AMENDMENT NO. 1
TO
AGREEMENT FOR PROFESSIONAL SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – George R. Moro, M.D., Inc.)**

This Amendment No. 1 to the Agreement for Professional Services is made and entered into this ____ day of _____, 2017, between the Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and George R. Moro, M.D., Inc., a California professional medical corporation (“Contractor”), with its principal place of business located at 1140 W. La Veta Avenue, Suite 830, Orange, California 92868.

RECITALS

(a) Authority and Contractor have heretofore entered into an Agreement for Professional Services (Agt. #09916, dated August 1, 2016) (the “Agreement”), for the period August 1, 2016 through July 31, 2017, whereby Physician provides professional medical services in the Department of Surgery at KMC and teaching services to resident physicians employed by Authority; and

(b) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

(c) The Agreement is amended effective July 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 1, Term, shall be deleted in its entirety and replaced with the following:

“1. **Term.** This Agreement shall be effective and the term shall commence as of August 1, 2016 (the “Effective Date”), and shall end June 30, 2020, unless earlier terminated pursuant to other provisions of this Agreement as herein stated.”

2. Section 4, Payment for Services, paragraph 4.2, Travel Reimbursement, shall be deleted in its entirety and replaced with the following:

“4.2 **Travel Reimbursement.** Contractor shall be reimbursed for all approved travel expenses, which approval shall not be unreasonably withheld, incurred by Contractor on behalf of Authority in an amount not to exceed \$100,000 over the term of this Agreement. Reimbursement of travel expenses shall include actual cost for lowest refundable coach round-trip airfare, local transportation (rental cars are reimbursable at actual cost for compact or midsize vehicles only; per mile reimbursement for personal vehicle use at the current privately owned vehicle [POV] mileage reimbursement rate established by the U.S. General Services Administration), meals and incidental expenses

at the current domestic per diem rates established by the U.S. General Services Administration for Kern County, and reasonable hotel accommodations not to exceed the maximum allowable reimbursement rate including taxes established by Authority. Travel-related expenses shall be billed monthly, as incurred, and are payable in arrears within 30 days of receipt and approval of each invoice by KMC.”

3. Section 4, Payment for Services, paragraph 4.5, Maximum Payable, shall be deleted in its entirety and replaced with the following:

“4.5 Maximum Payable. The maximum payable under this Agreement shall not exceed \$2,200,000 over the term of this Agreement.”

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

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

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

7. Except as provided herein, all other terms, conditions and covenants of the Agreement 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.

GEORGE R. MORO, M.D., INC.

By _____
George R. Moro, M.D.
Its President

Date _____

KERN COUNTY HOSPITAL AUTHORITY

By _____
Russell V. Judd
Chief Executive Officer

Date _____

APPROVED AS TO FORM:
LEGAL SERVICES DEPARTMENT

By _____
General Counsel

Date _____

Amend1.Moro.060617

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Engagement letter from Moss-Adams LLP

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed Engagement letter from Moss Adams LLP, an independent contractor, regarding the audit of Kern Medical's financial statements for the fiscal years ended June 30, 2017 and 2016, in an amount not to exceed \$120,000.

March 8, 2017

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

Re: Audit and Nonattest Services

Dear Chairman Bigler:

Thank you for the opportunity to provide services to Kern County Hospital Authority (“you,” “your,” and “Company”), a discreetly presented component unit of County of Kern, California (the “County”). This engagement letter (“Engagement Letter”) incorporates by reference the July 31, 2015 Agreement for Professional Services between Moss Adams LLP (“Moss Adams,” “we,” “us,” and “our”) and the Company (“PSA”). This Engagement Letter confirms our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams will provide to the Company with regard to the financial statements of Kern County Hospital Authority as set forth below.

Scope of Services – Audit

You have requested that we audit the Company’s financial statements, which comprise the statement of net position as of June 30, 2017, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (“RSI”), such as management’s discussion and analysis, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Company’s RSI in accordance with auditing standards generally accepted in the United States of America. We will not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. The following RSI will be subjected to certain limited procedures, but will not be audited:

- Management’s discussion and analysis
- Schedule of Funding Progress for the County of Kern
- Actuarial Assumptions and Methodology for the County of Kern
- Schedule of Contributions for the County of Kern
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributions

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Russell Bigler, Chairman of the Board of Directors
Andy Cantu, Chief Financial Officer
Kern County Hospital Authority
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Scope of Services and Limitations – Nonattest

We will provide the Company with the following nonattest services:

- Assist you in drafting the financial statements and related footnotes as of and for the years ended June 30, 2017 and 2016. Although we will assist in the drafting the financial statements and related footnotes, our fee estimate included in this engagement letter is based on management providing a substantially complete working draft of the financial statements and required footnotes. Should you request additional assistance, we can discuss the additional fees that may be required prior to commencing additional work.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Kern Medical Center management has the responsibility to draft the management's discussion and analysis, included as required supplementary information, and must accept the responsibilities set forth below related to this engagement:

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

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

Timing

Stelian Damu is responsible for supervising the engagement and authorizing the signing of the report. We expect to onsite the week of June 12, 2017 for planning and interim test work, and again starting the week of August 14, 2017 to begin our final fieldwork. We expect to issue our report no later than October 31, 2017. As we reach the conclusion of the audit, we will coordinate with you the date the audited financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the financial statements are available for issuance, (2) you will disclose in the notes to the financial statements the date through which

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Russell Bigler, Chairman of the Board of Directors
 Andy Cantu, Chief Financial Officer
 Kern County Hospital Authority
 March 8, 2017
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subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

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

Fees

We have agreed to the following payment schedule for the services based on a total fee estimate of \$120,000. You will also be billed for expenses.

Month Due	Amount
July 2017	\$ 30,000
September 2017	30,000
October 2017	30,000
November 2017	<u>30,000</u>
	<u>\$120,000</u>

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

Reporting

We will issue a written report upon completion of our audit of the Company financial statements. Our report will be addressed to the Board of Directors of the Company. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services under this Engagement Letter will be concluded upon delivery to you of our report on your financial statements for the year ended June 30, 2017.

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Russell Bigler, Chairman of the Board of Directors
Andy Cantu, Chief Financial Officer
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Additional Services

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

Objective of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). It will include tests of Company accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report. An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial



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misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Company and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

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

Management's Responsibility for Financial Statements

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

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Russell Bigler, Chairman of the Board of Directors
Andy Cantu, Chief Financial Officer
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communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that the Company complies with applicable laws and regulations.

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

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

Management's Responsibility for Supplementary Information

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

Dissemination of Financial Statements

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

MOSS ADAMS_{LLP}

Russell Bigler, Chairman of the Board of Directors
Andy Cantu, Chief Financial Officer
Kern County Hospital Authority
March 8, 2017
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Offering of Securities

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

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the Company's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, we will not be responsible for any misstatements in Company's financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

Use of Moss Adams' Name

The County may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Engagement Letter or otherwise without the prior written

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Russell Bigler, Chairman of the Board of Directors
Andy Cantu, Chief Financial Officer
Kern County Hospital Authority
March 8, 2017
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permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Nonlicensed Personnel

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



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

Very truly yours,

Stacy Stelzriede, Partner
Moss Adams LLP

Stelian Damu, Senior Manager
Moss Adams LLP

Enclosures
SD/ep

ACCEPTED AND AGREED:

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

Signature: _____

Print Name: _____

Title: _____

Date: _____

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Request to employ retired Authority employees Novella Gamboa, Cheri Mudryk, Lisa, and Susan Price

Recommended Action: Approve

Summary:

Kern Medical is requesting retroactive approval to employ retired Kern County Hospital Authority employees Novella Gamboa, as Per Diem Nurse II; Cheri Mudryk, as Per Diem Nurse II; Lisa Neri, as Per Diem Nurse II; Susan Price, as Per Diem Nurse II, for the period ending June 30, 2018, or 960 hours, whichever occurs first, effective July 1, 2017. Each retiree has the requisite experience and skill set needed to perform the work for which they are being reemployed. Each retiree will be reemployed for a limited duration to fill voids in staffing.

The Public Employee Pension Reform Act (PEPRA) sets forth post-retirement employment requirements for all KCERA retirees returning to work for a KCERA employer. The authority is a designated KCERA employer. Under PEPRA, a retiree may be reemployed up to a maximum of 960 hours per fiscal year, subject to approval by your Board.

Therefore it is recommended that your Board approve the reemployment of the above-referenced KCERA retirees, effective July 1, 2017.

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Proposed Amendment No. 2 to 717-2016 with the County of Kern as represented by Behavioral Health and Recovery Services (f/k/a Kern County Mental Health)

Recommended Action: Approve; Authorize Chairman to sign

Summary:

Proposed Amendment No. 2 to 717-2016 with the County of Kern, as represented by Behavioral Health and Recovery Services (f/k/a Kern County Mental Health), for the provision of reciprocal mental health services, revising the fee schedule, effective July 1, 2017, at no cost.

**AMENDMENT NO. 2 TO
AGREEMENT FOR MENTAL HEALTH SERVICES
INDEPENDENT CONTRACTOR
(Kern County Hospital Authority – County of Kern)**

This Amendment No. 2 to the Agreement for Mental Health Services (“Amendment No. 2”) is made and entered into this _____ day of _____, 2017, by and between the KERN COUNTY HOSPITAL AUTHORITY, a local unit of government, (“**KCHA**”) which owns and operates Kern Medical Center (“**Kern Medical**”) and the COUNTY OF KERN, a political subdivision of the state of California, (“**County**”) which contains the constituent department of Kern Behavioral Health & Recovery Services formally Kern County Mental Health (“**KernBHRS**”) (each a “**Party**” and collectively, the “**Parties**”).

RECITALS

A. KCHA and County have entered into an Agreement for Mental Health Services (Kern County Agt. #717-2016, dated June 21, 2016) and Amendment No.1 (Kern County Agt. #209-2017, dated May 23, 2017) for the period of July 1, 2016 through June 30, 2021, to provide medical and mental health services (“Agreement”); and

B. The Parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

C. The Agreement is amended effective July 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 follow:

1. Exhibit C, Fee Schedule, shall be deleted in its entirety and superseded by Exhibit C-1, Fee Schedule attached hereto and incorporated herein by this reference.

2. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 2 have the meaning set forth in the Agreement.

3. This Amendment No. 2 shall be governed by and construed in accordance with the laws of the state of California.

4. This Amendment No. 2 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 to Follow]

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 2 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

COUNTY OF KERN

By _____
Russell Bigler
Chairman, Board of Governors

By _____
Zack Scrivner
Chairman, Board of Supervisors

APPROVED AS TO CONTENT:
Kern Medical Center

APPROVED AS TO CONTENT:
Kern County Mental Health

By _____
Russell V. Judd
Chief Executive Officer

By _____
Bill Walker, LMFT
Director

APPROVED AS TO FORM:
Legal Services Department

APPROVED AS TO FORM:
Office of County Counsel

By _____
Hospital Counsel

By _____
Chief Deputy

**EXHIBIT “C-1”
Fee Schedule**

1. Kern Behavioral Health and Recovery Services (“KernBHRS”), formally Kern County Mental Health (“KCMH”) and Kern Medical Center (Kern Medical) both agree to:
 - a. Collaborate on re-defining the role of Conservator to include Medical Necessity Standards of Care.
 - b. Adhere to invoicing and payment reimbursement for services rendered according to the Benefits and Liability Matrix.
 - c. Comply with financial reconciliation standards according to a claims adjudication process
 - d. Collaborate in data-sharing to support the Annual Acute Care Hospital Cost Report and any other cost reporting necessary to insure compliance with operational and financial obligations of Kern Medical and KernBHRS.
 - e. Comply with the County Administrative Day Waiver Policy as follows:
 - i. The waiver addresses how many placement contact attempts are required each week and is driven by the number of clinically appropriate facilities available in the area.
 - ii. An appropriate facility is defined as one that has the clinical capability and expertise to safely manage the patient’s active conditions.
 - iii. KernBHRS issues administrative day waivers and may waive the 5 contact attempts per week requirement if there are fewer than five (5) appropriate facilities available.
 - iv. One cannot designate a facility as "inappropriate" based on availability of beds or how full the facility is.
 - v. There must be in all cases no less than one (1) placement contact attempt per week if an administrative day waiver is issued.
 - vi. Documentation must be present in the clinical record or on a log reflecting when, where, who, and status of each placement attempt made.
 - vii. Each waiver is case/patient specific thus requiring separate waivers issued for each individual situation.

2. Benefits & Liability Matrix:
 - a. The following grid indicates how benefits and medical liability payments will be adjudicated based on
 - i. Who employs the provider
 - ii. Location of Job Duties
 - b. Assumptions used in the matrix are as follows:
 - i. Finance to pay amounts owed each month.
 - ii. Reconciliation between entities to be settled quarterly.
 - iii. The entity employing the physician holds the Medical Liability Policy for that physician.
 - iv. Location of Job Duties dictates who is financially responsible for Salary, Wages, Benefits, Liability Premium, and Settlement payments.
 - v. Bidirectional information sharing between entities is expected to support the Hospital Authority finance protocol for split billing when necessary.

Benefits and Liability Matrix:

Provider Employed By	Location of Job Duties	Entity Contracts With	Responsible for SALARY	Responsible for BENEFITS	Responsible for LIABILITY PREMIUM	Holds Medical Liability Policy	Pays Settlements	Bills for SWB & Liability Reimbursement
Kern Medical	Kern Medical (100%)	N/A	Kern Medical	Kern Medical	Kern Medical	Kern Medical	Kern Medical	N/A
	KernBHRS	KernBHRS contracts with Kern Medical	KernBHRS	KernBHRS	KernBHRS		KernBHRS	Kern Medical Bills KernBHRS
	Mixed	Bi-directional Contract	Split Respective Portion	Split Respective Portion	Split Respective Portion		Depends on Location of Service	Kern Medical Bills KernBHRS
KernBHRS	Kern Medical (100%)	Kern Medical contracts with KernBHRS	Kern Medical	Kern Medical	Kern Medical	KernBHRS	Kern Medical	KernBHRS Bills Kern Medical
	KernBHRS	N/A	KernBHRS	KernBHRS	KernBHRS		KernBHRS	N/A
	Mixed	Bi-directional Contract	Split Respective Portion	Split Respective Portion	Split Respective Portion		Depends on Location of Service	KernBHRS Bills Kern Medical

3. Compensation: KernBHRS will compensate Kern Medical for services provided as follows:

- a. Annual acute inpatient bed day rate will be negotiated on an annual basis as agreed by both parties. KernBHRS will compensate Kern Medical at the rate of **ONE THOUSAND EIGHT HUNDRED DOLLARS (\$1,800)** per day, per hospitalized patient, both Kern County patients with Medi-Cal and Kern County patients without a payer source, inclusive of labs, medications, and physician services, for fiscal year 2017/2018.
- b. Kern Medical will be reimbursed the per diem rate for Administrative Bed Days as determined by the Department of Health Care Services.
- c. Kern Medical will be compensated for services rendered to the Dually Eligible (Medi-Cal /Medicare) population as follows:
 - i. Kern Medical will bill Medicare initially
 - ii. Hospital Authority will submit a Treatment Authorization Request (TAR) to KernBHRS for Medi-Cal authorization of services not otherwise covered by Medicare.
- d. Treatment Authorization Requests (TARs) for both Medi-Cal beneficiaries and for unfunded individuals will be submitted to the KernBHRS Authorization Unit for processing. All Medi-Cal TARs for bed days meeting medical necessity will be authorized and forwarded to the Medi-Cal fiscal intermediary for payment. TARS for unfunded individuals will be accompanied by a claim for payment. All TARs for bed days meeting medical necessity for unfunded individuals will be authorized and will be processed through KernBHRS Finance Division team for payment.
 - i. TARs not meeting medical necessity will be denied payment. All denials will be reviewed and authorized by a physician. Kern Medical may appeal a decision, utilizing the established appeal process.

- e. KernBHRS will reimburse KMC for fifty percent of the total cost of the Chair of Psychiatry up to the maximum amount listed in the Summary Table C-1 below. Kern Medical will provide supporting documentation demonstrating the cost. Kern Medical will present these charges to KernBHRS on a quarterly basis. KernBHRS will pay via journal voucher after verifying the charges.
- f. Kern Medical and KernBHRS will share the cost of the residents' salary and benefits equally per the Summary Table C-1 below. The cost of physicians employed by Kern Medical and assigned to KernBHRS will be reimbursed by KernBHRS based on the time spent working for KernBHRS. Kern Medical will provide time cards and other supporting documentation to KernBHRS for review and approval of the charges. KernBHRS will reimburse Kern Medical via journal voucher after approving the charges. KernBHRS will have ten days to approve charges after receipt of supporting documentation.
- g. KernBHRS shall provide Kern Medical with Encounter Level Data Reports for care rendered to the uninsured population on a monthly basis for purposes of reporting to the Medi-Cal 2020 Global Payment Program (GPP).
- h. From July 1, 2016 through December 5, 2016, KernBHRS will use Short Doyle billing methodology to reimburse claims received from Kern Medical. From December 6, 2016 through the termination of this Agreement, following the receipt of TARs from Kern Medical, KernBHRS will use the fee for service methodology to reimburse/process claims from Kern Medical.
 - i. KernBHRS is required to submit a Mental Health cost report on or before September 30th after the close of the county fiscal year. The cost report shall be prepared in the format required by the county and by the State of California. The costs reported shall be in compliance with Public Law 98-502, the Federal Single Audit Act of 1984, and the Single Audit Act Amendments of 1996, Office of Management and Budget (OMB) Circular A-133, 2 CFR Parts 200, 215, 220, 225, and 230, and CFR 48 subpart 31.2, as applicable. Compensation for services rendered subsequent to September 30th shall be withheld from Kern Medical until the cost report has been delivered.
 - ii. Requests to extend the deadline of cost report submission must be made in writing to the Department's Finance Manager.
 - iii. KCHA may use unaudited financial statements as the basis of cost information for completion of the cost report. KCHA shall forward a copy of the unaudited financial statements to County along with the completed cost report and any work papers necessary to support the amounts reported. Unaudited financial statements include, but are not limited to, trial balance and general ledger detail.
 - iv. At the County's discretion, KCHA may be required to attend cost report training before the cost report due date. County staff will provide training. The training may be a group presentation or provided on an individual basis.
 - v. KCHA agrees to maintain and make available to County accurate books and records relative to all activities of the organization, including client information and information included in personnel records, limited to that needed for the verification of credentialing, experience and background. Review of the organization's personnel files shall be subject to applicable confidentiality laws. KCHA shall maintain such data and records in an accessible location and condition for a minimum of seven (7) years after the close of the fiscal year in which services are rendered or until all audit issues are resolved, whichever is later. The state of California and/or any federal agency having an interest in the subject of this agreement shall have the same rights conferred upon county herein.
 - vi. Monitoring and other reviews may be conducted by DHCS or other governing bodies in

accordance with regulations in effect during this agreement. County will recoup payments for all claims disallowed from KCHA as authorized by Title IX of the California Code of Regulations (CCR), Chapter 11, Section 1810.380. Upon receiving notification of disallowed claims, County will send a demand notice to KCHA. KCHA shall reimburse county within thirty (30) days of the date of the demand notice. If disallowed claims are not paid to County within thirty (30) days of the date of the demand notice, County may exercise the option to withhold payments from KCHA until such time as payment is received in full. For all cases, County amounts withheld from KCHA shall be considered as payments to KCHA.

- vii. KCHA shall permit county to audit, examine, and make excerpts and transcripts from such records; and to conduct audits, reviews and monitoring of Medi-Cal and financial records; and all other data related to matters covered by this agreement. At County's discretion, county may request that KCHA deliver by mail or electronic transmission to the county, a copy of KCHA's accounting records prior to an on-site audit by the county. Failure by KCHA to allow review shall be a material breach of this agreement by KCHA. County, at its sole option, may terminate this agreement and obtain damages from KCHA resulting from said breach, or county may exercise the option to withhold payments from the KCHA until such time as all required documents are made available. Further, as one component of Medi-Cal records review and financial monitoring KCHA may be required, at the sole option of county, to complete a Corrective Action Plan. County may exercise the option to withhold payments from the KCHA until such time as the county accepts the Corrective Action Plan.
- viii. At KCHA's expense, KCHA is required to submit an independent audit report of its financial statements no later than nine (9) months after the close of KCHA's fiscal year. The audit report shall be performed by a Certified Public Accountant licensed to perform attestations in the state of California. The independent audit shall be conducted in conformity with Public Law 98-502, the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, OMB Circular A-133, 2 CFR Parts 215, 220, 225 and 230, and CFR 48 subpart 31.2, the American Institute of Certified Public Accountants, and/or Government Auditing Standards, as applicable.
 - a. The independent auditor engaged by KCHA shall be required by KCHA to prepare a description of KCHA's methods used to allocate costs to the various programs included in the Statement of Functional Expense. If the complete audit report is not submitted to the county by the due date, county may exercise the option to withhold payments from KCHA until such time as the audit report has been provided.
 - b. Failure to submit the independent audit within the timeframe stipulated in Paragraph 6.D.i. may result in sanctions such as withholding of payments, corrective action notices, or any other actions deemed necessary to prompt and ensure contract and performance compliance.
 - c. The independent auditor engaged by KCHA to conduct the independent audit shall be instructed and authorized by KCHA to send the Director and the Kern County Auditor-Controller-County Clerk a copy of the audit report and management report prepared by the independent auditor as a part of the engagement. Should the independent auditor prepare any other reports about KCHA's performance, internal control, adherence to applicable laws, rules and regulations or any other matters such other reports shall also be copied to

Director and the Kern County Auditor-Controller-County Clerk by the independent auditor.

- ix. The annual cost report establishes state and federal liability to the Department for services represented in the cost report. The settlement process begins with the submission of the Department's cost report to the state, following the close of the fiscal year.
 - x. KCHA shall maintain and preserve all fiscal records, documents, and correspondence related to this agreement for a minimum period of five (5) years after the close of the fiscal year in which services are rendered, or three (3) years after final payment is made (Medi-Cal or MHSA), or until all audit issues are resolved, whichever is later.
 - xi. KCHA shall maintain all financial, statistical or accounting records associated with the provision of each type of service described in Exhibit "A" of this agreement, necessary to support the costs claimed pursuant to this agreement or any other federal or state reimbursement claim report forms. Moreover, KCHA shall maintain all statistical data necessary to support the allocation of such cost among programs or types of programs and/or among payers; shall maintain auditable records, in accordance with generally accepted accounting principles, reflecting the methods and calculations used to make such allocations; and such other statistical data as shall be necessary to satisfy the requirements of state and federal law.
 - xii. KCHA shall make any and all records, whether fiscal or other, generated pursuant to this agreement available for county's inspection. At County's discretion, County may request that KCHA deliver by mail or electronic transmission to the county, a copy of KCHA's accounting records prior to an on-site audit by the county. The State of California and/or federal agency having an interest in the subject of this agreement shall have the same rights conferred upon the county herein.
 - xiii. Funds provided to Kern Medical may be from one or more of the funding sources detailed in Exhibit C -1; however, KernBHRS may vary the allocated amount of each funding source within a budget unit, by formal amendment, duly executed by the parties. All expenses must be necessary and reasonable for the proper and efficient administration of Kern Medical's services. KernBHRS shall pay Kern Medical for services which were entered in the Cerner EHR by Kern Medical staff.
 - xiv. Monitoring and other reviews may be conducted by DHCS or other governing bodies in accordance with regulations in effect during this agreement.
 - xv. All of KCHA's sites where contracted services are provided must be certified in accordance with Medi-Cal Regulations and the Americans with Disabilities Act (ADA). Official fire clearance must take place prior to service provision. If a site is not Medi-Cal certified, or if the renewal is delinquent, the KCMH will not bill Medi-Cal, or forward payment to KCHA until site certification is obtained.
 - xvi. KernBHRS and Kern Medical shall abide by KernBHRS's Medical Records Review Policy 11.1.6 and attachments A, B, C, D, E and F of the policy.
- i. Reimbursement. KernBHRS will reimburse Kern Medical for services provided in accordance with Exhibit "A" up to the maximum amount set forth in this Exhibit. Funds provided to Kern Medical may be from one or more of the funding sources detailed in this Exhibit; however, KernBHRS may vary the allocated amount of each funding source within a budget unit, by formal amendment, duly executed by the parties.

- i. In no event will the maximum amount payable by KernBHRS to KMC, pursuant to this Agreement, exceed the aggregate sum set forth in Exhibit "C-1", unless the Agreement is modified by formal amendment, duly executed by the parties.
 - ii. The maximum contract funding shown in Exhibit "C-1" absolutely limits KernBHRS's liability to Kern Medical for services provided under this Agreement, in total for the Agreement as a whole, and individually for each funding source.
 - iii. No funds paid to Kern Medical through this Agreement will be utilized to compensate employees of Kern Medical for overtime or compensatory time off, except to the extent that Kern Medical is required to pay for overtime or compensatory time off, pursuant to the Fair Labor Standards Act of 1938, 29 United States Code (USC) Section 201, et seq., or applicable state law.
 - iv. TARs for Inpatient Bed Days must be submitted to KernBHRS's Authorization Unit no later than 14 days following the discharge of both Kern County Medi-Cal beneficiaries and Kern County unfunded individuals.
 - v. Kern Medical will be liable for and accountable to KernBHRS for any and all program funds improperly expended under this Agreement by Kern Medical or any officer, employee, agent or representative thereof, whether or not such officer, employee, agent or representative was acting within the scope of his or her employment. KernBHRS will notify Kern Medical in writing of any findings supporting a determination of such improper expenditure and will conduct a conference with Kern Medical about such findings. Kern Medical will reimburse KernBHRS the amount of any such improper expenditure upon demand.
 - vi. Kern Medical will determine the availability of any third-party insurance or payer source available to client, and notify KernBHRS if any is available
- h. Evaluation. KernBHRS will periodically evaluate Kern Medical's program(s) costs for the purpose of assessing the reasonableness of KernBHRS's payments for services provided. Kern Medical will be provided reasonable notice if additional contractual and/or service delivery issues are to be reviewed. Kern Medical is expected to prepare necessary reports and other material to adequately explain KMC's use of funds as specified in Exhibit "C-1" of this Agreement. KernBHRS may prescribe specific report formats and data content as deemed necessary at the sole discretion of KernBHRS.
- i. Monitoring and other reviews may be conducted by DHCS or other governing bodies in accordance with regulations in effect during this Agreement. KernBHRS will recoup payments for all claims disallowed from KMC as authorized by Title IX of the California Code of Regulations (CCR), Chapter 11, Section 1810.380. Upon receiving notification of disallowed claims, KernBHRS will send a demand notice to Kern Medical. Kern Medical will reimburse KernBHRS within thirty (30) days of the date of the demand notice. If disallowed claims are not paid to KernBHRS within thirty (30) days of the date of the demand notice, KernBHRS may exercise the option to withhold payments from Kern Medical until such time as payment is received in full. For all cases, KernBHRS amounts withheld from Kern Medical will be considered as payments to Kern Medical.
- i. Dispute and Issue Resolution
- i. Should a dispute occur concerning a Party's performance or a Party's interpretation of specific terms of this Agreement, including, but not limited to, the validity of

overpayment demands and proposed budget modifications, the Parties shall notify the county's Crisis SOC Administrator or Kern Medical's Chief Medical Officer of this issue within sixty (60) days of its occurrence. Such notification shall include specific identification of the issue(s) under dispute, the Party's factual basis for the issue, the Party's proposed solutions, and the documentary support for the solutions.

- ii. The county's Crisis SOC Administrator and or Kern Medical's Chief Medical Officer may convene a conference between KernBHRS and Kern Medical as part of the decision-making process. The decision made by the County's Crisis SOC Administrator shall be in writing and shall contain sufficient factual data and documentary evidence to explain the decision.
 - iii. If Kern Medical disputes the decision made by County's Crisis SOC Administrator, Kern Medical may request that the Director of KernBHRS, or the Director's designee, review the decision. Such request shall be in writing and received by the Director, or the Director's designee, within fifteen (15) workdays of the date of the Crisis SOC Administrator's decision. Such request shall include identification of the items under dispute, Kern Medical's proposed solutions in summary form, the date of the Crisis SOC Administrator's decision and any additional information Kern Medical deems necessary in support of its position. The Director, or the Director's designee, shall have fifteen (15) workdays from the date of receipt of Kern Medical's request to render a final administrative decision. The Director, or the Director's designee, may convene a conference between KernBHRS and Kern Medical as a part of the decision making process. The decision of the Director, or the Director's designee, shall be the final administrative decision. Nothing in this Agreement prevents Kern Medical from seeking judicial review of such a final administrative decision.
 - iv. Pending conclusion of any dispute, the interpretation placed upon the Agreement by county will govern operation hereunder and Kern Medical shall proceed diligently with the performance of the Agreement or Kern Medical may terminate this Agreement in the manner set forth in this Agreement.
- j. Kern Medical Appeal Process. Kern Medical may appeal a denied or modified request for county payment authorization or a dispute with county concerning the processing or payment of a provider's claim to county.
- i. The written appeal shall be submitted to county within ninety (90) calendar days of the date of receipt of the non-approval of payment or within ninety (90) calendar days of county's failure to act on the request in accordance with time frames required by the California Code of Regulations, Title IX, "Provider Appeal Process".
 - ii. County has sixty (60) calendar days from its receipt of the appeal to inform Contractor in writing of the decision, including a statement of the reasons for the decision that addresses each issue raised by Kern Medical, and any action required by Kern Medical to implement the decision.

- iii. If the appeal is not granted in full, Kern Medical shall be notified of any right to submit an appeal to the department as required by the California Code of Regulations, Title IX.
- iv. If applicable, Kern Medical shall submit a revised request for county payment authorization within thirty (30) calendar days from receipt of county's decision.
- v. If applicable, county shall have fourteen (14) calendar days from the date of receipt of Kern Medical's revised request for county payment authorization to submit the documentation to the Medi-Cal fiscal intermediary that is required to process the county's payment authorization
- vi. If county does not respond within sixty (60) calendar days to the appeal, the appeal shall be considered denied in full by the Mental Health Plan.

SUMMARY TABLE C-1

Summary Table	Realignment				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Acute Inpatient Bed Days	\$ 2,150,000	\$2,000,000	*	*	*
Administrative Bed Days	\$ 450,000	\$100,000	*	*	*
Reimbursement for Chair of Psychiatry	\$ 250,000	\$ 260,000	\$ 270,000	\$ 280,000	\$ 290,000
Resident Reimbursement	\$ 1,500,000	\$3,213,997	*	*	*
Medi-Cal/Medicare Dual Eligible	See #3 Above	See #3 Above	See #3 Above	See #3 Above	See #3 Above

*Annual Inpatient Bed Day rate will be negotiated annually between both parties. Administrative Bed Day Rate is determined Annually by the State of CA, DHCS according to the County Interim Rate Table for Medi-Cal Reimbursement.

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Kern County Hospital Authority, Chief Financial Officer Report

Recommended Action: Receive and File

Summary: Comments regarding Budget Variances for Operating Expenses – April 2017

Other Professional Fees:

- Other Professional Fees have an unfavorable budget variance for the month of April 2017 due to fees paid to the law firms of Hall, Hieatt, & Connely, Liebert, Cassidy, & Whitmore and Hammel, Green, & Abrahamson. The following consulting firms were also paid higher than average fees for April 2017: Mercer, Cerner, Kapsis, and Paytech Consulting.

Supplies:

- Supplies have an unfavorable budget variance for the month of April 2017 due in part to increased expenses paid to Zones for information systems infrastructure and minor equipment purchases. There were also higher than average supplies expenses for the vendors Medline, Medtronics, and Cardinal Pharmaceuticals. Also, a process change within the Materials Management inventory system has caused a temporary timing issue regarding supply orders that has contributed to the increase in total supplies expense.

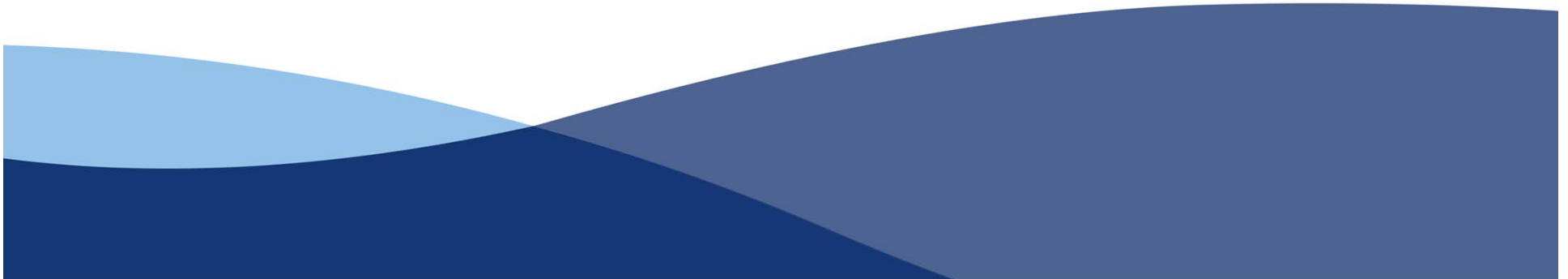
Purchased Services:

- Purchased Services have an unfavorable budget variance for the month of April 2017 due in part to Medi-Cal Inpatient Program (MCIP) claims. MCIP claims are for inmate services that are contracted out to local area providers for services that are not provided by Kern Medical. There were also higher than average expenses for the month paid to CSS Consulting, Health Advocates, and Signature Performance.



**BOARD OF GOVERNORS' FINANCIAL REPORT
KERN MEDICAL – APRIL 2017**

JUNE 2017



3-Month Trend Analysis: Revenue & Expense						
April 30, 2017						
	FEBRUARY	MARCH	APRIL	BUDGET APRIL	VARIANCE POS (NEG)	PY APRIL
Gross Patient Revenue	\$ 62,969,164	\$ 72,264,078	\$ 64,408,959	\$ 64,953,741	(0.8%)	\$ 67,874,694
Contractual Deductions	(45,371,614)	(49,985,313)	(44,965,492)	(49,456,486)	(9%)	\$ (51,749,036)
Net Revenue	17,597,550	22,278,765	19,443,467	15,497,255	25%	16,125,658
Indigent Funding	7,687,781	7,752,166	12,802,173	6,654,481	92%	8,850,149
Correctional Medicine	1,976,045	1,976,045	1,976,045	1,879,809	5%	967,272
County Contribution	284,511	285,211	285,211	287,671	(1%)	611,046
Incentive Funding	0	0	0	833,333	(100%)	1,000,000
Net Patient Revenue	27,545,887	32,292,187	34,506,896	25,152,549	37%	27,554,125
Other Operating Revenue	1,038,849	809,739	866,608	1,259,431	(31%)	1,030,454
Other Non-Operating Revenue	86,155	214,841	66,546	21,472	210%	342,104
Total Operating Revenue	28,670,891	33,316,767	35,440,050	26,433,452	34%	28,926,683
Expenses						
Salaries	10,299,399	11,670,945	11,000,039	10,668,148	3%	9,698,442
Employee Benefits	5,021,834	6,098,607	12,347,535	5,286,618	134%	5,188,864
Contract Labor	798,458	893,481	931,525	625,840	49%	580,997
Medical Fees	1,453,623	1,466,418	1,530,462	1,346,879	14%	1,304,399
Other Professional Fees	1,901,957	2,068,825	1,948,606	1,496,397	30%	1,724,119
Supplies	4,158,635	4,911,973	4,293,927	3,572,099	20%	4,826,260
Purchased Services	1,675,851	2,075,646	1,662,381	1,175,310	41%	1,892,711
Other Expenses	1,304,296	1,306,633	1,169,715	1,471,993	(21%)	1,317,998
Operating Expenses	26,614,052	30,492,528	34,884,190	25,643,284	36%	26,533,790
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	2,056,838	2,824,239	555,860	790,168	(30%)	2,392,893
EBIDA Margin	7%	8%	2%	3%	(48%)	8%
Interest	17,313	19,168	18,550	48,361	(62%)	30,204
Depreciation	467,888	501,432	474,958	386,775	23%	417,945
Amortization	28,424	5,188	17,548	48,191	(64%)	60,619
Total Expenses	27,127,677	31,018,316	35,395,246	26,126,611	35%	27,042,558
Operating Gain (Loss)	1,543,213	2,298,451	44,804	306,841	(85%)	1,884,125
Operating Margin	5%	7%	0%	1.2%	(89%)	7%

Year-to-Date: Revenue & Expense

April 30, 2017

	ACTUAL FYTD	BUDGET FYTD	VARIANCE POS (NEG)	PY FYTD	PY VARIANCE POS (NEG)
Gross Patient Revenue	\$ 663,856,143	\$ 660,585,381	0.5%	\$ 609,899,699	9%
Contractual Deductions	(496,650,823)	(503,187,159)	(1%)	\$ (455,480,973)	9%
Net Revenue	167,205,320	157,398,222	6%	154,418,726	
Indigent Funding	101,283,159	67,432,072	50%	73,086,232	39%
Correctional Medicine	19,749,510	19,048,726	4%	11,230,702	76%
County Contribution	2,863,049	2,915,068	(2%)	6,212,301	(54%)
Incentive Funding	1,698,630	8,333,335	(80%)	10,500,000	(84%)
Net Patient Revenue	292,799,668	255,127,423	15%	255,447,961	15%
Other Operating Revenue	9,370,017	12,762,249	(27%)	10,722,396	(13%)
Other Non-Operating Revenue	965,395	217,583	344%	1,006,134	(4%)
Total Operating Revenue	303,135,080	268,107,255	13%	267,176,491	13%
Expenses					
Salaries	111,181,505	108,293,244	3%	102,532,384	8%
Employee Benefits	61,759,688	53,686,033	15%	52,410,168	18%
Contract Labor	8,754,980	6,364,807	38%	5,328,410	64%
Medical Fees	14,130,730	13,648,377	4%	12,672,779	12%
Other Professional Fees	17,204,856	15,163,503	13%	14,819,793	16%
Supplies	41,463,575	36,328,919	14%	41,118,793	1%
Purchased Services	14,955,660	11,910,232	26%	11,648,130	28%
Other Expenses	12,680,238	15,359,630	(17%)	12,981,309	(2%)
Operating Expenses	282,131,231	260,754,745	8%	253,511,766	11%
Earnings Before Interest, Depreciation, and Amortization (EBIDA)	21,003,848	7,352,510	186%	13,664,725	54%
EBIDA Margin	7%	3%	153%	5%	35%
Interest	193,013	490,053	(61%)	291,277	(34%)
Depreciation	4,727,907	3,919,319	21%	3,972,405	19%
Amortization	219,571	488,335	(55%)	494,953	(56%)
Total Expenses	287,271,722	265,652,452	8%	258,270,401	11%
Operating Gain (Loss)	15,863,357	2,454,803	546%	8,906,090	78%
Operating Margin	5%	1%	472%	3%	57%

3-Month Trend Analysis: Cash Indicators

April 30, 2017

					BUDGET	VARIANCE	PY
		FEBRUARY	MARCH	APRIL	APRIL	POS (NEG)	APRIL
CASH							
	Total Cash	66,947,825	53,266,517	40,734,737	30,639,382	33%	1,549,927
	Days Cash On Hand	70	54	35	36	(2%)	2
	Days In A/R - Gross	96.2	88.2	90.6	76.0	19%	85.6
	Patient Cash Collections	\$ 18,569,997	\$ 22,656,142	\$ 17,319,639	N/A	N/A	\$ 16,541,403
	Patient Cash Goal	\$ 18,569,997	\$ 17,654,037	\$ 17,170,387	N/A	N/A	\$ 17,580,607
	Projected Year End Cash Balance	44,855,082	44,855,082	44,855,082	N/A	N/A	N/A

3-Month Trend Analysis: Operating Metrics

April 30, 2017

					BUDGET	VARIANCE	PY
		FEBRUARY	MARCH	APRIL	APRIL	POS (NEG)	APRIL
Operating Metrics							
Total Expense per Adjusted Admission		19,448	19,599	24,570	18,449	33%	19,171
Total Expense per Adjusted Patient Day		3,849	3,957	4,765	3,438	39%	3,463
Supply Expense per Adjusted Admission		2,981	3,104	2,981	2,522	18%	3,421
Supply Expense per Surgery		1,891	1,269	1,758	1,631	8%	2,175
Supplies as % of Net Patient Revenue		15%	18%	12%	14%	(12.4%)	18%
Pharmaceutical Cost per Adjusted Admission		982	1,233	1,006	1,112	(10%)	1,638
Net Revenue Per Adjusted Admission	\$	12,616	\$ 11,148	\$ 13,497	\$ 10,943	23%	\$ 11,432

Year-to-Date: Operating Metrics

April 30, 2017

	ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
	FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
Operating Metrics					
Total Expense per Adjusted Admission	19,276	20,603	(6%)	20,195	(5%)
Total Expense per Adjusted Patient Day	3,801	3,453	10%	3,492	9%
Supply Expense per Adjusted Admission	2,782	2,817	(1%)	3,215	(13%)
Supply Expense per Surgery	1,760	1,631	8%	1,785	(1%)
Supplies as % of Net Patient Revenue	14%	14%	1.0%	16%	(11%)
Pharmaceutical Cost per Adjusted Admission	1,076	1,242	(13%)	1,520	(29%)
Net Revenue Per Adjusted Admission	\$ 10,909	\$ 12,207	(10.6%)	\$ 12,075	(10%)

INDIGENT PATIENT CARE FUNDING - MTD & YTD

FOR THE MONTH APRIL 30 , 2017

MTD ACTUAL	MTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %	DESCRIPTION	YTD ACTUAL	YTD BUDGET	VAR \$ FAV/(UNFAV)	VAR %
301,335	334,816	(33,481)	-10.0%	MEDI-CAL HOSPITAL QUALITY ASSURANCE FEE	3,053,525	3,392,807	(339,282)	-10.0%
2,083,625	920,297	1,163,328	126.4%	MEDI-CAL EXPANSION REVENUE FROM HMO	23,280,556	9,325,678	13,954,878	149.6%
75,533	189,927	(114,394)	-60.2%	COUNTY REALIGNMENT FUNDS	1,824,220	1,924,586	(100,366)	-5.2%
984,098	929,387	54,711	5.9%	MEDI-CAL SUPPLEMENTAL FUNDING	18,467,155	9,417,780	9,049,375	96.1%
2,768,769	2,345,671	423,098	18.0%	PRIME - NEW WAIVER	22,050,186	23,769,468	(1,719,282)	-7.2%
1,740,945	1,934,383	(193,438)	-10.0%	GPP - NEW WAIVER	22,020,904	19,601,753	2,419,151	12.3%
4,847,868	0	4,847,868	0.0%	WHOLE PERSON CARE	10,489,668	0	10,489,668	0.0%
12,802,173	6,654,481	6,147,692	92.4%	SUB-TOTAL - GOVERNMENTAL REVENUE	101,283,093	67,432,072	33,851,021	50.2%
1,976,045	1,879,809	96,236	5.1%	CORRECTIONAL MEDICINE	19,749,510	19,048,726	700,784	3.7%
285,211	287,671	(2,460)	-0.9%	COUNTY CONTRIBUTION	2,863,049	2,915,068	(52,019)	-1.8%
15,063,429	8,821,961	6,241,468	70.7%	TOTAL INDIGENT CARE & COUNTY FUNDING	123,895,652	89,395,866	34,499,786	38.6%

OTHER REVENUE

FOR THE MONTH APRIL 30, 2017

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	936	493	443	7,180	4,997	2,183
OTHER CO. DEPT. REIMBURSEMENT	22,101	13,775	8,326	302,416	139,591	162,825
EMS REVENUE (SB-612)	0	68,964	(68,964)	391,860	698,846	(306,986)
FEDERAL INMATE REVENUE	0	52,837	(52,837)	(47,071)	535,414	(582,485)
MEDICAL RECORDS FEES	2,319	1,934	385	22,610	19,605	3,005
X-RAY COPY FEES	0	0	0	40	0	40
MEDICAL SCHOOL STUDENT FEES	334,787	375,796	(36,454)	3,339,367	3,808,063	(422,541)
JURY/WITNESS FEES	0	0	0	2,214	0	2,214
CANCELLED OUTLAWED WARRANTS	46,532	2,665	43,867	48,191	27,006	21,185
WORKER'S COMP REFUNDS	0	0	0	87,522	0	87,522
PROFESSIONAL FEES	101,652	484,848	(383,196)	2,312,813	4,913,117	(2,600,304)
FOUNDATION CONTRIBUTIONS	0	0	0	1,638	0	1,638
PRIMARY CARE INCENTIVE PAYMENTS	813	0	813	1,223	0	1,223
CAFETERIA SALES	77,719	65,919	11,800	724,395	667,982	56,413
FEDERAL-OTHER AID	5,231	0	5,231	54,313	0	54,313
GRANTS	0	0	0	527	0	527
DRUG COMPANY CASH BACK	1,212	0	1,212	1,687	0	1,687
MENTAL HEALTH MOU	182,988	185,792	(2,804)	1,772,234	1,882,694	(110,460)
REBATES & REFUNDS	90,317	6,408	83,909	346,860	64,934	281,926
TOTAL OTHER OPERATING REVENUE	866,608	1,259,431	(388,268)	9,370,019	12,762,249	(3,346,075)
OTHER NON-OPERATING REVENUE						
INTEREST ON COLLECTIONS	7,533	12,466	(4,933)	189,864	126,319	63,545
OTHER MISCELLANEOUS REVENUE	11,138	4,019	2,564	356,166	40,731	269,280
INTEREST ON FUND BALANCE	47,875	4,987	42,888	419,366	50,533	368,833
TOTAL OTHER NON-OPER REVENUE	66,546	21,472	40,520	965,395	217,583	701,657

**KERN MEDICAL
BALANCE SHEET
APRIL 2017**

	April 2017	April 2016
CURRENT ASSETS:		
CASH	\$62,351,794	\$43,373,678
CURRENT ACCOUNTS RECEIVABLE (incl. CLINIC CHARGES RECEIVABLE)	203,212,460	205,276,049
ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES - CURRENT	(162,085,987)	(169,158,355)
-NET OF CONT ALLOWANCES	41,126,473	36,117,694
CORRECTIONAL MEDICINE RECEIVABLE	1,976,045	0
MD SPA	3,807,543	1,271,270
HOSPITAL FEE RECEIVABLE	3,904,183	919,668
CPE - O/P DSH RECEIVABLE	3,959,059	4,182,987
MENTAL HEALTH MOU	545,273	20,833
DSRIP	-	(4,685,066)
MANAGED CARE IGT (RATE RANGE)	13,986,382	6,661,810
RECEIVABLE FROM LIHP	(5,722,111)	(6,674,626)
OTHER RECEIVABLES	1,478,647	1,359,647
PRIME RECEIVABLE	24,503,157	26,425,000
AB85/75% DEFAULT PCP RECEIVABLE	1,978,570	(3,378,116)
GPP (Global Payment Program)	1,900,059	13,769,009
INTEREST ON FUND BALANCE RECEIVABLE	47,875	1,324
MANAGED CARE IGT (SPD)	68,546	0
OTHER NON PATIENT RECEIVABLE	2,169,344	305,603
WAIVER RECEIVABLE FY07	(745,824)	(745,824)
WAIVER RECEIVABLE FY08	(6,169,000)	(6,169,000)
WAIVER RECEIVABLE FY09	(2,384,000)	(2,384,000)
WAIVER RECEIVABLE FY10	579,696	579,696
WAIVER RECEIVABLE FY11	(10,493,878)	(10,493,878)
WAIVER RECEIVABLE FY12	679,308	679,308
WAIVER RECEIVABLE FY14	0	(22,576,506)
WAIVER RECEIVABLE FY15	(23,770,144)	(4,041,174)
WAIVER RECEIVABLE FY16	(2,819,361)	0
WHOLE PERSON CARE	(5,244,833)	0
PREPAID EXPENSES	3,349,732	2,419,611
PREPAID MORRISON DEPOSIT	794,256	297,090
INVENTORY AT COST	3,492,542	2,916,700
TOTAL CURRENT ASSETS	115,349,333	80,152,737
PROPERTY, PLANT & EQUIPMENT:		
LAND	170,615	168,115
EQUIPMENT	45,909,227	41,345,589
BUILDINGS	82,462,622	82,049,914
CONSTRUCTION IN PROGRESS	3,598,775	1,442,309
LESS: ACCUMULATED DEPRECIATION	(82,772,850)	(78,875,822)
NET PROPERTY, PLANT & EQUIPMENT	49,368,389	46,130,105
NET INTANGIBLE ASSETS		
INTANGIBLE ASSETS	12,072,643	10,347,201
ACCUMULATED AMORTIZATION INTANGIBLES	(10,448,328)	(10,001,921)
NET INTANGIBLE ASSETS	1,624,315	345,280
LONG-TERM ASSETS:		
LONG-TERM PATIENT ACCOUNTS RECEIVABLE		
DEFERRED OUTFLOWS - PENSIONS	49,355,076	54,532,940
CASH HELD BY COP IV TRUSTEE	906,469	895,663
TOTAL LONG-TERM ASSETS	50,261,545	55,428,603
TOTAL ASSETS	\$216,603,581	\$182,056,725

**KERN MEDICAL
BALANCE SHEET
APRIL 2017**

	April 2017	April 2016
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$18,785,688	\$16,347,581
ACCRUED SALARIES & EMPLOYEE BENEFITS	11,829,034	8,074,743
OTHER ACCRUALS	5,352,372	3,929,668
ACCRUED CWCAP LIABILITY	124,654	218,821
CURRENT PORTION - CAPITALIZED LEASES	67,093	66,009
CURR LIAB - COP 2011 PAYABLE	1,032,670	986,694
CURR LIAB - P.O.B.	784,269	384,963
CURR LIAB - COUNTY ADVANCES PAYABLE	0	20,202,900
MEDICARE COST REPORT LIAB PAYABLE	3,403,691	133,204
ACCRUED PROFESSIONAL LIABILITY	3,149,059	5,372,551
HOSPITAL FEE-IGT PAYABLE	1,143,153	1,143,153
MEDI-CAL COST REPORT LIABILITY	738,571	300,224
INDIGENT FUNDING PAYABLE	5,643,227	20,541,534
DSH PAYABLE FY13	24,746,355	0
CREDIT BALANCES PAYABLES	3,766,966	4,193,601
DEFERRED REVENUE - COUNTY CONTRIBUTION	2,090,345	6,307,681
TOTAL CURRENT LIABILITIES	82,657,147	88,203,327
LONG-TERM LIABILITIES:		
LONG-TERM LIABILITY-COP 2011	2,217,410	3,250,080
NET UNAMORTIZED DISCOUNT COP	79,971	99,964
LONG-TERM LIABILITY - CAPITAL LEASES	1,924,541	618,908
NET OPEB (OTHER POST EMPLOYMENT BENEFITS)	5,354,890	6,070,276
NET PENSION LIABILITY	345,262,534	330,492,938
L.T. LIAB. - P.O.B. INTEREST PAYABLE 08	17,201,707	19,106,826
L.T. LIAB. - P.O.B. INTEREST PAYABLE 03	3,528,303	3,159,534
L.T. P.O.B. PAYABLE 03	18,326,891	19,754,383
L.T. P.O.B. PAYABLE 08	5,392,893	5,392,893
DEFERRED INFLOWS - PENSIONS	15,299,688	33,503,503
PENSION OBLIGATION BOND PAYABLE	4,721,626	5,775,894
ACCRUED COMPENSATED ABSENCES	14,891,557	9,799,024
TOTAL LONG-TERM LIABILITIES	434,202,011	437,024,223
FUND BALANCE		
RETAINED EARNINGS - CURRENT YEAR	15,863,359	8,906,081
RETAINED EARNINGS - PRIOR YEAR	(316,118,936)	(352,076,906)
TOTAL NET POSITION	(300,255,577)	(343,170,825)
TOTAL LIABILITIES & FUND BALANCES	\$216,603,581	\$182,056,725

BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING

June 21, 2017

Subject: Kern County Hospital Authority, Chief Executive Officer Report

Recommended Action: Receive and File

Summary:

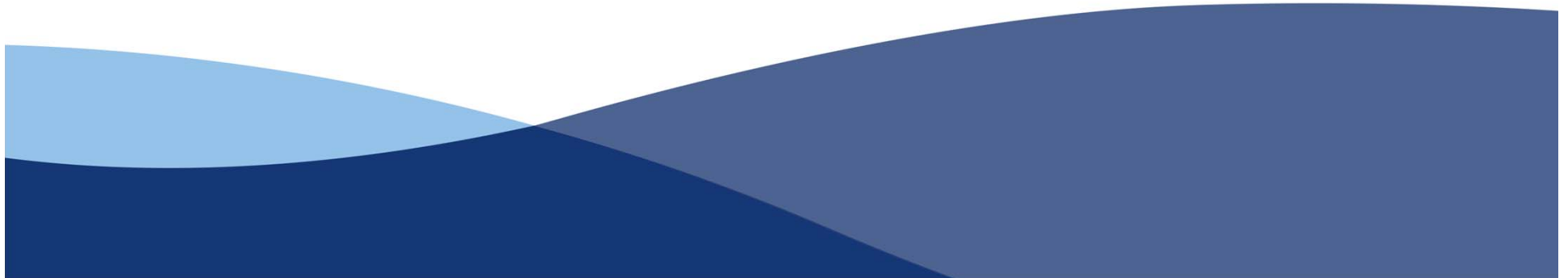
The Chief Executive Officer has provided the attached 3-month trend Analysis: Volume and Strategic Indicators for Kern Medical.



150 YEARS
Health for Life.

**BOARD OF GOVERNORS' VOLUMES REPORT
KERN MEDICAL – APRIL 2017**

JUNE 2017



3-Month Trend Analysis: Volume and Strategic Indicators

April 30, 2017

					BUDGET	VARIANCE	PY
		FEBRUARY	MARCH	APRIL	APRIL	POS (NEG)	APRIL
VOLUME							
	Adjusted Admissions (AA)	1,395	1,583	1,441	1,416	2%	1,411
	Adjusted Patient Days	7,049	7,839	7,428	7,600	(2%)	7,810
	Admissions	770	830	774	758	2%	757
	Average Daily Census	139	133	133	136	(1.9%)	140
	Patient Days	3,891	4,111	3,991	4,068	(1.9%)	4,191
	Available Occupancy %	64.9%	62.0%	62.2%	63.4%	(1.9%)	65.3%
	Average LOS	5.1	5.0	5.2	5.4	(4%)	5.5
	Surgeries						
	Inpatient Surgeries (Main Campus)	256	263	257	237	8%	257
	Outpatient Surgeries (Main Campus)	230	294	246	236	4%	246
	Total Surgeries	486	557	503	473	6%	503
	Births	187	209	213	245		191
	ER Visits						
	Admissions	402	457	425	346	23%	443
	Treated & Released	2,807	3,138	3,206	3,175	1%	3,273
	Total ER Visits	3,209	3,595	3,631	3,521	3%	3,716
	Outpatient Clinic Visits						
	Total Clinic Visits	10,230	12,495	10,733	8,352	29%	9,748

Year-to-Date: Volume and Strategic Indicators

April 30, 2017

		ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
		FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
VOLUME						
	Adjusted Admissions (AA)	14,903	12,894	16%	12,789	17%
	Adjusted Patient Days	75,572	76,932	(2%)	73,956	2%
	Admissions	7,978	6,876	16%	6,864	16%
	Average Daily Census	132	136	(2%)	140	(5%)
	Patient Days	40,253	41,179	(2%)	40,413	(0.4%)
	Available Occupancy %	61.9%	63.3%	(2%)	62.1%	(0.4%)
	Average LOS	5.0	6.0	(16%)	5.9	(14%)
	Surgeries					
	Inpatient Surgeries (Main Campus)	2,406	2,321	4%	2,170	11%
	Outpatient Surgeries (Main Campus)	2,578	2,487	4%	2,638	(2%)
	Total Surgeries	4,984	4,808	4%	4,808	4%
	Births	2,192	2,479	(12%)	1,928	14%
	ER Visits					
	Admissions	4,098	3,380	21%	3,827	7%
	Treated & Released	32,976	30,975	6%	32,030	3%
	Total ER Visits	37,074	34,355	8%	35,857	3%
	Outpatient Clinic Visits					
	Total Clinic Visits	108,184	84,510	28%	99,843	8%

3-Month Trend Analysis: Payor Mix
April 30, 2017

	FEBRUARY	MARCH	APRIL	BUDGET APRIL	VARIANCE POS (NEG)	PY APRIL
PAYOR MIX - Charges						
Commercial FFS	6.1%	4.3%	4.5%	4.1%	9%	5.4%
Commercial HMO/PPO	4.7%	6.1%	6.8%	4.7%	44%	5.6%
Medi-Cal	24.9%	24.1%	22.2%	29.5%	(25%)	26.8%
Medi-Cal HMO - Kern Health Systems	31.7%	31.8%	31.7%	21.4%	48%	20.6%
Medi-Cal HMO - Health Net	9.6%	9.7%	9.3%	5.6%	66%	6.2%
Medi-Cal HMO - Other	1.3%	1.3%	1.0%	13.6%	(93%)	11.8%
Medicare	7.9%	9.5%	9.8%	10.3%	(5%)	9.4%
Medicare - HMO	1.9%	2.3%	1.4%	2.0%	(29%)	2.5%
County Programs	2.7%	2.0%	2.4%	0.9%	167%	2.8%
Workers' Compensation	0.7%	0.7%	0.6%	1.7%	(65%)	0.6%
Self Pay	8.5%	8.2%	10.3%	6.2%	66%	8.3%
Total	100.0%	100.0%	100.0%	100.0%		100.0%

Year-to-Date: Payor Mix

April 30, 2017

	ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
	FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
PAYOR MIX - Charges					
Commercial FFS	4.3%	4.5%	(5%)	4.5%	(4%)
Commercial HMO/PPO	6.3%	4.3%	45%	5.5%	15%
Medi-Cal	27.3%	28.8%	(5%)	29.7%	(8%)
Medi-Cal HMO - Kern Health Systems	29.7%	23.0%	29%	20.7%	44%
Medi-Cal HMO - Health Net	9.4%	7.5%	25%	5.3%	78%
Medi-Cal HMO - Other	1.1%	10.4%	(89%)	10.6%	(89%)
Medicare	9.5%	8.9%	7%	9.2%	3%
Medicare - HMO	2.0%	2.4%	(18%)	2.1%	(5%)
County Programs	2.3%	1.6%	41%	3.6%	(36%)
Workers' Compensation	0.6%	1.3%	(55%)	1.4%	(56%)
Self Pay	7.5%	7.1%	6%	7.5%	0%
Total	100.0%	100.0%		100.0%	

3-Month Trend Analysis: Labor and Productivity Metrics

April 30, 2017

		FEBRUARY	MARCH	APRIL	BUDGET APRIL	VARIANCE POS (NEG)	PY APRIL
Labor Metrics							
	Productive FTEs	1,282.14	1,289.12	1,288.02	1,307.21	(1%)	1,224.49
	Non-Productive FTEs	211.33	168.27	176.97	230.68	(23%)	130.94
	Contract Labor FTEs	64.86	68.49	74.36	49.96	49%	58.91
	Total FTEs	1,493.47	1,457.39	1,464.99	1,537.89	(5%)	1,355.43
	FTE's Per AOB Paid	5.93	5.76	5.92	5.73	3%	5.20
	FTE's Per AOB Worked	5.09	5.10	5.20	4.87	7%	4.70
	Labor Cost/FTE (Annualized)	115,790.59	137,490.19	128,346.79	115,861.87	11%	121,433.61
	Benefits Expense as a % of Benefitted Labor Expense	72%	77%	81%	73%	11%	83%
	Salaries & Benefits as % of Net Patient Revenue	59%	58%	70%	66%	7%	56%

Year-to-Date: Labor and Productivity Metrics

April 30, 2017

	ACTUAL	BUDGET	VARIANCE	PY	PY VARIANCE
	FYTD	FYTD	POS (NEG)	FYTD	POS (NEG)
Labor Metrics					
Productive FTEs	1,243.00	1,258.43	(1%)	1,122.70	11%
Non-Productive FTEs	216.71	222.08	(2%)	239.19	(9%)
Contract Labor FTEs	65.81	47.84	38%	43.37	52%
Total FTEs	1,459.71	1,480.51	(1%)	1,361.89	7%
FTE's Per AOB Paid	5.90	5.49	7%	5.59	6%
FTE's Per AOB Worked	5.02	4.67	8%	4.61	9%
Labor Cost/FTE (Annualized)	128,991.17	119,661.71	8%	125,290.85	3%
Benefits Expense as a % of Benefitted Labor Expense	74%	73%	1%	76%	(3.4%)
Salaries & Benefits as % of Net Patient Revenue	62%	66%	(6%)	63%	(1%)

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

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

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on June 21, 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**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on June 21, 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: Two (2)
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**

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on June 21, 2017, to consider:

- X CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Russell V. Judd, and designated staff - Employee organizations: Service Employees International Union, Local 521 (Government Code Section 54957.6)