

**TRI-CITY HEALTHCARE DISTRICT
AGENDA FOR A REGULAR MEETING
September 26, 2019 – 2:00 o'clock p.m.
Assembly Room 1 - Eugene L. Geil Pavilion
Open Session – Assembly Rooms 2 & 3
4002 Vista Way, Oceanside, CA 92056**

The Board may take action on any of the items listed below, unless the item is specifically labeled "Informational Only"

	Agenda Item	Time Allotted	Requestor
1	Call to Order	3 min.	Standard
2	Approval of agenda		
3	Public Comments – Announcement Members of the public may address the Board regarding any item listed on the Closed Session portion of the Agenda. Per Board Policy 19-018, members of the public may have three minutes, individually, to address the Board of Directors.	3 min.	Standard
4	Oral Announcement of Items to be Discussed During Closed Session (Authority: Government Code, Section 54957.7)		
5	Motion to go into Closed Session		
6	Closed Session	1 Hour	
	a. Conference with Legal Counsel – Existing Litigation (Authority Government Code Section 54956.9(d)1, (d)4 1) Medical Acquisition Company vs. Tri-City Healthcare District Case No: 2014-00009108 2) Tri-City Healthcare District vs. Medical Acquisition Company Case No: 2014-00022523 3) Carola Hauer vs. TCHD, an unknown business entity; Joy Melhado, an Individual and DOES 1 through 25, Inclusive Case No. 37-2018-00036306-CU-OE-NC		
	b. Conference with Legal Counsel – Potential Litigation (Authority: Government Code, Section 54956.9(d) 2 (2 Matters)		
	c. Hearings on Reports of the Hospital Medical Audit or Quality Assurance Committees (Authority: Health & Safety Code, Section 32155)		

Note: Any writings or documents provided to a majority of the members of Tri-City Healthcare District regarding any item on this Agenda will be made available for public inspection in the Administration Department located at 4002 Vista Way, Oceanside, CA 92056 during normal business hours.

Note: If you have a disability, please notify us at 760-940-3347 at least 48 hours prior to the meeting so that we may provide reasonable accommodations.

	Agenda Item	Time Allotted	Requestor
	d. Reports Involving Trade Secrets (Authority: Health and Safety Code, Section 32106) Discussion Will Concern: Proposed new service or program Date of Disclosure: TBD		
	e. Approval of prior Closed Session Minutes		
7	Motion to go into Open Session		
8	Open Session		
	Open Session – Assembly Room 3 – Eugene L. Geil Pavilion (Lower Level) and Facilities Conference Room – 1:00 p.m.		
9	Report from Chairperson on any action taken in Closed Session (Authority: Government Code, Section 54957.1)		
10	Roll Call / Pledge of Allegiance	3 min.	Standard
11	Public Comments – Announcement Members of the public may address the Board regarding any item listed on the Board Agenda at the time the item is being considered by the Board of Directors. Per Board Policy 19-018, members of the public may have three minutes, individually, to address the Board of Directors. NOTE: Members of the public may speak on any item not listed on the Board Agenda, which falls within the jurisdiction of the Board of Directors, immediately prior to Board Communications.	2 min.	Standard
12	TCHD Foundation – Jennifer Paroly, President	10 min.	Standard
13	August 2019 Financial Statement Results	10 min.	CFO
14	New Business		
	a) Consideration to accept the 2019 Fiscal Year Financial Statement Audit and Single Audit – Stacy Stelzriede, Engagement Partner, Moss Adams	15 min.	ACE Comm.
	b) Board Self-Evaluation with Facilitator, Jim Rice (Information only)	10 min.	Chair
15	Old Business – None		
16	Chief of Staff	10 min.	Chief of Staff
	a) Consideration of September 2019 Credentialing Actions and Reappointments Involving the Medical Staff and Allied Health Professionals as recommended by the Medical Executive Committee on September 23, 2019.		
17	Consideration of Consent Calendar	5 min.	Standard
	Administrative & Board Committees		
	(1) All Committee Chairs will make an oral report to the Board regarding items being recommended if listed as New Business or pulled from Consent Calendar.		
	(2) All items listed were recommended by the Committee.		

	Agenda Item	Time Allotted	Requestor
	(3) <i>Requested items to be pulled <u>require a second.</u></i>		
	(1) Administrative Committee		
	a) Patient Care Policies & Procedures		
	1) Ambulance Transport for Patients Policy		
	b) Administrative Policies & Procedures		
	1) Conducting Searches Patient Belongings and/or Room Policy 208		
	c) Cardiology		
	1) 2D Echo with Conventional & Color Flow Doppler and M Mode		
	d) Mammography		
	1) Report Inclusions Policy		
	e) Medical Staff		
	1) Standard for Endovascular Therapy (Catheter Based) 8710-530		
	f) NICU		
	1) Dietician, Role of in the NICU (DELETE)		
	2) Staffing Ratios for Social Services in the NICU		
	g) Patient Care Management		
	1) Utilization Management Plan Policy		
	h) Security		
	1) Closed Circuit Television System 512		
	(2) Board Committees		
	A. Community Healthcare Alliance Committee		CHAC Comm.
	Director Chavez, Committee Chair		
	<i>(No meeting held in September, 2019)</i>		
	B. Finance, Operations & Planning Committee		FO&P Comm.
	Director Nygaard, Committee Chair		
	Open Community Seats – 0		
	<i>(Committee minutes included in Board Agenda packet for informational purposes.)</i>		
	1) Approval of an addition of physician Dr. Hellen Chiao to the Gastroenterology General & ERCP ED Call Coverage for a term of 12 months, effective October 1, 2019 – December 31, 2019, a daily GI on call rate increase to \$795/day and effective January 1, 2020 – September 30, 2020, daily GI on call rate \$775/day for no additional cost to the already approved annual cost of \$283,650 for GI call, and ERCP at a daily rate of \$500 for an annual cost of \$183,000 and a total cost for the term of \$466,650.		
	2) Approval of an agreement to add Dr. Morgan Silldorf to the currently existing Panel Agreement for ED On Call Coverage – Orthopedics for a term of 12 months, beginning October 1, 2019 through September 30, 2020.		

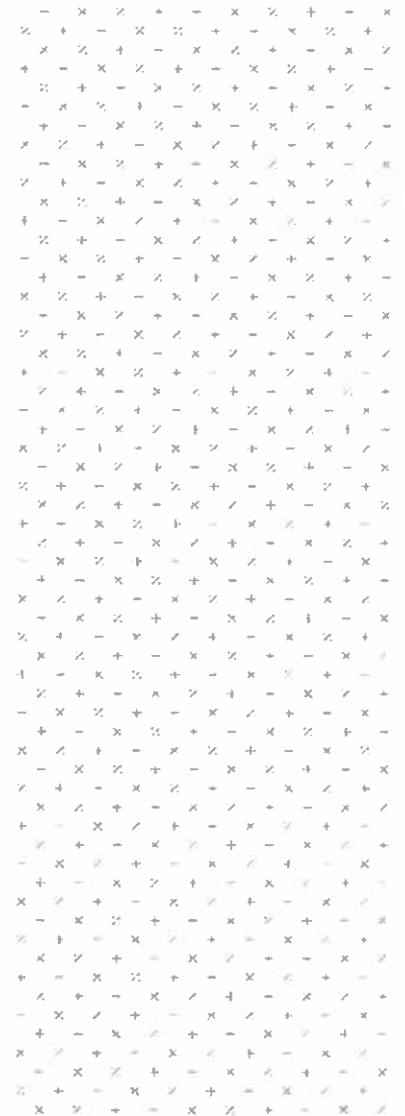
	Agenda Item	Time Allotted	Requestor
	<p>3) Approval of an agreement with Drs. Yuan Hwang Lin and Frederick Howden as the ED Call Coverage Physicians for a term of 12 months, plus 8 days beginning August 24, 2019 through August 31, 2020, at a daily rate of \$1,000 and term cost of \$374,000 for cardio-thoracic surgery.</p> <p>4) Approval of an agreement with The Neurology Center to provide comprehensive coverage/directorship for ARU, Stroke, Neurology, Epilepsy, ARU (mid-level) for a term of 24 months beginning October 1, 2019 through September 30, 2021, for a total cost for the term of \$1,152,240.</p> <p>5) Approval of a Sub-Lease agreement for Suite 160 at 2067 W. Vista Way, Vista, CA 92083 with Dr. Yuan Hwang Lin for a month to month term not to exceed 9 months, from September 1, 2019 through May 31, 2020 at the rate of \$180.81 per month.</p> <p>6) Approval of an agreement with Dr. Gehaan D'Souza as the Medical Director for Plastic Surgery Consultative and Procedural Services for a term of 12 months beginning October 1, 2019 through September 30, 2020, for a total cost for the term of \$55,440.</p> <p>7) Approval of an extension to an agreement with Dr. Jean Paul Abboud, for the currently existing ED On Call Coverage Panel for Ophthalmology for a term of 10 months, beginning September 1, 2019 through June 30, 2020.</p> <p>8) Approval of an agreement with West-Com & TV, Inc. for \$587,735, and the total project budget of \$873,438, for the replacement of the nurse call system in the Intensive Care Unit (ICU).</p> <p>9) Approval of a purchase of the G.E. 750W. 3.0 Tesla MRI, for a total purchase price of \$1,171,270.29 with funds provided by Tri-City Hospital Foundation.</p> <p>C. Professional Affairs Committee Director Reno, Committee Chair <i>(No meeting held in September, 2019)</i></p> <p>D. Audit, Compliance & Ethics Committee Director Schallock, Committee Chair Open Community Seats – 1 <i>(Committee minutes included in Board Agenda packet for informational purposes)</i></p> <p>(3) Minutes – Approval of: a) Special Meeting - August 29, 2019 (1:00 p.m.) b) Regular Meeting – August 29, 2019 c) Special Meeting – August 20, 2019 (5:30 p.m.)</p> <p>(4) Meetings and Conferences – None</p> <p>(5) Dues and Memberships - None</p>		<p>PAC</p> <p>Audit, Comp. & Ethics Comm.</p> <p>Standard</p>

	Agenda Item	Time Allotted	Requestor
18	Discussion of Items Pulled from Consent Agenda	10 min.	Standard
19	Reports (Discussion by exception only) (a) Dashboard – Included (b) Construction Report – None (c) Lease Report – (August, 2019) (d) Reimbursement Disclosure Report – (August, 2019) (e) Seminar/Conference Reports – 1) AHA Leadership Summit – Director Younger	0-5 min.	Standard
20	Comments by Members of the Public NOTE: Per Board Policy 19-018, members of the public may have three (3) minutes, individually and 15 minutes per subject, to address the Board on any item not on the agenda.	5-10 minutes	Standard
21	Comments by Chief Executive Officer	5 min.	Standard
22	Board Communications (three minutes per Board member)	18 min.	Standard
23	Report from Chairperson	3 min.	Standard
24	Total Time Budgeted for Open Session	2 hours	
25	Adjournment		



2019 Audit Results: Tri-City Healthcare District

September 17, 2019



Audit Committee

Tri-City Healthcare District

Dear Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of Tri-City Healthcare District ("the District") for the year ended June 30, 2019.

The accompanying report, which is intended solely for the use of the Audit Committee and management, presents important information regarding the District's financial statements and our audit that we believe will be of interest to you. It is not intended and should not be used by anyone other than these specified parties.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of the District's personnel. We are pleased to serve and be associated with the District as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

Agenda

- Auditor Opinions and Reports
- Communication with Those Charged with Governance
- Exhibit: Management Representation Letter
- Other Information





Auditor Opinions & Reports

Better Together: Moss Adams & Tri-City Healthcare District

Scope of Services



We have performed the following services for Tri-City Healthcare District:

- Annual financial statement audit as of and for the year ended June 30, 2019.
- Annual financial statement audit, including Required Department of Housing and Urban Development ("HUD") Supplementary Information, Single Audit, and Negative Assurance on Compliance with the HUD Regulatory Agreement

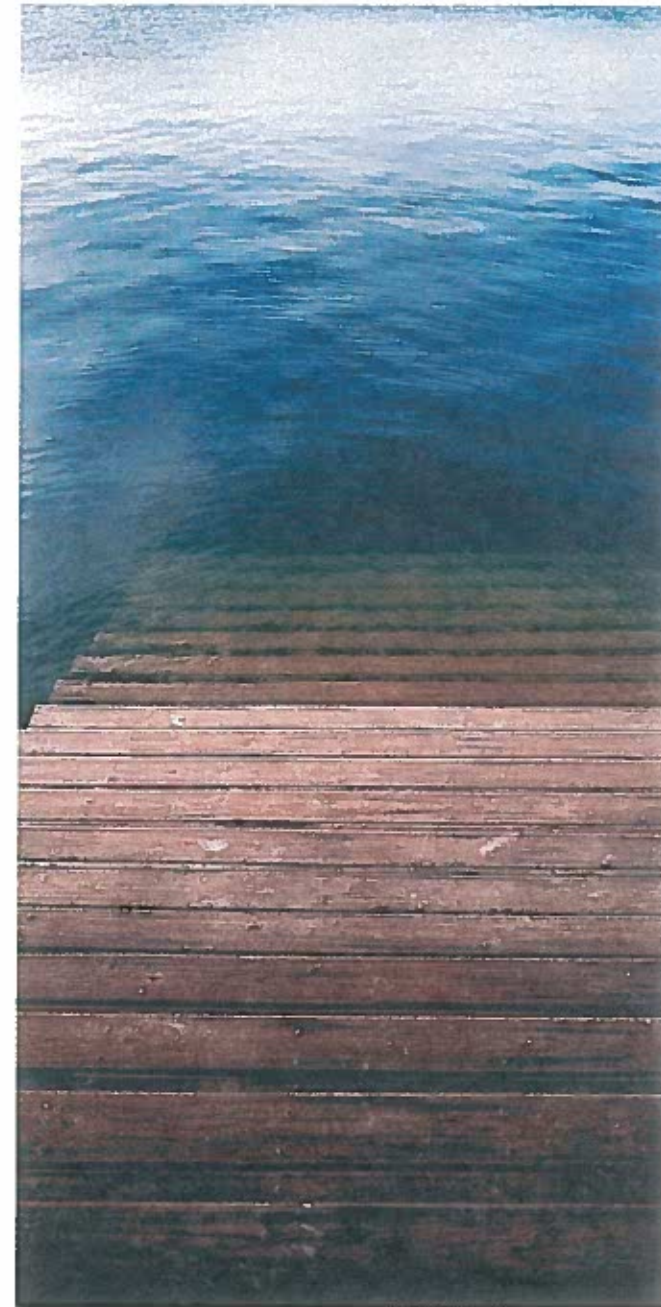
We have will also provide the following nonattest service:

- Completion of the Auditee portion of the Data Collection Form

Auditor Report on the Financial Statements

Unmodified Opinion

- Financial statements are presented fairly and in accordance with US GAAP



Other Auditor Reports

GAGAS Report on *Internal Control Over Financial Reporting* and on *Compliance and Other Matters*

- No financial reporting findings to communicate
- No compliance findings to communicate

Report on Compliance with Requirements that could have a *Direct and Material Effect on Each Major Federal Program* and on *Internal Control Over Compliance* required by the *Uniform Guidance*

- No control findings to communicate
- No compliance findings to communicate



Communication with Those Charged with Governance

Better Together: Moss Adams & Tri-City Healthcare District

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Our Responsibility

Our responsibility under US Generally Accepted Auditing Standards and Government Auditing Standards.

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, Government Auditing Standards issued by the Comptroller General of the United States, and the California (CA) Code of Regulations, Title 2, Section 1131.2, *State Controller's Minimum Audit Requirements* for CA Special Districts, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient and appropriate audit evidence and to communicate with those charged with governance and overview of the planned scope and timing of the audit.

OUR COMMENTS

- The planned scope and timing of the audit was communicated to the District's audit committee at the audit entrance meeting and was included in the engagement letter for the year ended June 30, 2019.
- There were no significant changes to the planned scope and timing of the audit.

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

OUR COMMENTS

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2019.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgements & Accounting Estimates

The audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

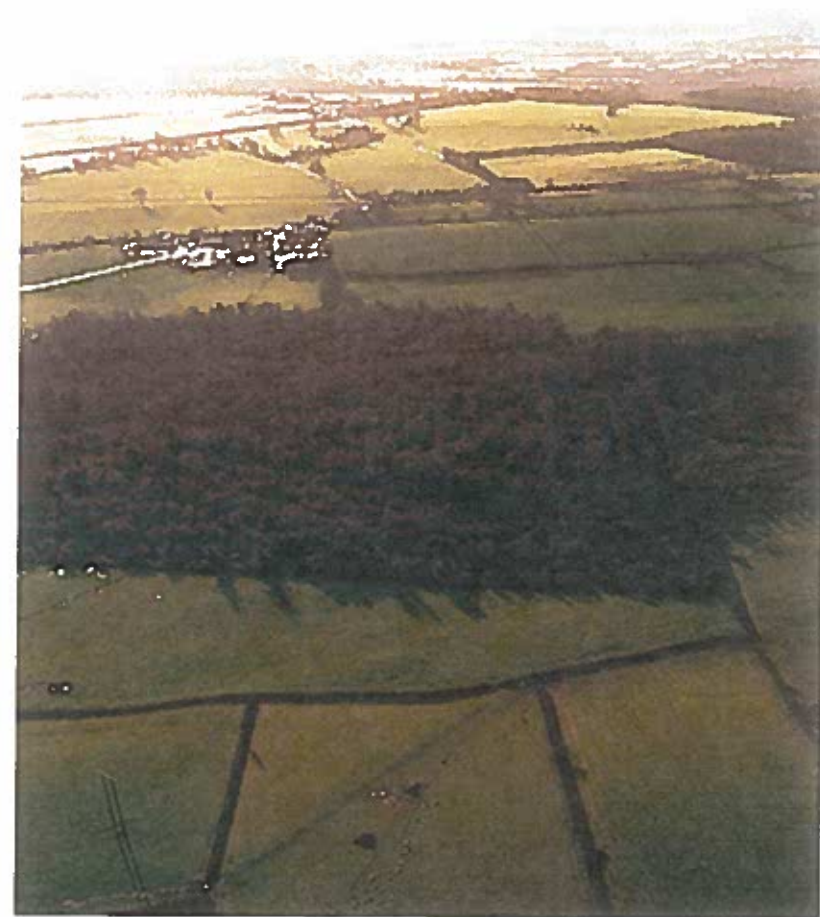
OUR COMMENTS

- Management's judgements and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.
- Significant management estimates impacted the financial statements including the following: **allowances for patient accounts receivable; accrual for medical claims incurred but not reported; actuarially determined accruals for worker's compensation and medical malpractice liabilities; and accruals for third party settlements and supplemental funding.**
- We deem them to be reasonable.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Areas of Audit Emphasis

- Patient Revenue/Receivables
- Cost Report Settlements, including Supplemental Funding
- Self-Insured Liabilities
- Line of Credit and Long-Term Debt (HUD Financing, Covenant Compliance)
- Single Audit
- MOB Legal Proceedings



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Patient Accounts Receivable - Lookback Analysis

	2019	2018	2017	2016
Net Patient Accounts Receivable (Hospital Only)	\$38,463,335	\$40,674,259	\$41,298,860	\$40,392,239
Subsequent Cash Receipts 2 months after 6/30	\$27,696,378	\$31,869,989	\$29,632,123	\$27,933,879
% Collected 2 months after 6/30	72%	78%	72%	69%
Exposure after 2 months collections	\$10,766,957	\$8,804,270	\$11,666,737	\$12,458,360
Subsequent Cash Receipts 14 months after 6/30	n/a	\$41,085,158	\$39,978,857	\$38,590,102
% Collected 14 months after 6/30	n/a	101%	97%	96%
Subsequent Cash Receipts through 8/31/2019	\$27,696,378	\$41,085,158	\$41,270,421	\$40,892,968
% Collected through 8/31/2019	72%	101%	100%	101%

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Management Judgements & Accounting Estimates

Our views about the quantitative aspects of the entity's significant accounting policies, accounting estimates, and financial statement disclosures.

OUR COMMENTS

- The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. We call your attention to the following notes:
 - Notes 8 and 15 – Short-term Debt
 - Note 9 – Long-term Debt
 - Note 14 – Legal Proceedings

Significant Audit Adjustments & Unadjusted Differences Considered by Management to Be Immaterial

The audit committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the District's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The audit committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

OUR COMMENTS

Corrected Adjustments:

- None

Uncorrected Adjustments:

- None

Deficiencies in Internal Control and in Internal Control over Compliance

Any material weaknesses and significant deficiencies in the design or operation of internal control or of internal control over compliance that came to the auditor's attention during the audit must be reported to the audit committee.

OUR COMMENTS

- Material weakness
 - None noted
- Significant deficiencies
 - Nothing to communicate
- Noncompliance
 - Nothing to communicate

Potential Effect on the Financial Statements of Any Significant Risks & Exposures

The audit committee should be adequately informed of the potential effect on financial statements of significant risks and exposures and uncertainties that are disclosed in the financial statements.

OUR COMMENTS

- The District is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.
- Medical Office Building Proceeding – Contingencies related to the MOB matter have been disclosed in the financial statements as of and for the year ended June 30, 2019

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Difficulties Encountered in Performing the Audit

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements, or the auditor's report.

OUR COMMENTS

- No significant difficulties were encountered during our audit.
- We are pleased to report that there were no disagreements with management.

Material Uncertainties Related to Events & Conditions/ Fraud & Noncompliance with Laws and Regulations

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the audit committee.

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS

- No such matters came to our attention.
- We have not become aware of any instances of fraud or noncompliance with laws and regulations.

Other Material Written Communications

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements, or the auditor's report.

OUR COMMENTS

- Management representation letter is available upon request.
- Other than the engagement letter, management representation letter, and communication to those charged with governance, there have been no other significant communications.

Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS

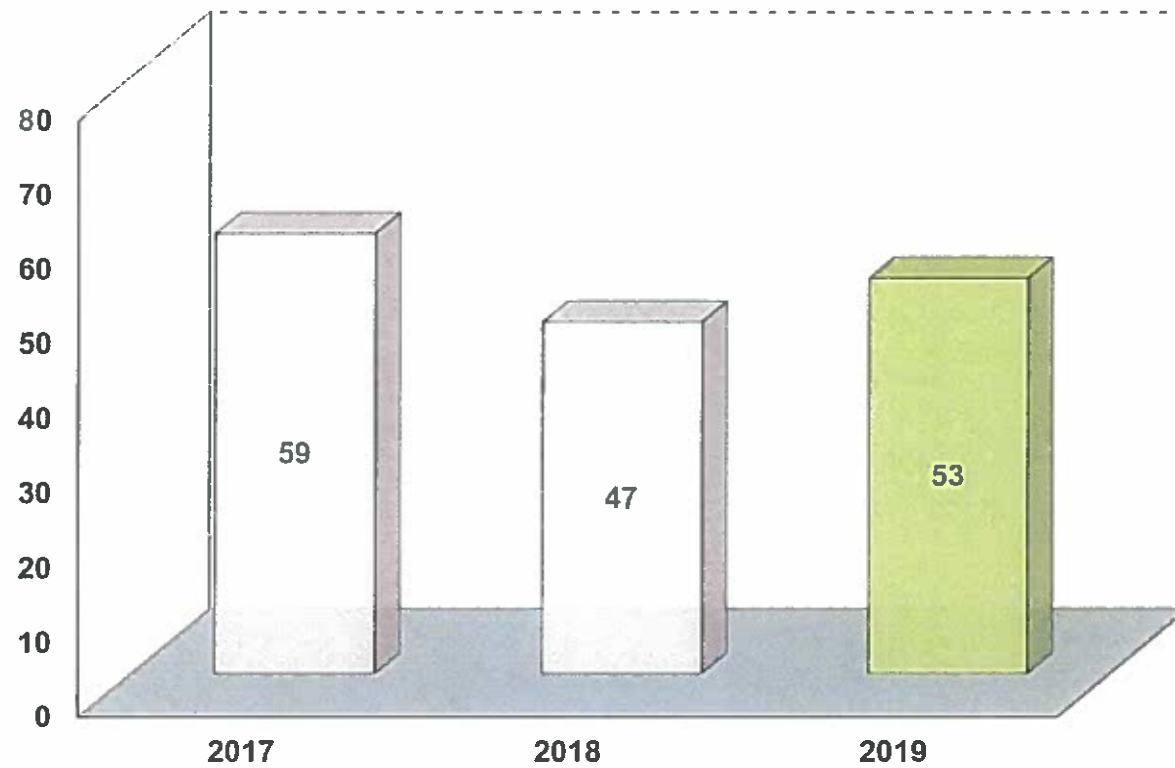
- We are not aware of any significant accounting or auditing matters for which management consulted other accountants.



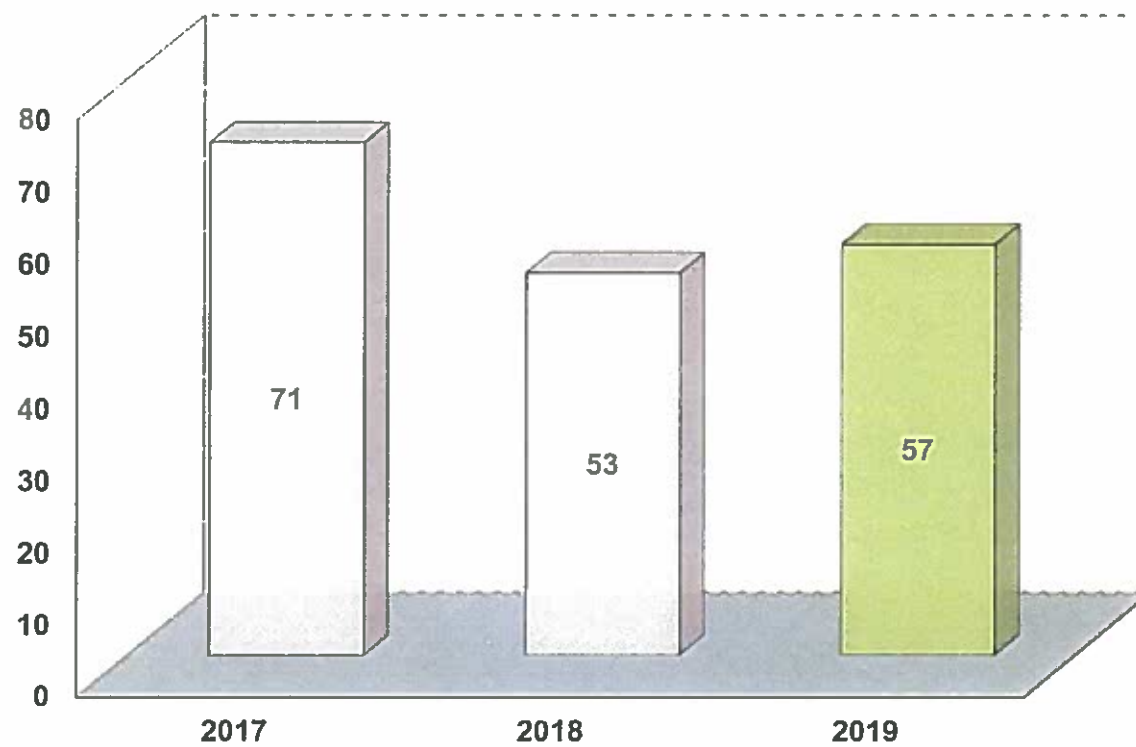
Financial Ratios and Metrics

the community we serve

Cash On Hand (Days)

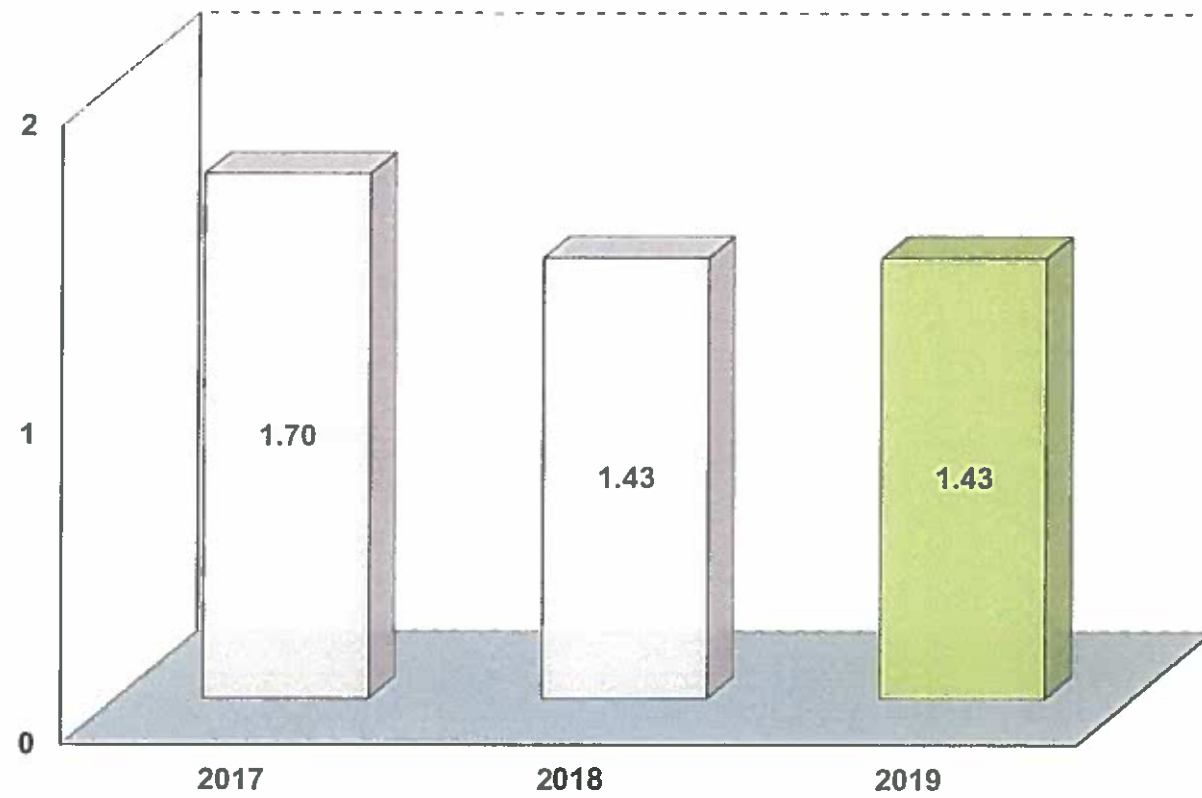


Cash On Hand (Days)*

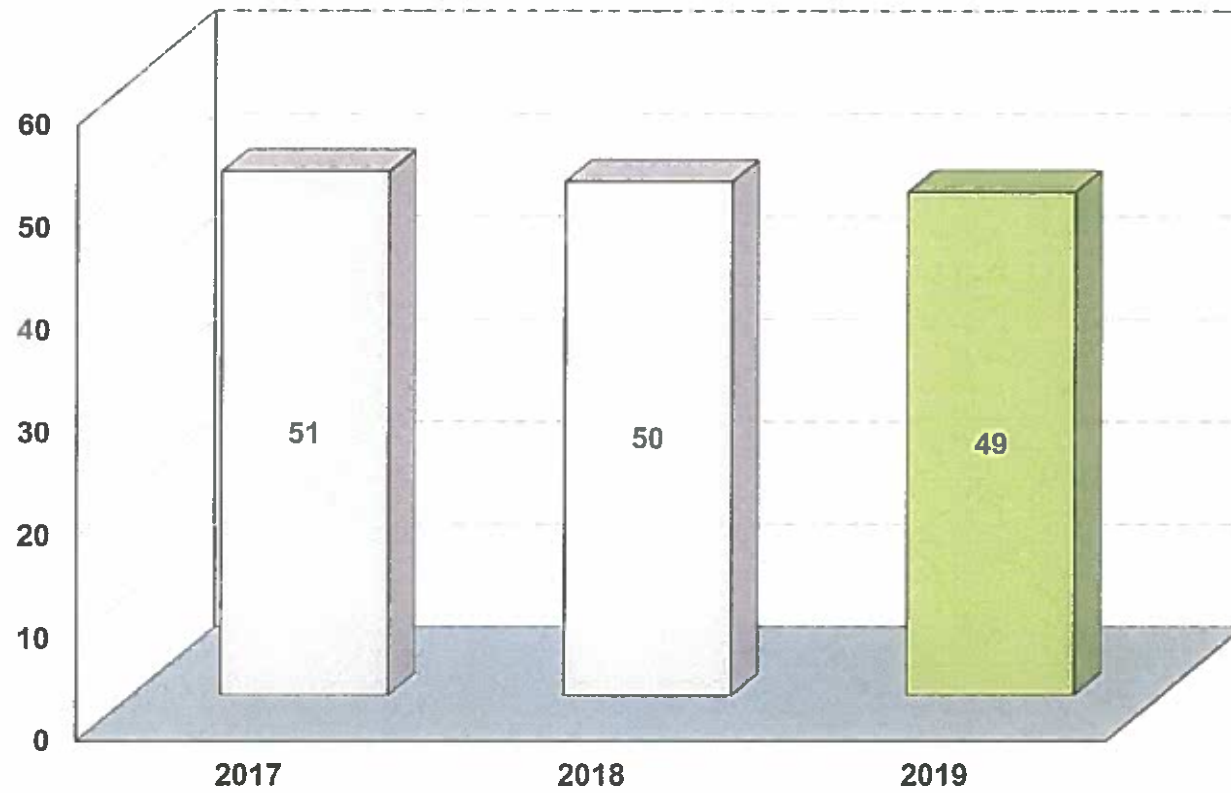


*Includes availability on revolver line of credit of \$11.1m in 2017, \$6.1m in 2018, and \$3.5m in 2019

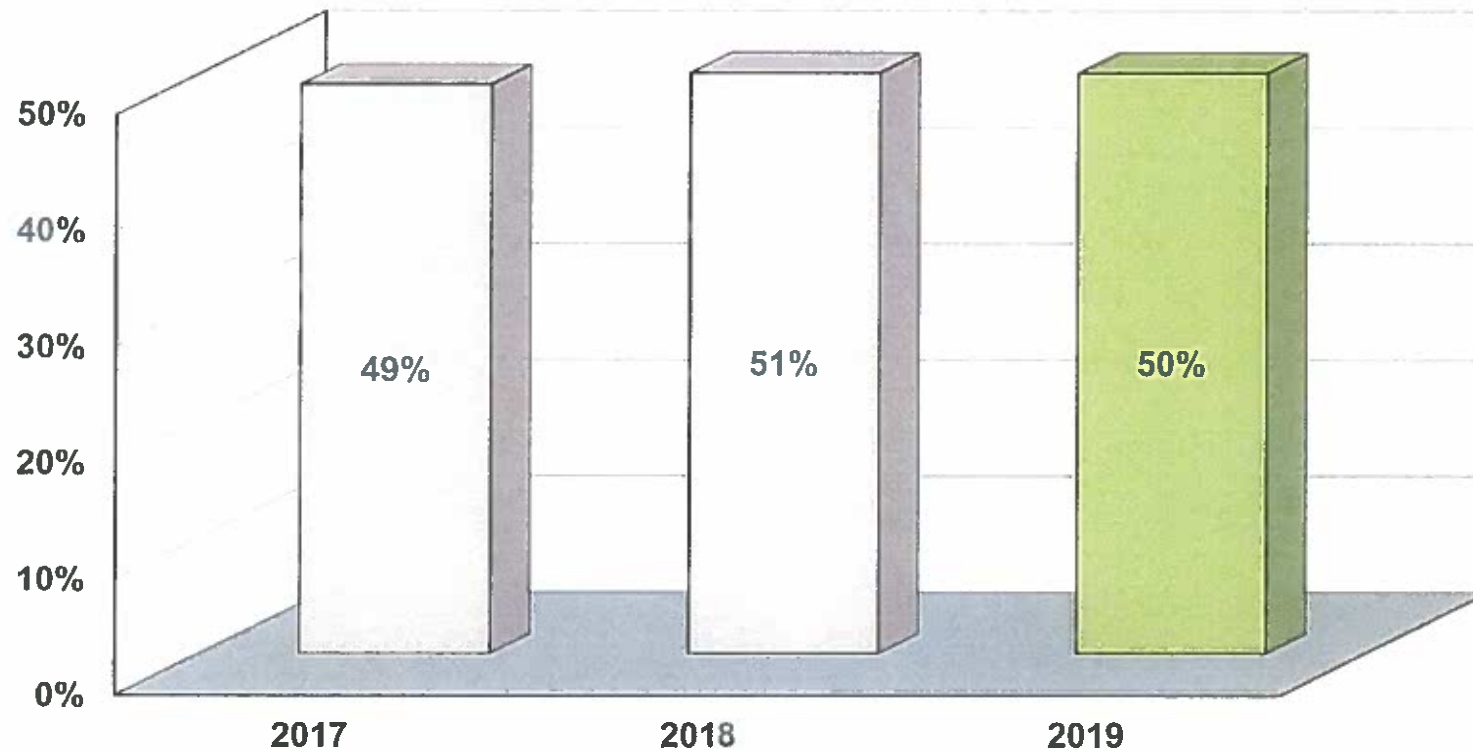
Current Ratio



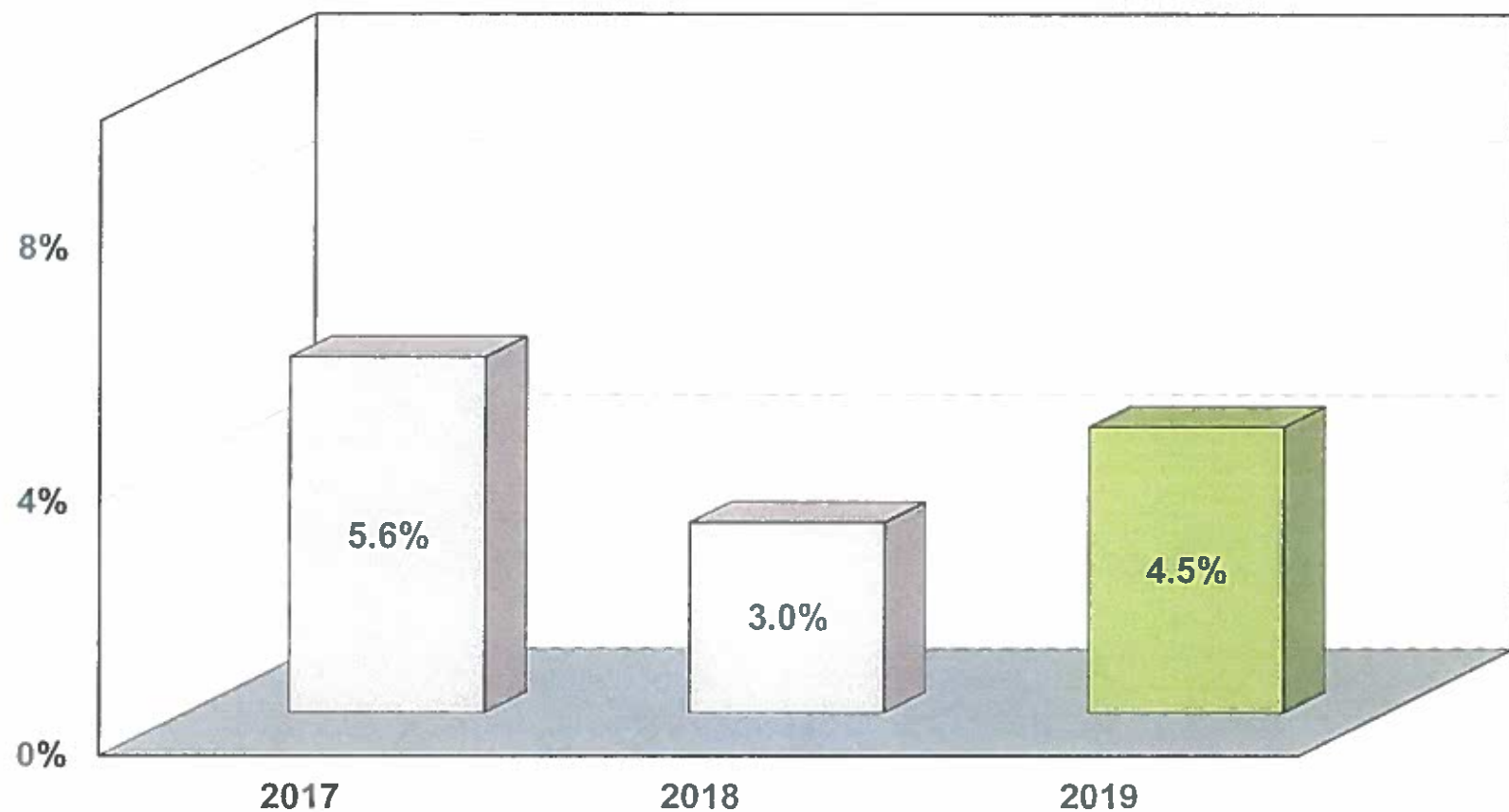
Days in Patient Accounts Receivable



Debt to Capitalization



EBITDA % of Operating Income -
Operating Income (including Tax Revenue) - Operating
Expenses (excluding Depreciation) / Operating Income





Industry Focus

Better Together: Moss Adams & Tri-City Healthcare District

Vision 2020

Preparing for the Future of Health Care

2019 HEALTH CARE CONFERENCE

You're invited

► [click here to register](#)



WHEN

November 7-8, 2019



WHERE

Red Rock Resort & Casino
Las Vegas, Nevada



WHO

Executives and members of the
C-suite in health care, life
sciences, technology, and
venture capital



James Carville

*Famed liberal campaign
consultant, political author,
and commentator*



Jeff Flake

Former U.S. Senator from AZ



Susan Dentzer

*Senior health care policy
expert, author, and journalist*



Karl Rove

*Former Deputy Chief of Staff,
Pres. George W. Bush; political
strategist, pundit, and op-ed
contributor for The Wall Street
Journal*



John Kitzhaber, M.D.

*Former Governor of Oregon
Named one of Modern
Healthcare's 100 Most Influential
People in Healthcare*



Donald Crane

*President and CEO
America's Physician Groups*



What Do Attendees Say?

The best way to gage a conference's value is through direct feedback from the audience and speakers.

Here are a few things attendees had to say about our past conferences.

We also invite you to view selected sessions from the 2018 conference,

³² **Disruption | Innovation | Transformation**, at the link below.

▶ [Click here to view selected sessions.](#)

"Excellent presentations with highly relevant themes. One of the best conferences I have attended in last decade. Facility and services were excellent."

— Patrick Connell
VP of Behavioral Health, Compliance, and Government Relations, Boys Town

"I've been eight times. It's one of the best conferences every year from a content perspective. It's my favorite conference."

— Warren Maxwell
CFO, First Choice Health Network, Inc.

"Great dialogue, great structure..."

— former US Speaker of the House Newt Gingrich
Political leader and past conference keynote speaker

"A very stimulating discussion..."

— former US Senator Joe Lieberman
Politician, lobbyist, attorney, and past conference keynote speaker

"The audience is very smart. They get it."

— Howard Dean, former 6-term Governor of Vermont, presidential candidate
and past conference keynote speaker

"Relevant topics with knowledgeable speakers."

— Laurie Hefty
Executive Director of Finance, Colorado Permanente Group

"I was quite amazed... at the quality of the conference."

— Bill Pace
CFO, Eskaton

"I was very impressed with the caliber of people in attendance. The Moss Adams conference gathers a group of highly dedicated professionals with a demonstrated commitment to health...to have important conversations about health care, today."

— former US Senator Tom Daschle
Politician, lobbyist, and past conference keynote speaker



2018 Health Care Conference

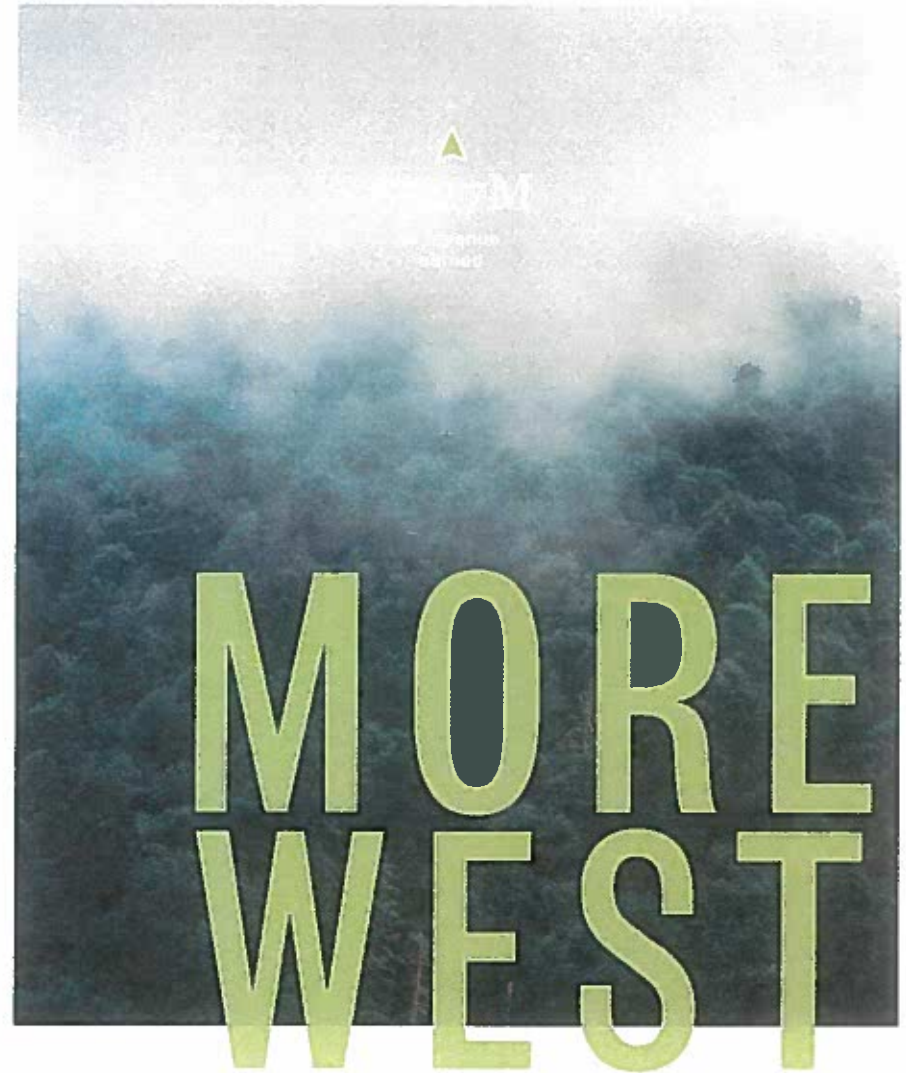
Still deciding if you'd like to attend? We'll make it easier on you.

3.3 Here's a recap of our 2018 Health Care Conference by the numbers.



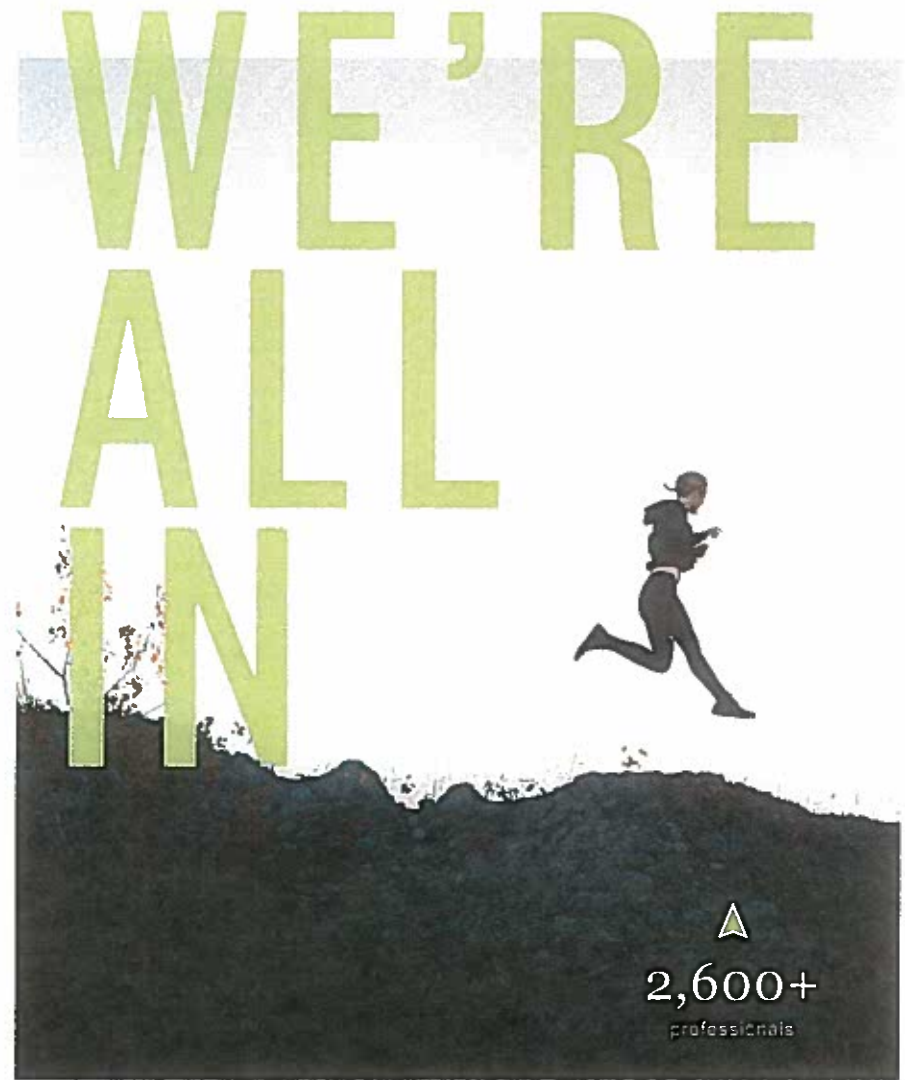
Realizing Potential

At Moss Adams, we bring more West to business. More than a geographic focus, this concept of West embodies our spirit of optimism, openness, and enterprise. With a rare blend of inspiration and technical excellence, we empower our clients to discover and claim the future.



Personally Invested

Moss Adams is a fully integrated professional services firm dedicated to personally assisting clients with growing, managing, and protecting prosperity. With more than 2,600 professionals across over 20 locations in the West and beyond, we work with many of the world's most innovative companies and leaders.

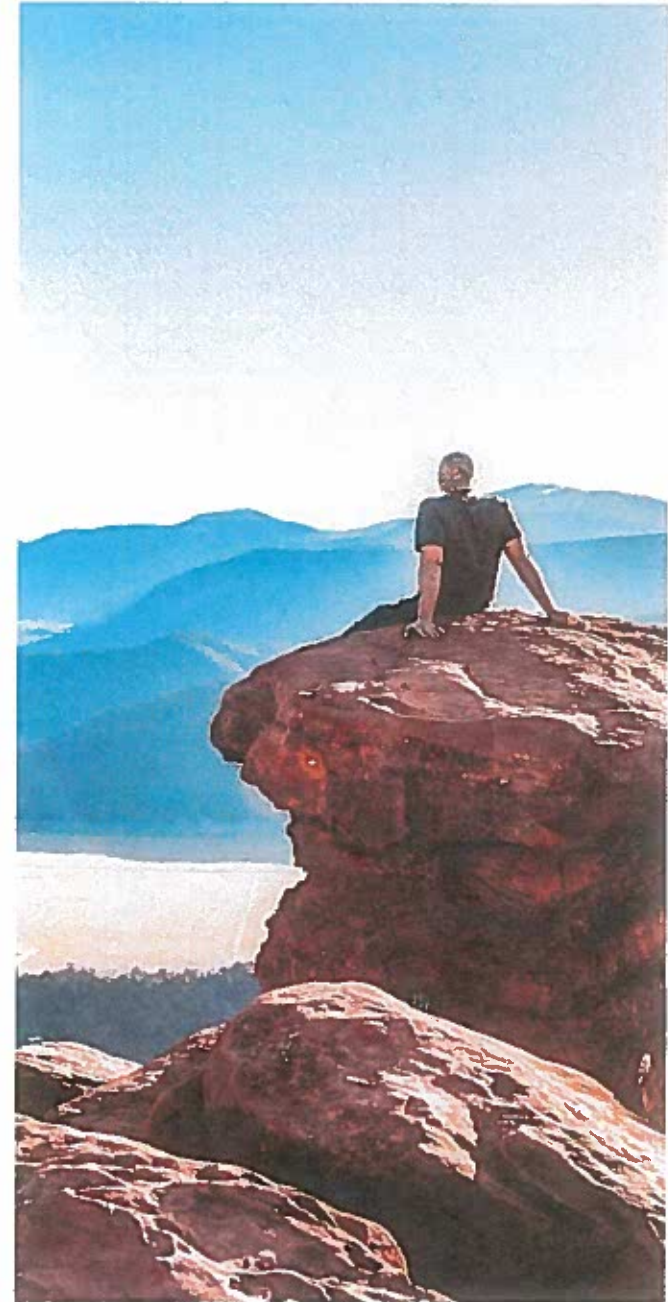


Moss Adams

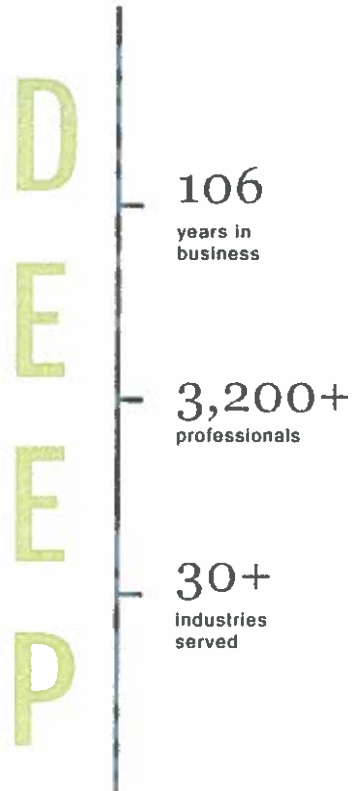
At Moss Adams, we bring more West to business. More than a geographic focus, our concept of West embodies our spirit of optimism, openness, and enterprise. With a rare blend of inspiration and technical excellence, we empower our clients to discover and claim the future.

This means you'll get much more than just accounting, consulting, and wealth management services—you'll get strategic and timely business advice.

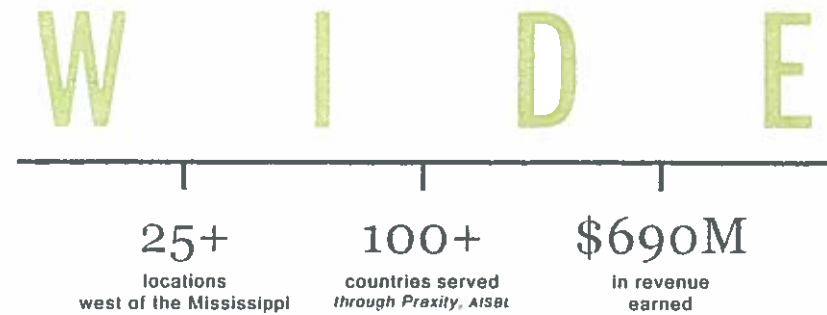
Distinguished for our depth of industry knowledge, we take the time to understand each client's business or individual situation, anticipate needs, and identify gaps before they become obstacles. This way, clients can grow, manage, and protect their prosperity with confidence.



Expertise



Reach



Data as of January 2019

Health Care Industry Experience

Our health care professionals dedicate their careers to serving the industry.

We cover the full spectrum of health care including:

- Hospitals and health systems
- Independent practice associations
- Medical groups
- Community health centers
- Behavioral health organizations
- Long-term care
- Surgery centers
- Knox Keene licensed health plans
- Health care ancillary services

*Crater Lake—
A monument to
perseverance.
North America's
deepest lake filled
to 1,649 feet over
~20 years.*

Data as of March 2019

D
E
E
P

275+

health care professionals

39

health care
partners

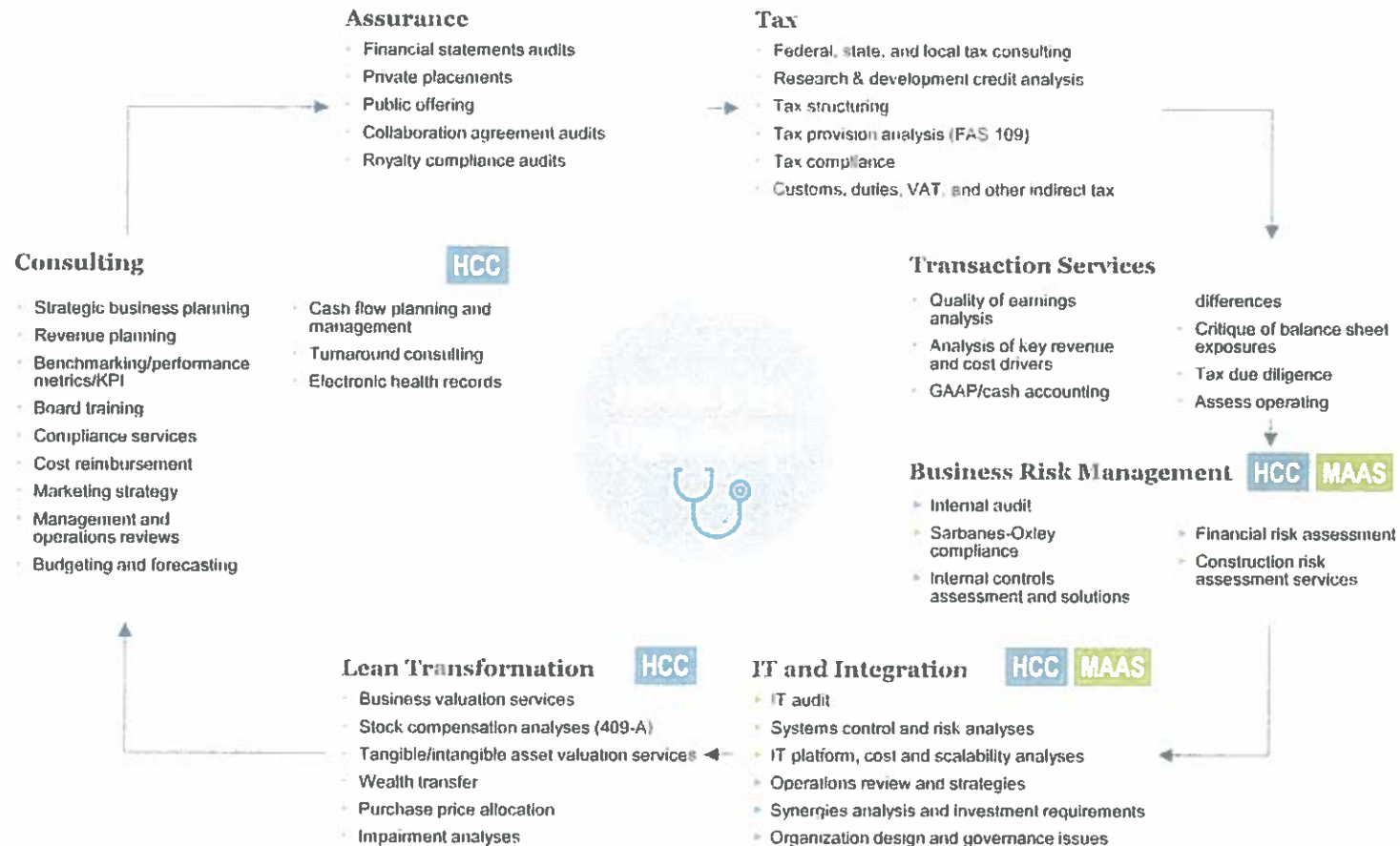
2,600+

clients nationwide

Leadership involvement with
AICFA Health Care Expert
Panel and HFMA National
Principles and Practice
Board

Participation in 30+
national, regional, and state
health care industry events

Services Overview: How This All Fits Together



Services

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.

Accounting	Consulting	Wealth Management
ASSURANCE	IT	INDIVIDUAL
Financial Statement Audits	Compliance	Tax
Employee Benefit Plans	Cybersecurity	Financial Planning
Public Company & SEC	Assessment & Planning	Investments
Internal Audit	Development & Integration	Family Office
Outsourced Accounting		
Contract Compliance	STRATEGY & OPERATIONS	INSTITUTIONAL
Sustainability	Business Planning	Investments
	Performance Audits	Insurance
	Succession Planning	
TAX	TRANSACTIONS	
Accounting for Income Taxes (ASC 740)	Due Diligence	
Accounting Methods	Investment Banking	
Compensation & Benefits	M&A Tax	
Credits & Incentives	Restructuring	
International	Valuations	
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Controversy & Dispute Resolution		
Tax Structuring		
Transfer Pricing		

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THANK
YOU

**REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION AND
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

TRI-CITY HEALTHCARE DISTRICT

June 30, 2019 and 2018

Table of Contents

	PAGE
Management's Discussion and Analysis	1–10
Report of Independent Auditors	11–13
Financial Statements	
Statements of net position	14–15
Statements of revenues, expenses, and changes in net position	16
Statements of cash flows	17–18
Notes to financial statements	19–40
Supplementary Information	
Schedule of net position, June 30, 2019	41–42
Schedule of revenues, expenses, and changes in net position, for the year ended June 30, 2019	43
HUD required financial information	44
Single Audit Reports and Related Schedules	
Report of independent auditors on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	45–46
Report of independent auditors on compliance for the major federal program and report on internal control over compliance required by the Uniform Guidance	47–48
Schedule of expenditures of federal awards	49
Notes to the schedule of expenditures of federal awards	50
Schedule of findings and questioned costs	51

Tri-City Healthcare District

Management's Discussion and Analysis

As of and for the Years Ended June 30, 2019, 2018, and 2017

Overview

The Tri-City Healthcare District (the "District") is a public healthcare district and is a political subdivision of the State of California (the "State") organized pursuant to Division 23 of the Health and Safety Code of the State of California. The District operates a 386-bed acute care hospital in northern San Diego County (the "County"). The "Tri-City" name represents the cities of Carlsbad, Oceanside, and Vista, the three cities that fall within its boundaries. The District was formed in 1957, and the hospital opened in 1961.

This report contains the operating results of Tri-City Medical Center and the subsidiaries in which the District owns a controlling interest. Those entities include: Tri-City Medical Center Ambulatory Surgery Center Operators, LLC ("ASCO"); the Tri-City Medical Center Cardiovascular Health Institute, LLC ("Cardiovascular Institute"); the Tri-City Medical Center Orthopedic Institute, LLC ("Orthopedic Institute"); the Tri-City Medical Center Neuroscience Institute, LLC ("Neuro Institute"); the Tri-City Real Estate Holding and Management Company, LLC ("REHM"); and Tri-City Wellness, LLC ("Wellness Center").

ASCO, the Cardiovascular Institute, the Orthopedic Institute, the Neuro Institute, the REHM, and the Wellness Center are component units that have been blended for presentation purposes. The District has determined blended presentation is appropriate for ASCO as it appoints a voting majority of the governing body, and its operations are an integral part of the District's mission. The District has also determined blended presentation is appropriate for the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute as the component units provide services almost entirely to the District. The District has determined blended presentation is appropriate for the REHM and the Wellness Center as management of the District has operational responsibility.

This section of the District's annual financial report presents an analysis of the District's financial performance for the years ended June 30, 2019, 2018, and 2017. All references to years refer to the fiscal year ended June 30, unless otherwise indicated. Please read this analysis in conjunction with the Report of Independent Auditors and the financial statements that follow this section.

This annual financial report includes four items:

1. Management's Discussion and Analysis
2. Report of Independent Auditors
3. Financial statements of the District, including notes that explain in more detail some of the information in the financial statements
4. Supplemental schedules

Tri-City Healthcare District

Management's Discussion and Analysis

As of and for the Years Ended June 30, 2019, 2018, and 2017

Overview (continued)

The District's financial statements report information using accounting methods required by the Governmental Accounting Standards Board (GASB). These statements contain short-term and long-term financial information about its activities. In accordance with accounting principles generally accepted in the United States of America (also known as GAAP or generally accepted accounting principles) for governmental health care providers, the District's statements of revenue, expenses, and changes in net position reflect that non-operating income (expenses) including interest expense, which for nongovernmental hospitals is typically grouped as an operating expense. While these GASB requirements make district hospitals conform to other governmental entities such as cities and counties, they may be less comparable to nongovernment hospitals because of these GASB requirements.

Executive Summary

For the year ended June 30, 2019, the District reported a reduction in net position (deficiency of revenue over expenses) of approximately \$4.2 million.

The 2019 deficiency of revenue over expenses by entity was as follows:

Tri-City Medical Center	\$ (5,983,506)
Ambulatory Surgery Center Operators	2,729,697
Tri-City Wellness Center	101,722
Cardiovascular Institute	354,556
Orthopedic Institute	(255,500)
Neuroscience Institute	(150,056)
Eliminations	<u>(1,015,722)</u>
Total deficiency of revenue over expenses	<u>\$ (4,218,809)</u>

Contributing to the 2019 results were the following significant activities:

- The District recorded a \$5.1 million non-operating charge related to an on-campus medical office building legal matter. See Note 14 - Commitments and Contingencies.
- Excluding the one-time charge noted above, the District reported Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) of \$16.7 million during fiscal 2019. This represents a \$5.4 million favorable improvement over fiscal 2018.
- Excess of Revenue Over Earnings (EROE) also reflects a positive bottom line when the one-time non-operating expense is excluded and represents an improvement over fiscal 2018 of over \$5 million.
- The District recorded revenue totaling approximately \$24.1 million through the continuation of the Intergovernmental Transfer (IGT) program. This program reimbursed the District for a portion of the difference between the cost of treating Medi-Cal patients and the amount reimbursed through pre-existing Medi-Cal contracts.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Executive Summary (continued)

- The District participated in the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program in 2019. The PRIME program is a community centric population health, pay-for-performance, outcomes-based initiative. Performance baselines were established and target goals were set. The District is currently in the ongoing evaluation of quality improvement interventions phase of the program. The PRIME program contributed approximately \$4.6 million to revenue in 2019.
- The District has experienced a decrease in inpatient patient volumes for the past few years. From 2014–2015 hospitals saw a spike in patient volumes. This was due to the implementation of the Affordable Care Act (ACA) that enabled more people to obtain healthcare insurance than prior to the ACA. In recent years there has been an overall shift towards outpatient care. There have been increases to outpatient surgery centers and urgent care centers. The national shift to outpatient care is also due to increases in insurance deductibles where patients shoulder a larger portion of their healthcare costs. Accordingly, there has been a decrease in emergency department visits nationwide. Additionally, the District suspended Inpatient Behavioral Health Unit (BHU) and Crisis Stabilization Unit (CSU) service lines during fiscal 2019. These factors contributed to the District experiencing a 7.4% decrease in emergency department visits and a 12.7% decrease in inpatient days.
- The District's strategic partnership in ASCO resulted in an excess of revenues over expenses of approximately \$2.7 million in 2019. Because the District owns 60% of ASCO and ASCO owns 52.8% of North Coast Surgery Center Ltd., the District's share of earnings was approximately \$799 thousand.
- The District's revenue related to prior years' cost report settlements totaled approximately \$2.2 million. Cost reports typically are finalized several years beyond the close of each fiscal year, after review by the appropriate government agency, and after all appeal rights have been exhausted. Tentative settlements occur between the end of a fiscal year and finalization of the settlement process.
- The District continued to recruit physicians to improve medical coverage for the communities it serves. Specialties recruited include primary care, cardiology, and surgery. Loans to physicians accrue interest during the draw period and during the forgiveness period. As of June 30, 2019, the physician loan balance was \$3.0 million. Approximately \$2.5 million was forgiven during 2019.
- In July 2017, the District purchased Orthopedic Specialists of North County (OSNC) clinic operations for \$6.0 million. The partnership between the District and the clinic combines the strength of the two organizations to provide delivery of the most advanced, high quality orthopedic medical and surgical services, including joint replacement, spine care, sports medicine, cutting-edge non-operative therapy, and physical rehabilitation to the community. The associated transactions along with financial results are reported in the District's financial statements.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Executive Summary (continued)

During fiscal year 2019, supplies and pharmaceuticals expense decreased by \$1.3 million, salaries and related expenses decreased by \$9.2 million, and professional and medical fees decreased by \$2.4 million. The decreases were primarily due to the lower inpatient volumes in addition to the suspension of the Inpatient Behavioral Health Unit (BHU) and Crisis Stabilization Unit (CSU) service lines.

Required Financial Statements

Statement of net position – The statement of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities), and net position – the difference between assets and liabilities – of the District, and the changes thereto. The statement of net position also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Condensed Statements of Net Position as of June 30 (In Thousands):

	2019	2018	2017
ASSETS			
Current assets	\$ 114,193	\$ 114,329	\$ 115,075
Capital assets - net	98,670	101,759	103,650
Non-current assets	38,721	44,710	39,869
TOTAL ASSETS	<u>\$ 251,584</u>	<u>\$ 260,798</u>	<u>\$ 258,594</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 80,016	\$ 79,850	\$ 67,817
Long-term debt - net of current portion	80,654	83,988	88,091
Workers' compensation and comprehensive liability - net of current portion	7,955	7,938	7,755
Total liabilities	<u>168,625</u>	<u>171,776</u>	<u>163,663</u>
Invested in capital assets - net of related debt	16,777	12,995	13,377
Restricted assets	9,124	8,670	7,966
Unrestricted	57,058	67,357	73,588
Total net position	<u>82,959</u>	<u>89,022</u>	<u>94,931</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 251,584</u>	<u>\$ 260,798</u>	<u>\$ 258,594</u>

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Analysis of Changes in the Statement of Net Position

Changes from fiscal year 2018 to 2019

- Current assets totaling approximately \$114.2 million in 2019 remained relatively unchanged with a slight decrease of \$136 thousand from the prior year. Included in current assets is an increase of approximately \$4.3 million in short-term investments, cash, and cash equivalents, offset with a decrease of approximately \$2.2 million in patient accounts receivable and a decrease of approximately \$2.9 million in estimated third-party settlements.
- Non-current assets totaling approximately \$38.7 million in 2019 represents a decrease of \$6.0 million from the prior year, primarily due to recording a \$5.1 million offset resulting from a court ruling related to the on-campus medical office building. See Note 14 - Commitments and Contingencies. Included in non-current assets is approximately \$7.5 million deposited for mortgage reserve funds related to the HUD guaranteed loan.
- Cash on hand, short-term investments, and unused availability from the revolving credit facility provides liquidity to the District. Cash and cash equivalents totaled approximately \$45.0 million, short-term investments totaled approximately \$5.9 million, and the unused available revolving line of credit was approximately \$3.5 million as of June 30, 2019. This resulted in total liquidity of approximately \$54.5 million. This represents a \$1.7 million increase in total liquidity over the prior year.
- Net estimated third-party payor settlements of approximately \$3.9 million decreased by approximately \$2.9 million from 2018 due to the payments received for prior year balances. The majority of the third-party settlements balance as of June 30, 2019 pertains to outstanding receivables from the PRIME program and current year cost report estimates.
- Capital assets net totaled approximately \$98.7 million as of June 30, 2019. A decrease of approximately \$3.1 million from 2018 was the result of \$9.1 million in new equipment, software acquisitions, and other capital improvement projects, offset by depreciation and amortization expense of \$12.2 million.
- Current liabilities totaled approximately \$80.0 million for both years ended June 30, 2019 and 2018.
- Long-term debt net of current portion totaled approximately \$80.7 million as of June 30, 2019, compared to \$84.0 million as of June 30, 2018. The decrease is primarily related to the payments of principal on long-term debt.
- Workers' compensation and comprehensive liability insurance reserves classified as long-term liabilities totaled approximately \$8.0 million for both years ended June 30, 2019 and 2018, based on actuarial analyses of open claims and estimates of claims incurred but not yet reported (IBNR). Actuarial studies are commissioned twice each year to determine the potential liabilities and required reserves.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Analysis of Changes in the Statement of Net Position (continued)

Changes from fiscal year 2017 to 2018

- Current assets totaling approximately \$114.3 million in 2018 represent a decrease of \$746 thousand from the prior year. Included in current assets is a decrease of approximately \$6.3 million in short-term investments, cash, and cash equivalents, and an increase of approximately \$5.1 million of estimated amounts due from third-party settlements to the District for participation in the PRIME program.
- Non-current assets totaling approximately \$44.7 million in 2018 represent an increase of \$4.8 million from the prior year primarily due to the \$4.9 million goodwill related to the purchase of OSNC Clinic operations. Included in non-current assets is approximately \$7.0 million of mortgage reserve funds related to the HUD guaranteed loan and a \$17.0 million deposit made to the State of California associated with a medical office building legal matter.
- Cash on hand, short-term investments, and unused availability from the revolving credit facility provides liquidity to the District. Cash and cash equivalents totaled approximately \$41.2 million, short-term investments totaled approximately \$5.4 million, and the unused available revolving line of credit was approximately \$6.2 million as of June 30, 2018. This resulted in total liquidity of \$52.8 million.
- Net estimated third-party payor settlements of approximately \$6.8 million increased by approximately \$5.1 million from 2017. The majority of the third-party settlements balance as of June 30, 2018 pertains to outstanding receivables from the PRIME program and current year cost report estimates.
- Capital assets net totaled approximately \$101.8 million as of June 30, 2018. A decrease of approximately \$1.9 million from 2017 was the result of \$9.9 million in new equipment and software acquisitions and the continuation of certain capital projects, offset by depreciation and amortization expense of \$11.6 million.
- Current liabilities totaling approximately \$79.9 million as of June 30, 2018, reflect an increase of approximately \$12.0 million compared to June 30, 2017. Current liabilities included \$3.0 million in short-term debt related to the purchase of OSNC Clinic operations.
- Long-term debt net of current portion totaled approximately \$84.0 million as of June 30, 2018, compared to \$88.1 million as of June 30, 2017. The decrease is primarily related to the payments of principal on long-term debt.
- Workers' compensation and comprehensive liability insurance reserves classified as long-term liabilities increased by \$184 thousand, based on actuarial analyses of open claims and estimates of claims incurred but not yet reported (IBNR). Actuarial studies are commissioned twice each year to determine the potential liabilities and required reserves.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30 (In Thousands):

	2019	2018	2017
Operating revenue	\$ 356,874	\$ 365,142	\$ 340,112
Operating expenses	<u>363,294</u>	<u>375,800</u>	<u>341,682</u>
Loss from operations	(6,420)	(10,658)	(1,570)
Non-operating revenue	<u>2,201</u>	<u>6,396</u>	<u>3,450</u>
Change in net position before minority interest (EROE)	(4,219)	(4,262)	1,880
Minority interest distributions - net	<u>(1,844)</u>	<u>(1,647)</u>	<u>(1,383)</u>
Change in net position	(6,063)	(5,909)	497
Beginning net position	<u>89,022</u>	<u>94,931</u>	<u>94,434</u>
Ending net position	<u><u>\$ 82,959</u></u>	<u><u>\$ 89,022</u></u>	<u><u>\$ 94,931</u></u>
Average daily census	153	175	180
Emergency room visits	56,437	60,935	62,555

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Changes from fiscal year 2018 to 2019

- The District recorded a \$5.1 million non-operating charge related to an on-campus medical office building legal matter during fiscal 2019. See Note 14 - Commitments and Contingencies.
- Excluding the one-time charge noted above, the District reported Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) of \$16.7 million during fiscal 2019. This represents a \$5.4 million favorable improvement over fiscal 2018.
- Excess of Revenue Over Earnings (EROE) also reflects a positive bottom line when the one-time non-operating expense is excluded and represents an improvement over fiscal 2018 of over \$5 million.
- The District experienced a decrease of 12.7% in inpatient volume in 2019. Total average daily census was 153 for the current year compared to 175 in the prior year. Total hospital outpatient visits decreased by approximately 3.9% compared to 2018. The decrease was primarily due to lower volume in general and the suspension of the BHU and CSU. Emergency Department visits decreased approximately 7.4%.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Analysis of the Statement of Revenues, Expenses and Changes in Net Position (continued)

- Operating revenue decreased by approximately \$8.3 million in 2019 compared to 2018. This decrease is primarily due to lower volume in general and the suspension of BHU and CSU.
- Operating expenses, which include patient care expenses, overhead, and administrative expenses, decreased by approximately \$12.5 million. The decrease was approximately \$9.2 million in salaries and related expenses partly due to suspension of BHU and CSU, \$1.3 million in supplies and pharmaceuticals and \$2.4 million in professional and medical fees.
- Non-operating income and expense is comprised of the District's share of property tax revenue collected by the County of San Diego, interest earned on invested monies, interest expense, and other non-operating items. Non-operating income and expenses decreased by approximately \$4.2 million in 2019. There was a \$5.1 million non-operating expense related to a medical office building legal matter in 2019. See Note 14 - Commitment and Contingencies.

Changes from fiscal year 2017 to 2018

- The District reported EBITDA of approximately \$11.3 million during fiscal 2018.
- The District experienced a decrease of 2.8% in inpatient volume in 2018. Total average daily census was 175 for the current year compared to 180 in the prior year. Total hospital outpatient visits increased by approximately 34.4% compared to 2017 due to the addition of the new OSNC service line. Emergency Department visits decreased approximately 2.6%.
- Operating revenue increased by approximately \$25.0 million in 2018 compared to 2017. This increase was primarily due to revenue from OSNC clinic operations of \$15.0 million and a \$6.1 million increase in receipts from the PRIME and IGT programs throughout the year, offset by a decrease in patient volume. PRIME is a community centric population health pay-for-performance, outcomes-based initiative.
- Operating expenses, which include patient care expenses, overhead, and administrative expenses, increased by approximately \$34.1 million. The District experienced increases in professional and medical fees expenses, salaries, and related expenses. Although salaries and related expenses increased by approximately \$9.8 million, salaries and related expenses as a percentage of the total operating revenue was slightly lower at approximately 56% compared to 57% in 2017. The professional and medical fees expenses increased approximately \$11.0 million primarily due to OSNC clinic physician fees. Supplies and pharmaceuticals expenses also increased approximately \$7.4 million primarily due to shortages of drugs in high demand resulting in increased prices.
- Non-operating income and expense is comprised of the District's share of property tax revenue collected by the County of San Diego, interest earned on invested monies, interest expense, and other non-operating items. Non-operating income and expenses increased by approximately \$2.9 million in 2018. There was \$3.4 million in closing costs related to the HUD financing included in 2017 non-operating expense.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Analysis of the Statement of Revenues, Expenses and Changes in Net Position (continued)

Statement of cash flows – The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital and capital financing, and investing activities.

	2019	2018	2017
Net cash provided by (used in)			
Operating activities	\$ 12,075	\$ 2,190	\$ 12,301
Noncapital financing activities	9,446	8,859	6,019
Capital and related financing activities	(17,716)	(17,352)	(21,121)
Investing activities	12	32,550	6,584
Net change in cash and cash equivalents	3,817	26,247	3,783
Cash and cash equivalents - Beginning of year	41,207	14,960	11,177
Cash and cash equivalents - End of year	\$ 45,024	\$ 41,207	\$ 14,960

Cash flows arise from operating income adjusted for noncash expenditures such as depreciation expense and bad debt expense ("operating activities"), changes in investments and interest income received on investments ("investing activities"), purchase of new capital assets and payments of interest and principal on debt ("capital and related financing activities"), and county tax revenues ("noncapital financing activities").

Analysis of the Statement of Cash Flows

Cash and cash equivalents totaled approximately \$45.0 million, \$41.2 million, and \$15.0 million, as of June 30, 2019, 2018, and 2017, respectively. Net cash provided by operating activities in 2019 was \$12.1 million, an increase of approximately \$9.9 million from prior year. In 2018, net cash provided by operating activities decreased approximately \$10.1 million compared to 2017. Cash provided by noncapital financing activities increased approximately \$587 thousand compared to 2018. Cash used in capital and related financing activities increased by approximately \$364 thousand from prior year and decreased by approximately \$3.8 million from 2017 to 2018 primarily due to the payment of a \$12.3 million deposit to the State of California associated with a medical office building legal matter. Cash provided by investing activities decreased approximately \$32.5 million in 2019 from prior year.

Capital Assets

As of June 30, 2019, 2018, and 2017, the District had \$98.7 million, \$101.8 million, and \$103.6 million, respectively, in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The District invested in new equipment, which included information technology, surgical equipment, buildings improvements, and other minor infrastructure projects costing \$9.0 million in 2019, \$8.7 million in 2018, and \$7.2 million in 2017.

Tri-City Healthcare District
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2019, 2018, and 2017

Capital Assets (continued)

Capital lease payments were made timely. More detailed information about the District's debt is presented in Notes 8 and 9 to the financial statements.

Economic Factors

Over the next five years, the District will continue to face challenges in the evolving landscape of the healthcare industry. The industry is moving towards value-based care. As the industry migrates to a value-based system and new entrants force market innovation, the hospital-focused inpatient utilization rates continue to decline in many areas of the country. Other drivers of lower hospital utilization include focus on decreasing readmission rates, transitioning patients to observation status, and increased use of care management teams.

Government payers have slowed on spending growth. On top of the 2% sequestration cuts that were put in place in 2013, Medicare is looking for additional ways to cut costs by focusing on quality-based reimbursement models that reward healthcare providers for their contributions to producing improved health and penalizing providers who are not able to improve quality outcomes and reduce readmission rates. The Medicare value-based purchasing program includes measuring process-of-care measures, patient experience measures, patient outcome measures, and efficiency measures. The District is working diligently to continue improving these quality metrics, which in turn will reduce the risk of reimbursement cuts.

On the State level, the Affordable Care Act (ACA) has significantly increased the coverage for the Medi-Cal population, which in turn has reduced the amount of uncompensated/self-pay care for hospitals across the state including the District. Greater use of Medi-Cal managed care is likely to continue with the goals of improved quality and increased savings through reduced use of hospital services.

Despite some of the challenges the hospital is facing from government payers, the District has been actively negotiating its insurance contracts to ensure that it maintains competitive reimbursement rates over the coming years. Furthermore, the District is actively engaged in performance-based programs such as PRIME along with service line analysis to identify opportunities for growth in profitable services, as well as evaluating unprofitable services for cost and efficiency improvements while maintaining the highest quality of care and clinical outcomes.

Finance Contact

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the Chief Financial Officer, Tri-City Healthcare District, 4002 Vista Way, Oceanside, California 92056.

Report of Independent Auditors

The Board of Directors
Tri-City Healthcare District

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-City Healthcare District (the "District") which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Code of Regulations, Title 2, Section 1131.2, *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-City Healthcare District as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 to 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on page 49, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the U.S. Department of Housing and Urban Development (HUD) Required Financial Information on page 44, as required by District's Regulatory Agreement with HUD; the schedule of net position, June 30, 2019 on pages 41 and 42; and schedule of revenues, expenses, and changes in net position for the year ended June 30, 2019 on page 43, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, HUD Required Financial Information, schedule of net position, June 30, 2019, and schedule of revenues, expenses, and changes in net position for the year ended June 30, 2019, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, HUD Required Financial Information, schedule of net position, June 30, 2019 and schedule of revenues, expenses, and changes in net position for the year ended June 30, 2019, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information – Compliance with Contractual Agreements

In connection with our audit, nothing came to our attention that caused us to believe that Tri-City Healthcare District failed to comply with the terms, covenants, provisions, or conditions of sections 1 to 49, inclusive, of the HUD Regulatory Agreement dated March 1, 2017, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Tri-City Healthcare District's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the HUD Regulatory Agreement, insofar as they relate to accounting matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [DATE] on our consideration of Tri-City Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tri-City Healthcare District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-City Healthcare District's internal control over financial reporting and compliance.

Restricted Use Relating to the Other Matter – Compliance with Contractual Agreements

The communication related to compliance with the aforementioned HUD Regulatory Agreement described in the *Other Matters* paragraph is intended solely for the information and use of the board of directors and management of Tri-City Healthcare District and HUD and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California

[DATE]

Tri-City Healthcare District
Statements of Net Position

		June 30,	
		2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	45,023,745	\$ 41,207,227
Short-term investments		5,930,724	5,414,483
Restricted cash and investments		298,000	317,000
Patient accounts receivable		44,012,687	46,195,877
Other receivables		2,019,202	2,446,519
Supplies inventory		9,421,046	9,013,015
Prepaid expenses and other assets		3,636,938	2,978,734
Estimated third-party payor settlements		3,850,532	6,755,695
Total current assets		114,192,874	114,328,550
NON-CURRENT INVESTMENTS			
Board-designated		407,795	401,227
CAPITAL ASSETS - net		98,670,226	101,758,785
OTHER ASSETS			
Notes receivable		3,015,138	4,387,497
Restricted mortgage reserve fund		7,530,972	7,039,024
Goodwill		9,529,430	9,529,430
Other		18,237,261	23,353,409
Total other assets		38,312,801	44,309,360
TOTAL ASSETS		\$ 251,583,696	\$ 260,797,922

Tri-City Healthcare District
Statements of Net Position (continued)

LIABILITIES AND NET POSITION

	June 30,	
	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 44,643,030	\$ 44,130,100
Accrued payroll and related expenses	19,805,596	19,232,710
Current maturities of long-term debt	3,381,447	3,827,098
Short-term debt	10,075,123	10,442,249
Other current liabilities	2,110,349	2,217,445
Total current liabilities	80,015,545	79,849,602
LONG-TERM DEBT - net of current portion	80,653,772	83,987,851
WORKERS' COMPENSATION AND COMPREHENSIVE		
LIABILITY - net of current portion	7,955,184	7,938,447
Total liabilities	168,624,501	171,775,900
NET POSITION		
Invested in capital assets - net of related debt	16,776,513	12,994,959
Restricted assets	9,124,319	8,669,677
Unrestricted	57,058,363	67,357,386
Total net position	82,959,195	89,022,022
TOTAL LIABILITIES AND NET POSITION	\$ 251,583,696	\$ 260,797,922

Tri-City Healthcare District
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2019	2018
OPERATING REVENUE		
Net patient service revenue	\$ 329,873,288	\$ 340,128,328
Premium revenue	18,934,440	18,033,694
Other revenue	8,066,194	6,979,912
Total operating revenue	356,873,922	365,141,934
OPERATING EXPENSES		
Salaries and related expenses	194,907,096	204,066,033
Supplies	74,085,888	75,411,889
Purchased services	20,807,688	20,407,603
Depreciation and amortization	12,103,066	11,577,114
Other operating expense	21,187,961	22,677,794
Professional and medical fees	22,487,086	24,876,541
Maintenance, rent & utilities	17,714,924	16,783,117
Total operating expenses	363,293,709	375,800,091
LOSS FROM OPERATIONS	(6,419,787)	(10,658,157)
NON-OPERATING REVENUE (EXPENSE)		
District tax revenue	10,927,012	10,245,197
Interest income	764,984	576,581
Interest expense	(4,554,654)	(4,554,127)
Other non-operating (expense) income	(4,936,364)	128,200
Total non-operating revenue, net	2,200,978	6,395,851
CHANGE IN NET POSITION BEFORE MINORITY INTEREST (DEFICIENCY OF REVENUE OVER EXPENSES)	(4,218,809)	(4,262,306)
MINORITY INTEREST DISTRIBUTIONS - NET	(1,844,018)	(1,646,988)
Change in net position	(6,062,827)	(5,909,294)
NET POSITION - Beginning of year	89,022,022	94,931,316
NET POSITION - End of year	\$ 82,959,195	\$ 89,022,022

Tri-City Healthcare District
Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients, insurers, and other payors	\$ 354,323,398	\$ 353,216,681
Payments to vendors	(156,836,852)	(156,569,411)
Payments for salaries, wages, and related benefits	(194,334,210)	(202,912,635)
Other receipts and payments, net	8,922,288	8,455,526
Net cash provided by operating activities	12,074,624	2,190,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Minority interest distributions, net	(1,844,018)	(1,646,988)
Receipt of District taxes	10,927,012	10,245,197
Other non-operating income	363,056	261,251
Net cash provided by noncapital financing activities	9,446,050	8,859,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(9,014,507)	(8,686,308)
Proceeds from revolving line of credit	404,138,227	405,520,641
Principal repayments on revolving line of credit	(401,505,353)	(400,600,468)
Principal repayments on debt	(6,779,730)	(9,031,815)
Interest payments on debt	(4,554,654)	(4,554,127)
Net cash used in capital and related financing activities	(17,716,017)	(17,352,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(60,019,000)	(21,404,752)
Proceeds from sales of short-term investments	60,000,000	54,000,000
Payments to mortgage reserve fund	(491,948)	(488,910)
Interest on investments	522,809	443,530
Net cash provided by investing activities	11,861	32,549,868
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,816,518	26,247,412
CASH AND CASH EQUIVALENTS - Beginning of year	41,207,227	14,959,815
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 45,023,745</u>	<u>\$ 41,207,227</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Non-operating legal damages and related fees (See Note 14)	<u>\$ 5,057,245</u>	<u>\$ -</u>
Capital assets and supplies inventory assumed related to acquisition of OSNC clinic	<u>\$ -</u>	<u>\$ 1,100,000</u>
Promissory note related to acquisition of OSNC clinic	<u>\$ -</u>	<u>\$ 6,000,000</u>

See accompanying notes.

Tri-City Healthcare District
Statements of Cash Flows (continued)

**RECONCILIATION OF LOSS FROM OPERATIONS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Years Ended June 30,	
	2019	2018
Loss from operations	\$ (6,419,787)	\$ (10,658,157)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Provision for bad debt	37,829,703	46,418,835
Depreciation and amortization	12,103,066	11,577,114
Changes in assets and liabilities		
Patient accounts receivable	(35,646,513)	(48,598,072)
Other receivables	427,317	2,330,600
Estimated third-party payor settlements	2,905,163	(5,096,705)
Other - net	(210,141)	2,513,629
Accounts payable and accrued liabilities	512,930	2,549,519
Accrued payroll and related expenses	572,886	1,153,398
Net cash provided by operating activities	<u>\$ 12,074,624</u>	<u>\$ 2,190,161</u>

Note 1 – Organization

Organization – Tri-City Healthcare District (the “District”) is a political subdivision of the State of California organized as a special district. The District provides comprehensive medical services at its facility located in Oceanside, California. The financial statements of the District include the accounts of the District, Tri-City Medical Center Ambulatory Surgery Center Operators, LLC (“ASCO”); North Coast Surgery Center Ltd. (“NCSC”); the Cardiovascular Health Institute, LLC (the “Cardiovascular Institute”); the Orthopedic Institute, LLC (the “Orthopedic Institute”); the Neuroscience Institute, LLC (the “Neuro Institute”); Tri-City Real Estate Holding and Management Co, LLC (“REHM”); and Tri-City Wellness, LLC (the “Wellness Center”). The Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute are hereafter collectively referred to as “The Institutes.”

ASCO, NCSC, the Cardiovascular Institute, the Orthopedic Institute, the Neuro Institute, REHM, and the Wellness Center are component units that have been blended for presentation purposes. The District owns a 60% interest in ASCO, which provides management services to NCSC. ASCO owns a 52.8% interest in NCSC. NCSC provides outpatient surgical services to the surrounding communities of Oceanside, California. The District has determined blended presentation is appropriate as it appoints a voting majority of ASCO’s governing body. The District owns 61.4% of the Cardiovascular Institute, 50% of the Orthopedic Institute and 68% of the Neuro Institute. These Institutes were established to align the goals of independent physician practices and specialty services with the goals of the hospital. Key goals are to improve quality outcome reporting and improve financial and operational performance of the respective service lines. The District has determined blended presentation is appropriate for the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute as the component units provide services almost entirely to the District. The District owned 99% of REHM and dissolved REHM during fiscal year 2019. The District has determined blended presentation is appropriate for REHM as management of the District had operational responsibility for REHM. The District owns 99.9% of the Wellness Center. The District has determined blended presentation is appropriate for the Wellness Center as management of the District has operational responsibility for the Wellness Center. All intercompany transactions have been eliminated in the District’s financial statements.

Tri-City Healthcare District

Notes to Financial Statements

Note 1 – Organization (continued)

Condensed component information for each of the District's blended component units is as follows:

	<u>ASCO</u>	<u>REHM & Wellness Center</u>	<u>The Institutes</u>
ASSETS			
Current assets	\$ 2,201,944	\$ 289,698	\$ 603,466
Capital assets - net	708,757	-	-
Non-current assets	-	-	166,153
TOTAL ASSETS	<u><u>\$ 2,910,701</u></u>	<u><u>\$ 289,698</u></u>	<u><u>\$ 769,619</u></u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 926,623	\$ 7,500	\$ 163,901
Total liabilities	<u>926,623</u>	<u>7,500</u>	<u>163,901</u>
Invested in capital assets - net of related debt	708,757	-	-
Restricted assets	1,355,522	282	237,543
Unrestricted	(80,201)	281,916	368,175
Total net position	<u>1,984,078</u>	<u>282,198</u>	<u>605,718</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,910,701</u></u>	<u><u>\$ 289,698</u></u>	<u><u>\$ 769,619</u></u>

Tri-City Healthcare District
Notes to Financial Statements

Note 1 – Organization (continued)

Condensed Statement of Net Position
As of June 30, 2018

	<u>ASCO</u>	<u>REHM & Wellness Center</u>	<u>The Institutes</u>
ASSETS			
Current assets	\$ 1,847,060	\$ 229,363	\$ 998,624
Capital assets - net	619,793	2,264,931	-
Non-current assets	<u>-</u>	<u>-</u>	<u>175,087</u>
TOTAL ASSETS	<u><u>\$ 2,466,853</u></u>	<u><u>\$ 2,494,294</u></u>	<u><u>\$ 1,173,711</u></u>
LIABILITIES AND NET POSITION			
Current liabilities	<u>\$ 717,439</u>	<u>\$ 7,500</u>	<u>\$ 163,902</u>
Total liabilities	<u>717,439</u>	<u>7,500</u>	<u>163,902</u>
Invested in capital assets - net of related debt	619,793	2,264,931	-
Restricted assets	1,195,200	23,243	412,210
Unrestricted	<u>(65,579)</u>	<u>198,620</u>	<u>597,599</u>
Total net position	<u>1,749,414</u>	<u>2,486,794</u>	<u>1,009,809</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,466,853</u></u>	<u><u>\$ 2,494,294</u></u>	<u><u>\$ 1,173,711</u></u>

Tri-City Healthcare District

Notes to Financial Statements

Note 1 – Organization (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2019

	ASCO	REHM & Wellness Center	The Institutes
OPERATING REVENUE	\$ 11,180,776	\$ 108,835	\$ 58,197
OPERATING EXPENSES	8,450,083	7,113	109,197
Gain (loss) from operations	2,730,693	101,722	(51,000)
NON-OPERATING EXPENSES, net	(996)	-	-
Change in net position before minority interest	2,729,697	101,722	(51,000)
MINORITY INTEREST DISTRIBUTIONS - NET	(2,495,033)	(2,306,318)	(353,091)
Change in net position	234,664	(2,204,596)	(404,091)
NET POSITION - Beginning of year	1,749,414	2,486,794	1,009,809
NET POSITION - End of year	\$ 1,984,078	\$ 282,198	\$ 605,718

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2018

	ASCO	REHM & Wellness Center	The Institutes
OPERATING REVENUE	\$ 10,811,452	\$ 106,041	\$ 944,939
OPERATING EXPENSES	8,557,509	8,621	187,035
Gain from operations	2,253,943	97,420	757,904
NON-OPERATING REVENUE, net	2,742	-	-
Change in net position before minority interest	2,256,685	97,420	757,904
MINORITY INTEREST DISTRIBUTIONS - NET	(2,065,601)	(1,800,000)	(555,054)
Change in net position	191,084	(1,702,580)	202,850
NET POSITION - Beginning of year	1,558,330	4,189,374	806,959
NET POSITION - End of year	\$ 1,749,414	\$ 2,486,794	\$ 1,009,809

Tri-City Healthcare District
Notes to Financial Statements

Note 1 – Organization (continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>ASCO</u>	<u>REHM & Wellness Center</u>	<u>The Institutes</u>
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ 2,946,310	\$ 108,578	\$ 322,647
Noncapital financing activities	(2,495,033)	(41,387)	(353,089)
Capital and related financing activities	(99,001)	-	-
Investing activities	9,041	-	-
Net change in cash and cash equivalents	361,317	67,191	(30,442)
CASH AND CASH EQUIVALENTS - Beginning of year	502,653	215,446	207,348
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 863,970</u>	<u>\$ 282,637</u>	<u>\$ 176,906</u>

Condensed Statement of Cash Flows
For the Year Ended June 30, 2018

	<u>ASCO</u>	<u>REHM & Wellness Center</u>	<u>The Institutes</u>
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ 2,482,015	\$ 104,075	\$ 528,781
Noncapital financing activities	(2,301,123)	(1,800,000)	(555,054)
Capital and related financing activities	15,662	-	-
Investing activities	2,950	-	-
Net change in cash and cash equivalents	199,504	(1,695,925)	(26,273)
CASH AND CASH EQUIVALENTS - Beginning of year	303,149	1,911,371	233,621
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 502,653</u>	<u>\$ 215,446</u>	<u>\$ 207,348</u>

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements have been prepared in accordance with the applicable provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and pronouncements of the Governmental Accounting Standards Board (GASB) and the California Code of Regulations, Title 2, Section 1131, *State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. The District uses proprietary (enterprise) fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Tri-City Healthcare District

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash equivalents – For purposes of the financial statements, the District considers highly liquid debt instruments (excluding non-current cash and investments) purchased with a maturity of three months or less to be cash equivalents.

Investments – Investments are primarily held in Local Agency Investment Fund (LAIF), a highly liquid fund. Deposits and withdrawals can be made daily upon demand without penalty. Investment income is reported in non-operating income (expense) in the statements of revenues, expenses, and changes in net position.

Supplies inventory – Supplies inventory is reported at the lower of cost (first-in, first-out) or market value.

Goodwill – Goodwill represents the excess of purchase price of an acquired business over the net tangible and identifiable intangible assets acquired. The District evaluates goodwill for impairment at least annually or whenever events or changes in circumstances require an interim impairment assessment. The District compares the fair value of each reporting unit to its carrying amount to determine if there is potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of its goodwill. Management determined that there was no impairment of goodwill as of June 30, 2019 and 2018.

Capital assets – Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset (the shorter of the estimated useful life or the lease term for leasehold improvements) as follows:

Land improvements	15 years
Buildings and building improvements	10-40 years
Leasehold improvements	3-15 years

Note 2 – Summary of Significant Accounting Policies (continued)

Capital assets are evaluated for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. No impairment losses are recorded in the years ended June 30, 2019 and 2018.

Mortgage reserve fund – A mortgage reserve fund (MRF) related to the \$85.8 million mortgage is required under the Hospital Regulatory Agreement between the District and the United States Department of Housing and Urban Development (HUD). The District makes deposits into the MRF trust account in accordance with the Mortgage Reserve Fund Agreement.

Net position – Net position of the District is classified into three components. "Invested in capital assets – net of related debt" consists of capital assets, net of accumulated depreciation and is reduced by the balances of any outstanding borrowing used to finance the purchase or construction of those assets. "Restricted assets" net position represents the net position of ASCO, the Cardiovascular Institute, the Orthopedic Institute, the Neuro Institute, REHM, and the Wellness Center not owned by the District in the amount of approximately \$1.6 million for both years ended June 30, 2019 and 2018, as well as mortgage reserve fund deposits required under the Hospital Regulatory Agreement between the District and HUD of approximately \$7.5 million and \$7.0 million as of June 30, 2019 and 2018, respectively. "Unrestricted" net position is the remaining net position that does not meet the definition of invested in capital assets – net of related debt or restricted assets.

Grants and contributions – From time to time, the District receives grants and contributions from individuals or private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services – the District's principal activity. Operating expenses include all expenses incurred to directly provide healthcare services. Non-operating income and expenses consist of those revenues and expenses that result from non-exchange transactions, such as District taxes, financing costs, interest expense, and investment income.

Tri-City Healthcare District

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The District estimates net collectible accounts receivable and the corresponding impact on net patient services revenue by applying historical collection realization percentages to outstanding gross accounts receivable by payor class. Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue during the collection period.

Premium revenue – The District has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the District receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by the District. The District recognizes premium revenue in the period the District is obligated to provide services, which is generally in the month capitation payments are received. In addition, the HMOs make fee-for-service payments to the District for certain covered services based upon discounted fee schedules. Under some of these agreements, the District also participates in shared-risk pools with medical groups, through which it could receive additional reimbursement or pay additional amounts to the medical groups. In conjunction with the risk pools, the District estimates incurred but not reported (IBNR) claims for medical services provided to patients at other facilities. See Note 14 – Commitments and Contingencies.

IBNR liabilities of approximately \$1.5 million for both years ended June 30, 2019 and 2018 are included in accounts payable and accrued liabilities in the accompanying statements of net position.

Property taxes – The District receives financial support from property taxes and the funds are used to support operations. Property taxes are levied annually by the County of San Diego (the "County") on behalf of the District and are intended to finance the District's activities. The County's fiscal year is from July 1 through June 30. Taxes levied are based on assessed property values as of the first day of January proceeding the fiscal year for which the taxes are levied. See Note 3 – Non-operating Revenue.

Income taxes – The District is a governmental subdivision of the State of California and is exempt from federal income and state franchise taxes.

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The District is self-insured for a portion of its exposure to risk of loss from workers' compensation and malpractice claims. Annual estimated provisions are accrued based on actuarially determined amounts and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Note 2 – Summary of Significant Accounting Policies (continued)

Compensated absences – The District's benefits-eligible employees earn vacation leave at varying rates based upon qualifying service hours. Employees may accumulate vacation leave up to a specified maximum. Accrued vacation leave is paid to the employee upon termination of employment or upon conversion to non-benefits-eligible status. The estimated amount of vacation leave payable to employees of approximately \$9.1 million and \$9.5 million as of June 30, 2019 and 2018, respectively, is reported as a current liability within accrued payroll and related expenses in the accompanying statements of net position. Sick time is also earned at a specific rate per qualified service hour. However, no payment is made for accrued sick time when employment is terminated.

Note 3 – Patient Service Revenue, Third-Party Reimbursement Programs, and Non-Operating Revenue

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs and various HMOs and preferred provider organizations (PPOs). The Medicare program generally pays the District a prospectively determined rate per discharge for services rendered to Medicare inpatients. Additionally, Medicare reimburses the District for certain capital-related costs and psychiatric services on the basis of costs incurred.

The District is reimbursed for hospital inpatient services provided to Medi-Cal beneficiaries based upon Diagnosis Related Groups (DRGs), excluding rehabilitative services and behavioral health services. Rehabilitative services and behavioral health services are reimbursed on a per diem basis. Revenue from the Medicare and Medi-Cal programs accounted for approximately 65% and 64% of the District's gross patient service revenue for the years ended June 30, 2019 and 2018, respectively.

The District participates in the Intergovernmental Transfer (IGT) program, which reimburses the District for a portion of the difference between the cost of treating Medi-Cal patients and the amount reimbursed through pre-existing Medi-Cal contracts. The District recognizes revenue from the IGT program when certainty of receiving the funds is assured.

The District participates in PRIME, a pay-for-performance Medi-Cal program in which California's public health care systems and district and municipal hospitals are using evidence-based quality improvement methods to achieve performance targets and improve health outcomes for patients. All funding for this program is contingent on meeting these targets and demonstrating continued improvement. The District recognizes revenue from the PRIME program when certainty of receiving the funds is assured.

The District is reimbursed for serving a disproportionate share of low income patients, reimbursable Medicare bad debt, and certain other items at a tentative rate with final settlement determined after the District's submission of annual cost reports and audits thereof by state and federal agencies and their intermediaries. Cost reports for the Medicare programs have been final settled for all years through 2015. Results of cost report settlements, as well as the District's estimates for settlements, of all fiscal years through 2019 are reflected in the accompanying financial statements.

Tri-City Healthcare District

Notes to Financial Statements

Note 3 – Patient Service Revenue, Third-Party Reimbursement Programs and Non-Operating Revenue (continued)

Estimated net third-party settlements consisted of a net receivable of approximately \$3.9 million and \$6.8 million as of June 30, 2019 and 2018, respectively. During the years ending June 30, 2019 and 2018, the District settled various prior year cost reports, appeal issues and adjusted prior-year settlement estimates. Prior year settlements and changes in estimates resulted in approximately \$2.2 million and \$3.6 million of additional net patient service revenue in the years ended June 30, 2019 and 2018, respectively, and are included in net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

The District has also entered into payment agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors as of June 30:

	2019	2018
HMO/PPO	23%	29%
Medicare plans	32%	27%
Medi-Cal plans	15%	18%
Others	30%	26%
Total	100%	100%

Non-operating revenue includes District tax revenue and other non-patient service revenue. District tax revenue totaled approximately \$10.9 million and \$10.2 million for the years ended June 30, 2019 and 2018, respectively. Other non-operating income (expense) includes approximately \$656 and \$403 thousand in donations from the Foundation and Auxiliary for the years ended June 30, 2019 and 2018, respectively. Approximately \$5.1 million related to an on-campus medical office building legal matter is included in non-operating expense in fiscal year 2019.

Note 4 – Cash and Cash Equivalents and Investments

The State of California Government Code (the "Code") generally authorizes the District to invest unrestricted and Board-designated assets in obligations of the U.S. Treasury and certain U.S. government agencies, obligations of the State of California and local government entities, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, and mortgage securities. Certain investments may be purchased only in limited amounts, as defined in the Code.

Note 4 – Cash and Cash Equivalents and Investments (continued)

Short-term investments – The California State Treasurer's Office makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$65.0 million in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash daily without penalty. The District is a voluntary participant in the LAIF. As of June 30, 2019 and 2018, the District held approximately \$6.3 million and \$5.8 million in LAIF, respectively.

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit risk – Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. The District invests primarily in obligations of the U.S. government.

Concentration of credit risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as LAIF, are not considered subject to concentration of credit risk. In accordance with state law, no more than 5% of total investments may be invested in the securities of any one issuer, except obligations of the U.S. government, no more than 10% may be invested in any one mutual fund, and no more than 30% may be invested in bankers' acceptances of any one commercial bank. The District's investment in LAIF is not rated by a nationally recognized statistical rating organization since amounts invested in LAIF are protected by certain statutes.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2019 and 2018, the District's bank balances totaled approximately \$45.3 million and \$41.5 million, respectively, and were not exposed to custodial credit risk, as the uninsured deposits are with financial institutions that are individually required by state law to have government deposits collateralized at a rate of 110% of the deposits. Such collateral is considered to be held in the District's name.

Custodial credit risk – investments – District policy requires that all investments be insured or registered, or be held by the District's agent in the agent's nominee name, with subsidiary records listing the District as the legal owner. For these reasons, the District is not exposed to custodial credit risk for its investments.

Tri-City Healthcare District

Notes to Financial Statements

Note 4 – Cash and Cash Equivalents and Investments (continued)

The carrying amount of cash and investments are included in the following statements of net position captions as of June 30:

	2019	2018
Cash and cash equivalents	\$ 45,023,745	\$ 41,207,227
Short-term investments	5,930,724	5,414,483
Restricted cash and investments -		
Non-negotiable certificates of deposit	298,000	317,000
Board-designated	407,795	401,227
Total	\$ 51,660,264	\$ 47,339,937

Note 5 – Capital Assets

Capital assets consisted of the following as of June 30:

	2019				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	\$ 19,930,612	\$ -	\$ -	\$ 4,755,405	\$ 24,686,017
Buildings and improvements	205,014,551	249,834	-	(372,913)	204,891,472
Equipment	162,343,531	4,887,558	(243,510)	2,206,825	169,194,404
Assets under lease	7,320,305	-	-	(858,183)	6,462,122
Construction in progress	5,577,832	3,963,473	-	(5,731,134)	3,810,171
	400,186,831	9,100,865	(243,510)	-	409,044,186
Less accumulated depreciation and amortization	(298,428,046)	(11,952,631)	6,717	-	(310,373,960)
Capital assets - net	\$ 101,758,785	\$ (2,851,766)	\$ (236,793)	\$ -	\$ 98,670,226

	2018				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	\$ 19,840,144	\$ 6,614	\$ -	\$ 83,854	\$ 19,930,612
Buildings and improvements	203,063,469	209,755	-	1,741,327	205,014,551
Equipment	160,294,398	4,233,501	(2,767,495)	583,127	162,343,531
Assets under lease	7,327,323	-	(7,018)	-	7,320,305
Construction in progress	2,567,733	5,418,407	-	(2,408,308)	5,577,832
	393,093,067	9,868,277	(2,774,513)	-	400,186,831
Less accumulated depreciation and amortization	(289,443,476)	(11,563,253)	2,578,683	-	(298,428,046)
Capital assets - net	\$ 103,649,591	\$ (1,694,976)	\$ (195,830)	\$ -	\$ 101,758,785

Tri-City Healthcare District

Notes to Financial Statements

Note 6 – Goodwill

On July 1, 2017, the District acquired 100% of the ownership of Orthopedic Specialists of North County ("OSNC") financed through the issuance of a promissory note of \$6.0 million. The transaction was accounted for as a business combination. As of the acquisition date, OSNC had a fair value of tangible assets of \$1.1 million with no liabilities. The excess of purchase price less tangible assets acquired totaling \$4.9 million was recorded as goodwill. Total goodwill was approximately \$9.5 million for both years ended June 30, 2019 and 2018.

Note 7 – Other Assets

Other assets consisted of the following as of June 30:

	2019	2018
Medical office building deposits	\$ 16,908,114	\$ 21,965,359
Other	1,329,147	1,388,050
Total	<u>\$ 18,237,261</u>	<u>\$ 23,353,409</u>

Medical office building deposits of approximately \$16.9 million and \$22.0 million as of June 30, 2019 and 2018, are reflected in other assets in the accompanying statements of net position. Included in medical office building deposits as of June 30, 2018, are payments of approximately \$5.0 million to the developer of an on-campus medical office building and \$17.0 million to the State of California Treasurer. In fiscal year 2019 a \$5.1 million offset was recorded as a result of a Court of Appeals decision. See Note 14 – Commitments and Contingencies.

Note 8 – Short-Term Debt

Line of credit –The District has a revolving line of credit with Mid Cap, LLC with interest at the London Interbank Offered Rate ("LIBOR") plus 3.50% subject to a LIBOR floor of 1%. The maturity date of the revolving line of credit was August 31, 2019. The amount available under this revolving line of credit as of June 30, 2019, was \$13.6 million and is fully collateralized by certain assets of the District. The revolving line of credit was amended subsequent to June 30, 2019. See Note 15 – Subsequent Events.

The District's revolving line of credit facility is subject to compliance with certain debt covenants, including restrictions on additional indebtedness and a minimum fixed charge coverage ratio.

Tri-City Healthcare District

Notes to Financial Statements

Note 8 – Short-Term Debt (continued)

A schedule of changes in the District's short-term debt as of June 30 is as follows:

	2019			Ending Balance
	Beginning Balance	Additions	Payments	
Line of credit	\$ 7,442,249	\$ 404,138,227	\$ (401,505,353)	\$ 10,075,123
Promissory note	3,000,000	-	(3,000,000)	-
Total short-term debt	<u>\$ 10,442,249</u>	<u>\$ 404,138,227</u>	<u>\$ (404,505,353)</u>	<u>\$ 10,075,123</u>

	2018			Ending Balance
	Beginning Balance	Additions	Payments	
Line of credit	\$ 2,522,076	\$ 405,520,641	\$ (400,600,468)	\$ 7,442,249
Insurance financing	-	1,609,351	(1,609,351)	-
Promissory note	-	6,000,000	(3,000,000)	3,000,000
Total short-term debt	<u>\$ 2,522,076</u>	<u>\$ 413,129,992</u>	<u>\$ (405,209,819)</u>	<u>\$ 10,442,249</u>

Note 9 – Long-Term Debt

The terms and due dates of the District's long-term debt are as follows:

- Lancaster Pollard Mortgage Company, HUD insured loan, interest rate of 4.32%, with principal balance outstanding of approximately \$81.5 million and \$83.5 million as of June 30, 2019 and 2018, respectively. Principal and interest payments of approximately \$468 thousand are due monthly with the remaining aggregate unpaid amount due April 2042. A mortgage reserve fund (MRF) is required under the Hospital Regulatory Agreement between the District and HUD. The District makes deposits into the MRF trust account in accordance with the MRF agreement.
- Bank of the West note payable, interest rate of 3.12%, with principal balance outstanding of approximately \$39 thousand and \$502 thousand as of June 30, 2019 and 2018, respectively. Principal and interest payments of approximately \$39 thousand are due monthly commencing July 2016 with the remaining aggregate unpaid amount due July 2019. The note is collateralized by certain capital assets of the District.

Tri-City Healthcare District

Notes to Financial Statements

Note 9 – Long-Term Debt (continued)

- Various capital equipment leases with interest rates varying between 2.73% and 4.83%. Principal and interest payments due monthly commencing and expiring on various dates ranging from October 2020 through June 2022. Principal balances due totaled approximately \$2.5 million and \$3.8 million as of June 30, 2019 and 2018, respectively.

A schedule of changes in the District's long-term debt (including current portion) as of June 30 is as follows:

	2019				
	Beginning Balance	Additions	Payments	Ending Balance	Due Within 1 Year
Lancaster (HUD) mortgage debt	\$ 83,541,179	\$ -	\$ (2,051,123)	\$ 81,490,056	\$ 2,141,507
Bank of the West notes payable	501,982	-	(462,765)	39,217	39,217
Total long-term debt	84,043,161	-	(2,513,888)	81,529,273	2,180,724
Capital lease obligations	3,771,788	-	(1,265,842)	2,505,946	1,200,723
Total long-term debt	<u>\$ 87,814,949</u>	<u>\$ -</u>	<u>\$ (3,779,730)</u>	<u>\$ 84,035,219</u>	<u>\$ 3,381,447</u>

	2018				
	Beginning Balance	Additions	Payments	Ending Balance	Due Within 1 Year
Lancaster (HUD) mortgage debt	\$ 85,505,732	\$ -	\$ (1,964,553)	\$ 83,541,179	\$ 2,051,123
Bank of the West notes payable	1,380,944	-	(878,962)	501,982	501,982
Total long-term debt	86,886,676	-	(2,843,515)	84,043,161	2,553,105
Capital lease obligations	5,350,737	-	(1,578,949)	3,771,788	1,273,993
Total long-term debt	<u>\$ 92,237,413</u>	<u>\$ -</u>	<u>\$ (4,422,464)</u>	<u>\$ 87,814,949</u>	<u>\$ 3,827,098</u>

Tri-City Healthcare District

Notes to Financial Statements

Note 9 – Long-Term Debt (continued)

A schedule, by year, of future minimum payments under long-term debt and capital lease obligations as of June 30, 2019, is as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 3,381,447	\$ 3,542,341	\$ 6,923,788
2021	3,214,020	3,408,483	6,622,503
2022	2,661,476	3,290,333	5,951,809
2023	2,437,266	3,182,539	5,619,805
2024	2,544,666	3,075,140	5,619,806
Thereafter	69,796,344	30,423,523	100,219,867
Total	<u>\$ 84,035,219</u>	<u>\$ 46,922,359</u>	<u>\$ 130,957,578</u>

Assets acquired through capital leases as of June 30 are as follows:

	2019	2018
Equipment under capital lease	\$ 6,462,122	\$ 7,320,305
Accumulated amortization	<u>(4,037,198)</u>	<u>(3,411,181)</u>
Total	<u>\$ 2,424,924</u>	<u>\$ 3,909,124</u>

Note 10 – Retirement Plans

The District has a contributory money accumulation pension plan (MAPP) covering substantially all employees, under which benefits are limited to amounts accumulated from total contributions. As of June 30, 2019, there were a total of 1,235 plan members, including retirees. Active plan members are required to contribute 2% of covered salary. The District is required to contribute 6% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Board. The District's contribution expense related to the MAPP totaled approximately \$5.7 million and \$6.0 million for years ended June 30, 2019 and 2018, respectively.

Employees are immediately vested in their own contributions and earnings and become vested in the Employer contributions and earnings according to a five-year vesting schedule. Non-vested employer contributions are forfeited upon termination of employment. The forfeitures are used to reduce employer contributions under the Plan. For the years ended June 30, 2019 and 2018, forfeitures reduced the District's expenses and contributions under the Plan by approximately \$96 thousand and \$106 thousand, respectively.

Note 10 – Retirement Plans (continued)

Since 1983, the District has sponsored a retirement plan, the Tri-City Healthcare District National Security Retirement Program (NSRP), an alternative to the U.S. Social Security system. NSRP is administered by an insurance company and provides retirement and survivorship benefits. As a condition of participation, each employee makes contributions to NSRP. The District contributed 4.5% of each participating employee's annual compensation up to approximately \$89 thousand and \$85 thousand for years ended June 30, 2019 and 2018, respectively.

The District's contributions to NSRP totaled approximately \$2.1 million and \$2.3 million for the years ended June 30, 2019 and 2018, respectively. Effective January 1, 1992, the District provided its employees with the option of remaining in the NSRP program or transferring to the U.S. Social Security system. Statutes authorize NSRP to invest in group or individual insurance or annuity contracts or other funding vehicles as approved by the District's Board. Contributions to NSRP are deposited in one or more investment options as elected by the individual participant or in the qualified default investment alternative if no election is made.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Employees who elect to participate in the plan make contributions through a reduction in salary. All employee contributions are invested by a funding agency selected by the District. The investments of the NSRP retirement plan and the Section 457 deferred compensation plan and earnings thereon are held by fiduciaries in trust for the benefit of the employees. The NSRP and the Section 457 deferred compensation plan assets are not subject to the claims of the District's general creditors. Accordingly, the plans' assets and the related liabilities are excluded from the accompanying statements of net position as of June 30, 2019 and 2018.

The District maintains a tax-deferred capital accumulation account for certain management personnel under which the District has contributed funds to mutual fund investments as directed by the participants. The contributions vest over a period of no less than two years. As of June 30, 2019 and 2018, the balance of capital accumulation funds was approximately \$348 thousand and \$292 thousand, respectively, which is included in prepaid expenses and other assets on the accompanying statements of net position. The corresponding compensation liabilities of approximately \$445 thousand and \$395 thousand as of June 30, 2019 and 2018, respectively, are included in accrued payroll and related expenses on the accompanying statements of net position. The plan assets remain the property of the District until paid or made available to participants, subject only to claims of the District's general creditors.

Note 11 – Operating Leases

The District leases certain building space and equipment under non-cancelable operating leases expiring between October 2018 and June 2027. Operating lease expense for all operating leases totaled approximately \$4.0 million and \$4.1 million for the years ended June 30, 2019 and 2018, respectively.

Tri-City Healthcare District

Notes to Financial Statements

Note 11 – Operating Leases (continued)

As of June 30, 2019, future minimum lease payments under non-cancelable operating leases are as follows:

Years Ending June 30,	
2020	\$ 3,215,954
2021	2,528,834
2022	1,528,558
2023	679,853
2024	607,379
Thereafter	<u>1,909,596</u>
Total	<u>\$ 10,470,174</u>

Note 12 – Related Organizations

Tri-City Hospital Foundation (the "Foundation") and Tri-City Hospital Auxiliary (the "Auxiliary") are California nonprofit corporations organized to benefit the District. Both the Foundation and the Auxiliary have bylaws that govern their separate activities, and the Board members and officers of each of the two organizations are selected solely by the members themselves.

The District pays salaries and related costs for employees of the Foundation, provides facilities for the Auxiliary gift shop, and provides administrative office space to both organizations free of charge. Such costs totaled approximately \$619 thousand and \$752 thousand in the years ended June 30, 2019 and 2018, respectively.

A summary of the organizations' assets, liabilities and net assets (unaudited) as of June 30:

	2019	2018
Tri-City Hospital Foundation		
Assets	\$ 5,454,930	\$ 4,151,660
Liabilities	\$ 158,792	\$ 114,449
Net Assets	\$ 5,296,138	\$ 4,037,211
Tri-City Hospital Auxiliary		
Assets	\$ 498,616	\$ 516,220
Liabilities	\$ 3,408	\$ 2,792
Net Assets	\$ 495,208	\$ 513,428

Note 13 – Partnerships

During the year ended June 30, 2010, the District entered into a general partnership with Surgical Care Affiliates of Oceanside to form ASCO. The partnership acquired controlling interest in NCSC, a partnership between ASCO, and several limited partners, primarily physicians. The primary purpose of the District's involvement in the venture is to relocate lower acuity outpatient surgeries to the surgery center in order to free up surgical suite time for surgeries requiring hospital surgical services. As described in Note 1, ASCO is considered to be a blended component unit of the District. As a result, the financial results of ASCO have been included in the District's financial statements.

Also during the year ended June 30, 2010, the District formed the Cardiovascular Institute. The purpose of the Cardiovascular Institute is to further the District's mission and commitment to promote cardiovascular health and provide quality heart and vascular services for the residents of the District. The District and the Cardiovascular Institute entered into a co-management agreement under which the Cardiovascular Institute provides certain services to meet this mission.

During the year ended June 30, 2011, the District formed the Orthopedic Institute. The purpose of the Orthopedic Institute is to further the District's mission and commitment to promote orthopedic health and provide quality surgical, non-invasive, and rehabilitation services for the residents of the District. The District and the Orthopedic Institute entered into a co-management agreement under which the Orthopedic Institute provides certain services to meet this mission.

During the year ended June 30, 2012, the District formed REHM. The purpose of the REHM was to facilitate the acquisition and use of real estate properties. During the year ended June 30, 2019, the District dissolved REHM and the assets were transferred to the District.

During the year ended June 30, 2015, the District formed Tri-City Wellness Center, LLC, a California Limited Liability Company, to purchase the Wellness Center, which the District had previously operated under a capital lease.

During the year ended June 30, 2015, the District formed the Tri-City Medical Center Neuroscience Institute, LLC ("Neuro Institute"), a California Limited Liability Company. The purpose of the Neuro Institute is to further the District's mission and commitment to promote neuroscience health and provide quality neurological, neurosurgical, and non-invasive services for the residents of the District. The District and the Neuro Institute entered into a co-management agreement under which the Neuro Institute provides certain services to meet this mission.

The portion of the change in net position attributable to minority interests in these entities totaled approximately \$1.6 million for both years ended June 30, 2019 and 2018.

Note 14 – Commitments and Contingencies

Legal actions – The District is involved in various legal matters arising from time to time in the ordinary course of business. The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Tri-City Healthcare District

Notes to Financial Statements

Note 14 – Commitments and Contingencies (continued)

In April 2014, the District commenced eminent domain proceedings against the developer of an on-campus medical office building seeking to maintain a condemnation action under which it took possession of an on-campus medical office building. The developer filed a complaint against the District and the District filed a cross complaint. In June 2016, the jury returned a verdict against the District awarding approximately \$2.9 million in damages for breach of good faith and dealing under a related lease agreement. In addition, under the condemnation action, the jury determined the value of the ground lease to be \$16.8 million. The District deposited \$4.7 million in 2015 and an additional \$12.3 million in 2017 related to the verdict. The District filed a notice of abandonment of its eminent domain claim subsequent to the verdict. The trial court set aside (nullified) the abandonment. The District appealed from the judgement and from the order setting aside the abandonment. During fiscal 2019, the Court of Appeal affirmed the award of damages but reversed the trial court's order setting aside the District's abandonment of the eminent domain claim and remanded the case to the superior court to effectuate the District's abandonment of the eminent domain proceeding. The District recorded a \$5.1 million non-operating charge in 2019 related to the damages and related fees portion of the judgement and is seeking recovery of deposits made prior to the Court of Appeal's decision. The \$5.1 million charge is reflected as an offset to deposits as of June 30, 2019. See Note 7 – Other Assets. Disputes remain between the Developer and the District based on the District's now lawfully abandoned condemnation action and both contend entitlement to damages.

Seismic compliance – The California Office of Statewide Health Planning and Development (OSHPD) has revised its SB 1953 compliance standards by considering the HAZUS zones (FEMA Hazards – U.S.) in which each hospital is located.

Based on a waiver granted to the District by OSHPD during 2009, the District's buildings are considered in compliance with all SB 1953 requirements to the year 2030.

Self-insurance programs – The District is self-insured for unemployment benefits and dental PPO benefits.

Workers' compensation – Prior to January 1, 1999, the District was also self-insured for workers' compensation, with stop-loss insurance coverage for individual claims of more than \$250 thousand. For policy years 1999 through 2001, the District has reached maximum premium levels on its policies and has no further liability exposure on claims from those years. For policy year 2002, the District has a retrospective premium workers' compensation insurance coverage with a maximum premium. The maximum premium level has not been reached for the 2002 policy year and further liability exposure is unlikely. For policy years 2003 and 2004, the District had a large-deductible workers' compensation plan, with stop-loss insurance coverage for individual claims of more than \$350 thousand. Under this insurance arrangement, as of June 30, 2019, the District maintains nonnegotiable certificates of deposit totaling \$15 thousand for calendar year 2003 and \$302 thousand for calendar year 2004. Beginning January 1, 2005, the District began a self-insured workers' compensation program. The District has fully reserved for estimated claims based on actuarial analyses of policy years prior to 1999, and 2002 through 2019. Such reserves were approximately \$8.1 million and \$8.5 million as of June 30, 2019 and 2018, respectively.

Tri-City Healthcare District
Notes to Financial Statements

Note 14 – Commitments and Contingencies (continued)

Comprehensive liability insurance coverage – The District is insured for comprehensive liability (professional liability, general liability, personal injury and advertising liability, and employee benefits administration) under an occurrence general liability policy and professional claims-made policy, which covers asserted claims and incidents reported to the insurance carrier, and has a per-claim retention of \$1.0 million effective July 1, 2009. The District has reserved for estimated IBNR claims through June 30, 2019. Such reserves were approximately \$3.2 million and \$2.9 million as of June 30, 2019 and 2018, respectively.

The following is a summary of the changes in the self-insured and claims-made plan liabilities for the years ended June 30:

Balance as of June 30, 2017	\$ 11,212,133
Additions	3,384,926
Payments	<u>(3,174,556)</u>
Balance as of June 30, 2018	11,422,503
Additions	2,575,257
Payments	<u>(2,663,415)</u>
Balance as of June 30, 2019	<u><u>\$ 11,334,345</u></u>

Medical services IBNR – The following is a summary of the changes in the medical services IBNR claims, included in accounts payable and accrued liabilities in the accompanying statement of net position for the years ended June 30:

Balance as of June 30, 2017	\$ 4,219,453
Additions	8,060,212
Payments	<u>(10,770,462)</u>
Balance as of June 30, 2018	1,509,203
Additions	6,396,496
Payments	<u>(6,437,924)</u>
Balance as of June 30, 2019	<u><u>\$ 1,467,775</u></u>

Tri-City Healthcare District

Notes to Financial Statements

Note 14 – Commitments and Contingencies (continued)

Physician loan agreements – Physician Recruitment Agreements are those under which the District has elected to loan practicing physicians up to a specified amount per month for a period of two or three years (the "loan distribution period"). At the end of the loan distribution period, each physician is obligated by a signed loan agreement to repay the outstanding loan balance. The loan can be repaid in cash or in-kind services. For repayment in-kind, the District forgives the loans monthly over the period defined in the loan agreement (up to 3 years), as long as the physician continues to practice in the defined service area. Loans to physicians accrue interest during the draw period and during the forgiveness period. The loan balances outstanding totaled approximately \$3.0 million and \$4.4 million as of June 30, 2019 and 2018, respectively. The balance is included in other long-term assets in the accompanying statements of net position.

Note 15 – Subsequent Events

Effective August 30, 2019, the District amended the MidCap Credit and Security Agreement increasing the revolving line of credit to \$15.4 million, decreasing the interest rate to LIBOR plus 3%, and extending the maturity date to August 30, 2022.

Supplementary Information

Tri-City Healthcare District
Schedule of Net Position
June 30, 2019

	Tri-City Medical Center	ASCO	REHM	Wellness Center	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	TOTAL
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ 43,700,232	\$ 863,970	\$ -	\$ 282,637	\$ 95,836	\$ 68,053	\$ 13,017	\$ -	\$ 45,023,745
Short-term investments	5,930,724	-	-	-	-	-	-	-	5,930,724
Restricted cash and investments	298,000	-	-	-	-	-	-	-	298,000
Patient accounts receivable, net	42,866,462	1,146,225	-	-	-	-	-	-	44,012,687
Other receivables	1,843,933	-	-	-	397,450	6,414	22,696	(251,291)	2,019,202
Supplies inventory	9,419,777	1,269	-	-	-	-	-	-	9,421,046
Prepaid expenses and other assets	3,439,397	190,480	-	7,061	-	-	-	-	3,636,938
Estimated third-party payor settlements	3,850,532	-	-	-	-	-	-	-	3,850,532
Total current assets	111,349,057	2,201,944	-	289,698	493,286	74,467	35,713	(251,291)	114,192,874
NON-CURRENT INVESTMENTS									
Board-designated	407,795	-	-	-	-	-	-	-	407,795
CAPITAL ASSETS - net	97,961,469	708,757	-	-	-	-	-	-	98,670,226
OTHER ASSETS									
Notes receivable	3,015,138	-	-	-	-	-	-	-	3,015,138
Restricted mortgage reserve fund	7,530,972	-	-	-	-	-	-	-	7,530,972
Goodwill	9,529,430	-	-	-	-	-	-	-	9,529,430
Other	18,071,108	-	-	-	83,665	36,221	46,267	-	18,237,261
Total other assets	38,146,648	-	-	-	83,665	36,221	46,267	-	38,312,801
TOTAL ASSETS	\$ 247,864,969	\$ 2,910,701	\$ -	\$ 289,698	\$ 576,951	\$ 110,688	\$ 81,980	\$ (251,291)	\$ 251,583,696

Tri-City Healthcare District
Schedule of Net Position (Continued)
June 30, 2019

	Tri-City Medical Center	ASCO	REHM	Wellness Center	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	TOTAL
LIABILITIES AND NET POSITION									
CURRENT LIABILITIES									
Accounts payable and accrued liabilities	\$ 44,504,095	\$ 218,825	\$ -	\$ 7,500	\$ 131,874	\$ 32,027	\$ -	\$ (251,291)	\$ 44,643,030
Accrued payroll and related expenses	19,548,801	256,795	-	-	-	-	-	-	19,805,596
Current maturities of long-term debt	3,381,447	-	-	-	-	-	-	-	3,381,447
Short-term debt	10,075,123	-	-	-	-	-	-	-	10,075,123
Other current liabilities	1,659,346	451,003	-	-	-	-	-	-	2,110,349
Total current liabilities	79,168,812	926,623	-	7,500	131,874	32,027	-	(251,291)	80,015,545
LONG-TERM DEBT - net of current position	80,653,772	-	-	-	-	-	-	-	80,653,772
WORKERS' COMPENSATION AND COMPREHENSIVE LIABILITY - net of current portion									
	7,955,184	-	-	-	-	-	-	-	7,955,184
Total liabilities	167,777,768	926,623	-	7,500	131,874	32,027	-	(251,291)	168,624,501
NET POSITION									
Invested in capital assets - net of related debt	16,067,756	708,757	-	-	-	-	-	-	16,776,513
Restricted assets	7,530,972	1,355,522	-	282	171,978	39,331	26,234	-	9,124,319
Unrestricted	56,488,473	(80,201)	-	281,916	273,099	39,330	55,746	-	57,058,363
Total net position	80,087,201	1,984,078	-	282,198	445,077	78,661	81,980	-	82,959,195
TOTAL LIABILITIES AND NET POSITION	\$ 247,864,969	\$ 2,910,701	\$ -	\$ 289,698	\$ 576,951	\$ 110,688	\$ 81,980	\$ (251,291)	\$ 251,583,696

See accompanying report of independent auditors.

Tri-City Healthcare District
Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Tri-City Medical Center	ASCO	REHM	Wellness Center	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	TOTAL
OPERATING REVENUE									
Net patient service revenue	\$ 318,694,722	\$ 11,178,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 329,873,288
Premium revenue	18,934,440	-	-	-	-	-	-	-	18,934,440
Other revenue	8,970,873	2,210	-	108,835	463,697	(255,500)	(150,000)	(1,073,921)	8,066,194
Total operating revenue	346,600,035	11,180,776	-	108,835	463,697	(255,500)	(150,000)	(1,073,921)	356,873,922
OPERATING EXPENSES									
Salaries and related expenses	191,971,410	2,935,686	-	-	-	-	-	-	194,907,096
Supplies	71,139,271	2,946,617	-	-	-	-	-	-	74,085,888
Purchased services	20,034,772	831,115	-	-	-	-	-	(58,199)	20,807,688
Depreciation and amortization	11,834,213	259,920	-	-	8,933	-	-	-	12,103,066
Other operating expense	20,590,707	586,308	-	7,113	3,777	-	56	-	21,187,961
Professional and medical fees	22,334,467	56,188	-	-	96,431	-	-	-	22,487,086
Maintenance, rent & utilities	16,880,675	834,249	-	-	-	-	-	-	17,714,924
Total operating expenses	354,785,515	8,450,083	-	7,113	109,141	-	56	(58,199)	363,293,709
(LOSS) INCOME FROM OPERATIONS	(8,185,480)	2,730,693	-	101,722	354,556	(255,500)	(150,056)	(1,015,722)	(6,419,787)
NON-OPERATING REVENUE (EXPENSE)									
District tax revenue	10,927,012	-	-	-	-	-	-	-	10,927,012
Interest income	755,943	9,041	-	-	-	-	-	-	764,984
Interest expense	(4,544,617)	(10,037)	-	-	-	-	-	-	(4,554,654)
Other non-operating income (expense)	(4,936,364)	-	-	-	-	-	-	-	(4,936,364)
Total non-operating revenue (expense)	2,201,974	(996)	-	-	-	-	-	-	2,200,978
CHANGE IN NET POSITION BEFORE MINORITY									
INTEREST (EROE)	(5,983,506)	2,729,697	-	101,722	354,556	(255,500)	(150,056)	(1,015,722)	(4,218,809)
Minority interest distributions - net		(1,696,269)	(11,618)	-	(128,081)	-	(8,050)	-	(1,844,018)
Distributions between related entities	1,069,700	(798,764)	(2,294,700)	-	(216,960)	-	-	2,240,724	-
CHANGE IN NET POSITION	(4,913,806)	234,664	(2,306,318)	101,722	9,515	(255,500)	(158,106)	1,225,002	(6,062,827)
NET POSITION - Beginning of year	85,001,007	1,749,414	2,306,318	180,476	435,562	334,161	240,086	(1,225,002)	89,022,022
NET POSITION - End of year	\$ 80,087,201	\$ 1,984,078	\$ -	\$ 282,198	\$ 445,077	\$ 78,661	\$ 81,980	\$ -	\$ 82,959,195

Tri-City Healthcare District
HUD Required Financial Information

MORTGAGE RESERVE FUND

Amount required in the mortgage reserve fund at June 30, 2019	\$ 7,512,062
Balance of the mortgage reserve fund at June 30, 2019	<u>7,530,972</u>
Excess Fund Balance	<u><u>\$ (18,910)</u></u>

Single Audit Reports and Related Schedules

Report of Independent Auditors on Internal Control Over Financial Reporting and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Tri-City Healthcare District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-City Healthcare District (the District), which comprise the statement of net position as of June 30, 2019 and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated [DATE].

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-City Healthcare District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-City Healthcare District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-City Healthcare District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-City Healthcare District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California
[DATE]

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Tri-City Healthcare District

Report on Compliance for the Major Federal Program

We have audited Tri-City Healthcare District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Tri-City Healthcare District's major federal program for the year ended June 30, 2019. Tri-City Healthcare District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Tri-City Healthcare District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tri-City Healthcare District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Tri-City Healthcare District's compliance.

Opinion on the Major Federal Program

In our opinion, Tri-City Healthcare District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Tri-City Healthcare District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Irvine, California
[DATE]

Tri-City Healthcare District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed through to Subrecipients</u>
U.S. Department of Housing and Urban Development				
Direct:				
Mortgage Insurance_Hospitals	14.128	N/A	\$ 83,541,179	\$ -
Total U.S. Department of Housing and Urban Development			83,541,179	-
Total Expenditures of Federal Awards			\$ 83,541,179	\$ -

Tri-City Healthcare District

Note to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Tri-City Healthcare District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, results of operations, or cash flow of the District.

The District's reporting entity is defined in Note 1 of the financial statements. All federal awards from federal agencies are included in the Schedule.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Loan Balance

Loans outstanding at the beginning of the year plus the new value of new loans received during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balance of the loans outstanding as of June 30, 2019, consists of:

Program name	Section 242 - Mortgage Insurance for Hospitals
CFDA number	14.128
Loans outstanding as of June 30, 2018	\$ 83,541,179
Loans awarded during the year ended June 30, 2019	-
Less: principal repaid	(2,051,123)
Loan outstanding as of June 30, 2019	<u>\$ 81,490,056</u>

Tri-City Healthcare District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

		<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	
14.128	Mortgage Insurance_Hospitals	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.



TRI-CITY MEDICAL CENTER
MEDICAL STAFF INITIAL CREDENTIALS REPORT
September 11, 2019

Attachment A

INITIAL APPOINTMENTS (Effective Dates: 09/27/2019 – 07/31/2021)

Any items of concern will be "**red**" flagged in this report. Verification of licensure, specific training, patient care experience, interpersonal and communication skills, professionalism, current competence relating to medical knowledge, has been verified and evaluated on all applicants recommended for initial appointment to the medical staff. Based upon this information, the following physicians have met the basic requirements of staff and are therefore recommended for appointment effective 09/27/2019 through 07/31/2021:

- ARIAS, Ai-Li MD/Psychiatry (Vituity)
- CALAFI, Arash MD/Orthopedic Surgery (Orthopaedic Specialists of North County)
- HOWDEN, Frederick MD/Cardiothoracic Surgery
- HOBART, Edward MD/Teleradiology (StatRad)
- LEE, Calvin MD/Anesthesiology (ASMG)
- LIN, Yuan MD/Cardiothoracic Surgery
- MADHAV, Sandip MD/Physical Medicine and Rehabilitation (North County Neurology)
- MOVAGHAR, Mansoor MD/Ophthalmology (Rady Children's Hospital San Diego)
- NEAL, Tyler DO/Orthopedic Surgery FELLOW – Assist ONLY (San Diego Sports Medicine)
- NGUYEN, Andrew MD/Neurosurgery (UCSD)
- NGUYEN, Vincent MD/Ophthalmology (San Diego Retina Associates)
- SINGH, T. Tejpal MD/Teleradiology (StatRad)
- TEDESCO, Anthony DO/Orthopedic Surgery FELLOW – Assist ONLY (San Diego Sports Medicine)
- WALSH, Christopher MD/Anesthesiology (ASMG)
- YEHUSHUA, Liora MD/Anesthesiology (ASMG)



TRI-CITY MEDICAL CENTER
MEDICAL STAFF CREDENTIALS REPORT - 1 of 2
September 11, 2019

Attachment B

BIENNIAL REAPPOINTMENTS: (Effective Dates 10/01/2019 -09/30/2021)

Any items of concern will be "red" flagged in this report. The following application was recommended for reappointment to the medical staff office effective 10/01/2019 through 09/30/2021, based upon practitioner specific and comparative data profiles and reports demonstrating ongoing monitoring and evaluation, activities reflecting level of professionalism, delivery of compassionate patient care, medical knowledge based upon outcomes, interpersonal and communications skills, use of system resources, participation in activities to improve care, blood utilization, medical records review, department specific monitoring activities, health status and relevant results of clinical performance:

- AMORY, David, MD/Orthopedic Surgery/Active
- BARRON, Jr., Robert, MD/Family Medicine/Refer and Follow
- BESSUDO, Alberto, MD/Oncology/Active
- BURRUSS, Jr., Richard, MD/Emergency Medicine/Active
- CALHOUN, Chanelle, MD/Pediatrics/Active
- COLL, Jonathan, MD/Teleradiology/Active Affiliate
- Georgy, Bassem, MD/Interventional Neuroradiology/Active
- GUERIN, Chris, MD/Endocrinology/Active Affiliate
- KABRA, Ashish, MD/Cardiology/Provisional
- NIELSEN, Martin, MD/Pulmonary/Active
- SADOFF, Mark, MD/Neurology/Active
- SCHIM, Jack, MD/Neurology/Active
- SIDDIQUI, Fareeha, MD/Oncology/Active
- VOIGT, Michelle, MD/Emergency Medicine/Active

RESIGNATIONS: (Effective date 09/30/2019 unless otherwise noted)

Automatic:

- HENNINGER, Christopher, DMD/Dentistry



TRI-CITY MEDICAL CENTER
MEDICAL STAFF CREDENTIALS REPORT – 1 of 2
September 11, 2019

Attachment B

Voluntary:

- **BADIEE, Behyar, DO/Family Medicine**
- **BENG, Christopher, MD/Family Medicine**
- **BORGSCHULTE, Gitte, MD/Internal Medicine**
- **EVERSON, Neal, DO/Orthopedic Surgery**
- **GOODINE, Thomas, MD/Orthopedic Surgery**
- **HARTIG, Margaret, NP/Allied Health Professional**
- **LIM, David, DO/Emergency Medicine**
- **MARC-AURELE, Krishelle, MD/Neonatology**
- **PRINCE, Jennifer, DO/Pediatrics**
- **RAYAN, Hany, MD/Anesthesiology**
- **SIGNER, Stephen, MD/Psychiatry**
- **SINGH, Luv, MD/Orthopedic Surgery**
- **SPENCER, Matthew, PAC/Allied Health Professional**



TRI-CITY MEDICAL CENTER
MEDICAL STAFF CREDENTIALS REPORT – Part 2 of 3
September 11, 2019

REQUEST FOR EXTENSION OF PROCTORING REQUIREMENT

The following practitioners were given six months from the last reappointment date to complete their outstanding proctoring, and given an additional six month period after that one. These practitioners failed to meet the proposed deadline and are approved for an additional 6 months to complete their proctoring for the privileges listed below. Failure to meet the proctoring requirement by **March 31, 2020** would result in these privileges automatically relinquishing.

- **RAMBUR, Tricia MD** **OB/GYN**

The following practitioners were given 6 months from the last reappointment date to complete their outstanding proctoring and then another 6 months. These practitioners failed to meet the proposed deadline and are approved for an additional 3 months to complete their proctoring for the privileges listed below. Failure to meet the proctoring requirement by **January 31, 2020** would result in these privileges automatically relinquishing.

- **LOTAN, Roi MD** **Teleradiology**
- **PERRIZO, Nathan DO** **Pain Medicine**
- **RIAD, Shareef MD** **Teleradiology**
- **ROSENBERG, Jay MD** **Neurology**
- **SEIDEN, Grant MD** **Orthopedic Surgery**

AUTOMATIC RELINQUISHMENT OF PRIVILEGES (Effective 9/30/2019, unless otherwise specified)

The following practitioners were given 16 months from the last reappointment date to complete their outstanding proctoring. These practitioners failed to meet the proposed deadline and therefore the listed privileges will automatically expire as of September 30, 2019.

- **AHMED, Mohammed. MD** **Psychiatry**
- **BEN-HAIM, Sharona, MD** **Neurosurgery**
- **GRAMINS, Daniel MD** **Cardiothoracic Surgery**
- **GOLTS, Eugene MD** **Cardiothoracic Surgery**
- **HOWE, Steven MD** **Cardiothoracic Surgery**
- **KELLY, Jon. MD** **Orthopedic Surgery**



TRI-CITY MEDICAL CENTER
MEDICAL STAFF CREDENTIALS REPORT – Part 2 of 3
September 11, 2019

- MADANI, Michael MD Cardiothoracic Surgery
- MITCHELL, Charles, MD Radiology
- PERRICONE, Anthony MD Cardiothoracic Surgery
- POLLEMA, Travis DO Cardiothoracic Surgery
- PONEC, Donald MD Radiology
- PRETORIUS, Gert MD Cardiothoracic Surgery
- THISTLETHWAITE, Patricia MD Cardiothoracic Surgery



TRI-CITY MEDICAL CENTER
CREDENTIALS COMMITTEE REPORT – Part 3 of 3
September 11, 2019

PROCTORING RECOMMENDATIONS (Effective 9/27/2019, unless otherwise specified)

- | | |
|--------------------------------------|-----------------------------------|
| • <u>ALLEYNE, Neville MD</u> | <u>Orthopedic Surgery</u> |
| • <u>GOLTS, Eugene MD</u> | <u>Cardiothoracic Surgery</u> |
| • <u>HOWE, Steven MD</u> | <u>Cardiothoracic Surgery</u> |
| • <u>JOHN, Katrina MD</u> | <u>Emergency Medicine</u> |
| • <u>KABRA, Ashish MD</u> | <u>Cardiology</u> |
| • <u>KAUR, Manpreet PAC</u> | <u>Allied Health Professional</u> |
| • <u>KELLY, Katherine CNM</u> | <u>Allied Health Professional</u> |
| • <u>LIM, David DO</u> | <u>Emergency Medicine</u> |
| • <u>LUU, Jackie PA</u> | <u>Allied Health Professional</u> |
| • <u>MADANI, Michael MD</u> | <u>Cardiothoracic Surgery</u> |
| • <u>PERRICONE, Anthony MD</u> | <u>Cardiothoracic Surgery</u> |
| • <u>POLLEMA, Travis DO</u> | <u>Cardiothoracic Surgery</u> |
| • <u>PRETORIUS, Gert MD</u> | <u>Cardiothoracic Surgery</u> |
| • <u>REEN, Sandeep MD</u> | <u>Family Medicine</u> |
| • <u>SILLDORF, Morgan MD</u> | <u>Orthopedic Surgery</u> |
| • <u>THISTLETHWAITE, Patricia MD</u> | <u>Cardiothoracic Surgery</u> |



ADMINISTRATION REVIEW CONSENT AGENDA

September 11th, 2019

CONTACT: Barbara Vogelsang, CNE

Policies and Procedures	Reason	Recommendations
Patient Care Services Policies & Procedures		
1. Ambulance Transport for Patients Policy	3 Year Review, Practice Change	Forward To BOD For Approval
Administrative Policies & Procedures		
1. Conducting Searches Patient Belongings and/or Room Policy 208	NEW	Forward To BOD For Approval
Cardiology		
1. 2D Echo with Conventional & Color Flow Doppler and M Mode	Practice Change	Forward To BOD For Approval
Mammography		
1. Report Inclusions Policy	Practice Change	Forward To BOD For Approval
Medical Staff		
1. Standard for Endovascular Therapy (Catheter Based) 8710-530	3 Year Review, Practice Change	Forward To BOD For Approval
NICU		
1. Dietician, Role of in the NICU	DELETE	Forward To BOD For Approval
2. Staffing Ratios for Social Services in the NICU	2 Year Review, Practice Change	Forward To BOD For Approval
Patient Care Management		
1. Utilization Management Plan Policy	Annual Review	Forward To BOD For Approval
Security		
1. Closed Circuit Television System 512	3 Year Review, Practice Change	Forward To BOD For Approval



Tri-City Medical Center
Oceanside, California

PATIENT CARE SERVICES POLICY MANUAL

ISSUE DATE: 12/01

SUBJECT: Ambulance Transport
Arrangements for Patients-Home

REVISION DATE(S): 07/05, 07/07, 03/10, 08/13

POLICY NUMBER: ~~IV.R~~

Patient Care Services Content Expert Approval:	05/19
Clinical Policies & Procedures Committee Approval:	07/1306/19 07/19
Nursing-Nurse Executive Committee:	07/1307/19
Utilization Review Committee:	08/19
Pharmacy & Therapeutics Committee Approval:	n/a
Medical Executive Committee Approval:	08/19
Administration Approval:	09/19
Professional Affairs Committee Approval:	08/13 n/a
Board of Directors Approval:	08/13

A. POLICY:

1. If an ambulance is required for transportation-home, Case Management/Social Worker or nursing staff shall notify the ambulance company. ~~unless otherwise informed by the Case Manager. If the Case Manager/Social Worker has placed the patient on a "Will Call" then the nursing staff will call the ambulance to provide them with a pickup time.~~

B. MEDICARE:

1. Medicare reimburses ambulance transports only when there is documented medical necessity and a physician's order specifying ambulance transport.
2. Medicare requires ambulance companies to submit signed medical necessity documentation with their bills.
3. Medicare allows only physicians, registered nurses, nurse practitioners, and physician assistants to sign the medical necessity form.
 - a. Medical necessity reasons for ambulance transport include the following patient treatment needs and/or conditions:
 - i. Ambulance transport for unstabilized fractures or spinal injury
 - ii. Conditions that limit mobility
 - iii. Patient is a danger to self or others or requires constant supervision due to disease or injury
 - iv. Patient requires medical intervention during transport or advanced level care **examples: chronic ventilators, trach dependent patients**
 - v. Patient is bed confined and is unable to get up from bed without assistance, unable to ambulate, and unable to sit in wheelchair or chair without assistance or supervision
 - vi. Maternal transport to tertiary obstetrics centers
 - b. The **Case Manager/Social Worker** or nurse shall review the "Certificate of Medical Necessity" form for accuracy and sign prior to patient transport.

C. OTHER PAYERS/PAYORS:

1. Other ~~payers~~ payors reimburse ambulance transports only when there is a physician's order specifying ambulance transport **at insurance discretion.**

2. ~~The "Helpful Hints" book on each unit lists some specific ambulance companies contracted with certain payers.~~ **MediCAL Fee for Service (FFS) requires a physician's physical, not an electronic signature.**

D. **PROCEDURE**

1. **Tri-City Medical Center (TCMC)** staff arranging ambulance transport shall provide the following information to the ambulance company:
 - a. Patient name
 - b. ~~Social security number~~
 - e.b. Diagnosis related to transport
 - d.c. Reason for ambulance transport, (i.e., one of the reasons listed above).
2. If the patient does not meet criteria for ambulance transport **the Case Manager/Social Worker or nurse will advise the patient/patient representative.** ~~the person arranging for the ambulance transfer (RN/case manager/social worker)~~
 - 2-a. **The ambulance shall will** have the patient or the patient representative sign the "Beneficiary Advisory of Financial Responsibility" form **if they feel the transport will not be covered by Medicare.**

**ADMINISTRATIVE
DISTRICT OPERATIONS**

ISSUE DATE: NEW

SUBJECT: Conducting ~~Searches~~Examinations
of ~~Person~~Patient or Visitor
Belongings and/or Room

REVISION DATE(S):

POLICY NUMBER: 8610-208

Administrative District Operations Content Expert Approval: 05/19
Administrative Policies & Procedures Committee Approval: 05/19
Environmental Health & Safety Committee Approval: 06/19
Pharmacy & Therapeutics Committee Approval: n/a
Medical Executive Committee Approval: 08/19
Administration Approval: 09/19
Professional Affairs Committee Approval: n/a
Board of Directors Approval:

A. PURPOSE:

1. To provide staff with guidelines for conducting ~~searches~~**examinations** of patients and their belongings and/or rooms, and to include guidelines with screenings of ~~persons~~**patients**/visitors and their belongings when there is clear evidence to suspect there is entry of prohibited items into the hospital to avoid harm or potential to harm to Tri-City Healthcare District ("TCHD") staff, patients, and visitors.

B. DEFINITIONS:

1. **Weapon** - A weapon is defined as any firearm, knives, night sticks, brass knuckles, and other items defined as weapons by California and Federal law or device that could inflict bodily harm or injury.
2. **Contraband** - Any item that is banned from TCHD property and/or could inflict harm to the patient or others. Items include, but are not limited to weapons, illegal drugs or drug paraphernalia, and other items that pose safety or risk as determined by TCHD security staff and a strong suspicion by staff
3. **Search-Examination** – a systematic inspection of a person, personal effects, or room.

C. POLICY:

1. TCHD recognizes that patients have a right to privacy, dignity, and to be free from unreasonable ~~searches~~**examinations**. Patients, staff, and visitors also have the right to a safe and therapeutic environment which under certain circumstances necessitates taking steps to ensure persons on TCHD property are not in possession of items that may present a hazard to personal safety, **health**, or the therapeutic environment. **It is TCHD's policy to balance the right to privacy with the safety and security of patients, staff, and visitors.**
2. For the **health, safety and protection of both** ~~patients~~**patients** and staff, TCHD staff may conduct ~~searches~~**examinations** of the patient or visitors and their belongings and/or rooms when there are facts and circumstances known to TCHD staff that exist that provide the basis for a reasonable person to believe that contraband articles are in a patient's possession.
3. All ~~searches~~**examinations** will be carried out in a professional and courteous manner recognizing the intrusion to personal privacy that occurs. The ~~search~~**examination** may not be any more intrusive than necessary to ensure the person is not in possession of contraband.

D. PROCEDURE:

1. Upon admission, an inventory of the patient's property shall be completed per Patient Care Services Policy: Patient Valuables, Liability and Control 317.
2. Before conducting an ~~search~~ **examination** of a patient or visitor, their belongings and/or room after admission, facts and circumstances known to TCHD staff must exist that provide the basis for a reasonable person to believe that contraband articles may be hidden at the place to be ~~searched~~ **examined**.
3. TCHD staff shall take the following steps before conducting an ~~examination~~ **search**:
 - a. If the TCHD staff member requesting the ~~search~~ **examination** "actually sees" contraband:
 - i. The staff member shall notify the Manager or Administrative Supervisor and Security that the staff member is requesting permission to conduct an ~~examination~~ **search**, what was seen, and why they believe an ~~examination~~ **search** is necessary.
 - ii. The Manager or Administrative Supervisor and Security will then determine if an ~~search~~ **examination** is appropriate.
 - iii. If there are questions concerning whether an ~~search~~ **examination** is appropriate, the Manager or Administrative Supervisor or Security should contact the Legal Department or its designee.
 - b. If the TCHD staff member requesting the ~~search~~ **examination** does not see contraband:
 - i. The staff member shall notify the Manager or Administrative Supervisor and Security that the staff member is requesting permission to conduct an ~~search~~ **examination**, what is suspected, and why they believe an ~~search~~ **examination** is necessary.
 - ii. The Manager or Administrative Supervisor and Security will then contact the Legal Department or its designee to determine whether an ~~search~~ **examination** is appropriate.
 - c. If there is an imminent threat to personal safety:
 - i. TCHD staff can conduct an ~~examination~~ **search** if it will not put them in danger and then notify the Manager or Administrative Supervisor, Security and the Legal Department or its designee afterward.
 - ii. In emergency situations, TCHD staff should follow TCHD's Emergency Operations Procedure Manual.
4. At least two staff members shall be present when conducting an ~~search~~ **examination**, including one member of Security and one member of the clinical staff.
5. ~~Prior to~~ **At the time of the search/examination**, the patient **and/or visitor** will be provided with an explanation of the rationale for the ~~search~~ **examination**. Whenever possible, an ~~examination~~ **search** of a patient or visitor's belongings and/or room shall be conducted with the patient or visitor present. ~~Examinations Searches of a patient or visitor~~ shall be conducted in a location which affords reasonable privacy. All non-contraband articles must be put back in an orderly manner.
6. If contraband is found:
 - a. The items shall be given to Security in accordance with Administrative Policy: Disposal of Drugs and Drug Paraphernalia 217, Administrative Policy: Weapons on Medical Center Campus 284 and Security Policy: Property Custody 232. If necessary, Security shall contact the Oceanside Police Department in accordance with Administrative Policy: Disposal of Drugs and Drug Paraphernalia 217, and Administrative Policy: Weapons on Medical Center Campus 284.
Security shall complete an Incident Report.
 - b. A note describing the nature of the contraband will be entered into a clinical note in the patient's medical record. If necessary, Security shall contact the Oceanside Police Department in accordance with Administrative Policy: Disposal of Drugs and Drug Paraphernalia 217, and Administrative Policy: Weapons on Medical Center Campus 284.

- c. If the contraband is illegal drugs which may affect the patient's medical treatment the physician will be notified.
7. After an **examinationsearch** is conducted there will be a patient debriefing meeting in which patient questions will be answered and concerns and comments will be addressed.

E. **RELATED DOCUMENT(S):**

1. Administrative Policy: Disposal of Drugs and Drug Paraphernalia 8610-217
2. Administrative Policy: Weapons on Medical Center Campus 8610-284
3. Patient Care Services Policy: Patient Valuables, Liability and Control
4. Security Operations Policy: Property Custody 232

F. **REFERENCE(S):**

1. Code of Federal Regulations, Title 42, Section 482.13(c)(2)
2. California Code of Regulations, Title 8, Section 3342
- 2-3. **Joint Commission, EC.01.01.01 and 02.01.01**
4. Angela T. Burnette, Searches of Hospital Patients, Their Rooms and Belongings, Health Care Law Monthly, Vol. 2012, Issue 10, at 2
5. **"Preventing Violence in the Health Care Setting" Sentinel Even Alert, Issue 45, June 30, 2010.**
- 3-6. **Penney, Susan. "Consent 201: Varying Scenarios." CHA Consent Law Seminar. Sacramento, CA. 6 June 2019.**

**PROCEDURE: 2-D ECHOCARDIOGRAPHY WITH CONVENTIONAL & COLOR FLOW DOPPLER AND M-MODE**

Purpose: Cardiovascular technologists (CVT) shall be knowledgeable in performing a 2-D echocardiogram using the Philips ultrasound machines, to identify and quantify pathology and hemodynamic function of the heart and to improve patient outcomes.

Supportive Data: Current American Society of Echocardiography (ASE) and American Registry of Diagnostic Medical Sonography (ARDMS) accepted guidelines

Equipment: Philips ultrasound machines

A. POLICY

1. Confirm physician's order.
2. In-patient verbal stat echocardiograms (echo) ordered by an MD is sufficient but the MD must enter the order in Cerner ASAP. If order is not in chart at time of the exam, then the CVT will ask the attending nurse to put the order into Cerner using the proper protocol.
3. All echocardiograms should contain images, Doppler, and measurements. Modified views may be necessary as some views and measurements may not be available. Attempts must be documented.
4. All echocardiograms will be performed, optimized, measured, calculated, and analyzed according to the ASE and the ARDMS accepted guidelines.
5. Images will be captured digitally and stored in the CPACS/McKesson digital system.
6. Machine settings, transducer selection, and patient position will be adjusted as needed to optimize all captured images including Doppler display.
7. Introduce yourself and use (2) patient identifiers to verify correct patient.
8. CVT will explain the test to patient.
9. Perform "Standard Precautions" at all times.
10. Maintain patient privacy.

B. PROCEDURE:

1. Daily Preparation:
 - a. Check for previous echo exam for each patient. If echo exam is less than 1 year (or use your best judgement), direct patient's nurse to contact ordering physician to verify needed echo. Print previous report and add to patient folder.
 - i. Inpatient -
 - 1) Obtain the code status, contact precautions status, fall risk, height & weight, applicable medical history, and patient cardiologist, if any.
 - 2) Triage patient exams according to: Cardiologist, diagnosis, critical care units, chronological order, discharge status, etc.
 - 3) When ready, call patient's nurse to confirm if patient is available for exam.
 - 4) Use Aionex transport system to request the patient or portable as appropriate.
 - ii. Out-patient - Obtain scheduled patients from CVHI secretary.
2. Patient Preparation:
 - a. Establish indication for exam and whether the patient has a current Cardiologist. Obtain brief cardiac history from patient.
 - b. Enter patient information into sonography machine and select appropriate settings.
 - c. Use towel and or patient gown to cover female chest area at all times.
 - d. Connect ECG to patient. Use ultrasound gel as appropriate.
3. Performing the Procedure:

Department Review	Division of Cardiology	Pharmacy & Therapeutics Committee	Medical Executive Committee	Administration	Professional Affairs Committee	Board of Directors
11/18	12/18, 08/19	n/a	n/a	01/19, 09/19	n/a	02/19

- a. For each view stated below, when indicated, obtain additional 2-D images, Doppler spectral tracings, color flow images, and utilize the measurement packages for additional quantitative assessment, such as for pericardial and valvular disease, chamber size analysis, diastolic function analysis and other assessments when indicated. The following order is preferred; however patient access and cooperation may require a different order.
 - i. Parasternal (PLAX, RA/RV) long axis with M-Mode, color flow and PW/CW Doppler when indicated.
 - 1) LV with visualization of RVOT, LV, AO, LA, CS, DA.
 - 2) RV inflow with visualization of RV, RA, CS, IVC
 - ii. Parasternal short axis (PSAX) with M-mode, color flow and PW/CW Doppler when indicated
 - 1) LV apex
 - 2) Papillary muscles (midlevel)
 - 3) MV (basal level)
 - 4) AV with visualization of SVC, RA, TV, RV outflow, PV, PA, AV, LA
 - iii. Apical (AP4CH, AP2CH, APLAX) with color flow and PW/CW Doppler when indicated
 - 1) Four-chamber
 - 2) Four-chamber with AV (AP5CH)
 - 3) Two-chamber
 - 4) Long axis
 - iv. Subcostal (SUBC) with M-mode, color flow and PW/CW Doppler when indicated
 - 1) Four-chamber
 - 2) Atrial view with emphasis on IAS with color flow Doppler
 - 3) Short axis (if the PSAX views were suboptimal)
 - 4) IVC and hepatic vein with demonstration of respiration (sniff)
 - v. Suprasternal notch long axis of the aorta with Doppler, when indicated
 - vi. Right parasternal area view (RLD) of the aortic valve with CW, when indicated
 - vii. Miscellaneous imaging plus color flow, pulsed wave and/or continuous-wave Doppler of other sites when clinically indicated.
4. Evaluation:
 - a. 2-D Echo and M-mode evaluation:
 - i. LV, RV wall motion characteristics. Is wall motion normal? Normal wall motion is uniform contractility throughout systole and diastole. Abnormal wall motion is defined as global or segmental abnormalities (hypokinesis, akinesis, dyskinesis)
 - 1) Systolic excursion
 - 2) Systolic thickening
 - 3) Timing
 - 4) Segmental approach (base, mid, apical) in each view
 - 5) Ejection fraction
 - 6) Fractional shortening
 - 7) IVS and PW thickness/mass
 - ii. Chamber/vessel size, volumes and characteristics
 - 1) LV, LA, RV, RA, IVC (with sniff), Aorta, LVOT
 - 2) LV aneurysm (true, false)
 - 3) Thrombus
 - 4) Mass
 - 5) Pacemaker wires, catheters, other
 - iii. Valve appearance and morphology (thickened, prolapse, flail, mass, vegetation)
 - 1) MV, chordae, papillary muscle, annulus (calcification, prosthesis, ring)

- 2) Aortic root and aortic valve appearance (calcification, prosthesis)
 - 3) Tricuspid and pulmonary valve appearance
 - iv. Pericardial effusion/pleural effusion
 - b. Color and Spectral (Pulsed and Continuous wave) Doppler evaluation, when indicated:
 - i. Mitral and annulus velocities: E, A, E/A ratio, E/E', IVRT, DT, mean gradient, pressure half time and MVA (MS)
 - ii. Mitral regurgitation jet: velocity, quantitative assessment
 - iii. Pulmonary venous flow: systolic, diastolic, atrial reversal wave velocity/duration
 - iv. Tricuspid inflow & regurgitation jet: velocity, quantitative assessment (including RVSP)
 - v. Left ventricular outflow tract velocity, peak gradient
 - vi. Aortic velocity: Velocity, mean and peak gradients, AVA, quantitative assessment. Aortic stenosis the highest systolic velocity from multiple views (apical, suprasternal, right parasternal, subcostal). When indicated, a non-imaging Doppler transducer (Pedoff) should be used.
 - vii. Aortic regurgitation jet: velocity, quantitative assessment
 - viii. Pulmonary artery flow velocity/regurgitation: acceleration time, PR end diastolic jet velocity
 - ix. Atrial and ventricular color Doppler and PW/CW screening for defects.
 - c. Bubble study (agitated saline) when ordered by a physician.
 - i. Attending Cardiologist or cardiac nurse will inject agitated saline into an IV access, according to lab protocol, followed by acquisition of echo images.
 - ii. Contrast study (Definity) when ordered by a Cardiologist/~~Physician/physician extender.~~
 - 1) Attending cardiologist or cardiac nurse will inject Definity contrast agent according to the manufacturer's and the lab protocol, followed by acquisition of echo images.
 - d. At the conclusion of the test:
 - i. Patient is wiped clean of gel, transducer is cleaned and linens are changed. Supplies are re-stocked.
 - ii. Transfer images to CPACS digital workstation.
 - iii. Complete the CVT preliminary report and place patient folder in Cardiologist's in-box.
 - iv. Record the exam information on the CVT log.
 - v. CVT will process the billing charges for the inpatients. The scheduler will process charges for the outpatient's.
 - e. **Critical Results: The CVT will phone the reading physician critical values and document:**
 - i. **Thrombus**
 - ii. **Unknown Vegetation**
 - iii. **EF<20%**
 - f. **Limited Transthoracic Echocardiogram Study is generally only performed when the patient has undergone a complete recent examination and there is no clinical reason to suspect any changes outside the specific area of interest.**
 - i. **A limited study generally examines a single area of the heart or answers a single clinical question.**
- ~~Preliminary findings and final echocardiogram reports will only be provided by the interpreting physicians. If a preliminary report provided by an interpreting physician to an ordering/referring physician differs significantly from the final report, the interpreting physician that finalized the report will contact the ordering physician to relay these changes. The amended report will clearly indicate that this is a revised report that replaced the preliminary report.~~

MAMMOGRAPHY WOMEN'S CENTER

ISSUE DATE: 11/99 **SUBJECT:** Report Inclusions

REVISION DATE(S): 08/11, 08/18

Mammography Department Approval:	10/17 04/19
Department of Radiology Approval:	06/18 08/19
Pharmacy & Therapeutics Committee Approval:	n/a
Medical Executive Committee Approval:	n/a
Administration Approval:	08/18 09/19
Professional Affairs Committee Approval:	n/a
Board of Directors Approval:	08/18

A. AUTHORIZED TO PERFORM:

1. Physicians and Radiology Transcriptionists.

B. PURPOSE:

1. To ensure all required information is included in dictated patient's reports.

C. POLICY:

1. Mammography reports shall include all essential elements per Mammography Quality Standard Act (MQSA) standards:
 - a. Name and medical record number (MRN) of patient
 - b. Date of exam
 - c. Name of interpreting physician
 - d. Final assessment in one of the named categories:
 - i. Negative
 - ii. Benign
 - iii. Probably benign
 - iv. Suspicious
 - v. Highly suggestive of malignancy
 - vi. Known malignancy
2. NOTE:
 - a. If no final category is assigned due to incomplete work-up:
 - i. Incomplete: "Need further work-up" shall be assigned.

D. EXTERNAL LINK(S):

1. Mammography Quality Standards Act (MQSA) of 1998 <https://www.fda.gov/downloads/Radiation-EmittingProducts/MammographyQualityStandardsActandProgram/Regulations/UCM110849.pdf>

E. REFERENCE(S):

1. Mammography Quality Standards Reauthorization Act, Pub. L., Title XLII § 263b. (1998).

MEDICAL STAFF POLICY MANUAL

ISSUE DATE: 11/03

SUBJECT: Standards for Endovascular Therapy
for Cerebrovascular Disorders

REVISION DATE(S): 09/14/07, 06/14

POLICY NUMBER: 8710 – 530

Medical Staff Department Approval:	02/19
Department of Radiology Approval:	04/1404/19
Credentials Committee Approval:	06/1406/1906/19
Medical Executive Committee Approval:	06/1408/19
Administration Approval:	09/19
Professional Affairs Committee Approval:	n/a
Board of Directors Approval:	06/14

A. PURPOSE

1. To provide standards for the performance of endovascular therapy (catheter based) for cerebrovascular disorders (including coil occlusion of intracranial aneurysms, treatment of cerebral arteriovenous malformation or cerebral fistula, and cerebral/carotid angiography), including required facilities/resources as well as credentialing criteria.

B. FACILITIES/RESOURCES:

1. All cases involving endovascular treatment of intracranial vascular disorders must meet the following minimum criteria for adequate facilities:
 - a. Digital subtraction angiography with roadmap capabilities.
 - b. An appropriate sized image intensifier (12-16 inches)
 - c. Power injector for contrast administration
 - d. Adequate frame rate filming (4 fps minimum)
 - e. Appropriate supply of balloons, guidewires, stents, coils and pharmacologic agents.
 - f. Appropriate level of sterility
 - g. Adequate space and facilities for anesthesia
 - h. Interventional Radiology and/or Surgical Registered Nurses
 - i. Interventional Radiology technologists

C. CREDENTIALING CRITERIA

1. Initial Credentialing:
 - a. Successful completion of an ACGME-accredited four (4) year residency in diagnostic radiology which includes training and supervision in diagnostic neuroimaging, and successful completion of one (1) year post graduate fellowship in neuroradiology, and one (1) year fellowship in endovascular surgical neuroradiology that meets ACGME standards by including training and experience in cerebral angiography performance and interpretation of 100 cerebral angiograms and performance of 100 endovascular cerebral procedures; or
 - b. Successful completion of an ACGME-accredited residency in neurosurgery which includes five (5) years of training, experience and supervision in diagnostic neuroimaging, and one (1) year fellowship in endovascular surgical neuroradiology that meets ACGME standards by including training and experience in cerebral angiography performance and interpretation of 100 cerebral angiograms and performance of 100 endovascular cerebral procedures; or

- c. Successful completion of an ACGME accredited residency in diagnostic radiology and successful completion of one year ACGME accredited fellowship in neuroradiology; or successful completion of an ACGME-accredited residency in neurosurgery; and documentation of participation in 50 endovascular surgical neuroradiology procedure under the supervision of a program director or equivalent; and documentation of performance of 80 intracranial endovascular surgical neuroradiologic procedures as primary operator.
- d. If the above (a, b, or c) were completed more than two (2) years prior to application, additional documentation of the performance of 30 diagnostic angiographies and 30 endovascular cerebral procedures in the two (2) years preceding application is required.
2. Proctoring requirements: Two (2) cases proctored by physician who has current unsupervised TCMC privileges for Endovascular Therapy for Cerebrovascular Disorders
3. Re-credentialing requirements: Thirty (30) diagnostic cerebral angiographies and thirty (30) endovascular cerebral procedures in the two-year period with acceptable outcomes.
4. Note: Emergency Regional Stroke Thrombolysis and Intravascular infusion for treatment of vasospasm, Carotid Angioplasty and Stenting are included under credentials granted under Credentialing Standards for Catheter-Based Peripheral Vascular Interventional Procedures (TCMC Medical Staff Policy Number 8710-504).

Approvals:

Radiology Department Approval: _____ **04/14**

Neurosurgery Division Approval: _____ **06/14**

Credentials Committee Approval: _____ **06/14**

Medical Executive Committee Approval: _____ **06/14**

Board of Directors Approval: _____ **06/14**

WOMEN'S AND NEWBORN SERVICES - NICU

SUBJECT: DIETICIAN, ROLE OF IN THE NICU

ISSUE DATE: 4/09

REVISION DATE(S): 4/09, 6/11, 8/12, 6/13, 05/16

DELETE: Information included
in Food and Nutrition Services
Policy: Nutritional Care and
Assessment for Infants
Admitted to NICU

NICU Department Approval Date(s): 03/15 07/19

~~Division of Neonatology~~ Perinatal Collaborative Approval Date(s): 03/15

Pharmacy and Therapeutics Approval Date(s): n/a

Medical Executive Committee Approval Date(s): n/a

Administration Approval: 09/19

Professional Affairs Committee Approval Date(s): 05/16 n/a

Board of Directors Approval Date(s): 05/16

A. PURPOSE:

1. ~~To provide consultation and be a resource person for the Neonatal Intensive Care Unit (NICU) staff when needed for NICU patients experiencing slow weight gain and/or have a metabolic disorder, as well as feeding intolerance.~~

B. POLICY:

1. ~~Role of the dietician in the NICU.~~

C. SUPPORTIVE DATA:

1. ~~Historically, some NICU infants have been diagnosed with a failure to thrive, poor weight gain, feeding intolerance, with or without a metabolic disorder, short gut syndrome, etc., and the need for occasional consultation exists.~~
2. ~~Dieticians who have expertise in pediatric and neonatal nutrition can contribute to the teaching of parents for these infants, providing a better outcome.~~
3. ~~It is the policy of Tri City Medical Center in accordance with California Children's Services (CCS) guidelines, to provide a dietician for such consults as requested by the NICU Neonatologist/Allied Health Professional.~~
4. ~~The dietician will be CCS paneled in order to bill for any consultations that are originated in the Developmental Assessment Clinic (DAC) after discharge.~~ **for billing purposes.**
5. ~~The dietician will attend the weekly multidisciplinary rounds in the NICU.~~



Tri-City Medical Center
Oceanside, California

~~WOMEN'S AND CHILDREN'S SERVICES MANUAL – NICU~~
WOMEN AND NEWBORN SERVICES
NEONATAL INTENSIVE CARE UNIT (NICU)

ISSUE DATE: 8/06

SUBJECT: Staffing Ratios for Social Services
in the NICU

REVISION DATE(S): 05/08, 04/09, 06/11, 08/12, 11/16

NICU Department Approval-Date(s): 09/1607/19
Division of Neonatology/Perinatal Collaborative Practice Approval-Date(s): 08/19
Pharmacy and Therapeutics Committee Approval-Date(s): n/a
Medical Executive Committee Approval-Date(s): n/a
Administration Approval: 09/19
Professional Affairs Committee Approval-Date(s): 10/16 n/a
Board of Directors Approval-Date(s): 11/16

A. PURPOSE:

1. ~~To ensure appropriate staffing of social workers in the neonatal intensive care unit (NICU), as well as maintaining compliance with California Children's Services (CCS) regulations.~~

B.A. POLICY:

1. Social work services shall be provided in the NICU by a CCS-paneled medical social worker (MSW) holding a master's degree in social work that has expertise in psychosocial issues affecting the families of seriously ill neonates/infants.
2. For every 15 patients in the NICU, there shall be one full-time equivalent MSW.
3. There shall be 24-hour coverage by a MSW for the NICU, which includes on-call coverage.

C.B. PROCEDURE:

1. When the NICU census is over fifteen (15), CCS standards will be maintained. Assistance will be provided by a CCS-paneled social worker to ensure that staffing ratios are maintained.
- 4.2. **Social Services Supervisor will be responsible for assigning additional staff as appropriate.**
2. ~~If additional assistance is required, the NICU social worker will request assistance from other staff social workers through the Social Services Supervisor.~~
3. ~~All social workers providing assistance in the NICU will be CCS-paneled.~~
- 4.3. The NICU social worker will determine which cases the additional social worker will assist with during the high census.
 - a. This decision is based on the complexity of the case, family's history, expected length of stay, and current needs.
- 5.4. The social worker may be asked to assist with cases including: completing assessments on short-term admits with limited needs; a weekly follow-up with a family whose infant has an expected short-term stay; or a weekly follow-up with a family whose infant is experiencing a long-term stay, but infant is stable.
- 6.5. If there are no patients that meet the above criteria, the NICU social worker will need to assess which families have the least need at that time. The social worker may also be asked to assist with patients that are discharging.
- 7.6. When the NICU census returns to fifteen, the full-time NICU social worker will resume care of ~~the all~~ patients/families.

D.C. REFERENCE(S):

1. American Academy of Pediatrics (AAP) and American College of OB and GYN (ACOG). (2017). Guidelines for Perinatal Care, 8th ed.
2. California Department of Health Care Services (1999). California Children's Services Manual of Procedures Chapter 3.25.

PATIENT CARE MANAGEMENT

ISSUE DATE:

SUBJECT: Utilization Management Plan

REVISION DATE(S): 03/12, 02/16, 11/18

Patient Care Management Department Approval:	07/1806/19
Utilization Review Committee Approval:	08/1808/19
Medical Executive Committee Approval:	08/1808/19
Administration Approval:	10/1809/19
Professional Affairs Committee Approval:	10/18 n/a
Board of Directors Approval:	11/18

A. INTRODUCTION:

1. In accordance with the requirements of the Health and Human Services Conditions of Participation, State Operations Manual, Appendix A – Survey Protocol, Regulations and Interpretive Guidelines for Hospitals, Centers for Medicare and Medicaid Service (CMS) guidelines and Standards of the Joint Commission, Tri-City Medical Center Governing Board delineate this Utilization Management Plan. This Plan reflects the actual process of reviewing patient care. The Utilization Management Plan has been developed to be approved by the Quality Assurance Performance Improvement (QAPI), the Medical Executive Committee, and the Board of Directors.
2. The Utilization Management Program applies to all patients regardless of payment source. The program does not include utilization review conducted by members of the medical staff under control with, or via others means of delegation by a third party payer. The Medical Center maintains the authority of decisions regarding review, including appropriate services, at the local level.

B. AUTHORITY:

1. The Board of Directors has the ultimate responsibility for review of the quality, appropriateness, and medical necessity of admissions, continued stays, and supportive services. It delegates specific functions to the Medical Staff to develop and implement a comprehensive Utilization Management Plan. The authority and responsibility for providing personnel, resources, and equipment has been delegated to the Chief Executive Officer or Designee of Tri-City Medical Center.
2. The Utilization Management Plan is under the direction of the Utilization Committee, and following approval of this Utilization Management Plan, the Utilization Committee shall review and approve the Plan ~~biennially~~ annually for scope and objectives.

C. GOALS/OBJECTIVES:

1. All patients, regardless of type of insurance or source of payment, are monitored for over-utilization, under-utilization, and inefficient scheduling of resources. The primary objectives of utilization review are the following:
 - a. Assure Care at a Level Appropriate to Patient Needs.
 - b. Utilization review monitors the level of care on an ongoing basis to ensure that patients receive care in a facility appropriate for their needs.
 - c. A patient in an acute care facility requires the continuous availability of physicians, skilled nursing services, surgical services and/or ancillary services found only in the acute hospital setting.
2. Provide Professional Accountability

- a. Utilization review provides professional accountability for the utilization of health care resources to the patient and the person or organization paying for his/her care. It addresses issues of quality and cost controls to ensure the highest quality patient care at the lowest cost.
- 3. Educate the Medical Staff and Other Health Care Professionals
 - a. The ongoing utilization review activity and the identification of problem areas provide continuous education on quality of care and utilization issues to the Medical Staff and other health care professionals.

D. UTILIZATION MANAGEMENT COMMITTEE

- 1. Organization
 - a. The Committee shall be a medical staff committee of the hospital; will be composed of five (5) physicians, no less than two (2) physicians who must be either medical doctors or doctors of osteopathy and members of the Medical Staff, representing the admitting services of the medical staff, and assisted by other professional personnel.
 - b. The other members may be any of the other types of practitioners as specified in State Operations Manual §482.12(c)(1).
 - c. The Physician Advisor will be a member of the Committee.
 - d. **No person with a direct financial interest in Tri-City Medical Center may participate in reviews conducted by the Committee. No person who is, or has been, professionally involved in the care of the patient whose case is being reviewed may participate in the review.**
 - e-e. **All members of the Committee must follow the conflict of interest and confidentiality policies of Tri-City Medical Center.**
 - d-f. All medical staff committee members shall be appointed by the Chief of Staff. Appointment shall be for one year.
 - e-g. The Director of Case Management will appoint non-medical staff representatives to the Committee annually.
 - f-h. Committee Representatives may include, but are not limited to:
 - i. Director of Case Management
 - ii. Nursing Administrator or representative
 - iii. Medical Records Director or representative as needed
 - iv. Case Management / Social Services' representative(s) as needed and may include:
 - 1) ~~CDI Specialist, Supportive Care Director,~~ and Social Services representative(s) as needed
 - i. As per Medical Staff Bylaws, for a quorum, no less than two (2) physician committee members shall attend the Utilization Committee Meetings.
 - g-j. **The Committee must meet as often as necessary to accomplish its function, but no fewer than quarterly (4) times per year.**
- 2. Authority
 - a. Physician Advisor and Review Personnel
 - i. A designated Physician Advisor will be available per contractual agreement, Monday through Friday, to communicate with the Case Managers regarding questionable admissions, quality of care issues, day or cost outliers and continued stay cases. This communication will be in person, via telephone, or via email, as necessary.
 - ii. The Physician Advisor has authority to initiate denial of an admission or extension of length of stay (pending QIO review and concurrence when required).
 - iii. The Case Managers will seek specific assistance and advice from the Physician Advisor in the following situations:

- 1) When the Case Manager has reason to believe that an admission, continued stay, is not medically necessary based on criteria.
 - 2) When the Case Manager is unable to make a decision as to whether there is a medical necessity for acute care, even when the guidelines are met.
 - 3) When there is a question of quality of care being rendered.
 - 4) When the implementation of discharge planning is delayed by either the patient, family and/or attending physician.
 - 5) When under/over utilization and quality concerns are identified, as well as delays in services with the Attending Physician and intervention is necessary.
- iv. In most instances, the Physician Advisor shall render a decision within twenty-four (24) hours as to the approval or denial of an admission or continued stay. The Director of Case Management shall oversee review activities. Case Management review shall be conducted by personnel qualified to follow directive of the Utilization Management Committee and to apply clinical guidelines and regulations. Sufficient qualified reviewers will be assigned to meet the requirements of reviews.
- b. The Committee has the authority to give notice of non-coverage in accordance with federal and state law and other third party payer requirements.
- c. The Committee has the responsibility to:
- i. Implement procedures for reviewing all stages of hospital admissions, including but not limited to:
 - 1) Medical necessity for admission, over- and under-utilization of ancillary services, delays in services, quality of care indicators.
 - 2) Adequacy of medical record documentation, lengths of stay and timeliness of discharges.
 - ii. Report review findings and recommendations to the appropriate Medical Center and/or Medical Staff persons or entities.
 - iii. Review third-party payer denials, make recommendations and/or take appropriate actions.
 - iv. Collect and analyze data necessary to carry out its responsibilities.
 - v. Analyze issues, problems, or individual cases identified through utilization review activities, make recommendations for resolution and/or refer to appropriate entities for resolution.
3. Upon invitation from the Chairperson, other representatives of the Hospital or medical staff may attend meetings. The Chairperson and other designated members of the committee shall serve as Physician Advisor if there is not an appointed advisor available.
4. Chairpersons of all standing committees shall have an open invitation to attend meetings of the Committee; other Medical Center personnel may attend upon invitation from the Committee.

E. UTILIZATION REVIEW ACTIVITIES:

1. Utilization Review Staff
 - a. The Utilization Review staff consists of qualified non-physician Medical Center personnel including, but not limited to, nurse case managers, social workers, and assistants who function under the direction of Department Director as staff to the Utilization Review Committee.
2. Criteria:
 - a. The Case Managers shall use the prescribed and authorized criteria designated by medical staff while reviewing the severity of illness, intensity of service, and discharge screens. InterQual Criteria is utilized at Tri-City Medical Center.
3. Admission Review

- a. All designated admissions shall have an initial InterQual® review performed not later than 24 business hours following admission to TCMC.
4. Concurrent Review
 - a. The concurrent review process will follow the admission review and will continue throughout the patient's hospital stay.
 - b. Concurrent reviews shall be provided to ~~payers~~**payers** as requested.
 - c. Concurrent reviews for Medicare & Medicaid patients should be performed as per department standards throughout the patient's hospital stay.
 - i. For duration of stays, review only cases that they (hospital) reasonably assume to be outlier cases based on extended length of stay, as specified in State Operations Manual §412.80 (a)(1)(i); and
 - ii. For professional services **furnished, including drugs, biologicals, and medical devices**, ~~these hospital~~**the hospitals** needs to review only cases that they reasonably assume to be outlier cases based on extraordinarily high costs, as specified in State Operations Manual §412.80 (a)(1)(ii)
 - d. In keeping with the "Ten (10) Bed Call List" protocol as determined by the San Diego County office for Medi-Cal, those Medi-Cal or Medi-Cal Pending; CMS or CMS Pending patients who no longer meet an acute hospital level of care and are "awaiting placement" shall be identified as being on the "Ten (10) Bed Call List".
 - i. The Case Manager shall discuss case with the treating physician and work to obtain a physician order for the patient to be placed on "Ten (10) Bed Call status".
 - ii. The Ten (10) Bed Call List will be maintained by the Case Management department's appropriate support staff member.
 - iii. Case Manager shall document "Ten (10) Bed Call" status in the patient's EMR.
5. Outlier Review
 - a. The Director of Case Management and Social Work Manager conduct frequent outlier review to ensure the ongoing medical necessity of any patient with an extended stay or high dollar amount of services. Physician Advisor may attend as needed.
 - b. Specific outlier cases are discussed in the ~~biweekly~~**biweekly-Hospitalists Stop Light Rounds, and Intensive Care Rounds**, outlining clinical condition, discharge barriers, and action plan.
 - c. The target indicators for outlier review are:
 - i. Length of stay of 10 or more days or
 - ii. Total hospital charges of \$75,000 or greater
6. Discharge Planning
 - a. Discharge planning is a collaborative effort of a multidisciplinary team of individuals performed as an integral component of the direct patient care process.
 - b. The concurrent utilization review process is one of several mechanisms designed to identify and refer patients needing discharge Care Coordination.
7. Relationship to Third Party ~~Payers~~**Payers**
 - a. The Hospital is responsible through the Case Management function for the process of reviewing patients' (beneficiaries') clinical information for the purpose of presenting claims to third parties, including the fiscal intermediary, the basis upon which payment is allowed by the intermediary, the condition under which the intermediary denies claims, and the claims appeal data about a case shall be open to review by fiscal intermediaries, state agencies, and the Quality Improvement Organizations (QIO). Information and data shall be protected to ensure confidentiality.

F. **COLLABORATION WITH THE QUALITY ASSURANCE/PERFORMANCE IMPROVEMENT COMMITTEE (QAPI) CLINICAL PERFORMANCE IMPROVEMENT COUNCIL AND/OR THE MEDICAL STAFF:**

1. Case Management is one of the components of a hospital Quality Improvement Program, during the course of concurrent and retrospective review, the Case Managers will screen patient records for quality concerns, including those specific events designated by the Quality Management and Regulatory Compliance Specialist. If concerns are identified through Case Management reviews, they will be documented **within** Allscripts. Case Management and Quality Improvement functions will be integrated as follows:
 - a. Quality And Utilization concerns are referred to the appropriate Medical Staff Review Committee:
 - i. If a potential quality issue is identified during the review process and is considered to be of immediate need for correction, it will be immediately referred to the Physician Advisor. If the attending physician or Hospital Department Manager is unwilling to correct the problem to the satisfaction of the Physician Advisor, the Chairperson of the attending physician's department, Chief of Staff, or Administration will be immediately notified; the Risk Manager may also be notified.
 - ii. If a potential quality issue is identified, however, and correction has already occurred, the case will be referred to the appropriate Medical Staff Committee or Department Manager.
 - iii. Problem Diagnosis Related Groups (DRGs) will have Quality Improvement Teams assigned to evaluate the problem, determine the cause, and recommend corrective action.

G. STANDARD REPORTS TO COMMITTEE:

1. Standard reports presented at Committee meetings may include at least the following information:
 - a. Monthly UR Committee Dashboard: Case Mix Index, Length of Stay, Readmission Reduction
 - b. Condition Code 44s per month
 - c. Discharge Appeals per quarter
 - d. PEPPER Report Analysis quarterly
 - e. HSAG Readmission report & HSAG High Risk Medication report (HRM) reported quarterly
 - f. Analysis of Observation rates: Observations verses Inpatients & Conversion rates every 6 months
 - g. Review of Medicare Specific Inpatient Stays: Chest pain, TIA, Syncope monthly
 - h. Physical Advisor Denial Outcomes monthly
 - iv-i. Managed Resources Report/Post Appeal Outcomes quarterly

G.H. HOSPITAL ADMINISTRATION

1. The Hospital Administration shall provide the necessary resources to ensure the proper functioning of the Case Management Program. This includes acting as a liaison with all departments, ensuring information is properly assembled, and by providing necessary forms, secretarial assistance, and meeting space. Administration shall be responsible for considering and acting upon decisions and recommendations stemming from the Case Management function with respect to Hospital policy, procedures, and staffing.

H.I. REFERENCE(S):

1. State Operations Manual, Appendix A – Survey Protocol, §482.30(b) Standard: Composition of Utilization Review Committee
2. State Operations Manual, Appendix A – Survey Protocol, §482.30(c) Standard: Scope and Frequency of Review
3. State Operations Manual, Appendix A – Survey Protocol, §482.12(c) Standard: Care of Patients

4. State Operations Manual, Subpart F – Payment for Outlier Cases, §412.80(a)(1) Basic Rule:
Discharges occurring on or after October 1, 1994 and before October 1, 1997

**SECURITY
SAFETY**

SUBJECT: Closed Circuit Television Surveillance System

ISSUE DATE: February 17, 1994

POLICY NUMBER: 512

REVIEWED DATE(S): 1/97, 5/03, 11/06, 3/09, 6/11

REVISION DATE(S): 7/03, 10/11, 12/15, ~~04/19~~, 12/15

Department Approval Date(s):

~~08/15~~, 04/19

Environmental Health and Safety Committee Approval Date(s):

~~09/15~~, 06/19

Administration Approval:

09/19

Professional Affairs Committee Approval Date(s):

~~11/15~~ n/a

Board of Directors Approval Date(s):

12/15

A. PURPOSE:

1. To assist all Security Department personnel with guidelines in the use of all Security Department Closed Circuit Television Systems (CCTV) ensure the safe and appropriate management of the Closed Circuit Surveillance System (CCSS) security system in accordance with Local, State and federal laws. The CCSS system is for the: pPrevention or detection and investigation of a crime or disorder, apprehension and prosecution of offenders (including use of images in criminal proceedings) in the interest of public and employee Health and Safety, protection of Tri-City Healthcare District (TCHDMC) property and assets.

B. POLICY:

1. ~~It is the policy of the Security Department that before a Security Officer will be authorized to operate the department's CCTV system the Officer will be given in service training in the operation of the CCTV system. Tri-City Medical Center is conscious of it's responsibilities to ensure that all CCSS systems comply with the Local, State and Federal Laws, TCMCHC is utilizing the CCSS system to maintain optimum levels of Safety and Security for patients, staff, visitors and the general public. TCMCHD is also conscious that it must not breach issues affecting a person's civil liberties and matters of privacy. An employee representing themselves and Tthese images may be required for investigations related to harassment, workman's compensation, or in relation to a criminal incident. The monitoring and any subsequent viewing of the images must take place in a secure environment to which only authorized personnel have access. Authorized personnel may include: Safety/Security Manager or his designate, Security Supervisor/Officers, Legal, Risk Management and Human Resources. This may also include Law Enforcement Agencies and personnel directly involved in a specific investigation may also be included.~~

C. PROCEDURE:

1. To enable TCMCHD to deal promptly with a request for access, staff or Authorities Having Jurisdiction (AHJ), will be instructed to complete the "Access to CCSS Image Request Form" giving information such as, dates, times, locations and reasoning as-to assist in identifying the personnel data requested.
2. The Safety/Security Manager or Security Supervisor will review all requests for approval.
3. Allny CCSS images that are requested to be removed from TCMCHD;

- a. ~~a.~~ **Must be approved by Safety/Security Manager, Security Supervisor or Risk Management.**
 - b. ~~b.~~ **Copies are to be handled and printed by the Security Department**
 - c. ~~c.~~ **When CCSS images are required for evidential use in legal actions or TCHD disciplinary proceedings, a digital disc recording is made by the Security Supervisor, placed in a sealed envelope, signed and dated, and will remain secured until the investigation has been completed.**
 - d. **All requests received from Legal, HR and Risk will have that requested data downloaded onto their secured, pass code generated file, designated specifically for their department within the Security hard-drive.**
- 4.4. **Viewing of images within the security office is controlled by the Security Supervisor or designee.**

D. PROCEDURE FOR SECURITY OFFICERS:

- 2.1. **All Security Officers will be trained on the CCSS system familiar with and will be able to demonstrate working proficiency with the Security Department's CCSS system prior to end of their probationary status.**
- 2. **All Security Department personnel, while assigned to the Emergency Department, will be responsible to use and operate the CCSS system in a confidential and approved manner. Any misuse, or unauthorized operation, or allowing others to view without expressed permission will result in disciplinary action up to and including termination.**
- 3. **All Security computers when not in use or manned, are to be turned off or locked down prior to leaving the area.**
- 2.4. **The Security Supervisor will be immediately notified of any detected condition or operational failure, which requires the immediate attention or repair of the CCSS system.**

D.E. FORM RELATED DOCUMENT(S):

- 1. ~~CCTV Locations Form~~ **Access to CCSS Image Request Form**
- 3.2. ~~CCSS Locations Form~~ **List**

CCTV LOCATIONS FORMLIST

Behavioral Health Unit locations [16 cameras total]:

Open Unit Patio's southeast corner
Open Unit Patio's southwest corner
Open Unit's Art Room / east exit door
Locked Unit Patio's southeast corner
Closed Unit southeastern corner ceiling
Closed Unit's Eastern Seclusion Room
Main Southern Entrance doors
Closed Unit's Western Seclusion Room
Open Unit's East-West Hallway
Open Unit's North-South Hallway by Medical Station
Open Unit West-East Hallway to Patio
Open Unit East-West Hallway by T.V. Room
Open Unit Dining Room's southwestern corner ceiling
Open Unit's T.V. Room
Open Unit Dining Room's northwestern corner ceiling
Closed Unit's southeastern corner ceiling [eastward-faced]

Emergency Department locations [18 cameras total]:

Interior or employee side of Registration Office
Station C and Charge Nurse's Desk to Rooms C28 and C29's Hallway
Registration Office / Quiet Room hallway
Stations A and D Hallway [southward to northward]
Lobby's southern wall pointed northward towards the television
Registration Office's Desk 4 [northern-most desk]
Lobby's interior side of the entry doors faced southward
Radio Room and Station C's Registration area
Radio Room faced eastwards to Stations C and B
Lobby's southern wall by Security Office faced northwards to Lobby's entry doors
Lobby television wall southward
Station B
Station A hallway beds
Administration Hallway
Lobby to Quiet Room hallway
Station D hallway's western camera faced eastward
Station D hallway's eastern camera faced westward
Station D / Ultrasound / Laboratory Department hallway faced westward

Exterior locations [22 cameras total]:

Loading Dock
Pavilion Tower rooftop downward to eastside visitor Parking Lot [Sector 6 / 10]
Pulmonary Rehabilitation to the Northside employee Parking Lot stairs [Sector 13B]
Sec. Y's / South Tower's roof faced southward towards Sector 1B [new Medical Offices Building]
Emergency Dept.'s awning [Sector 15] faced towards Westside parking lots [Sectors 9 / 11]
Ambulance Bay from northeast corner faced southwards
Oxygen Tanks storage area eastern of the Loading Dock [Sector 3]
Emergency Department Patio / Sector 15 [E.D.'s Loading and Unloading Zone] from Roof
Ambulance Bay from southwestern corner faced northwards
Emergency Department Patio [above ancillary services glass door]
Emergency Department's Unloading / Loading Zone awning northward
Emergency Department's Unloading / Loading Zone awning southward
Entry doors to Emergency Department Lobby and Station D from awning [eastward-faced]

B.A.M.S.'s roof northeastern corner
B.A.M.S.'s roof southeastern corner
Facilities Rooftop [faced westward]
Facilities or Plant Engineer Bldg. rear O2 tanks
Rehabilitation Wellness Garden
Eastside Main Entrance awning
Eastside Main Entrance's Loading / Unloading Zone [Sector 8]
Employee Break area southwest of the Electric Building [northern-more of the cameras]
Employee Break area southwest of the Electric Building [southern-more of the cameras]

Interior locations [(Level 1) 20 cameras total]:

Lost and Found to Patient Financial Services or Cashier Window
Lost and Found to Main Registration Offices
Eastside Main Lobby seats
Main Registration Hallway southward to eastside Main Entrance area
Main Lobby Volunteer's information desk and Security Department's desk
Gift Shop northeastern corner
Gift Shop southwestern corner to the Entrance
Gift Shop southeastern corner to the Entrance
Interior area of eastside Main Entrance by or outside Gift Shop and Pavilion Tower elevators
Cardiology Lobby
Center Tower elevators
French Room Hallway westward
French Room Hallway eastward
Radiology Hallway eastward
Radiology / S.P.R.A. Hallway eastward
O.B. elevator Level 1 by 1North
Surgery Hallway
Risk Management Hallway
Main Registration Hallway
In-Patient Radiology / Radio Lobby hallway

Interior locations [(Level Lower) 30 cameras total]:

Cafeteria Dining Room southwest corner to northwest corner
Cafeteria Dining Room northwest corner to northeast entrance
Cafeteria food line
Overhead of Cafeteria's northern Cashier to food line
Cafeteria's southern Cashier
Food & Nutrition Pantry northeast corner to west-north direction
Food & Nutrition Pantry southern-more to camera 1
Food & Nutrition Pantry western / back rows
Food & Nutrition Pantry entry
Rear Pavilion elevators
South Tower exit to Morgue area
Engineer Hallway southward
Engineer Hallway northward
Employee Health Department
Education Department
Back of [eastside] Kitchen southwards to E.V.S. Hallway
Back of [eastside] Kitchen northwards to Center Tower
I.T. main entry point
E.V.S. Offices to Purchasing
South Tower vending machines
Assembly Rooms

Kitchen back entry to Loading Dock area [Sector 3] *E.V.S. supply storage closet
Copy Room hallway
Dungeon mid-point westward
Dungeon eastern entry westward
Dungeon cage
Cafeteria Hallway westward to Pharmacy Department
P.B.X. Hallway northward
P.B.X. Office
Pharmacy pyxis area

Patient floor locations [19 cameras total]:

Obstetrics or Maternity Lobby's desk
Maternity Lobby's chairs
Labor and Delivery main doors
Postpartum Hallway to Maternity's Lobby
Labor and Delivery main interior Hallway
Maternity's Bridge from 2 South [Postpartum Overflow] to Maternity's Lobby
Newborn Nursery
Maternity Surgery area's northern stairs to the Rehabilitation Healing Garden
Labor and Delivery's western stairwell down to Women's Center
3 West / Neonatal Intensive Care Unit's overflow emergency exit
Neonatal Intensive Care Unit northern entry doors
Neonatal Intensive Care Unit southern entry doors
Postpartum Overflow or 2 South's southward of Nurses Station front side northward to back side
2 South Nurses Station to southern entrance
2 South northern Hallway to northern entrance
Postpartum Overflow or 2 South's northern door from exterior
Postpartum Overflow or 2 South's southern door from exterior
3 Pavilion Nurses Station faced eastward
3 Pavilion Nurses Station faced southward

ACCESS TO CCSS IMAGE REQUEST FORM

The Federal, State and Local Laws provides Data Subjects (individuals to whom "personal data" relates) with a right to access data held about themselves, including data held on Close Circuit Surveillance System (CCSS) systems.

To enable Tri-City Medical Center to deal promptly with your request for access, please complete the Access to CCSS Image Request Form giving as much information as possible to assist TCMC in identifying the data you are seeking.

Under the terms, Tri-City Medical Center has _____ days to comply with your request. The processing commences when your completed form is reviewed by the Safety Officer or designee for approval.

SECTION ONE: Your information:

Name: _____

Name of company/organization/person you represent:

_____ Phone _____

Position in the company/organization:

SECTION TWO: Why CCSS images are requested:

You represent the police or other law enforcement agency, and the images are required to prevent/detect a crime and/or identify, apprehend or prosecute offenders.

Yes ____ No ____

You represent a prosecution agency and require the images to prosecute an offender.

Yes ____ No ____

You represent the media, where disclosure of the images to the public is needed in order to assist in the identification of a victim, witness or perpetrator in relation to the criminal incident.

Yes ____ No ____

SECTION THREE: Details of the CCSS images you wish access to:

What is the date, location and approximate time of the images you wish to view?

Date of Incident: _____

Approximate Time: _____

Location of Occurrence: _____

(2.) Please provide details of the incident and description of person or property:

(3.) Will you need to take a copy of the images away from Tri-City Medical Center?

Yes. ____ No. ____

(4.) If yes, please give reason.

SECTION FOUR: Declaration

I _____ certify that I am authorized to represent the company/organization/person listed above and the images are requested in connection with the prevention/detection of a crime, the apprehension or prosecution of offenders, criminal proceedings or public safety.

I confirm that the information I have provided on this form is true and accurate. I agree that I and the organization/company/person I represent will only use the images in connection with the purposes for which Tri-City Medical Center has provided me with the images.

_____ fully understands the implications of the Federal, State and Local laws regarding privacy and misuse of the images pertained there with. They also understand that when the images are taken off site into its own possession it will become the "Data Controller" in respect of the personal data in those CCSS images.

Signed: _____

Date: _____

Title/Position: _____

For TCMC Use Only:

The Tri-City Medical Center Safety/Security Officer or designee has reviewed this request. The viewing and copying of the above mentioned incident is:

_____ Approved (Int) _____ Disapproved (Int)

Safety Officer (designee) _____

Date: _____

**Community Healthcare &
Alliance Committee
(No meeting held in September, 2019)**

Tri-City Medical Center
Finance, Operations and Planning Committee Minutes
September 19, 2019

Members Present	Director Julie Nygaard, Director Rocky Chavez, Director Leigh Anne Grass, Dr. Jeffrey Ferber, Dr. Cary Mells, Dr. Javaid Shad, Mr. Jack Cumming, Ms. Kathryn Fitzwilliam
Non-Voting Members Present:	Steve Dietlin, CEO, Ray Rivas, CFO, Scott Livingstone, COO, Barbara Vogelsang, CNE, Dr. Gene Ma, CMO, Susan Bond, General Counsel,
Others:	Sue Shrader, Mark Albright, Jeremy Raimo, Maria Carapia, Kristy Larkin, Sherry Miller, Chris Miechowski, Barbara Hainsworth,
Members Absent:	Dr. Marcus Contardo

Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
1. Call to Order	Director Nygaard called the meeting to order at 8:30 a.m.		Chair
2. Approval of Agenda		<u>MOTION</u> It was moved by Mr. Cumming, Director Grass seconded, and it was unanimously approved to accept the agenda of September 19, 2019. <u>Members:</u> AYES: Nygaard, Grass, Chavez, Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo	Chair
3. Comments by members of the public on any item of interest to the public before committee's consideration of the item.	Director Nygaard read the paragraph regarding comments from members of the public.	No comments	Chair
4. Ratification of minutes of August 22, 2019	Dr. Ferber conveyed that he had abstained from item 7.h. Cox Metro-E Proposal-Cox Business, but that it had	Minutes were ratified. <u>MOTION</u> It was moved by Director Grass, Dr.	Chair



Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
	not be recorded as such in the minutes. Barbara Hainsworth to amend the August 22, 2019 minutes to reflect the requested correction.	Mells seconded, and the minutes of August 22, 2019 were unanimously approved, with the correction to be made as requested by Dr. Ferber. Dr. Shad and Ms. Fitzwilliam abstained from the vote.	
5. Old Business	None		
6. New Business			
a. Introduction – New Physician Committee Member • Dr. Javaid Shad	Director Nygaard welcomed Dr. Javaid Shad to the Finance, Operations and Planning Committee, as a new physician member.		Chair
b. Introduction – New Community Member • Ms. Kathryn Fitzwilliam	Director Nygaard welcomed Ms. Kathryn Fitzwilliam to the Finance, Operations and Planning Committee, as a new community member.		Chair
7. Consideration of Consent Calendar:	<p>It has been requested that the following items be pulled for discussion:</p> <p><u>Director Grass requested:</u> 7.b. Physician Agreement for ED On-Call Coverage – Orthopedics • Morgan Silldorff, M.D.</p> <p>7.d. Comprehensive Coverage / Directorship Agreement for ARU, Stroke, Neurology, Epilepsy, ARU (Mid-Level) • The Neurology Center</p> <p><u>Director Nygaard requested:</u> 7.h. Nurse Call System Replacement – Intensive Care Unit (ICU) • West-Com & TV, Inc.</p>	<p><u>MOTION</u> It was moved by Director Grass, Dr. Ferber seconded, and it was unanimously approved to accept the Consent Calendar for September 19, 2019. <u>Members:</u> AYES: Nygaard, Grass, Chavez, Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo,</p>	Chair

Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
	7.i. Purchase Agreement – G.E. 3.0 Tesla MRI <ul style="list-style-type: none"> G.E. Healthcare 		
a. Physician Agreement for ED On-Call Coverage - Gastroenterology General & ERCP <ul style="list-style-type: none"> Dr. Hellen Chiao 		Approved via Consent Calendar	Sherry Miller
b. Physician Agreement for ED On-Call Coverage - Orthopedics <ul style="list-style-type: none"> Morgan Silldorff, M.D. 	Director Grass requested clarification of the nature of this physician agreement. Scott Livingstone conveyed that it would add Dr. Silldorff, as a new physician to the ED on-call panel for Orthopedics. He emphasized there would be no change in the existing reimbursement.	MOTION It was moved by Director Grass, Dr. Ferber seconded, to authorize the agreement to add Dr. Morgan Silldorff to the currently existing Panel Agreement for ED On-Call Coverage-Orthopedics for a term of 12 months, beginning October 1, 2019 – ending, September 30, 2020. Members: AYES: Nygaard, Grass, Chavez, Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo	Sherry Miller
c. Physician Agreement for ED On-Call Coverage - Cardio- Thoracic Surgery <ul style="list-style-type: none"> Yuan Hwang Lin, M.D. & Frederick Howden, M.D. 		Approved via Consent Calendar	Sherry Miller
d. Comprehensive Coverage / Directorship Agreement for ARU, Stroke, Neurology, Epilepsy, ARU (Mid-Level) <ul style="list-style-type: none"> The Neurology Center 	Scott Livingstone reported that this was a renewal agreement for neurology coverage and medical directorship for the acute rehab unit, including mid-level, as well as for stroke, neuro and epilepsy care.	MOTION It was moved by Director Grass, Director Chavez seconded, to authorize the agreement with The Neurology Center to provide comprehensive coverage / directorship for ARU, Stroke, Neurology, Epilepsy, ARU (mid-	Jeremy Raimo

Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
		level) for a term of 24 months beginning October 1, 2019 and ending September 30, 2021, for a total cost for the term of \$1,152,240. <u>Members:</u> AYES: Nygaard, Grass, Chavez, Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo	
e. Sub-Lease Agreement Proposal • Yuan Hwang Lin, M.D. ("Tenant")		Approved via Consent Calendar	Jeremy Raimo
f. Medical Directorship Agreement for Plastic Surgery – Consultative & Procedural Services • Geehan D'Souza, M.D.		Approved via Consent Calendar	Jeremy Raimo
g. Physician Agreement for ED On-Call Coverage - Ophthalmology • Jean Paul Abboud, M.D.		Approved via Consent Calendar	Sherry Miller
h. Nurse Call System Replacement - Intensive Care Unit (ICU) • West-Com & TV, Inc.	Scott Livingstone reported that this hard-wired replacement nurse call system is needed, as repair parts for the existing system are no longer available. The top 3 nurse call systems were evaluated by the nurse managers and the West-Com system received the best score. Brief discussion ensued.	<u>MOTION</u> It was moved by Director Grass, Mr. Cumming seconded, to authorize the agreement with West-Com & TV, Inc. for \$587,735, and the total project budget of \$873,438 for the replacement of the nurse call system in the intensive care unit (ICU). <u>Members:</u> AYES: Nygaard, Grass, Chavez,	Chris Miechowski

Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
		Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo	
i. Purchase Agreement – G.E. 3.0 Tesla MRI Proposal <ul style="list-style-type: none"> G.E. Healthcare 	Scott Livingstone detailed that this proposal would provide customized high-quality, ultra-fast imaging protocol techniques, as well as anticipating much shorter scan times. Routine studies can be reduced from the typical 45 minutes to less than 15 minutes for uncomplicated studies. Minor discussion ensued.	<u>MOTION</u> It was moved by Director Grass, Director Chavez seconded, to authorize the agreement with the purchase of the G.E. 750W 3.0 Tesla MRI, for a total purchase price of \$1,171,270.29, with funds provided by Tri-City Hospital Foundation. <u>Members:</u> AYES: Nygaard, Grass, Chavez, Ferber, Mells, Shad, Cumming, Fitzwilliam NOES: None ABSTAIN: None ABSENT: Contardo	Steve Young / Scott Livingstone
8. Financials:	Ray Rivas presented the financials ending August 31, 2019 (dollars in thousands) <u>TCHD – Financial Summary</u> <u>Fiscal Year to Date</u> Operating Revenue \$ 58,494 Operating Expense \$ 60,622 EBITDA \$ 1,367 EROE \$ (970) <u>TCMC – Key Indicators</u> <u>Fiscal Year to Date</u> Avg. Daily Census 143 Adjusted Patient Days 16,642 Surgery Cases 1,077 ED Visits 9,723 <u>TCHD – Financial Summary</u>		Ray Rivas

Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	Person(s) Responsible
	<p><u>Current Month</u></p> <p>Operating Revenue \$ 29,679</p> <p>Operating Expense \$ 30,758</p> <p>EBITDA \$ 681</p> <p>EROE \$ (494)</p> <p><u>TCMC – Key Indicators</u></p> <p><u>Current Month</u></p> <p>Avg. Daily Census 144</p> <p>Adjusted Patient Days 8,400</p> <p>Surgery Cases 560</p> <p>ED Visits 4,935</p> <p><u>TCMC - Net Patient A/R & Days in</u></p> <p><u>Net A/R By Fiscal Year</u></p> <p>Net Patient A/R Avg. (in millions) \$ 43.7</p> <p>Days in Net A/R Avg. 54.6</p> <p><u>Graphs:</u></p> <ul style="list-style-type: none"> • TCMC-Net Days in Patient Accounts Receivable • TCMC-Average Daily Census, Total Hospital-Excluding Newborns • TCMC-Acute Average Length of Stay 		
9. Work Plan:			
a. Wellness Center (<i>bi-monthly</i>)	This item was been tabled, as an update had been provided at the August 22, 2019 meeting.	<p>Director Nygaard solicited feedback from the committee members regarding the possibility of changing the Wellness Center's reporting structure from bi-monthly to quarterly. The members of the committee were in agreement with this proposed change.</p> <p>Barbara Hainsworth to make this change to the Work Plan.</p>	Scott Livingstone
b. Dashboard	No discussion		Ray Rivas

 Topic	Discussions, Conclusions Recommendations	Action Recommendations/ Conclusions	 Person(s) Responsible
10. Comments by committee members	None		Chair
11. Date of next meeting	Thursday, October 24, 2019		Ray Rivas
12. Community Openings (0)			
13. Adjournment	Meeting adjourned 8:55 a.m.		Chair

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
PHYSICIAN AGREEMENT for ED ON-CALL COVERAGE - Gastroenterology – General & ERCP

Type of Agreement		Medical Directors	X	Panel	X	Other: Extension / New Rate
Status of Agreement		New Agreement		Renewal – New Rates		Renewal – Same Rates

Physician's Name: Dr. Hellen Chiao

Area of Service: Emergency Department On-Call: Gastroenterology – General & ERCP

Term of Agreement: 12 months, Daily Rate Change - Beginning, October 1, 2019 – September 30, 2020

Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES
For entire Current ED On-Call Area of Service Coverage: Gastroenterology

Rate/Day	Panel Days per Year	Annual Panel Cost
GI - \$795 (10/01/19 – 12/31/19)	366	\$283,650
GI - \$775 (01/01/20 – 09/30/20)		\$183,000
ERCP - \$500		
	Total Term Cost:	\$466,650

Position Responsibilities:

- Provide 24/7 patient coverage for all Gastroenterology specialty services in accordance with Medical Staff Policy #8710-520 (Emergency Room Call: Duties of the On-Call Physician)
- Complete related medical records in accordance with all Medical Staff, accreditation, and regulatory requirements.
- Effective October 1, 2019 - December 31, 2019, daily GI on call rate increase to \$795/day
- Effective January 1, 2020 - September 31, 2020, daily GI on call rate \$775/day

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:	X	Yes		No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Sherry Miller, Manager, Medical Staff Services / Scott Livingstone, Chief Operating Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize addition of physician, Hellen Chiao, M.D., to the Gastroenterology General & ERCP ED-Call Coverage for a term of 12 months. Effective October 1, 2019 - December 31, 2019, a daily GI on call rate increase to \$795/day and effective January 1, 2020 - September 31, 2020, daily GI on call rate \$775/day for no additional cost to the already approved annual cost of \$283,650 for GI call, and ERCP at a daily rate of \$500 for an annual cost of \$183,000, and a total cost for the term of \$466,650.

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
PHYSICIAN AGREEMENT for ED ON-CALL COVERAGE – Orthopedics

Type of Agreement		Medical Directors	X	Panel	X	Other: Add to ED On-Call Panel
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Physician's Name: Morgan Silldorff, M.D.

Area of Service: Emergency Department On-Call: Orthopedics

Term of Agreement: 12 months, Beginning, October 1, 2019 – Ending, September 30, 2020

Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES
 For entire Current ED On-Call Area of Service Coverage: Orthopedics
 Adding physician to existing panel; no increase in expense

Rate/Day	Annual Panel Days	Annual Panel Cost	Panel Term Cost
Mon-Fri / \$1,500	253 255	\$379,500 382,500	\$762,000
Sat-Sun / TCMC Recognized Holidays: \$1,650	112 111	\$184,800 183,150	\$367,950
Total Term Cost:			\$1,129,950

Position Responsibilities:

- Provide 24/7 patient coverage for all Orthopedics specialty services in accordance with Medical Staff Policy #8710-520 (Emergency Room Call: Duties of the On-Call Physician)
- Complete related medical records in accordance with all Medical Staff, accreditation, and regulatory requirements.

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:	X	Yes		No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Sherry Miller, Manager, Medical Staff Services / Scott Livingstone, Chief Operating Officer

Motion: I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors approve the agreement to add Dr. Morgan Silldorf to the currently existing Panel Agreement for ED On-Call coverage-Orthopedics for a term of 12 months, beginning October 1, 2019 – ending, September 30, 2020.

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
PHYSICIAN AGREEMENT for ED ON CALL COVERAGE – Cardio-Thoracic Surgery

Type of Agreement		Medical Directors	X	Panel		Other:
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Physician's Name: Yuan Hwang Lin, M.D. & Frederick Howden, M.D.

Area of Service: Emergency Department On-Call: Cardio-Thoracic Surgery

Term of Agreement: 12 months, 8 days, Beginning, August 24, 2019 – Ending, August 31, 2020

Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES
For entire Current ED On-Call Area of Service Coverage: Cardio-Thoracic Surgery

Rate/Day	Days per Year	12 months + 8 days (Term) Cost
\$1,000	374	\$374,000

Position Responsibilities:

- Provide 24/7 patient coverage for all Cardio-Thoracic Surgery specialty services in accordance with Medical Staff Policy #8710-520 (Emergency Room Call: Duties of the on-Call Physician)
- Complete related medical records in accordance with all Medical Staff, accreditation, and regulatory requirements.

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:	X	Yes		No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Sherry Miller, Manager, Medical Staff Services / Scott Livingstone, Chief Operating Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize cardio-thoracic surgeons Drs. Yuan Hwang Lin and Frederick Howden as the ED-Call Coverage Physicians for a term of 12 months, plus 8 days beginning August 24, 2019 and ending August 31, 2020 at a daily rate of \$1,000 and term cost of \$374,000 for cardio-thoracic surgery.

**FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
COMPREHENSIVE COVERAGE/DIRECTORSHIP AGREEMENT FOR
ARU, STROKE, NEUROLOGY, EPILEPSY, ARU (MID-LEVEL)**

Type of Agreement	X	Medical Directors		Panel	X	Other: Call Coverage
Status of Agreement		New Agreement		Renewal – New Rates	X	Renewal – Same Rates

Name: The Neurology Center
Area of Service: Call coverage: (Epilepsy, ARU-Mid-level)
 Medical Directorships: (ARU, Stroke, Neurology)
Term of Agreement: 24 months, Beginning, October 1, 2019 – Ending, September 30, 2021
Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES

Rate/Hour	Hours per Month	Hours per Year	Monthly Cost	12 Month (Term) Cost
\$780/day – ED Neurology Call (24 hr. rate)	N/A	N/A	\$23,725	\$284,700
\$200 - Stroke	12	144	\$2,400	\$28,800
\$200 - Neurology	8	96	\$1,600	\$19,200
\$200 – Epilepsy	4	48	\$800	\$9,600
\$165 – ARU Medical Director	80	960	\$13,200	\$158,400
\$61 – ARU Mid-Level	102	1230	\$6,252	\$75,030
Total Year 1 (Leap Year)				\$576,510
Total Year 2				\$575,730
Grand Total				\$1,152,240

Position Responsibilities:

- The Neurology Center to provide comprehensive coverage & directorship services for all areas of service requiring clinical neurological care and oversight.

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:	X	Yes		No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Jeremy Raimo, Sr. Director Business Development / Scott Livingstone, Chief Operating Officer

Resolution:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize an agreement with The Neurology Center to provide comprehensive coverage/directorship for ARU, Stroke, Neurology, Epilepsy, ARU (mid-level) for a term of 24 months beginning October 1, 2019 and ending September 30, 2021, for a total cost for the term of \$1,152,240.

**FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
Sub-Lease Agreement Proposal**

Type of Agreement		Medical Directors		Panel	X	Other: Office Sub-Lease
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Tenant Name: Dr. Yuan Hwang Lin, M.D. ("Tenant")
Term: Month-to-Month, not to exceed 9 months, from September 1, 2019 through May 31, 2020
Premises: 2067 W. Vista Way, Suite 160, Vista, CA 92083 (1,558 sq. ft.)
Rental Rate:

Rental Rate from Yuan Lin, M.D.:	Total Revenue
Rental Rate of \$3.53/sq. ft. for 1 day per month @\$180.81/day	\$1,627.29

Within Fair Market Value: YES (FMV was determined by Lease Comparables)

Document Submitted to Legal to Review:	X	Yes		No
Approved by Chief Compliance Officer	X	Yes		No
Is Agreement a Regulatory Requirement:		Yes	X	No
Budgeted Item: <i>Revenue</i>		Yes	N/A	No

Person responsible for oversight of agreement: Jeremy Raimo, Sr. Director, Business Development / Steve Dietlin, Chief Executive Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize the Sub-Lease Agreement for Suite 160 at 2067 W. Vista Way, Vista, CA 92083, with Yuan Hwang Lin, M.D. for a month-to-month term not to exceed 9 months, from September 1, 2019 through May 31, 2020, at the rate of \$180.81 per month.

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
MEDICAL DIRECTORSHIP AGREEMENT FOR PLASTIC SURGERY - CONSULTATIVE & PROCEDURAL SERVICES

Type of Agreement	X	Medical Directors		Panel	X	Other: Consulting & Procedural Services
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Physician's Name: Gehaan D'Souza, M.D.

Area of Service: Hospital Inpatient, Observation & Outpatient Units

Term of Agreement: 12 months, Beginning, October 1, 2019 – Ending, September 30, 2020

Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES

Rate/Hour	Hours per Month	Hours per Year	Monthly Cost	12 month (Term) Cost
\$210	22	264	\$4,620	\$55,440

Position Responsibilities:

- Physician to provide Plastic Surgery Services (Consultative and Procedural) for registered TCMC Hospital patients (inpatient, observation, and outpatient units)
- Provide medical direction and services for plastic, wound care and reconstructive surgery
- Recommend to the medical staff that patients receive evidence-based plastic, wound and reconstructive care
- Participate in in-service training, utilization review, and service as a liaison for the community

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:		Yes	X	No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Jeremy Raimo, Sr. Director Business Development / Steve Dietlin, Chief Executive Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize Dr. Gehaan D'Souza as the Medical Director for Plastic Surgery Consultative and Procedural Services for a term of 12 months beginning October 1, 2019 and ending September 30, 2020, for a total cost for the term of \$55,440.

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
PHYSICIAN AGREEMENT for ED ON-CALL COVERAGE – Ophthalmology

Type of Agreement		Medical Directors	X	Panel	X	Other: Extension – Same Rates
Status of Agreement		New Agreement		Renewal – New Rates		Renewal – Same Rates

Physician's Name: Jean Paul Abboud, M.D.

Area of Service: Emergency Department On-Call: Ophthalmology

Term of Agreement: 10 months, Beginning, September 1, 2019 – Ending, June 30, 2020

Maximum Totals: Within Hourly and/or Annualized Fair Market Value: YES

Maximum Totals: For entire Current ED On-Call Area of Service Coverage: Ophthalmology
No increase in expense

Rate/Day	Panel Days per Year	Panel Annual Cost
\$300	FY2020: 366	\$109,800
	Total Term Cost:	\$109,800

Position Responsibilities:

- Provide 24/7 patient coverage for all Ophthalmology specialty services in accordance with Medical Staff Policy #8710-520 (Emergency Room Call: Duties of the On-Call Physician)
- Complete related medical records in accordance with all Medical Staff, accreditation, and regulatory requirements.

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:	X	Yes		No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Sherry Miller, Manager, Medical Staff / Scott Livingstone, Chief Operating Officer

Motion: I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize the agreement extension with Jean Paul Abboud, M.D. for the currently existing ED On-Call Coverage Panel for Ophthalmology for a term of 10 months, beginning September 1, 2019 and ending June 30, 2020.

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
Nurse Call System Replacement – Intensive Care Unit (ICU)

Type of Agreement		Medical Directors		Panel	X	Other: Equipment Replacement
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Vendor's Name: West-Com & TV, Inc.

Area of Service: ICU

Term of Agreement: Completion of work

Maximum Totals:

Proposal:	Expected Costs:
West-Com (Equipment & Install)	\$587,735
Design, Permits, Inspections, Construction Management, Contingency & etc.	\$285,703
Total Expected Project Cost:	\$873,438

Description of Services/Supplies:

- Seeking approval for the replacement of the existing ICU nurse call system
- Replacement repair parts are no longer available for the existing system in the South Tower
- Nurse managers interviewed the top three nurse call vendors; West-Com received the best score
- Negotiated with West-Com for the lowest price of the RFP

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:		Yes	N/A	No
Is Agreement a Regulatory Requirement:		Yes	X	No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Chris Miechowski, Director of Facilities / Scott Livingstone, Chief Operating Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize an agreement with West-Com & TV, Inc. for \$587,735, and the total project budget of \$873,438 for the replacement of the nurse call system in the intensive care unit (ICU).

FINANCE, OPERATIONS & PLANNING COMMITTEE
DATE OF MEETING: September 19, 2019
Purchase Agreement – GE 3.0 Tesla MRI

Type of Agreement		Medical Directors		Panel	X	Other: MRI Equipment Purchase
Status of Agreement	X	New Agreement		Renewal – New Rates		Renewal – Same Rates

Vendor's Name: G.E. Healthcare

Area of Service: MRI – Radiology – Hospital-Wide

Term of Agreement: One-Time Purchase. Funding by Tri-City Hospital Foundation

Total Cost
\$1,171,270.29

Equipment Capabilities:

- Estimated construction costs: \$3.1 – \$3.2 million. Project will need to be publically bid; and return to FOP for approval to proceed with construction.
- The 3T provides high-quality ultra-fast imaging protocol techniques. These ultra-fast techniques allow extremely short patient breath holds and no-breath-hold techniques due to the higher field strength magnet.
- Stroke imaging benefits due to the increased sensitivity for the detection of ischemic lesions and demonstrates the clear advantage of 3T MRI over 1.5T.
- 3T is especially beneficial to patients with multiple cerebral embolisms due to the higher resolution signal-to-noise capabilities.
- Much shorter scan times for all patients
- Scan time can be reduced from a typical 45 minutes routine study to less the 15 minutes for routine studies

Document Submitted to Legal for Review:	X	Yes		No
Approved by Chief Compliance Officer:	X	Yes		No
Is Agreement a Regulatory Requirement:		Yes	X	No
Budgeted Item:	X	Yes		No

Person responsible for oversight of agreement: Steve Young, Sr. Director Ancillary Services / Scott Livingstone, Chief Operating Officer

Motion:

I move that Finance Operations and Planning Committee recommend that TCHD Board of Directors authorize the purchase of the G.E. 750W 3.0 Tesla MRI, for a total purchase price of \$1,171,270.29, with funds provided by Tri-City Hospital Foundation.

Professional Affairs Committee
(No meeting held in September, 2019)

Tri-City Medical Center
Audit, Compliance & Ethics Committee
September 17, 2019
Assembly Room 1
8:30 a.m-10:30 a. m.

Members Present:	Director Larry W. Schallock(Chair); Director George W. Coulter; Director Tracy M. Younger; Stan Dale, Community Member; Carl Marcuzzi; Cary Mells, M.D., Physician Member
Non-Voting Members:	Steve Dietlin (CEO); Scott Livingstone, COO; Ray Rivas, CFO; Susan Bond, General Counsel
Others Present:	Teri Donnellan, Executive Assistant; Kristy Larkin, Director of Compliance, Audit & Monitoring; Maria Carapia, Compliance Specialist; Anh Nguyen, Controller; Carli Covey, Senior Staff Accountant; Winita Phongsamran, Lead Staff Accountant; Stacy Stelzriede, Engagement Partner (Moss Adams); Kyle Rogers, Audit Manager
Absent:	

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
1. Call to Order	<p>The meeting was called to order at 8:30 a.m. in Assembly Room 1 at Tri-City Medical Center by Chairman Schallock.</p> <p>Chairman Schallock welcomed new community members, Mr. Stanley Dale and Mr. Carl Marcuzzi.</p> <p>Chairman Schallock also reported Kathryn Fitzwilliam applied and was appointed to the Finance & Operations Committee and therefore will no longer serve the Audit, Compliance & Ethics Committee as a subject matter expert.</p>		
2. Approval of Agenda	<p>It was moved by Director Coulter and seconded by Director Younger to approve the agenda as presented. The motion passed unanimously.</p>	Agenda approved.	
3. Comments by members of the public and committee members on any item of interest to the public before Committee's consideration of the item	<p>There were no public comments.</p>		

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
4. Ratification of minutes – July 16, 2019	It was moved by Mr. Dale and seconded by Director Coulter to approve the minutes of July 16, 2019, as presented. The motion passed unanimously.	Minutes ratified.	
4. Old Business - None			
5. New Business a) Fiscal 2019 Financial Statement Audit – Moss Adams	<p>Ms. Stacy Stelzriede, Engagement Partner with Moss Adams presented the results of the FY 2019 Financial Statement Audit and Single Audit. Highlights included the following:</p> <ul style="list-style-type: none"> ➤ The auditors will issue an unmodified opinion which reflects the Financial Statements are presented fairly and in accordance with US Generally Accepted Accounting Principles. ➤ There were no material weaknesses, no significant deficiencies and no compliance findings. ➤ No difficulties were encountered in performing the audit. ➤ There were no proposed, corrected or uncorrected adjustments. ➤ With regard to Patient Accounts Receivable, Ms. Stelzriede stated historically Tri-City collects 101% of what we recorded which is very impressive. <p>Ms. Stelzriede reviewed the following notes:</p> <p>Notes 8 and 15 – Short Term Debt Note 9 – Long Term Debt Note 14 – Legal Proceedings</p> <p>Ms. Stelzriede referred to and Mr. Dietlin commented on a \$5.1 million non-operating charge related to the MOB matter. It is reflected as an offset to deposits as of June 30, 2019. Mr. Dietlin stated Note 14 and Note 7 in the Financial</p>	Recommendation to be sent to the Board of Directors to accept the FY2019 Financial Statement Audit and Single Audit as presented; item to be placed on Board agenda and included in Agenda packet.	Ms. Donnellan

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
	<p>Statements refer to this matter.</p> <p>Lastly, Ms. Stelzriede reviewed the Financial Ratios and Metrics that included Cash on Hand (Days), Current Ratio, Days in Accounts Receivable, Debt to Capitalization and EBITDA% of Operating Income. Days Cash on Hand is 53 days and trending upward. Mr. Dietlin commented in 2016 prior to HUD financing Days Cash on Hand was 13. He noted that there is not a "days cash on hand" covenant requirement for HUD.</p> <p>Mr. Rivas commented on the strong current ratios which is a good measure for solvency.</p> <p>Days in Accounts Receivable is 49. Ms. Stelzriede commented Days A/R is very good at 52 compared to other clients.</p> <p>Ms. Stelzriede commented earnings before interest, taxes and depreciation (EBITDA) as a percentage of operating revenue is 4.5% and for that figure to be above 1% for a District hospital is outstanding.</p> <p>Mr. Rivas referred the committee to page 16 of the Draft Financials which reflects the loss for earnings in excess of expense is roughly the same as last year due to a one-time non-cash charge, however operating results improved by over \$4 million.</p> <p>Mr. Dietlin also commented on Note 15 - Subsequent Events which reflects that the District amended the Midcap Credit and Security Agreement increasing the revolving line of credit to \$15.4 million, decreasing the interest rate to LIBOR plus 3% and extending the maturity date to August 30, 2022.</p> <p>Both Mr. Rivas and Mr. Dietlin commented on the fact that debt has gone down and we are investing in capital assets while cash position has improved and operating results</p>		

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
	<p>including EBITDA and EROE have improved.</p> <p><i>Staff left the meeting at 9:07 a.m. to allow the committee to ask questions of the auditors.</i></p> <p><i>Staff returned to the meeting at 9:15 a.m.</i></p> <p>Mr. Dietlin expressed his appreciation to the Accounting and Finance Staff including Anh Nguyen, Controller, Carli Covey, Senior Staff Accountant and Winita Phongsamran, Lead Staff Accountant present at today's meeting for their work on the audit. Ms. Stelzriede stated it is rare to be able to issue the audit this early and very unusual for a District Hospital to go five-six years without any material weaknesses, management letter comments or proposed adjustments.</p> <p>It was moved by Mr. Stan Dale and seconded by Dr. Cary Mells to recommend the Board accept the FY2019 Financial Statement Audit and Single Audit as presented. The motion passed unanimously.</p> <p><i>Ms. Stacy Stelzriede and Kyle Rogers left the meeting at 9:21 a.m.</i></p>		
<p>b) Administrative Policies & Procedures:</p> <p>1) Chief Compliance Officer – 8750-535</p>	<p>Chairman Schallock provided background information on the reporting structure for the Chief Compliance Officer which was previously a position that was hired by the Board and reported directly to the Board. In 2017 the Board recommended the Compliance Officer report to the Chief Executive Officer (CEO) and that the CEO have hiring/firing authority as well as day-to-day oversight. The Compliance Officer would continue to have a dotted line to the Board.</p> <p>Chairman Schallock stated the policy is brought back today at the request of a Board member who suggested the policy reflect that the Board must concur with the termination of the COO. Mr. Dietlin commented on the importance of the authority and responsibility for the Compliance Officer residing with the same person or persons (either the Board</p>	<p>Chief Compliance Officer Policy 8750-535 and Chief Compliance Officer Job Description will be placed on the October agenda.</p>	<p>Ms. Donnellan</p>

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
	<p>or the CEO). Chairman Schallock recommended the policy be amended to strike the language "or is removed with Board concurrence...". Mr. Dietlin clarified the Compliance Officer would continue to have a dotted line to the Board which is reflected in the policy and the Organizational Chart.</p> <p>Discussion was held regarding the necessity of a separate policy when there is a Job Description in place and the problems that could arise related to performance liability with two separate documents.</p> <p>It was suggested both the Policy and Job Description be brought back to the October meeting to determine if the two documents should be incorporated into one.</p>		
2) Business Associate Agreement – 8610-511	<p>Chairman Schallock reported the Business Associate Agreement Policy 8610-511 was reviewed previously by the Chief Compliance Officer, AP&P Committee and Organizational Compliance Committee. Chairman Schallock requested that General Counsel review the policy as it pertains to "legal". Ms. Bond, General Counsel had suggestions regarding expanding the definition of "covered entity". She also recommended the language "service agreement" be changed to "contractual agreement". Lastly she recommended the BAA be updated annually. It was suggested the link to HHS.gov be referenced in the definition of "covered entity" to provide for any additions to the definition going forward.</p> <p>It was recommended the content experts provide their suggested revisions for incorporation and the policy will be brought back to the October meeting.</p>	Content owners to provide suggested revisions and amended policy to be placed on the October agenda.	Ms. Bond/Ms. Larkin
6. Comments from Committee Members			
7. Committee Openings	There is currently one community committee opening.	Information only.	
8. Date of Next Meeting	The Committee's next meeting is scheduled for October 17, 2019.		

	Discussion	Action Recommendations/ Conclusions	Person(s) Responsible
9. Adjournment	Chairman Schallock adjourned the meeting at 9:45 a.m.		

DRAFT

**TRI-CITY HEALTHCARE DISTRICT
MINUTES FOR A SPECIAL MEETING
OF THE BOARD OF DIRECTORS**

**August 29, 2019 – 1:00 o'clock p.m.
Classroom 7 – Eugene L. Geil Pavilion
4002 Vista Way, Oceanside, CA 92056**

A Special Meeting of the Board of Directors of Tri-City Healthcare District was held at the location noted above at 4002 Vista Way at 1:00 p.m. on August 29, 2019.

The following Directors constituting a quorum of the Board of Directors were present:

Director Rocky J. Chavez
Director George W. Coulter
Director Leigh Anne Grass
Director Julie Nygaard
Director RoseMarie V. Reno
Director Larry W. Schallock
Director Tracy M. Younger

Also present were:

Steve Dietlin, Chief Executive Officer
Scott Livingstone, Chief Operations Officer
Barbara Vogelsang, Chief Nurse Executive
Ray Rivas, Chief Financial Officer
Dr. Gene Ma, Chief Medical Officer
Susan Bond, General Counsel
Dr. Mark Yamanaka, Chief of Staff
Jeremy Raimo, Senior Director, Business Development
Jeff Scott, Board Counsel
Teri Donnellan, Executive Assistant
Rick Crooks, Executive Protection Agent

1. The Board Chairperson, Director Grass, called the meeting to order at 1:00 p.m. in Classroom 7 of the Eugene L. Geil Pavilion at Tri-City Medical Center with attendance as listed above.

2. Public Comments – Announcement

Chairperson Grass read the Public Comments section listed on the Board Agenda. There were no public comments.

3. Approval of Agenda

It was moved by Director Schallock and seconded by Director Nygaard to approve the agenda as presented. The motion passed unanimously (7-0).

4. Oral Announcement of Item to Be Discussed During Closed Session

Chairperson Grass made an oral announcement of the item listed on the August 29, 2019 1:00 p.m. Special Board of Directors Meeting agenda to be discussed during

Closed Session which included Reports Involving Trade Secrets with disclosure dates of December 31, 2019.

5. Motion to go into Closed Session

It was moved by Director Reno and seconded by Director Chavez to go into closed session at 1:07 p.m. The motion passed unanimously (7-0).

8. The Board returned to Open Session at 1:40 p.m. with all Board members present.

9. Report from Chairperson on any action taken in Closed Session.

Chairperson Grass reported that in Closed Session the Board discussed and deliberated on two (2) Trade Secret items and took no action.

10. Open Session

- a) Consideration for approval of the expansion of the existing 1206(b) Orthopedic Clinic.

Mr. Jeremy Raimo, Senior Director of Business Development addressed the Board and presented a recommendation from the Executive Team to add a new 1206(b) clinic in Encinitas to an already existing practice (Orthopedic Specialists of North County). Mr. Raimo indicated that the existing practice has in-house physical therapy and a modern digital x-ray machine. The District's contribution would be a purchase of all the practice assets for \$110,000 and would include the x-ray machine at fair market value. In addition, the District would lease three (3) existing employees for a month until they could be converted to TCMC employees.

After Board discussion it was moved by Director Chavez, seconded by Director Schallock, and unanimously carried to approve the execution and delivery of all agreements and documents necessary or advisable to consummate the transaction of adding an additional site to a 1206(b) clinic including an asset purchase agreement and lease agreement, lease assignment, and an employee lease agreement.

- b) Consideration for approval of an Orthopedic and Spine surgical implant savings initiative.

Mr. Raimo next presented a recommendation from the Executive Team to participate in a gainsharing program for orthopedic and spine surgical implants. Mr. Raimo noted that the program could provide a substantial savings for the District and would involve an agreement with a Third Party Administrator as well as participation agreements with the participating physicians.

After Board discussion it was moved by Director Reno, seconded by Director Younger, and unanimously carried to approve execution and delivery of all agreements and documents necessary or advisable to consummate an orthopedic and spine surgical implant savings initiative between Tri-City Healthcare District and participating physicians who would perform orthopedic and spine procedures.

- c) Consideration to approve Resolution No. 797, A Resolution of the Board of Directors of Tri-City Healthcare District (the "District") Authorizing the District to

Approve the Third Amendment to the Credit and Security Agreement with Mid Cap Financial, LLC.

Mr. Ray Rivas, Chief Financial Officer of the District, next addressed the Board. Mr. Rivas stated that the District had an opportunity to amend its Credit and Security Agreement with Mid Cap Financial, which would increase its line of credit and lower its interest rate.

After questions and discussion from the Board, it was moved by Director Nygaard, seconded by Director Chavez, and unanimously carried to approve Resolution No. 797, A Resolution of the Board of Directors of Tri-City Healthcare District Authorizing the District to Approve the Third Amendment to the Credit and Security Agreement with Mid Cap Financial, LLC.

11. Comments from members of the Public

There were no comments from members of the Public.

12. Adjournment.

There being no further business, Chairperson Grass adjourned the meeting at 2:00 p.m.

Leigh Anne Grass
Chairperson

ATTEST:

Julie Nygaard
Secretary

**TRI-CITY HEALTHCARE DISTRICT
MINUTES FOR A REGULAR MEETING
OF THE BOARD OF DIRECTORS**

**August 29, 2019 – 2:00 o'clock p.m.
Classroom 7 – Eugene L. Geil Pavilion
4002 Vista Way, Oceanside, CA 92056**

A Regular Meeting of the Board of Directors of Tri-City Healthcare District was held at the location noted above at Tri-City Medical Center, 4002 Vista Way, Oceanside, California at 2:00 p.m. on August 29, 2019.

The following Directors constituting a quorum of the Board of Directors were present:

Director Rocky J. Chavez
Director George W. Coulter
Director Leigh Anne Grass
Director Julie Nygaard
Director RoseMarie V. Reno
Director Larry W. Schallock
Director Tracy M. Younger

Also present were:

Steven Dietlin, Chief Executive Officer
Scott Livingstone, Chief Operations Officer
Barbara Vogelsang, Chief Nurse Executive
Aaron Byzak, Chief Governmental Affairs Officer
Dr. Gene Ma, Chief Medical Officer
Dr. Mark Yamanaka, Chief of Staff
Susan Bond, General Counsel
Jeffrey Scott, Board Counsel
Teri Donnellan, Executive Assistant
Richard Crooks, Executive Protection Agent

1. The Board Chairperson, Leigh Anne Grass, called the meeting to order at 2:00 p.m. in Classroom 7 of the Eugene L. Geil Pavilion at Tri-City Medical Center with attendance as listed above.

2. Approval of Agenda

Chairperson Grass requested Closed Session item 6 (d) Approval of Closed Session Minutes as well as Open Session item 14. Auxiliary report be deferred to a future meeting.

It was moved by Director Nygaard to approve the agenda as amended. Director Schallock seconded the motion. The motion passed unanimously (7-0).

3. Public Comments – Announcement

Chairperson Grass read the Public Comments section listed on the August 29, 2019 Regular Board of Directors Meeting Agenda.

There were no public comments.

4. Oral Announcement of Items to be discussed during Closed Session

Chairperson Grass made an oral announcement of the items listed on the August 29, 2019 Regular Board of Directors Meeting Agenda to be discussed during Closed Session which included one matter of Potential Litigation, Hearings on Reports of the Hospital Medical Audit or Quality Assurance Committee and one Report Involving Trade Secrets and Approval of Closed Session Minutes.

5. Motion to go into Closed Session

It was moved by Director Nygaard and seconded by Director Schallock to go into Closed Session. The motion passed unanimously (7-0).

6. The Board adjourned to Closed Session at 2:05 p.m.

8. At 3:30 p.m. in Assembly Rooms 1, 2 and 3, Chairperson Grass announced that the Board was back in Open Session.

The following Board members were present:

Director Rocky J. Chavez
Director George W. Coulter
Director Leigh Anne Grass
Director Julie Nygaard
Director RoseMarie V. Reno
Director Larry W. Schallock
Director Tracy M. Younger

Also present were:

Steve Dietlin, Chief Executive Officer
Scott Livingstone, Chief Operations Officer
Barbara Vogelsang, Chief Nurse Executive
Ray Rivas, Chief Financial Officer
Aaron Byzak, Chief External Affairs Officer
Dr. Gene Ma, Chief Medical Officer
Dr. Mark Yamanaka, Chief of Staff
Jeffrey Scott, Board Counsel
Susan Bond, General Counsel
Teri Donnellan, Executive Assistant
Richard Crooks, Executive Protection Agent

9. Chairperson Grass reported the Board in Closed Session heard a report concerning a potential litigation matter and took no action.

The Board heard Quality Assurance Reports and took no action.

The Board also discussed a Trade Secret matter and took no action.

10. Director Chavez led the Pledge of Allegiance.

11. Chairperson Grass read the Public Comments section of the Agenda, noting members of the public may speak immediately following Agenda Item Number 24.

12. Welcome – Dr. Mark Yamanaka, Chief of Staff

Chairperson Grass welcomed Dr. Mark Yamanaka, incoming Chief of Staff.

13. Welcome – Jeff Marks, TCHD Auxiliary President

TCHD Auxiliary President Jeff Marks was unable to attend today's meeting.

14. TCHD Auxiliary – Jeff Marks, Auxiliary President

The Auxiliary report was deferred.

14. July 2019 Financial Statement Results – Mr. Ray Rivas, Chief Financial Officer

Mr. Ray Rivas reported on the first month financials for FY 2020 as follows (Dollars in Thousands):

- Net Operating Revenue – \$28,815
- Operating Expense – \$29,864
- EBITDA - \$686
- EROE – (\$476)

Other Key Indicators for the month driving those results included the following:

- Average Daily Census – 143
- Adjusted Patient Days – 8,242
- Surgery Cases – 517
- ED visits – 4,788

Mr. Rivas reported on the following indicators for FY20 Average:

- Net Patient Accounts Receivable - \$43.0
- Days in Net Accounts Receivable - 52.8

No action taken.

18. New Business

- a) Consideration to certify SEIU-UHW as the exclusive bargaining representative for Cytotech Coordinator

Ms. Anna Aguilar, Senior Director of Human Resources reported SEIU–UHW has requested to be recognized as the exclusive employee representative for the Cytotech Coordinator classification. There is one employee in this proposed unit.

It was moved by Director Nygaard that the Tri-City Healthcare District Board of Directors certify the results of the card count to determine the majority of employees within the technical classification voted to be represented by SEIU-UHW to include the Cytotech Coordinator and to

accrete this position into the existing SEIU-UHW contract. Director Reno seconded the motion.

The vote on the motion was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

- b) Consideration of a one-time exception to Board Policy 19-020 Business Expense Reimbursement; Ethics Training

It was moved by Director Reno to approve a one-time exception to Board Policy 19-020 Business Expense Reimbursement; Ethics Training. Director Chavez seconded the motion.

The vote on the motion was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

- c) Consideration of Chairperson to cast the ballot for the LAFCO San Diego County Consolidated Redevelopment Oversight Board.

It was moved by Director Schallock that the Tri-City Healthcare District Board of Directors authorize the Chairperson cast the ballot for the LAFCO San Diego County Consolidated Redevelopment Oversight Board. Director Reno seconded the motion.

The vote on the motion was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

- d) Consideration of nominations for the San Diego Local Agency Formation Commission Special District's Advisory Committee

Directors declined to recommend a nomination for the San Diego Local Agency Formation Commission Special District's Advisory Committee.

19. Old Business – none

20. Chief of Staff

Dr. Yamanaka, Chief of Staff reported the July credentialing actions were approved previously and presented today for information only. There were no August credentialing actions for approval.

21. Consideration of Consent Calendar

It was moved by Director Schallock to approve the Consent Agenda. Director Nygaard seconded the motion.

It was moved by Director Reno to pull item 19. (2) B. 5) Approval of an agreement with Dr. Victor Souza, Medical Director/Covering Physician for the Specialty Care Clinic and Progressive Care Unit for a term of 24 months beginning September 1, 2019 through August 31, 2021, not to exceed an average of 20 hours per month or 240 hours annually, at an hourly rate of \$163, for an annual cost of \$39,120 and a total cost for the term of \$78,240, 19. (2) B. 11) Approval of an agreement with Stryker for video/Power for a term of 60 months, beginning October 2019 through October 2024, for an annual cost of \$644,877.48 and a total cost for the term of \$3,224,387.40 including taxes and 19. (2) E. 4) Board Policy 19-040 – Activities for Which Board Compensation is Available. Director Chavez seconded the motion.

The vote on the main motion minus the items pulled was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

22. Discussion of items pulled from Consent Calendar

Director Reno who pulled item 19. (2) B. 5) Approval of an agreement with Dr. Victor Souza, Medical Director/Covering Physician for the Specialty Care Clinic and Progressive Care Unit requested clarification on how long the Specialty Care Clinic has been in existence. Mr. Scott Livingstone, Operations Officer clarified the unit was formerly known as the Forensics Unit.

Director Reno who pulled item 19. (2) B. 11) Approval of an agreement with Stryker requested clarification on the Stryker video. Mr. Livingstone explained the Stryker Video is what surgeons are using in the Operating Room to add to their visualization. This improves the visualization of the video equipment in the Operating Room and gets us cutting edge technology by Stryker. We will be one of the only hospitals in northern San Diego County with this technology.

Director Reno who pulled item 19 (2) E. 4) Board Policy 19-040 – Activities for Which Board Compensation is Available requested clarification on the changes to the policy. Director Schallock explained a recent change in state law now allows Board members to receive a maximum stipend of \$600 per month.

It was moved by Director Reno to approve the agreement with Dr. Victor Souza Medical Director/Covering Physician for the Specialty Care Clinic

and Progressive Care Unit, the agreement with Stryker and Board Policy 19-040. Director Schallock seconded the motion.

The vote on the motion was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

23. Reports (Discussion by exception only)

24. Comments by Members of the Public

a) Ingrid Hartley, RN, presented concerns to the Board of Directors and presented a vote of "no confidence" in Chief Nurse Executive, Barbara Vogelsang.

b) RoseMarie Mercado, RN spoke of her personal concerns as well.

c) Deb Feller, RN, Clinical Director of Surgical Services and Diane Sikora, RN, Nursing Director of Monitored Medical Unit spoke in support of CNE Barbara Vogelsang.

25. Comments by Chief Executive Officer

Mr. Steve Dietlin, CEO welcomed Dr. Mark Yamanaka, Chief of Staff.

26. Board Communications

Director Younger thanked speakers for their comments and encouraged all parties to work together.

Director Coulter encouraged the nurses and staff to work together.

Director Chavez publicly recognized Chairperson Grass for her passion and efforts this past week in Sacramento.

Director Chavez encouraged open and transparent dialogue with leadership.

Director Reno thanked the speakers for their comments and encouraged dialogue between the nurses and leadership.

Director Nygaard reported on June 14, 2019 the Emergency Department opened a new Triage area which has resulted in patients being seen more quickly and has resulted in a lower leave without treatment (LWOT) number.

Director Schallock thanked the speakers for their comments. He commented on the recent AHA conference he attended in which staff "burnout" was discussed and how healthcare must change to address those needs.

Director Schallock expressed his appreciation for the Board's presence in Sacramento earlier week and stated he believes it made a difference in how behavioral health will change in this community.

27. Report from Chairperson

Chairperson Grass thanked Director Chavez for his kind comments. Chairperson Grass also acknowledged Director Chavez and stated his previous interactions in Sacramento and the respect the legislators have for Director Chavez "opened the door" and allowed her to carry Tri-City's message forward and she was very grateful for that.

Chairperson Grass stated back home all the credit goes to Mr. Steve Dietlin, CEO. She stated Tri-City is very lucky to have Mr. Dietlin as our CEO.

Chairperson Grass thanked the speakers for their comments today and stated she wants to continue to have a good working relationship with the union and well as the service employees and has some ideas that she will bring forward at a later time.

28. There being no further business it was moved by Director Nygaard and seconded by Director Schallock to adjourn the meeting at 4:15 p.m. The motion passed unanimously (7-0).

Leigh Anne Grass, Chairperson

ATTEST:

Julie Nygaard, Secretary

**TRI-CITY HEALTHCARE DISTRICT
MINUTES FOR A SPECIAL MEETING
OF THE BOARD OF DIRECTORS**

**August 29, 2019 – 5:30 o'clock p.m.
Assembly Rooms 2&3 – Eugene L. Geil Pavilion
4002 Vista Way, Oceanside, CA 92056**

A Special Meeting of the Board of Directors of Tri-City Healthcare District was held at the location noted above at 4002 Vista Way at 5:30 p.m. on August 29, 2019.

The following Directors constituting a quorum of the Board of Directors were present:

Director Rocky J. Chavez
Director George W. Coulter
Director Leigh Anne Grass
Director Julie Nygaard
Director RoseMarie V. Reno
Director Larry W. Schallock
Director Tracy M. Younger

Also present were:

Steve Dietlin, Chief Executive Officer
Scott Livingstone, Chief Operations Officer
Barbara Vogelsang, Chief Nurse Executive
Dr. Gene Ma, Chief Medical Officer
Ray Rivas, Chief Financial Officer
Aaron Byzak, Chief External Affairs Officer
Susan Bond, General Counsel
Dr. Mark Yamanaka, Chief of Staff
Jeff Scott, Board Counsel
Teri Donnellan, Executive Assistant
Rick Crooks, Executive Protection Agent

1. The Board Chairperson, Director Grass, called the meeting to order at 5:30 p.m. in Assembly Rooms 2&3 of the Eugene L. Geil Pavilion at Tri-City Medical Center with attendance as listed above. Director Younger led the Pledge of Allegiance.
2. Public Comments – Announcement

Chairperson Grass read the Public Comments section listed on the Board Agenda.
3. Approval of Agenda

It was moved by Director Schallock and seconded by Director Nygaard to approve the agenda as presented. The motion passed unanimously (7-0).
4. Open Session
 - a) Consideration to approve a Memorandum of Understanding between the County of San Diego and Tri-City Healthcare District to pursue development of a 16-bed Inpatient Psychiatric Health Facility.

Mr. Steve Dietlin, CEO stated the Memorandum of Understanding (MOU) presented today was negotiated by the Tri-City Healthcare District and the County of San Diego for the development of a 16-bed Inpatient Psychiatric Facility on the Tri-City campus. Mr. Dietlin commented on the efforts by so many stakeholders that has resulted in a collaborative good faith agreement that is in direct alignment with Tri-City's mission to advance the health and wellness of the communities we serve. Mr. Dietlin stated he is presenting this MOU to the Tri-City Healthcare District Board of Directors today with a recommendation for approval. He noted the same MOU will be presented to the County Board of Supervisors for their approval on September 10, 2019.

It was moved by Director Nygaard that the Tri-City Healthcare District Board of Directors approve a Memorandum of Understanding between the County of San Diego and Tri-City Healthcare District to pursue the development of a 16-bed Inpatient Psychiatric Health Facility. Director Reno seconded the motion.

5. Comments by Members of the Public

Chairperson Grass recognized County Board of Supervisors, Jim Desmond. Supervisor Desmond acknowledged the hard work and countless hours spent to bring this Memorandum of Understanding (MOU) to fruition for our region and stated he is looking forward to placing his vote in favor of the MOU at the September 10th County Board of Supervisors meeting.

Chairperson Grass recognized Mr. Erik Bruvold, CEO of San Diego North Economic Council. Mr. Bruvold stated a healthy Tri-City Medical Center is critical to the North County's quality of life and economy and the MOU presented today is a fiscally responsible way of improving healthcare in North County. He commended the Board and leadership in bringing the MOU to fruition.

Chairperson Grass recognized Mali Woods, representative for SEIU-UHW Healthcare Workers. She stated the closure of the BHU last summer was devastating for this community however in hindsight she can see why it was necessary because we want to continue to maintain all of our services for this community. She commended CEO Steve Dietlin and Chairperson Grass for partnering with the County to get these services back on board. Chairperson Grass recognized Leticia Carrion, ACT and Steward for SEIU. Ms. Carrion stated she is extremely pleased to hear that we will once again be able to provide Behavioral Health Services to our community. She commended CEO, Steve Dietlin, the Board and allies in the community all worked together to make this happen.

The vote on the motion was as follows:

AYES:	Directors:	Chavez, Coulter, Grass, Nygaard, Reno, Schallock and Younger
NOES:	Directors:	None
ABSTAIN:	Directors:	None
ABSENT:	Directors:	None

6. Comments from Board

Director Reno stated she is very excited to be bringing Behavioral Health Services back to our community.

Chairperson Grass stated we have been working diligently to achieve a sustainable solution for Behavior Health Services and the MOU presented today is a respectable agreement and a joint shared commitment between the County of San Diego and Tri-City Healthcare District. Chairperson Grass acknowledged Steve Dietlin, County Supervisor Jim Desmond, County Supervisor Kristen Gaspar as well as Dr. Luke Bergman, Director of County Behavioral Health Services and Helen Meyers, San Diego Chief Administrator and Nick Macchione, San Diego Director of Health & Human Services. Chairperson Grass also acknowledged Director Rocky Chavez for his work this week in Sacramento.

7. Adjournment

It was moved by Director Schallock and seconded by Director Coulter to adjourn the meeting at 5:41 p.m. The motion passed unanimously (7-0).

Leigh Anne Grass
Chairperson

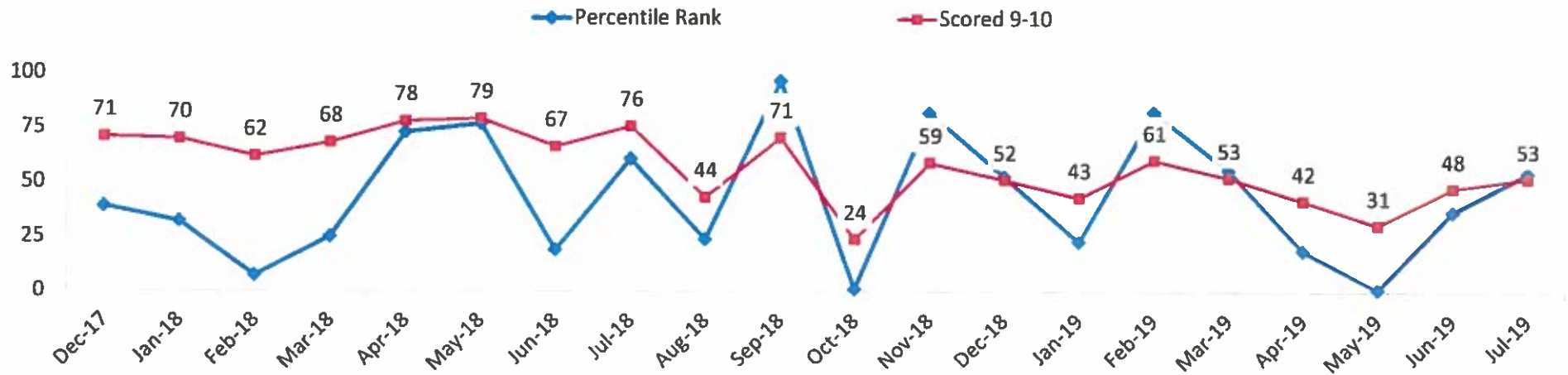
ATTEST:

Julie Nygaard
Secretary

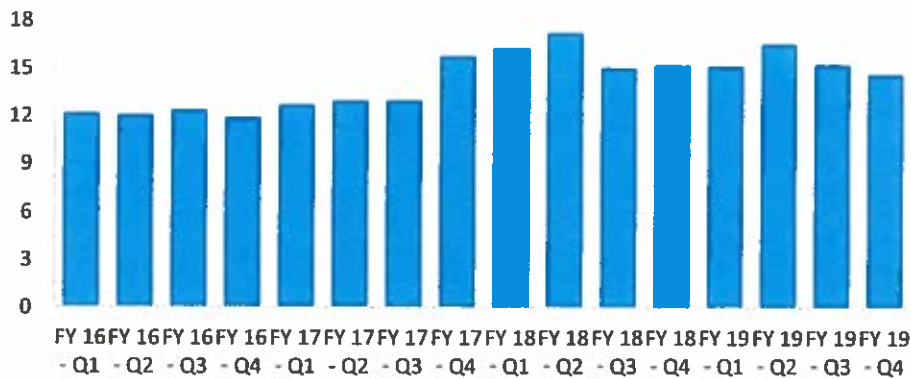


Stakeholder Experiences

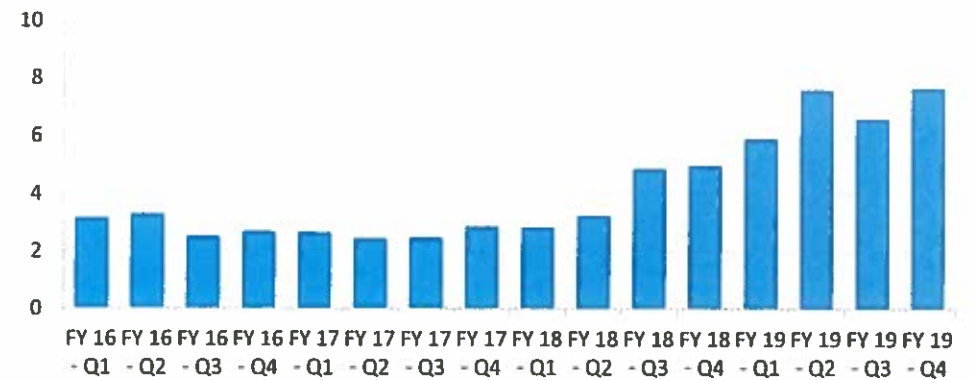
Overall Rating of Hospital (0-10)



Voluntary Employee Turnover Rate



Involuntary Employee Turnover Rate



Volume

Performance compared to prior year:

Better

Same

Worse

Spine Surgery Cases

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	16	19											35
FY19	18	29	19	27	18	24	22	16	23	30	25	24	47

Mazor Robotic Spine Surgery Cases

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	9	8											17
FY19	10	12	3	7	7	9	10	4	16	15	11	12	22

Inpatient DaVinci Robotic Surgery Cases

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	9	16											25
FY19	19	16	12	16	12	16	17	13	18	16	10	15	35

Outpatient DaVinci Robotic Surgery Cases

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	19	23											42
FY19	20	23	18	22	17	21	19	16	18	12	20	24	43

Major Joint Replacement Surgery Cases (Lower Extremities)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	33	33											66
FY19	31	31	27	35	38	31	23	40	36	24	29	36	62

Performance compared to prior year:

Better

Same

Worse

Inpatient Behavioral Health - Average Daily Census (ADC)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	-	-	-	-	-	-	-	-	-	-	-	-	-
FY19	10.8	11.3	9.7	-	-	-	-	-	-	-	-	-	11.1

Acute Rehab Unit - Average Daily Census (ADC)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	6.2	4.5											5.3
FY19	7.4	9.1	6.5	4.7	5.7	5.3	6.8	8.4	7.2	5.8	4.4	6.5	8.2

Neonatal Intensive Care Unit (NICU) - Average Daily Census (ADC)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	9.4	10.3											9.9
FY19	11.4	9.8	10.0	11.0	11.6	8.7	10.1	8.9	11.3	10.0	9.5	10.4	10.6

Hospital - Average Daily Census (ADC)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	143.4	143.6											143.5
FY19	160.3	155.9	146.4	149.6	143.7	153.2	164.8	166.3	157.7	142.4	143.3	146.5	158.1

Deliveries

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	168	171											339
FY19	186	202	170	187	185	166	170	150	177	131	146	156	388

Inpatient Cardiac Interventions

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	7	8											15
FY19	8	10	6	8	3	15	6	9	11	10	20	13	18

Performance compared to prior year:

Better

Same

Worse

Outpatient Cardiac Interventions

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	7	5											12
FY19	3	4	3	13	13	6	11	17	6	10	7	9	7

Open Heart Surgery Cases

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	9	5											14
FY19	8	8	6	8	4	14	8	10	16	6	7	5	16

TCMC Adjusted Factor (Total Revenue/IP Revenue)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD
FY20	1.85	1.89											1.87
FY19	1.79	1.83	1.90	1.78	1.78	1.70	1.72	1.73	1.75	1.82	1.80	1.79	1.81



Financial Information

TCMC Days in Accounts Receivable (A/R)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD Avg	Goal Range
FY20	52.8	56.4											54.6	48-52
FY19	51.0	48.5	50.3	49.5	52.3	56.5	58.9	56.7	57.0	50.5	48.9		49.7	

TCMC Days in Accounts Payable (A/P)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD Avg	Goal Range
FY20	93.0	89.9											91.4	75-100
FY19	84.9	86.5	90.2	91.4	92.5	87.8	93.1	92.2	83.6	84.1	91.4		85.7	

TCHD EROE \$ in Thousands (Excess Revenue over Expenses)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD	C/M YTD Budget
FY20	(\$476)	(\$494)											(\$970)	\$ (3,577)
FY19	(\$478)	(\$121)	\$119	\$254	\$342	\$236	(\$527)	\$99	\$206	\$885	\$904		(\$598)	

TCHD EROE % of Total Operating Revenue

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD	C/M YTD Budget
FY20	-1.65%	-1.66%											-1.66%	-6.45%
FY19	-1.64%	-0.39%	0.41%	0.86%	1.19%	0.79%	-1.76%	0.34%	0.67%	2.89%	2.88%		-1.00%	



Financial Information

TCHD EBITDA \$ in Thousands (Earnings before Interest, Taxes, Depreciation and Amortization)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD	C/M YTD Budget
FY20	\$686	\$681											\$1,367	\$ (1,233)
FY19	\$796	\$1,168	\$1,417	\$1,561	\$1,618	\$1,544	\$826	\$1,468	\$1,548	\$2,219	\$2,221		\$1,963	

TCHD EBITDA % of Total Operating Revenue

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD	C/M YTD Budget
FY20	2.38%	2.30%											2.34%	-2.23%
FY19	2.73%	3.81%	4.90%	5.28%	5.65%	5.20%	2.76%	5.07%	5.00%	7.25%	7.07%		3.29%	

TCMC Paid FTE (Full-Time Equivalent) per Adjusted Occupied Bed

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	C/M YTD	C/M YTD Budget
FY20	7.04	6.80											6.92	6.94
FY19	6.73	6.70	6.75	6.98	7.82	6.50	6.68	6.52	6.71	7.27	7.29		6.72	

TCHD Liquidity \$ in Millions (Cash + Available Revolving Line of Credit)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
FY20	\$52.4	\$44.8												
FY19	\$50.0	\$49.5	\$49.3	\$48.1	\$37.5	\$29.5	\$36.3	\$32.9	\$20.6	\$40.7	\$57.1			



Building Operating Leases
Month Ending August 31, 2019

Lessor	Sq. Ft.	Base Rate per Sq. Ft.	Total Rent per current month	LeaseTerm Beginning	LeaseTerm Ending	Services & Location	Cost Center
6121 Paseo Del Norte, LLC 6128 Paseo Del Norte, Suite 180 Carlsbad, CA 92011 V#83024	Approx 9,552	\$3.59 (a)	46,367.60	07/01/17	06/30/27	OSNC - Carlsbad 6121 Paseo Del Norte, Suite 200 Carlsbad, CA 92011	7095
American Health & Retirement DBA: Vista Medical Plaza 140 Lomas Santa Fe Dr., Ste 103 Solana Beach, CA 92075 V#82904	Approx 1,558	\$2.47 (a)	5,393.40	01/27/17	05/31/20	PCP Clinic - Venus 2067 W. Vista Way, Ste 160 Vista, CA 92083	7093
Camelot Investments, LLC 5800 Armada Dr., #200 Carlsbad, CA 92008 V#15608	Approx 3,563	\$1.91 (a)	10,462.62	04/01/16	01/31/20	PCP Clinic - Radlance 3998 Vista Way, Ste. C Oceanside, CA 92056	7092
Cardiff Investments LLC 2729 Ocean St Carlsbad, CA 92008 V#83204	10,218	\$2.58 (a)	27,500.69	07/01/17	06/30/22	OSNC - Oceanside 3905 Waring Road Oceanside, CA 92056	7095
Creek View Medical Assoc 1926 Via Centre Dr. Suite A Vista, CA 92081 V#81981	Approx 6,200	\$2.70 (a)	21,112.00	02/01/15	01/31/20	PCP Clinic Vista 1926 Via Centre Drive, Ste A Vista, CA 92081	7090
CreekView Orthopaedic Bldg, LLC 1958 Via Centre Drive Vista, Ca 92081 V#83025	Approx 4,995	\$2.58 (a)	16,109.57	07/01/17	06/30/22	OSNC - Vista 1958 Via Centre Drive Vista, Ca 92081	7095
Elfin Investments, LLC Clancy Medical Group 20136 Elfin Creek Trail Escondido, CA 92029 V#82575	3,140	\$2.62 (a)	10,101.37	12/01/15	12/31/20	PCP Clinic - Clancy 2375 Melrose Dr. Vista Vista, CA 92081	7091
Investors Property Mgmt. Group c/o Levitt Family Trust 2181 El Camino Real, Ste. 206 Oceanside, Ca 92054 V#81028	5,214	\$1.86 (a)	11,131.68	09/01/17	08/31/19	OP Physical Therapy OP OT & OP Speech Therapy 2124 E. El Camino Real, Ste.100 Oceanside, Ca 92054	7772 - 76% 7782 - 12% 7792 - 12%
Melrose Plaza Complex, LP c/o Five K Management, Inc. P O Box 2522 La Jolla, CA 92038 V#43849	7,347	\$1.35 (a)	10,399.54	07/01/16	06/30/21	Outpatient Behavioral Health 510 West Vista Way Vista, Ca 92083	7320
OPS Enterprises, LLC 3617 Vista Way, Bldg. 5 Oceanside, Ca 92056 V#81250	4,760	\$4.12 (a)	26,713.00	10/01/12	10/01/22	Chemotherapy/infusion Oncology Center 3617 Vista Way, Bldg.5 Oceanside, Ca 92056	7086
Total			\$ 185,291.47				

(a) Total Rent includes Base Rent plus property taxes, association fees, insurance, CAM expenses, etc.



Education & Travel Expense Month Ending August 2019

Cost Centers	Description	Invoice #	Amount	Vendor #	Attendees
6070	RNC NCC CERYIFICATION TESTING	80119 EDU	325.00	81919	NATALIE MURRAY
6185	ONS ONCC CHEMOTHERAPY IMMUNOTHERAPY RENEWAL	72319 EDU	103.00	77804	DEBBIE ENGELHART
6185	ONS ONCC CHEMOTHERAPY IMMUNOTHERAPY RENEWAL	72919 EDU	103.00	80880	ILDA NAVARRO
6185	CANCER BASICS ONLINE COURSE	71919 EDU	220.00	81008	LONNA CRUMP
7770	BOOTCAMP PHYSICAL THERAPY	80919	5,039.40	83228	PHYSICAL THERAPY DEPARTMENT
7781	BOOTCAMP SPEECH THERAPY	80919	1,260.00	83228	SPEECH THERAPY DEPARTMENT
7790	BOOTCAMP OCCUPATIONAL THERAPY	80919	2,100.00	83228	OCCUPATIONAL THERAPY DEPARTMENT
8390	CA SOCIETY OF HEALTH SYSTEM	200009058	515.00	81003	TORI HONG
8480	NPPA CONFERENCE /NEW WORKFLOW FOR PATIENT ACCOUNTING	82119 EDU	7,300.35	83567	PATIENT ACCOUNTING TEAM
8620	AHA ACLS UPDATE	81419 EDU	156.74	19708	GEORGE COULTER
8620	AHA BOARD EDUCATION SUMMIT	73019 EDU	1,157.99	78591	LARRY W. SCHALLOCK
8710	NAMSS CONFERENCE	81219	699.00	78684	SHERRY MILLER
8710	CRITICAL ACCESS HOSPITAL CONFERENCE	73119 EDU	1,662.20	82501	JAMES L JOHNSON
8740	ONS ONCC CHEMOTHERAPY IMMUNOTHERAPY RENEWAL	80119 EDU	103.00	82993	SARAH MATA
8740	TCRN EXAM	80919 EDU	140.00	83088	RACHEL TROSTRUD
8740	NRP AHA/AAP SKILLS	80919 EDU	145.00	77564	GAIL HART
8740	AHA ACLS UPDATE	80919 EDU	150.00	80026	BARBARA ALCARION
8740	AHA ACLS UPDATE	80919 EDU	150.00	83029	CHRISTINE DE LEON
8740	ACLS RECERTIFICATION	80919 EDU	150.00	80037	MELISSA P. MENDOZA
8740	ACLS RECERTIFICATION	80919 EDU	150.00	80476	MYRNA UBINA
8740	AHA ACLS UPDATE	71819 EDU	160.00	83558	AUBRI BOHANAN
8740	AHA ACLS CLASS	80119 EDU	160.00	80402	ELIZABETH SCHMIERER
8740	AHA ACLS UPDATE	80119 EDU	160.00	81968	KARMEN FRANCES SALGADO
8740	BORDERLINE NARCISSISTIC ANTISOCIAL PERSO. DISORDERS	80119 EDU	199.99	27795	TAMERA FLECK
8740	AWHONN- ADVANCED FETAL MONITORING	82919 EDU	200.00	56790	GLORIA ROSENLOF
8740	PULMONARY REHAB CERTIFICATION	82919 EDU	200.00	31261	HEATHER LONGWELL
8740	KETTERING CRT/RRT RENEWAL	81519 EDU	200.00	83494	LATRISSA GARRISON
8740	FLUOROSCOPY & RADIATION MAGAMENT	80919 EDU	200.00	79119	MICHAEL WHITBORD
8740	DIG RADIATION	80919 EDU	200.00	83564	OSCAR PEREZ
8750	ASC FEES	72819 EDU	392.12	83103	SUSAN BOND

**This report shows reimbursements to employees and Board members in the Education & Travel expense category in excess of \$100.00.

**Detailed backup is available from the Finance department upon request.

SEMINAR EVALUATION FORM

Exhibit B

SEMINAR TITLE: 2019 AHA LEADERSHIP SUMMIT DATES: JULY 25-27, 2019

LOCATION: MANCHESTER GRAND HYATT, SAN DIEGO

1. IDENTIFY REASON FOR ATTENDING SEMINAR: I attended to gain further insights in to the future of health care, and how I can better engage as a TC Health Board Member in promoting Disruptive Innovation to further the health system's mission to enhance the health of patients in our region.
2. List three major topics of the seminar. Rate them as to your evaluation of priorities. Provide a brief explanation of key information covered under each topic.
 - a. ACHIEVING AFFORDABILITY AND VALUE THROUGH NEW PAYMENT AND DELIVERY MODELS: Presented the new world of pay for performance and how that can render care more affordable given the balance of quality and financial strength. The incentive to be credited for performance and to avoid receiving a lower reimbursement will naturally drive health systems to provide care in a more efficient and effective manner.
 - b. LIVING IN OUR COMMUNITIES BACK YARDS: Engaging People on Their Terms to Improve Community Health: Discussed the provision and development of service lines that met community demand; rather than simply looking at the bottom line ROI for strategic planning. The take home lesson is that in the long run, creating services in demand by the community are going to promote patient loyalty, and therefore serve as a long term driver of sustainable revenue.
 - c. Roundtable: The Board and CEO Relationship-What Could Be More Important?: Excellent discussion of the need for open collaboration between the board and the CEO to bring about the short and long term quality and financial strength of the health system.
3. What was the most important topic covered in the seminar? The discussion of new payment models.
4. Who was/were the main speakers/s/ and their topics? Bechara Choucair, MD, SVP and Chief Community Health Officer, Kaiser Permanente, Brenda Schmidt, Founder and CEO, Solera Health and Dayna Bowen Matthew, JD, PhD, Professor at University of Virginia Law School. All discussed the importance of community engagement and Community Health.
5. Evaluate the seminar as a whole: The conference was stimulating and provided food for thought regarding service line development for TC Health. Also, to me the most salient take home lesson was what is required to provide the perception of quality. The patient experience is less dependent on physical plant than the services provided and attention to the patient's comfort and needs. This pointed out that capital budget improvements may not be the solution to health consumer loyalty, but instead an investment in personnel and customer service is likely more cost effective and yields far greater long term benefit for both the patients and the health system.