

**Tulare Local Healthcare District
Board of Directors Meeting AGENDA
Wednesday, February 28, 2018 6:30 PM
City of Tulare Council Chambers
475 M Street, Tulare, CA**

Action may be taken on any time posted on the agenda

AGENDA

Tulare Local Healthcare District Board Members:

Kevin Northcraft	President	District 4
Mike Jamaica	Vice President	District 2
Senovia Gutierrez	Secretary/Treasurer	District 3
Xavier J. Avila	Director	District 5
Stephen Harrell	Director	District 1

1. **Call to Order:**
 - a. Roll Call
 - b. Welcome/Introductions
 - c. Pledge of Allegiance

2. **Public Comment:** The public may comment on any item of public interest within the jurisdiction of the Tulare Local Healthcare District Board of Directors. In the interest of time and equal opportunity, speakers are requested to observe a 3-minute maximum time limit (subject to change at the Chair's direction). In accordance with the Brown Act, if a member of the public addresses an item not on the posted agenda, no action on the item may occur during the meeting.

3. **Approve Agenda, Acceptance of Minutes:**
 - a. Board Meeting, January 24, 2018
 - b. Board Meeting February 6, 2018

4. **Announcements – Board**

5. **Chief Executive Officer Report**
 - a. Update on plans to reopen
 - b. Review of reopening work plan
 - c. Status of Health Clinics
 - d. Update on Mineral King Lab opening
 - e. Physician Staff - Medical Executive Committee

6. **District Financial Report – Chief Financial Officer**
 - a. Accounts Receivable analysis
 - b. Accounts Payable update
 - c. Cash Report update
 - d. Monthly Financial Statements Status Report
 - e. State Audit

7. **Consideration of Agreements – Medi-Cal Supplemental Reimbursement Consulting Services with Steve Clark and Associates (SCA)**

8. **Approval of Resolution ____ of the Board of Directors of Tulare Local Healthcare District:** The proposed resolution grants authority for Larry Blitz, WIPFLI/HFS Consulting, and Daniel R. Heckathorne, WIPFLI Consulting, in their official capacities as Interim Chief Executive Officer and Interim Chief Financial Officer, respectively, to execute documents on behalf of the District with banks and financial institutions.

9. **Tulare Hospital Foundation Update**

10. **Evolutions Wellness Center- Advisory Committee and EVO Management Company update –**
 - a. Consideration of equipment replacement, maintenance of Dehumidifier.
 - b. Consideration of appointment of representative to supervise rentals in the Evolutions facility.

11. **Suspend open session – recess to closed session**

12. **Closed Session:**
 - a. Conference with Interim Legal Counsel – Existing litigation (Government Code 54956.9)
 1. In re Tulare Local Healthcare District dba Tulare Regional Medical Center --United States Bankruptcy Court Eastern District of California Case No. 17-13797
 2. TRMC Medical Staff v. Tulare Local Healthcare District, HCCA et al; Tulare Case No. 264227
 3. HCCA v. Tulare Local Healthcare District, and Counterclaim, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 17-01095 – B
 - b. Negotiations for Interim Financing
 - c. Conference with Interim Legal Counsel – Initiation of Litigation (Gov. Code § 1 matter.

13. **Adjourn closed session, reconvene open session – Public report of action taken in closed session (if necessary) pursuant to Government Code 54957.1**

14. Adjournment

Next regular meeting scheduled for 6:30 PM on Wednesday, March 28 at the Tulare City Council Chambers

3. Approve Agenda, Acceptance of Minutes:
 - a. Board Meeting Minutes January 24, 2018 1-5 pages
 - b. Board Meeting Minutes February 6, 2018 1-3 pages

Tulare Local Healthcare District
Board of Directors
Meeting Minutes
Wednesday, January 24, 2018
Board Convenes at 6:30 pm
City of Tulare Council Chambers
475 N. M Street, Tulare, CA

Members present:	Kevin Northcraft	Staff present:	Larry Blitz, Interim CEO
	Mike Jamaica		Dan Heckathorne, Interim CFO
	Senovia Gutierrez		Rich Giordano, Consultant
			Sandy Haskens, Consultant
			Nikki Cunningham, Interim Counsel
			Tim Thompson, Interim Counsel
			Riley Walter, Bankruptcy Counsel

I. Call to order

II. Citizen Requests/Public Comments

Joseph Soares
Jennifer Burcham
Paul Atlas
Deanne Martin-Soares
Sally Boucher

III. Approval of Minutes for Board meetings held on December 20, 2017, and January 18, 2018

Xavier Avila moved to approve the minutes for 12/20/17 an 1/18/18. Seconded by Stephen Harrell. Approved 5 – 0,

IV. Presentation of Financial Reports

Interim CFO Dan Heckathorne reported that books are not closed for October, November, and December, 2017, so a report has not been generated. A budget has been prepared using 2016 audited financials. Based on 40 patients per day a forecast has been prepared. There are cost saving opportunities based on the 2016 financials due to previous management’s high management fees, overstaffing compared to industry standards, and purchased services such as nurses registry. There are opportunities for supplemental funding because the district serves low income patients. There is also supply costs savings. With adjustments and 40 patients the hospital could generate \$10 million. Nurses are revising policies and procedures and employees have been asked to take short paychecks without benefits. As of today, the hospital owes \$32 million in accounts payable. The previous management had \$10-12 million in unpaid bills. \$27 million is pre-bankruptcy. It currently costs \$1.4 million to operate the hospital. Includes utilities, maintenance, staff, bankruptcy legal fees, and reports

needed to reopen. The hospital will run out of cash the first week of February. The California Hospital Association advanced money. There is a gap between running out of cash and getting loans in place.

Larry Blitz reported that the previous management left the district in a bad situation. No cash postings had been made in a long time. They don't know looking at the accounts receivable what's been paid and what hasn't. A lot has not been billed.

Dan reported that the accounts receivable is estimated at \$40 million. Cash is in the bank but not posted to patient accounts.

Larry thanked the existing employees for their efforts.

V. Update on plans to reopen—building readiness, state approval, equipment and supplies, employment

Larry Blitz reported that they are working on licensing, policy and procedures, quality and assurance, and getting ready for the California Department of Public Health Survey. He communicates with the CDPH on a weekly basis. They would like to open the clinics. CDPH regulations require the clinics to open at the same time as the hospital. The district is appealing to the Center for Medicare and Medicaid based on hardship to approve reopening the clinics. They are inspecting the buildings. Some work has been done prepping for the CDPH inspection. Clinic floors are being repaired. Equipment is being analyzed and supplies will be ordered before reopening. Employees will be hired based on a minimum of 10 patients. They will be hired 1 – 2 weeks prior to opening. Doctors are ready to go and a MEC will be created. A dinner was held for 30 doctors. Physicians are the foundation for revenue. A number of doctors have indicated they want to help. A steering committee of 4 – 5 doctors will work to get the MEC and staff going. A newsletter is being sent bi-weekly to doctors in the area. He has spoken to a number of hospitalist groups and three emergency room groups. The steering committee will assist with credentialing and new applications.

VI. Update on status of health clinics

Clinics had very few doctors providing oversight. Clinics can be a profit center. New protocols need to be developed to maximize services. It has been very difficult to reach CMS to reopen the clinics as soon as possible. Calls to the Region 9 Administrator in San Francisco have not been returned.

VII. Update from Evo Management Company regarding Evolutions Wellness Center

Derek Jackson, EVO Oversight Committee Chairman, presented a check for \$11,153 representing profit for the months of November and December, 2017. He anticipates the amount will increase each month. Stephen Harrell asked about leather seats on the equipment that is cracked posing a health risk. Jayne

Presnell, Evolutions manager, reported that the former upholsterer is holding on to seats brought in for repair because of previous non-payment. A new upholsterer has been retained and seats will be replaced this week.

VIII. Update from Tulare Hospital Foundation on current and future activities
Foundation Executive Director, Jan Smith, reported there was a good end to 2017 under difficult circumstances. The Toy Drive provided 700 toys to the children of laid off employees. A new executive board has been placed and she introduced new Foundation President Brian Kelly. Brian Kelly said the Foundation has planned the Love to Wear Red luncheon, will replace or supplement the Summer Jubilee, and will continue the Festival of Trees.

IX. Consideration of agreements—

A. Special legal counsel services in connection with reviewing the District's existing bond contracts with Hawkins Delafield & Wood LLP

Riley Walter recommended hiring Hawkins Delafield & Wood LLP to review existing bond contracts.

Kevin Northcraft that the hourly rate for the firm was higher than Riley Walter's and hoped he will monitor spending and not leave open ended. Senovia Gutierrez moved to approve the special legal counsel. Stephen Harrell seconded. Approved 5 – 0.

B. Accounts receivable billing vendor agreement with Healthcare Resource Group
Dan Heckathorne reported that it is a challenge to get billing started. He attempted to renegotiate with the former billing vendor, Navigant, but their fee was too high. There is no money to pay local people and the hospital does not have a computerized system for collection. HRG has a good reputation and has presented an agreement comprised of three parts. The master agreement includes legal and insurance terms. The letter of agreement indicates payment of 8 – 18% of the amount collected based on the age of the bill collected. The agreement can be renegotiated after 45 days. HRG provides the money up front, software, and experience. Larry Blitz added the percentage gives them incentive to collect. In the long term they would like to hire locally.

Kevin Northcraft asked if the average 8.5% includes statements and billing. Dan Heckathorne said yes.

Stephen Harrell asked if there will be personnel onsite. Dan said some will be onsite. Currently the District has a staff person taking payments and answering questions about bills.

There is currently a Wipfli team from Fresno posting 1000's of payments previously made to patient accounts to get ready for HRG to take over. They are also working on the rural health clinic billing, but the focus is on hospital billing.

Mike Jamaica moved to approve the Account Receivable billing contract with Healthcare Resource Group. He requested they begin within 30 days, if not within 15 days, with returns possibly in 21 days. Xavier Avila seconded the motion. Approved 5 – 0.

C. Co-employment and workers' compensation insurance agreement with Southeast Personnel Leasing, Inc.

Larry Blitz reported it is in the best interest of the District to re-examine the agreement and withdrew his recommendation. Agreement tabled.

D. Employee benefits agreement with Alliant Insurance Services, Inc.

Dan Heckathorne reported that employees did not get COBRA and do not have health benefits. Alliant put together a program close to the price and coverage employees previously had. The package includes health, dental, vision, and life insurance. Paid time off is not included. Of the plans considered: Health Net, Blue Cross, and Blue Shield, Blue Shield had the best plan. It can be made effective February 1, 2018. Blue Shield would provide health insurance, Met Life would provide dental, vision, and life insurance. Larry Blitz said that 3 – 4 months after opening the hospital he would recommend a market study on salary and benefits. Dan indicated dependent coverage could be purchased by the employee. The District would pay for 70 – 80% of the coverage with the rest paid by the employee.

Senovia Gutierrez recommended approval of the agreement with Alliant Insurance Services. Stephen Harrell seconded. Motion approved 5 – 0.

X. Consideration of offer to purchase property located at 906 Cherry Street, Tulare, CA 93274

Kevin Northcraft reported that the offer was unsolicited. The item is eligible for closed session discussion. Mike Jamaica recommended that the District does not need to move forward with the offer. Kevin Northcraft said it could be received and filed. Mike Jamaica moved to receive and file the offer. Xavier Avila seconded the motion. Motion approved 5 – 0.

XI. Training opportunity for board members at Association of California Healthcare Districts' Leadership Academy on February 8-9, 2018

Mike Jamaica and Senovia Gutierrez indicated they would like to attend the Leadership Academy. Stephen Harrell indicated he and Xavier Avila may want to attend, too.

Xavier Avila moved to approve Mike Jamaica, Senovia Gutierrez, and any other Board members attend the Association of California Healthcare District's Leadership Academy on February 8 – 9, 2018. Senovia Gutierrez seconded the motion. Motion approved 5 – 0.

XII. Upcoming hearing on Board's request for audit of by State Auditor

Kevin Northcraft reported the Joint Legislative Audit Committee hearing has been scheduled for January 30, 2018 in Room 444 of the State Capitol. It is scheduled for 10 a.m. Anyone is welcome to attend. Kevin Northcraft will attend and appear as Senator Fuller's witness.

XIII. Consideration of returning to volunteer-based website and public relations as a cost saving measure

The District website and public relations was shifted to Wipfli. After billing \$8000 for the month of December, 2017, Kevin Northcraft recommended those services return to volunteers Drew Phelps (website) and Rick Elkins (public relations).

Xavier Avila moved that website and public relations services return to volunteers. Senovia Gutierrez seconded the motion. Approved 5 – 0.

Stephen Harrell then wanted to confirm that timely postings will meet Brown Act requirement.

XIV. Suspend open session – recess to closed session

(a) Conference with Interim Legal Counsel – Existing litigation (Government Code 54956.9)

(1) *In re Tulare Local Healthcare District dba Tulare Regional Medical Center, United States Bankruptcy Court Eastern District of California Case No. 17-13797*

(2) *TRMC Medical Staff v. Tulare Local Healthcare District, HCCA et al; Tulare Case No. 264227*

(3) *HCCA v. Tulare Local Healthcare District, and Counterclaim, United States Bankruptcy Court Eastern District of California Adv. Proc. No. 17-01095-B*

(b) Real property negotiations

XV. Adjourn closed session, reconvene open session – Public report of action taken in closed session (if necessary) pursuant to Government Code 54957.1

Nothing to report

XVI. Adjournment

Next regular meeting scheduled for 6:30 pm on Wednesday, February 28, 2018 at the Tulare City Council Chambers.

Tulare Local Healthcare District
Board of Directors
Special Meeting Agenda Minutes
Tuesday, February 6, 2018
Board Convenes at 6:30 pm
Evolutions Fitness, 1425 E. Prosperity Ave., Tulare, CA

In Attendance:	Kevin Northcraft	Larry Blitz	Interim CEO
	Mike Jamaica	Dan Heckathorne	Interim CFO
	Senovia Gutierrez		
	Xavier Avila		
	Stephen Harrell		

- I. Call to order
Meeting called to order at 6:34 pm

- II. Citizen Requests/Public Comments
Dr. Patricia Drilling
Deanne Martin-Soares
Ed Henry
Joseph Soares
Melissa Waters
Linda Maloy

- III. Consideration of Reopening of Mineral King Lab
The Mineral King Lab is not under the hospital license. Should be open in two weeks.

- IV. Discussion of affiliation agreement with Fresno Community Medical Center and other sources of financial support
Scott Wells, CEO Sante Health System, and Aldo DeLaTorre, Senior Vice President, Community Medical Center were introduced. Scott Wells said Sante Health works with the physicians and CMC, the hospital. CMC is looking for affiliation, offering support, and a long term relationship. They would like to keep the physicians local. Aldo DeLaTorre indicated CMC is very interested in assisting. They hope to lend support and financial assistance. They want the control of the hospital to stay local. The issues the hospital district face are not easy to overcome.

- V. Discussion of District properties, current leases of our property, and current leases by the District
Larry Blitz reported that they have a list of hospital properties and rental incomes. They hope to work through the Finance Committee to assess if rents are market rate. Leased property is covered by the bankruptcy. They are being reviewed by Riley Walter and Sandy Haskens. Negotiations must be approved by the Bankruptcy Court. Lionel Machado is checking to see if properties are vacant.

- VI. Discussion of requests for financial support from the State of California
No action taken
- VII. Discussion of approved State Audit of District bonds and finances
Dan Heckathorne reported State auditors will arrive Tuesday, February 13, 2018. They will spend three days to assess what needs to be done, then will return to Sacramento to set a strategy. The audit will be done collaboratively with the Hospital District and could take six months. The State audit is different from the District Attorney's investigation, but they will work with the District Attorney.
- VIII. Review of ways to reduce costs until the Hospital is reopened
Dan Heckathorne reported that they are facing the "worse" case scenario dealing with HCCA's management. Expenses are \$1 million +. Larry Blitz reported that the Policies and Procedures need to be changed, as well as competencies in every area. There are 35 employees, 50 including part time. Expenses have been cut 20%. Dan Heckathorne said the employees they must have are in the areas of finance, maintenance, housekeeping, and biomedical certification. They are spending \$200,000 for staffing. Other costs included liability and property insurance, IT, attorneys, WIPFLI, bankruptcy attorney, utilities, and software fees. If the hospital remains closed 2-3 more months then they will need to layoff some staff. For the State Audit they have assigned two accounts payable employees and one assistant controller. They have needed to make big adjustments for the October financials. WIPFLI is providing a controller. Dan Heckathorne reported that 1/3 of staff time is spent on bankruptcy and litigation research. \$212,000 payments from MediCal received. HCCA had not filed with MediCal since 2015. Larry Blitz reported that HCCA data is horrific. Dan Heckathorne reported that a Prime Grant is available to the District. In order to receive they must agree to meet certain targets. The grant is worth several million dollars. Data collection for the grant had stopped under HCCA. The district has to send in payment to receive \$2.4 million. 6 employees are working on the grant. The State is assisting with data gathering. Dan Heckathorne said management does not take comments about costs lightly. The meet weekly with Angie Graziano, Lionel Machado, and Tammy Kegler to see if cost savings are possible.
- IX. Possible ratification of actions of January 31, 2018—Recommendation to authorize state legislators to represent the District, approval of agreements—1) Payroll by ADP Services, Workers Comp and Liability Insurance with BETA Risk Management Authority, and Line of Credit with CNJ Finance Fund
Stephen Harrell moved to approve agreements with ADP for payroll services and BETA Risk Management Authority for Workers Comp and Liability Insurance, and a line of credit with CNJ Finance Fund. Seconded by Xavier Avila. Approved 5-0.

Xavier Avila moved we authorize our state legislators to represent the District with State agencies. Seconded by Kevin Northcraft. Approved 3-2 with Xavier

Avila, Kevin Northcraft, and Mike Jamaica approving and Senovia Gutierrez and Stephen Harrell dissenting.

X. Recess to Closed Session (if necessary)

- (a) Conference with Interim Legal Counsel – Existing litigation (Government Code 54956.9)

(1) *In re Tulare Local Healthcare District dba Tulare Regional Medical Center*, United States Bankruptcy Court Eastern District of California Case No. 17-13797

(2) *TRMC Medical Staff v. Tulare Local Healthcare District, HCCA et al*; Tulare Case No. 264227

(3) *HCCA v. Tulare Local Healthcare District, and Counterclaim, United States Bankruptcy Court Eastern District of California Adv. Proc. No. 17-01095-B*

- (b) Real property negotiations

XI. Adjourn closed session, reconvene open session – Public report of action taken in closed session (if necessary) pursuant to Government Code 54957.1

The Board did not meet in Closed Session as there were no attorneys present

XII. Adjournment

Meeting adjourned at 8:08 pm

Next regular meeting scheduled for 6:30 pm on Wednesday, February 28, 2018 at the Tulare City Council Chambers.

4. Announcements Board.

5 CEO Report (verbal)

- a. Update on plans to reopen
- b. Review of reopening work plan
- c. Status of Health Clinics
- d. Update on Mineral King Lab opening
- e. Physician Staff – MEC

6 District Financial Report – CFO

- a. Accounts Receivable analysis 1-2 page
- b. Accounts Payable update 1 page
- c. Cash Report update 1 page
- d. Monthly Financial Statements Status Report (**verbal**)
- e. State Audit 1page

**TULARE REGIONAL MEDICAL CENTER
 AGED TRIAL BALANCE (HOSPITAL AND CLINIC ONLY, NO CREDIT BALANCES)
 AS OF OCTOBER 31, 2017**

	DNFB	0-30	31-60	61-90	91-120	121-180	181-270	271-365	366+	Grand Total	Valuation
Commercial Contracted	447,861	630,139	602,660	718,175	455,310	594,849	832,451	860,644	79,383	5,221,473	1,256,302
Commercial Insurance	182,585	57,395	88,284	100,948	205,140	88,036	214,827	221,735	33,682	1,192,633	161,769
Medicaid	110						259		1,024	1,393	0
Medi-Cal	1,092,187	599,004	769,286	632,582	203,367	249,892	368,467	424,136	105,481	4,444,403	765,545
Medi-Cal Managed Care	2,831,132	2,875,757	3,329,619	2,246,109	1,416,026	1,724,975	1,819,249	1,887,105	231,049	18,361,021	2,955,729
Medicare	2,252,310	1,338,241	431,575	323,572	313,435	704,964	666,944	627,130	70,992	6,729,163	1,554,427
Medicare Advantage	132,869	168,840	416,433	224,703	269,795	1,704,556	277,144	302,468	23,900	3,520,708	342,544
Self Pay	262,600	336,861	691,132	659,931	440,022	1,017,710	1,151,298	1,132,548	187,346	5,879,449	214,578
Workers Compensation	26,783	17,696	38,249	83,445	60,503	57,815	29,371	134,718	448,580	448,580	70,650
Grand Total	7,228,438	6,023,934	6,367,238	4,989,466	3,363,596	6,142,797	5,360,012	5,590,486	732,858	45,798,823	7,321,545

TULARE REGIONAL MEDICAL CENTER
 AGED TRIAL BALANCE (HOSPITAL AND CLINIC ONLY, NO CREDIT BALANCES)
 AS OF FEBRUARY 14, 2018

Payer/Service	DNFB	Value	91-120	121-180	Value	181-270	Value	271-365	Value	366+	Grand		Collection Rates
											Total	Value Total	
Commercial Contracted	218,638	0	229,589	988,292	439,159	1,171,620	118,129	807,205	32,555	977,647	4,392,991	589,842	
Commercial Insurance	162,634	0	29,808	169,362	55,764	302,892	30,539	228,644	9,221	262,367	1,155,707	95,524	
Medicaid	0	0	0	0	0	0	0	259	10	1,024	1,283	10	
Medi-Cal	327,207	100,865	252,316	618,799	144,386	562,576	113,443	390,179	47,208	485,219	2,636,295	405,902	
Medi-Cal Managed Care	1,048,993	0	1,192,217	3,579,046	971,456	3,033,081	305,810	1,497,362	60,389	2,301,351	12,652,049	1,337,655	
Medicare	1,626,096	524,617	158,487	555,322	173,020	935,765	188,697	550,733	66,633	532,667	4,359,071	952,968	
Medicare Advantage	44,670	0	72,039	403,765	73,622	1,089,074	109,806	1,182,611	47,695	386,489	3,178,648	231,123	
Self Pay	114,060	4,562	272,572	1,106,074	41,359	1,653,227	166,687	1,258,207	50,743	1,390,161	5,794,301	263,352	
Workers Compensation	12,721	6,157	17,219	47,769	25,335	169,652	34,210	20,369	2,464	136,130	403,860	68,167	
Grand Total	3,510,349	636,202	2,152,208	7,064,663	1,850,480	7,828,813	957,515	4,752,958	269,224	6,086,566	31,395,556	3,713,421	

Collection Date	3/2/2018	3/9/2018	3/16/2018	3/23/2018	3/30/2018	4/6/2018	4/13/2018	4/20/2018	4/27/2018	5/4/2018	5/11/2018	5/18/2018	5/25/2018
Collection Progress	100,000	275,000	100,000	50,000	25,000	250,000	300,000	350,000	350,000	300,000	300,000	200,000	200,000
Medicare liability	-100,000												
Health Net liability		-12,000	-20,000	-20,000	-10,000	-10,000							
NB Pro fee AR			10,000										
ER Pro fee AR			10,000	10,000	10,000	10,000							
Home Care AR				20,000	20,000	10,000							

Collection Date	6/1/2018	6/8/2018	6/15/2018	6/22/2018	6/29/2018	Jul-18	Aug-18	Sep-18	Estimated Collections	Estimated Withholds	Estimated Net AR
Collection Progress	125,000	125,000	125,000	125,000	100,000	150,000	100,000	50,000	3,790,000	-172,000	3,618,000

TULARE REGIONAL MEDICAL CENTER

Summary of Accounts Payables as of February 23, 2018

TRMC Bankruptcy Status:	Date Range:					Grand Total
	0-30	31-60	61-90	91-120	121 +	
Post-Petition	314,791.49	850,754.40	992,623.35	1,417,627.58	1,073,359.92	4,649,156.74
Pre-Petition				(37.38)	27,676,620.58	27,676,583.20
Grand Total	314,791.49	850,754.40	992,623.35	1,417,590.20	28,749,980.50	32,325,739.94

	A	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	
	TULARE REGIONAL MEDICAL CENTER																			
	12/1	12/8	12/15	12/22	12/29	1/5	1/12	1/19	1/26	2/2	2/9	2/16	2/23	3/2	3/9	3/16	3/23			
	SUB-TOTAL																			
1																				
2																				
3	CASH IN																			
4	Receipts	334,029	63,218	112,045	98,036	135,659	70,236	101,050	44,293	60,468	31,871	43,164	39,371	17,105	1,150,544	50,000	271,740	108,740	68,740	
5	DSR Payment					49,818									49,818					
6	Property Taxes			894,929			211,110								1,106,039					
7	Evolution								11,154						11,154					
8	Other Extraordinary Receipts				0						212,877	784,664			997,541		331,773			
9	Total Cash In	334,029	63,218	112,045	992,965	135,659	120,054	312,160	44,293	71,622	244,748	827,828	39,371	17,105	3,315,096	50,000	603,513	108,740	68,740	
10																				
11	EXPENSES																			
12	Payroll & Related Expenses	0	22,000	6,000	49,918	23,725	61,396	23,773	76,413	27,658	88,135	58,145	108,316	28,258	573,738	123,678	30,426	115,005	0	0
13	Insurance	63,218	0	0	0	63,218	0	1,070	0	0	156,652	0	0	0	284,157	226,652	17,956	0	0	0
14	Utilities/Phone/Internet	0	50,000	27,211	26,081	0	54,033	9,039	29,768	0	111,655	4,768	0	0	312,554	0	123,000	6,200	0	0
15	Legal/ Bankruptcy Counsel	0	0	0	150,000	0	0	0	0	0	50,000	0	0	0	200,000	0	50,000	0	0	0
16	Consulting & Purchased Services	0	0	0	90,809	0	0	62,697	0	0	102,697	(25,000)	0	0	231,203	0	102,697	62,697	15,000	0
17	Physicians	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Software Fees	0	42,583	0	0	0	0	0	0	0	0	0	0	0	42,583	0	0	0	0	0
19	Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Leases and Rentals	0	0	0	0	0	17,761	1,833	0	0	17,094	0	0	0	36,627	10,444	9,500	0	0	110,553
21	Revenue Bonds	0	0	0	0	0	0	0	0	0	103,179	0	0	0	103,179	0	103,179	0	0	0
22	County of Tulare Revenue Bond	0	0	0	0	0	0	0	0	0	784,664	0	0	0	784,664	0	0	0	0	0
23	IGT Advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	Other	0	60,200	26,408	24,302	2,197	43,791	20,355	3,447	29,079	58,807	37,610	28,535	38,041	372,772	35,000	35,000	35,000	50,000	0
25	Post-Petition Expense Catch-up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	Bankruptcy Cure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Total Expense	63,218	174,782	59,619	341,110	89,140	176,981	117,697	110,698	56,737	473,325	1,070,254	141,619	66,299	2,941,477	395,774	471,757	218,902	175,553	
28																				
29	Difference	270,811	(111,565)	52,426	651,855	46,520	(56,927)	194,464	(66,405)	14,885	(228,577)	(242,426)	(102,248)	(49,194)	373,620	(345,774)	131,756	(110,162)	(106,813)	
30																				
31	Cash Balance Forward	270,811	159,246	211,673	863,527	910,047	853,120	1,047,584	961,179	996,064	767,487	575,062	422,313	373,620	0	27,346	159,602	49,440	(57,373)	

District Financial Report- CFO

d. Monthly Financial Statements Status Reports
No/Data

Verbal Report

2018-102 Audit Scope and Objectives

Tulare Local Health Care District

The audit by the California State Auditor will provide independently developed and verified information related to the Tulare Local Health Care District (district) and its oversight of the Tulare Regional Medical Center (medical center) and Healthcare Conglomerate Associates (HCCA). The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review and evaluate the district's spending and monitoring of its bond proceeds. At a minimum, perform the following:
 - a. Assess the district's process for spending bond proceeds related to the medical center, including HCCA's role in spending these funds.
 - b. Identify the oversight structure in place for monitoring bond proceeds and assess the adequacy of this oversight.
 - c. Determine whether expenditures related to bond proceeds were for allowable activities and were reasonable.
3. Assess the district's oversight of HCCA's management of the medical center from fiscal year 2014-15 through October 2017 including the following:
 - a. Identify and evaluate the district's revenues and expenditures related to its operation of the medical center, including identifying any significant trends and their causes.
 - b. Examine the management structures of the district and the medical center. Determine whether the structures and changes within them, including management and executive turnover, affected sound operational and financial practices.
 - c. Identify the key events leading to closure of the medical center, including the rationale behind key district actions.
4. To the extent possible, identify steps the district could take to re-open the medical center.
5. Review and assess any other issues that are significant to the audit.

California State Auditor's Office
1/22/2018

**7. Consideration of Agreements – Medi-Cal Supplemental Reimbursement
Consulting Services with Steve Clark and Associates (SCA) 1-8 pages**

Tulare Local Healthcare District dba Tulare Regional Medical Center

Agenda Item

Board Meeting Date: February 28, 2018

Title to Appear on Agenda: Medi-Cal Supplemental Reimbursement Consulting Services Agreement with Steve Clark & Associates (SKA)

Brief Description: TRMC qualifies for numerous Medi-Cal Supplemental Funding programs. These programs are established to provide additional financial assistance to Hospitals which provide care to a disproportionate number of low income patients. Getting access to these various funds involves preparation, submission and filing complex applications along with preparation of very detailed data submissions to various State agencies. Many of these programs must be monitored collectively to ensure that the Hospital does not claim amounts in excess of legally permissible entitlements.

Background and Details: TRMC has contracted with Steve Clark and Associates since 2014 for the provision of the consulting services associated needed to participate in these programs.

The new Agreement will cover services needed to apply for DSH funds for the upcoming years of April 1, 2018 - March 31, 2021. Fees for provision of all the services outlined in Exhibit A of the Agreement are as follows:

\$5,700 per month for consulting services, a yearly fee of \$4,000 to cover costs associated with getting "paid claims files" from the various governmental agencies, and \$250/per hour for any services not outlined in Exhibit A. Costs of travel, lodging, data mailing, etc. are billed separately. This new Agreement includes several additional services necessary to address new or modified programs and impacts the increase in the fees.

(Fees for the current contract are \$3,200/month, \$4,000 for "paid claims files", and \$225/hour for other services. Travel and related costs are billed separately. Total fees for the FYE 6-30-17 were \$38,400, and Expenses were \$4,000.)

The total overall net compensation to TRMC for the programs for which SKA will provide the listed consulting services is currently approximately \$7,000,000 per year.

Exhibits: See attached Consulting Services Agreement

Recommended Action: That the Board approve the Medi-Cal Reimbursement Consulting Services with Steve Clark and Associates (SKA) as outlined here and in accordance with the attached Agreement.



January 16, 2018

Mr. Daniel Heckathorne
Acting Chief Financial Officer
Tulare Regional Medical Center
869 North Cherry Street
Tulare, California 93274

Re: Medi-Cal Reimbursement Consulting Services

Dear Mr. Heckathorne:

This is our proposal to continue and expand the provision of Medi-Cal Reimbursement Consulting Services for Tulare Regional Medical Center. The specific project is outlined in the attached Exhibit A.

We are pleased to submit this letter for your review and signature (the "*Agreement*"), which sets forth the terms according to which Steve Clark & Associates will provide you with certain consulting services. The term of this contract is for three years, April 1, 2018 through March 31, 2021. This contract will cover work that relates to the Medi-Cal DSH eligibility process for state fiscal year ends 2019-2020, 2020-2021, and 2021-2022. In addition, during the term of this contract Consultant will also provide analysis and support related to other Medi-Cal supplemental program assistance (as described in Exhibit A), as well as DSH work related to prior state fiscal year DSH audits and/or data reporting requirements that may become necessary. This contract is subject to the termination provisions described in "5" below.

We look forward to working with you in reaching your objectives, and ask that you review this letter to ensure that we understand and agree upon the terms governing the provision of our services. For convenience, this letter will refer to Steve Clark & Associates as "*Consultant*" and to Tulare Regional Medical Center as "*Client*." The terms and conditions of our Agreement are as follows:

- 1. Consulting Services.** Consultant agrees to provide the consulting services described on Exhibit A attached hereto. The foregoing collectively shall be referred to as the "*Services*." Consultant further agrees to consult with Client regarding the Services during the term of this Agreement.
- 2. Performance Standards.** Consultant agrees to perform the duties required by this Agreement in good faith, and in a timely manner that Consultant believes to be con-

sistent with the needs of the Client. Consultant is not an agent or employee of Client, and has no fiduciary duty, nor any duty of care, disclosure or inquiry, other than as expressly set forth in this Agreement. Consultant shall be entitled to rely on the completeness and accuracy of all information, documents and materials provided by Client to Consultant in connection with the Services and this Agreement.

3. Compensation and Expenses. In return for the Services provided by Consultant as specified in Exhibit A, Client agrees to pay Consultant \$5,700 a month. In addition, a data fee in the amount of \$4,000 will be charged each year to cover such costs as the paid claim files. For other consulting services not specified in Exhibit A, Client agrees to pay Consultant \$250 per hour, for each hour or portion thereof (billable in fifteen (15) minute increments), performed by Consultant hereunder. Billable time includes all travel time, both local and out-of-town.

Client agrees to reimburse Consultant for all out-of-pocket costs incurred in the course of performance of the Services hereunder, including, without limitation, reasonable travel and lodging expenses, photocopying, mailing, messenger and delivery services, long distance telephone service, facsimile transmissions, parking, sales and similar taxes, and any other fees advanced by Consultant on behalf of Client.

4. Payment Terms. Client agrees to pay Consultant within thirty (30) days from the date of the invoice, with payment sent to Consultant at the letterhead address set forth above. If Consultant does not receive complete payment within the foregoing time frame, then Client shall be in material breach of this Agreement. In such case, Client agrees (i) that Consultant may immediately and indefinitely discontinue providing the Services hereunder; and, (ii) that all working papers, documents and materials prepared by Consultant for which payment has not been received shall be and remain the sole and exclusive property of Consultant, and shall not be released by Consultant until complete payment of all fees and expenses due hereunder has been received by Consultant. The foregoing remedies shall be in addition to (and not exclusive of) any other remedies to which Consultant may be entitled as a result of Client's breach of this Agreement.

5. Termination. Either party may terminate this Agreement at any time without cause upon the provision of ten (10) days prior written notice to the other. Following receipt of any notice of termination without cause, Consultant may, but shall not be obligated to, continue to provide the Services to Client pursuant to this Agreement. Either party also may terminate this Agreement immediately as a result of a material breach by the other party, upon the provision of written notice to the other. If this Agreement is terminated by either party, either with or without cause, all fees and expenses due Consultant, up to and including the effective date of the termination, shall be paid immediately to Consultant. Client further agrees, if this Agreement is terminated by either party in

accordance with this section, that all work papers, confidential information, literature and any other documentation acquired or developed by Consultant directly related to this Agreement, shall not be provided to Client by Consultant until all fees and expenses have been paid to Consultant.

6. Confidential Information. Client agrees to provide Consultant with all information in its possession or reasonably available to it that is necessary for Consultant to provide the Services. Consultant shall, under all circumstances, have the right to rely, without independent investigation or verification, on all such information provided by Client to Consultant. Consultant agrees not to disclose any confidential documents or information provided to Consultant by Client pursuant to this Agreement, except: (i) to the directors, officers, employees, subcontractors and legal counsel of Consultant who have a need to know such information for the purpose of assisting Consultant in the performance of this Agreement; and (ii) when required by law to do so, but only if Consultant first notifies Client and affords Client a reasonable opportunity to oppose such disclosure by such means as Client deems necessary or appropriate. Notwithstanding the foregoing, confidential information shall not include any information which (i) is on the date hereof, or hereafter becomes, generally available to the public other than as a result of a disclosure, directly or indirectly, by Consultant; (ii) was available to Consultant on a non-confidential basis prior to its disclosure to Consultant by Client, or its representatives; or (iii) becomes available to Consultant on a non-confidential basis from a source other than Client or its representatives.

7. Representations and Warranties of Client. Client represents and warrants to Consultant that: (i) Client owns or has the legal right to use all patents, copyrights, trademarks, trade names, service marks, service names, and other intangible property or property rights relating to the Services (collectively, the "*Intellectual Property*"); (ii) each item of Intellectual Property may be disclosed to and used by Consultant within the course and scope of performing the Services on behalf of Client; (iii) Client's disclosure or Consultant's use of the Intellectual Property as permitted under this Agreement will not infringe upon, misappropriate, or otherwise conflict with any property rights of third parties; (iv) all information provided by Client shall be complete and accurate in all material respects, and not misleading; and (v) Client shall be solely responsible for the accuracy and completeness of all information provided by Client to Consultant.

8. Disclaimer of Warranties. Client acknowledges that the conduct of its business involves substantial regulatory risks, including but not limited to, risks relating to existing and future federal and state laws affecting governmental reimbursement policies. Client assumes sole responsibility for the assessment and assumption of any and all such risks, and for the compliance of its business and operations with applicable laws. Consultant warrants only that the Services provided under this Agreement will be performed by

Consultant, in a competent manner. Except for the foregoing limited warranty, Consultant makes no warranty, express or implied, and expressly disclaims: (i) any implied warranty of merchantability or fitness for a particular purpose; (ii) any warranty of any assumption or projection; and (iii) any warranty of the results or success of any strategy or recommendation made or otherwise included as part of the Services provided by Consultant to Client.

9. Limitation of Liability. In no event will Consultant be liable to Client, or any third party, for any special damages, including any lost profits, lost savings, or other incidental or consequential damages, even if Consultant has been advised of the possibility of such damages. Consultant's entire liability and Client's exclusive remedy for any breach of this Agreement by Consultant shall be the replacement of any materials not meeting Consultant's obligations hereunder that are returned by Client to Consultant, or if Consultant is unable to deliver replacement materials, the refund by Consultant of the fees (but not the expenses) paid by Client for the Services.

10. Indemnification. Client agrees to indemnify, defend and hold Consultant harmless from and against any and all liability, loss, damage, claim, cause of action or cost (including, but not limited to, court costs and attorneys' fees) which may result directly or indirectly, from any act, error, or omission of Client, or from any information, documents or materials provided by Client.

11. Proprietary Rights. Subject to Consultant's receipt of complete and timely payment as required by this Agreement, all work product prepared for Client by Consultant shall belong exclusively to Client. All work products prepared by Consultant for others, for itself, or prior to or after the term of this Agreement, shall remain the exclusive property of Consultant.

12. Non-Exclusivity. This Agreement shall be non-exclusive. Consultant may provide consulting services to Consultant's existing clients, and to any other persons or entities who may in the future become clients of Consultant.

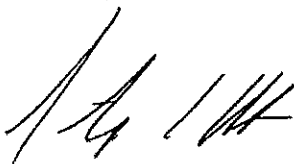
13. General Terms. Consultant shall act as an independent contractor and not as an agent or employee of Client and Consultant shall make no representation that it is an agent or employee of Client. Consultant is responsible for all taxes as an independent contractor. Consultant shall not have the authority to bind Client or incur other obligations on behalf of Client, unless Client so directs Consultant in writing. This Agreement may not be assigned by either party without the written consent of the other party. This Agreement will be retroactive to the date Consultant first performed the Services for Client. California law will govern the interpretation and enforcement of this Agreement, and each party consents to the jurisdiction of the courts of California in any action or pro-

ceeding with respect to this Agreement. The prevailing party in any such proceeding shall be entitled to recover its attorneys' fees and costs of suit.

14. Access to Records. Consultant agrees, in accordance with 42 U.S.C. §1395x(V)(1)(I) and 42 C.F.R. Part 420, Subpart D §420.300 *et seq.*, until the expiration of four (4) years after the furnishing of Medicare reimbursable services pursuant to this Agreement, or as otherwise required by federal or state law, upon proper written request, to allow the Comptroller General of the United States, the Secretary of Health and Human Services, and their duly authorized representatives access to this Agreement and to Consultant's books, documents, and records necessary to certify the nature and extent of costs of Medicare reimbursable services provided under this Agreement. In accordance with such laws and regulations, if Medicare reimbursable services provided by Consultant under this Agreement are carried out by means of a subcontract with an organization related to Consultant, and such related organization provides the services at a value or cost of Ten Thousand Dollars (\$10,000.00) or more over a twelve (12) month period, then the subcontract between Consultant and the related organization shall contain a clause comparable to the clause specified in the preceding sentence.

If you are in agreement with the terms of this letter of Agreement, please sign both enclosed copies and deliver one copy to us.

Sincerely,



Stephen C. Clark
Director

Agree to the terms of the January 16, 2018 proposal to provide Medi-Cal Reimbursement Consulting Services for Tulare Regional Medical Center as outlined in Exhibit A, and accepted by:

Signed: _____ Date: _____

Title: _____

EXHIBIT A
ANNUAL CONSULTING SERVICES

- Set up and communicate the time table for the hospital's data submission, data integrity analysis, and refilling of the OSHPD annual report.
- Analyze data, work with hospital staff on any identified problems, and recommend changes for any data modifications.
- Download and analyze Medi-Cal data from the State of California for each appropriate fiscal year.
- Evaluate and advise hospital on methods to maintain or increase total funds available pursuant to disproportionate share funding.
- Submit final draft of the revised OHSPD report to the Hospital for review & signature prior to final filing with OSHPD.
- Work directly with OSHPD staff to address revision issues and obtain interpretations as necessary.
- Submit timely revisions on behalf of the hospital to OSHPD.
- Review process and make any recommendations of strategies and actions for improved OSHPD report submission.
- Modify quarterly OSHPD reports to incorporate any revisions made on the annual OSHPD disclosure reports.
- Assist hospital staff as requested in analyzing the impact on Disproportionate Share payments of such things as increase in prices, reduction in or increase in Medi-Cal and Charity care.
- The Disproportionate Share payments and eligibility will be monitored throughout the year to provide for estimates, to respond to requests from the State, and to ensure that the State is using correct and accurate information before finalizing their payments.
- NEW* • Assist hospital staff in reconciling any discrepancies related to the Cap Days process, namely the managed Medi-Cal days data. Ensure that any changes are submitted timely in order to meet deadlines.
- NEW* • Evaluate the State's OBRA Limit factors, working with hospital staff to address any relevant issues. In addition, assist hospital staff with the CMS Workbook process by providing various preliminary estimations until completion of the audited results in order to report all cost and payment data as accurately as possible. Work with State auditors directly on any data or instruction interpretations.
- NEW* • Review data that affects the hospital's AB 113 funding, ensuring accuracy of reporting. Evaluate processes in place such that data is being reported correctly such that it's captured accurately when reporting to the State.

- NEW • Assist in the completion of the AB 915 funding submittal, ensuring accuracy of data especially as this program's patient volume transitions to that of managed Medi-Cal. Work with the DHCS as needed related to interpretation of instruction, audit questions, etc.
- NEW • As future program changes occur, assist hospital in obtaining monies from the Public Hospital Supplemental Fund (old SB1255). Monitor the process during the year so that if qualified the hospital receives its appropriate funding.
- NEW • Evaluate and advise hospital as to 'Rate Range' funding opportunities. As with any supplemental funding and the fact that DHLF has secured additional funding for its facilities, all sources of Medi-Cal and Uninsured funding must be analyzed as payment cannot exceed cost. If payment does exceed cost or the gap narrows, it is important that the hospital's "ask" does not exceed its limit.
- NEW • Review and modify as necessary data that will be utilized in determining the hospital's Quality Assurance Fee (QAF) for each program period. Monitor the IGT and payment cycle such that the facility meets deadlines.
- NEW • Identify other supplemental funding, as applicable. Assist hospital with data gathering, submission and deadlines related to this other existing or newly created funding.
 - Hospital shall, in its sole and absolute discretion, determine whether to modify previously filed data reports and shall, if it determines in its sole and absolute discretion to do so, submit such revised data reports to OSHPD or other governmental agencies. If the data reports that are modified are audited by either a private or government entity, Hospital will be responsible for the content contained in the data reports. Consultant will assist Hospital with providing data, working with the audit firm, or in any other capacity requested by Hospital. Fees for such assistance are included in Section 3 of this agreement.

8 Approval of Resolution ___ of the Board of Directors of Tulare Local Healthcare

District: The proposed resolution grants authority for Larry Blitz, WIPFLI/HFS Consulting, and Daniel R. Heckathorne, WIPFLI Consulting, in their official capacities as Interim Chief Executive Officer and Interim Chief Financial Officer, respectively, to execute documents on behalf of the District with banks and financial institutions.

**RESOLUTION NO ____ OF THE BOARD OF DIRECTORS
OF
TULARE LOCAL HEALTHCARE DISTRICT**

WHEREAS, the Board of Directors (the "Board") of the Tulare Local Healthcare District dba Tulare Regional Medical Center (the "District") filed for Chapter 9 Bankruptcy protection on or about September 30, 2017; and

WHEREAS, the Board voted to enter into a Consulting Agreement with WIPFLI/HFS Consulting for it to act as the Board's Crisis Manager and to provide interim hospital leadership to include the Chief Executive Officer and Chief Financial Officer; and

WHEREAS, Larry Blitz and Daniel R. Heckathorne, are serving as interim Chief Executive Officer and Interim Chief Financial Officer, respectively, pursuant the Consulting Agreement between the District and WIPFLI/HFS; and

WHEREAS, it is necessary for Larry Blitz and Daniel R. Heckathorne in their official capacities to sign and otherwise execute banking and lending documents with banks and other financial institutions on behalf of the District.

NOW, THEREFORE, BE IT RESOLVED THAT, in accordance with the provisions of the Tulare Local Hospital District Bylaws, the District hereby appoints and authorizes Larry Blitz of WIPFLI/HFS Consulting and Daniel R. Heckathorne of WIPFLI/HFS Consulting to act as the District's agents with regard to banking and lending, and to execute individually and collectively on behalf of the District, documents related to finance, banking, and lending.

IN WITNESS WHEREOF, I have hereto set my signature as Secretary of the District this __ day of February 2018

Mike Jamaica