Response to RFP 6134 Z1

State of Nebraska State Purchasing Bureau
Financial and Operational Critical Access Hospital Assessment Services

September 13, 2019

STROUDWATER

ORIGINAL COPY

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II. TERMS AND CONDITIONS

A. NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or five (5) calendar days following deposit in the mail.

Either party may change its address for notification purposes by giving notice of the change and setting forth the new address and an effective date.

B. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

C. BEGINNING OF WORK

The contractor shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

D. AMENDMENT

This Contract may be amended in writing, within scope, upon the agreement of both parties.

E. CHANGE ORDERS OR SUBSTITUTIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the solicitation. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

In the event any product is discontinued or replaced upon mutual consent during the contract period or prior to delivery, the State reserves the right to amend the contract or purchase order to include the alternate product at the same price.

*****Contractor will not substitute any item that has been awarded without prior written approval of SPB*****

F. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

G. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby. OR In case of breach by the Contractor, the State may, without unreasonable delay, make a good faith effort to make a reasonable purchase or contract to purchased goods in substitution of those due from the contractor. The State may recover from the Contractor as damages the difference between the costs of covering the breach. Notwithstanding any clause to the contrary, the State may also recover the contract price together with any incidental or consequential damages defined in UCC Section 2-715, but less expenses saved in consequence of Contractor's breach.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

H. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

I. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

J. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within	NOTES/COMMENTS:

		Solicitation Response (Initial)	
JBS			

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY (Optional)

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this solicitation.

3. PERSONNEL

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. SELF-INSURANCE

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

K. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within	NOTES/COMMENTS:

		Solicitation Response (Initial)	
JBS			

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if ordered by the court, including attorney's fees and costs, if the other Party prevails.

L. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

M. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS OF THE STATE OR ANOTHER STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

The Contractor may, but shall not be required to, allow other states, agencies or divisions of other states, or political subdivisions of other states to use this contract. The terms and conditions, including price, of this contract shall apply to any such contract, but may be amended upon mutual consent of the Parties. The State of Nebraska shall not be contractually or otherwise obligated or liable under any contract entered into pursuant to this clause. The State shall be notified if a contract is executed based upon this contract.

N. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:

JBS			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

O. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

P. OFFICE OF PUBLIC COUNSEL (Statutory)

If it provides, under the terms of this contract and on behalf of the State of Nebraska, health and human services to individuals; service delivery; service coordination; or case management, Contractor shall submit to the jurisdiction of the Office of Public Counsel, pursuant to Neb. Rev. Stat. §§ 81-8,240 et seq. This section shall survive the termination of this contract.

Q. LONG-TERM CARE OMBUDSMAN (Statutory)

Contractor must comply with the Long-Term Care Ombudsman Act, per Neb. Rev. Stat. §§ 81-2237 et seq. This section shall survive the termination of this contract.

R. SUSPENSION OF SERVICE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

SPB, upon notice from DHHS may, at any time and without advance notice, require Contractor to suspend any or all activities provided under this Contract. A suspension may be the result of a reduction in federal or state funds, budget freeze, emergency, contract compliance issues, investigation, or other reasons not stated here.

1. In the event of such suspension, SPB, upon notice from the DHHS Chief Operating Officer/Contract Administrator or designee will issue a written Stop Work Order to the Contractor. The Stop Work Order

will specify which activities are to be immediately suspended, the reason(s) for the suspension, and, if possible, the known duration period of the suspension.

2. Upon receipt of the Stop Work Order, the Contractor shall immediately comply with its terms and take all necessary steps to minimize the incurrence of costs allocable to the work affected by the order during the period of suspension.
3. SPB, upon notice from the DHHS Chief Operating Officer/Contract Administrator or designee may extend the duration of the suspension by issuing a modified Stop Work Order which states the new end date of the suspension and the reason for the extension.
4. The suspended activity may resume when (i) the suspension period identified in the Stop Work Order has ended or (ii) when SPB, upon notice from the DHHS Chief Operating Officer/Contract Administrator or designee has issued a formal written notice cancelling the Stop Work Order or directing Contractor to resume partial services.

S. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.

2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.

3. The State may terminate the contract immediately for the following reasons:

- **a.** if directed to do so by statute;
- **b.** Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
- **c.** a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
- **d.** fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
- **e.** an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
- **f.** a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
- **g.** Contractor intentionally discloses confidential information;
- **h.** Contractor has or announces it will discontinue support of the deliverable; and,
- **i.** In the event funding is no longer available.

T. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contactor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contactor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

U. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law;
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees; and,
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the contractor's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

V. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html

2. The completed United States Attestation Form should be submitted with the solicitation response.

3. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.

4. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

W. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for goods and services to be covered by any contract resulting from this solicitation.

X. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

Y. DISCOUNTS

Prices quoted shall be inclusive of ALL trade discounts. Cash discount terms of less than thirty (30) days will not be considered as part of the proposal. Cash discount periods will be computed from the date of receipt of a properly executed claim voucher or the date of completion of delivery of all items in a satisfactory condition, whichever is later.

Z. PRICES

Prices quoted shall be net, including transportation and delivery charges fully prepaid by the contractor, F.O.B. destination named in the solicitation. No additional charges will be allowed for packing, packages, or partial delivery costs. When an arithmetic error has been made in the extended total, the unit price will govern.

All prices, costs, and terms and conditions submitted in the proposal shall remain fixed and valid commencing on the opening date of the proposal until the contract terminates or expires.

The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.

The State will be given full proportionate benefit of any decreases for the term of the contract.

AA. COST CLARIFICATION

The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

BB. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

CC. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

DD. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			Evidence of Stroudwater's compliance with the contract's insurance requirements is included in Appendix A.

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within one (1) years of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and one (1) years following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter**. The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	**$2,000,000**
Products/Completed Operations Aggregate	**$2,000,000**
Personal/Advertising Injury	**$1,000,000 per occurrence**
Bodily Injury/Property Damage	**$1,000,000 per occurrence**
Medical Payments	**$10,000 any one person**
Damage to Rented Premises (Fire)	**$300,000 each occurrence**
Contractual	**Included**
Independent Contractors	**Included**
If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.	
WORKER'S COMPENSATION	
Employers Liability Limits	**$500K/$500K/$500K**
Statutory Limits- All States	**Statutory - State of Nebraska**
Voluntary Compensation	**Statutory**
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	**$1,000,000 combined single limit**
Include All Owned, Hired & Non-Owned Automobile liability	**Included**
Motor Carrier Act Endorsement	**Where Applicable**
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	**$5,000,000 per occurrence**
PROFESSIONAL LIABILITY	
All Other Professional Liability (Errors & Omissions)	**$1,000,000 Per Claim / Aggregate**
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Department of Health and Human Services
Division of Public Health
Attn: Office of Rural Health Program Manager
301 Centennial Mall S. 3rd floor
Lincoln, NE 68509

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

EE. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

If Contractor breaches the contract or anticipates breaching the contract the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach and may include a request for a waiver of the breach if so desired. The State may, at its discretion, temporarily or permanently waive the breach. By granting a temporary waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

FF. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

GG. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

By submitting a proposal, contractor certifies that there does not now exist a relationship between the contractor and any person or entity which is or gives the appearance of a conflict of interest related to this solicitation or project.

The contractor certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its goods and services hereunder or which creates an actual or an appearance of conflict of interest.

The contractor certifies that it will not knowingly employ any individual known by contractor to have a conflict of interest.

The Parties shall not knowingly, for a period of two (2) years after execution of the contract, recruit or employ any employee or agent of the other Party who has worked on the solicitation or project, or who had any influence on decisions affecting the Solicitation or project.

HH. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its goods or services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

II. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)

Contractor shall review the Nebraska Technology Access Standards, found at http://nitc.nebraska.gov/standards/2-201.html and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

JJ. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue delivery of goods and services as specified under the specifications in the contract in the event of a disaster.

KK. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Contractor certifies it maintains a drug free workplace environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

LL. WARRANTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Despite any clause to the contrary, the Contractor represents and warrants that its services hereunder shall be performed by competent personnel and shall be of professional quality consistent with generally accepted industry standards for the performance of such services and shall comply in all respects with the requirements of this Agreement. For any breach of this warranty, the Contractor shall, for a period of ninety (90) days from performance of the service, perform the services again, at no cost to Customer, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse Customer the fees paid to Contractor for the unsatisfactory services. The rights and remedies of the parties under this warranty are in addition to any other rights and remedies of the parties provided by law or equity, including, without limitation actual damages, and, as applicable and awarded under the law, to a prevailing party, reasonable attorneys' fees and costs.

IV. PAYMENT

MM. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Neb. Rev. Stat. §§81-2403 states, "[n]o goods or services shall be deemed to be received by an agency until all such goods or services are completely delivered and finally accepted by the agency."

NN. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. The Contractor may request a copy of the Nebraska Department of Revenue, Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13 for their records. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor

OO. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Contractor shall provide a copy of final report with invoice. An email address will be provided to the awarded contractor for invoices. The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

PP. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

QQ. PAYMENT (Statutory)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2403). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any goods and services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

RR. LATE PAYMENT (Statutory)

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

SS. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS (Statutory)

The State's obligation to pay amounts due on the Contract for a fiscal year following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

TT. RIGHT TO AUDIT (First Paragraph is Statutory)

The State shall have the right to audit the Contractor's performance of this contract upon a thirty (30) days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. (Neb. Rev. Stat. §84-304 et seq.) The State may audit, and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JBS			

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (0.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety (90) days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

PROJECT DESCRIPTION SECTION

A. PROJECT OVERVIEW

Stroudwater proposes to provide in-depth reviews of the financial and operational status of Critical Access Hospitals (CAHs) and to provide recommendations for improvement.

B. PROJECT ENVIRONMENT

Stroudwater acknowledges that this project is funded by the Rural Hospital Flexibility Program (Flex). The Flex program was created and is governed by the Balanced Budget Act of 1997, Section 4201. Stroudwater commits that all assessments will be in part conducted on-site at the participating Critical Access Hospitals, which are defined as rural hospitals with twenty-five (25) beds or less, and the associated communities.

C. SCOPE OF WORK

Stroudwater proposes to conduct a Financial Assessment and an Operational Assessment of CAHs as directed by DHHS. We acknowledge that we must prepare an in-depth report following each assessment and will review the report with the CAH leadership and submit copies of all reports to the DHHS Flex Program Manager.

The Stroudwater Strategic Financial and Operational Assessment ("SFOA") encompasses a set of analytics and advisory services designed to assist hospitals to achieve breakthrough financial performance. Our SFOA consulting work culminates in a comprehensive report (in PowerPoint format) that delivers a complete set of findings and recommendations for all aspects of hospital performance -- including strategies to build physician alignment and develop population health strategies -- and serves as a blueprint for strategic and operational strategies. The report includes, but is not limited to, the following analyses, plans, and identified opportunities:

- One day of onsite interviews with key informants
- Hospital Analysis
  - Financial and operational analysis of key departments with a focus on improving efficiency
  - Analysis of core business functions
- Quantification of financial improvement opportunities related to specific recommendations
  - Inpatient service utilization and resource use
  - Outpatient service utilization and resource use
  - Ancillary service utilization and resource use
  - Department staffing plan relative to benchmark standards
  - Quality of care and patient satisfaction relative to benchmark standards
  - Medicare Cost Report review to ensure optimal reimbursement
  - Finance functions review including third-party contract strategies, availability of decision support information, etc.
  - Business office functionality review including billing and revenue cycle

As part of the SFOA process, Stroudwater will utilize performance metrics as enumerated in section VC1 (*Financial Assessment*) and will complete, as described above, each of the required action steps outlined in section VC2 (*Operational Assessment*) of the Request for Proposal.

Last, Stroudwater acknowledges that all assessments must include recommendations for improvements and opportunities for expanded and/or additional service options and that all reports shall be completed during the grant year from September 1 through August 30. All reports are due to DHHS by September 30.

D. PROJECT REQUIREMENTS

Stroudwater acknowledges that we must provide our own supplies and equipment throughout the term of the contract including but not limited to transportation, workspace, cell phone, computer, email, internet etc.

E. DHHS REQUIREMENTS

Stroudwater understands that DHHS shall provide the location and contact information for CAHs to be assessed.

F. BIDDER REQUIREMENTS – TECHNICAL APPROACH

For the following three (3) technical requirements, Stroudwater offers a response explaining how each requirement will be met. These three (3) requirements have been responded to and submitted with the proposal response.

1	The bidder should describe its approach to and knowledge of assessing an organization's financial and operational health; please address knowledge of hospitals in rural areas.
	Bidder Response: Stroudwater Associates assists numerous rural provider types to improve operational performance and meet the needs of underserved populations more effectively. To that end, Stroudwater has collaborated with the Federal Office of Rural Health Policy and the National Rural Health Resource Center to develop a national program to improve rural hospital performance. The result of this effort is the Small Rural Hospital Transition Project (formerly the Rural Hospital Performance Improvement Project) funded by the Federal Office of Rural Health Policy, for which Stroudwater has served as primary advisor for the past seven years. In addition, Stroudwater Associates has worked with the Federal Office of Rural Health Policy, the Department of Housing and Urban Development, and the United States Department of Agriculture to implement financing vehicles that would enable rural hospitals access to capital markets. From an operational perspective, our firm has over a dozen active projects currently with State Offices of Rural Health to support rural communities, hospitals and clinics and is supporting over 200 Critical Access Hospitals on a wide range of activities including national rural clinical outcomes research projects (for which all of Nebraska's CAHs are participating). Stroudwater has conducted over 150 financial and operational assessments for small and rural hospital providers in over 25 states during the past decade.
2	The bidder should provide one (1) example of previous assessment completed that demonstrates their expertise and ability to conduct required assessments.
	Bidder Response:

	In Appendix B of this RFP response, Stroudwater offers a sample/blinded comprehensive Financial and Operational Assessment report.
3	The bidder should describe its company's proposed approach to completing the work detailed in Section V.C Scope of Work. Provide an in-depth description of the proposed services to provide, the methods to be used, and the proposed outcomes to be achieved.
	Stroudwater performs market, demographic, utilization and financial analysis, conducts a half-day hospital site visit, and generates a report that contains a set of high-level recommendations. Work steps for the Flex Financial and Operational Assessment include: • Analysis of financial, operational, and utilization data, including analysis and recommendations related to the Performance Improvement Measurement System (PIMS) required by the Federal Office of Rural Health Policy (FORHP) as part of Flex-funded technical assistance • Identification of current financially supportable services and potential new services • Detailed description of market share, position, and market trends in the hospital service area including information on local and regional competition • Volume-based departmental FTE benchmarking • Physician practice/medical staff analysis • Review of most current Medicare Cost Report for accuracy and operational improvement Stroudwater has a defined, proven model for evaluating outputs. Specifically, we support a two-part evaluation process for each Financial and Operational Assessment. The first, qualitative component is based on the Recommendation Adoption Process (RAP) implemented as the preferred evaluation method for the Small Rural Hospital Transition (SRHT) Program. The second, quantitative component includes the vetted performance metrics for the SRHT program's Financial and Operational Assessments. Pre- and post-engagement financial metrics include at a minimum: Net Patient Revenue, Days Cash on Hand, Days in Net Accounts Receivable, and Operating Profit Margin. Know that if selected, Stroudwater, upon identification of participating CAH(s), will be able to begin within 30 days, with project completion and final report submission within 90 days of the start of the project.

G. DELIVERABLES

Stroudwater acknowledges its responsibilities and performance expectations as described in items 1-4 below.

1. In-depth reports for each CAH assessed must include all items set forth in section V.C.
2. DHHS must review all deliverables submitted by Contractor. DHHS must approve a deliverable submitted by Contractor if it is of sufficient quality and meets the requirements in section V.C. Approval of a deliverable must be communicated by DHHS to Contractor in writing within ten (10) State business days. DHHS will not disburse payment for a deliverable until the deliverable is approved.
3. DHHS must reject the deliverable submitted by Contractor if it does not meet the requirements in Section V.C. Rejection of a deliverable must be communicated by DHHS to Contractor in

writing within ten (10) State business days and DHHS's written communication must include its reasons for rejection.

4. Within a time period established by DHHS, but no more than sixty (60) days, the Contractor may correct the defects identified by DHHS and re-submit the rejected deliverable. Any corrections or improvements requested by DHHS are not changes in scope of this Agreement. If a rejected deliverable requires more than two corrections, DHHS may permanently reject the deliverable and deny payment for the deliverable. Nothing in this section limits any other remedies available to DHHS under this Agreement or at law.

VI. PROPOSAL INSTRUCTIONS

a. CONTRACTOR IDENTIFICATION AND INFORMATION

Full company or corporate name: Stroudwater Associates, Inc.
Address of the company's headquarters: 1685 Congress St. Suite 202, Portland, ME 04102
Entity organization: ESOP
State in which the contractor is incorporated: Maine
Year in which the contractor first organized to do business: 1985
Whether the name and form of organization has changed since first organized: In 2018, Stroudwater converted from an S-Corp to an ESOP (Employee Stock Ownership Plan).

b. FINANCIAL STATEMENTS

Stroudwater's financial statements and a reference from our bank are provided in Appendices C and D.

Founded in 1985, Stroudwater is a national advisory firm serving exclusively healthcare clients and has been providing services such as those described in this RFP to rural hospitals for the past 33 years. Stroudwater has 31 full-time employees and serves a national healthcare market consisting of government and quasi-government agencies, community-based organizations, major academic and tertiary centers, rural and community hospitals, physician groups, and provider organizations. Our corporate offices are located in Portland, Maine; Atlanta, Georgia; and Franklin, Tennessee. Effective January 1, 2018, Stroudwater transitioned from an S-corporation to an employee stock ownership plan (ESOP).

At Stroudwater, we have an all-encompassing devotion to rural healthcare nationwide. Our team is driven each day by the conviction that every rural community deserves a compassionate and quality healthcare delivery system. From Alaska to Maine, we partner with healthcare leaders to sustain and strengthen the vital role hospitals and clinics play in rural America. Our experience with hundreds of rural hospitals serves as our inspiration and expertise base in creating solutions for resilient institutions to provide the very best care in their communities for the long haul. Our counsel is down-to-earth and actionable. We pride ourselves in offering the education, motivation and practical tools clients need to implement our recommendations without breaking the bank. Our rural team's passion for facilitating customized solutions for each client fuels us. We thrive when our clients thrive.

Stroudwater utilizes a comprehensive set of financial management policies and procedures to ensure the firm has adequate liquidity and financial resources to meet our operational and strategic needs. These policies and procedures include:

- Reporting of monthly financials, including key metrics to management, a finance committee and the firm's Board of Directors

  - Specific emphasis is placed on top line revenue, management of accounts receivable, managing expenses and the firm's cash position
- Stroudwater develops a comprehensive budget in advance of each year and develops plans and monitors performance in light of the budget.
- It is our practice to require a 20%-25% deposit of engagement costs at the start of an engagement.
  - This deposit is credited toward the final invoice.
  - The specific terms of the deposit can be negotiated with the client as circumstances warrant.
- Stroudwater has two credit facilities in place on which it might draw to address credit requirements
  - A revolver credit facility which has been one vehicle to facilitate our conversation to an employee-owned company via an ESOP
  - A line of credit which we draw on and pay down as a result of the normal course of business
- Our relationship with our bank, Bangor Savings Bank, is longstanding and on firm footing
- Stroudwater is employee owned. We are not backed by private equity and must not satisfy investors or private equity firms' "hurdle rates."
- Philosophically, we have structured a significant portion of our largest expense item, salaries and wages, as incentive compensation.
- If the firm underperforms in a given quarter, the amount of incentive compensation payable declines. This is an important lever to management to ensure that cash is conserved and that expenses remain in line with revenues.
- This approach to compensation is part of our culture and makes us a performance and results oriented firm.
- We are proud of our track record of 35-years of continuous service to the healthcare provider sector. With our conversation to an ESOP, we have ensured that all of our employees are invested in the long-term financial success of Stroudwater. This alignment of economic incentives provides a sound platform to meet the needs of each of our clients, our staff and our vendors.

There are no judgments or pending litigation against Stroudwater Associates.

c. CHANGE OF OWNERSHIP

In 2018, Stroudwater converted from an S-Corp owned by select employee shareholders to an entirely employee-owned ESOP.

d. OFFICE LOCATION

Stroudwater Associates, 1685 Congress St. Suite 202, Portland, ME 04102

e. RELATIONSHIPS WITH THE STATE

Stroudwater has had the opportunity to serve clients the state of Nebraska several times over the past five years, as shown in the table below. Please feel free to contact us with any questions.

Project Name	*Date*	*Contract # (if applicable)*
Pender Community Hospital – Small Rural Hospital Transition Project Quality Improvement	11/1/2017	HHSH250201600012C
Boone County Health Center - Rapid Strategic Plan	11/1/2017	
Lexington Regional Health Center – Strategic, Financial and Operational Assessment and Strategic Plan	1/1/2018	
Boone County Health Center - Charrette Master Facility Plan	4/1/2018	
Lexington Regional Health Center - Primary Care Practice Redesign	5/1/2018	
Boone County Health Center - Primary Care Practice Redesign	6/20/2018	
Boone County Health Center - Preliminary Architectural Feasibility Report	7/10/2018	
Nebraska Swing Bed Data Subscription	11/1/2018	PO# 867131OP
Nebraska Swing Bed Training	1/1/2019	84554 O4

f. CONTRACTOR'S EMPLOYEE RELATIONS TO STATE

No party named in our proposal response was an employee of the State of Nebraska during the last five years.

g. CONTRACT PERFORMANCE

Stroudwater has never had a contract terminated for default.

h. SUMMARY OF CONTRACTOR'S CORPORATE EXPERIENCE

Both of the similar past projects that we offer for your consideration were Strategic, Financial, and Operational Assessments (SFOA). The SFOA engagement encompasses a set of analytics and advisory services designed to assist hospitals to achieve breakthrough financial performance. The Stroudwater consulting work culminates in a comprehensive report that delivers a complete set of findings and recommendations for all aspects of hospital performance -- including strategies to build physician alignment and develop population health strategies -- and serves as a blueprint for strategic and operational strategies. The report includes, but is not limited to, the following analyses, plans, and identified opportunities:

- Comprehensive market assessments including volume and market share trends
- Financial and operational analysis of key departments with a focus on efficiency
- Analysis of core business functions
- Inpatient service utilization and resource use
- Outpatient service utilization and resource use
- Ancillary service utilization and resource use
- Department staffing plan relative to benchmark standards
- Quality of care and patient satisfaction relative to benchmark standards
- Medicare Cost Report review to ensure optimal reimbursement
- Finance functions review including third-party contract strategies
- Business office functionality review including billing and revenue cycle

With an increase in alterative payment models and dwindling reimbursements, the SFOA looks at ways to increase revenues at each hospital through, but not limited to, the consolidation/expansion of services, reviewing the Cost Report, evaluating the integration of primary and specialty care providers at the hospitals, the alignment and designation of those practices, market share, and population health initiatives. In addition, the project focused on working with hospitals to implement strategies based on the recommendations derived from the SFOA process.

Project Name	Client	Time Period	Scheduled Completion	Actual Completion	Contractor Responsibilities	Subcontractor/ Prime Contractor	Budget: Planned to Actual
Strategic, Financial and Operational Assessment	Lexington Regional Health Center, Lexington, NE	January 2018	January 2018	May 2018	Complete Strategic, Financial and Operational Assessment	Prime	Equal: $20,000
Strategic, Financial and Operational Assessment	Cass County Health System, Atlantic, IA	April-May 2018	May 2019	May 2019	Complete Strategic, Financial and Operational Assessment	Prime	Equal: $20,000

For Lexington Regional Health Center, please contact:
Leslie Marsh, Chief Executive Officer
Lexington Regional Health Center
P.O. Box 980 I 1201 N. Erie
Lexington, Nebraska 68850
(308) 324-8303 (Direct Line)
(308) 324-8359 (Fax)
lmarsh@lexrhc.org

For Cass County Health System, please contact:
Brett Altman, CEO
Cass County Memorial Hospital
1501 East 10th Street
Atlantic, IA 50022
(712) 243-7401
baltman@casshealth.org

Stroudwater did not employ subcontractors for the above engagements and served as the primary contractor for all.

i. SUMMARY OF CONTRACTOR'S PROPOSED PERSONNEL/MANAGEMENT APPROACH

The project will be managed, and all work completed by Gregory Wolf, Principal. He will be responsible for completion of all contract work and execution of required deliverables.

Gregory Wolf's area of expertise lies at the confluence of strategy and analytics. As a leader, advisor, and rural healthcare advocate, Gregory uses his combined background in healthcare and information technology to support data-driven quality improvement for rural providers. Since joining Stroudwater in 2000, Gregory has developed a national practice focused on rural healthcare delivery systems and

communities; in this role, he has led the development of technology-based solutions for healthcare providers and implemented performance management and benchmarking systems for over 200 community and rural hospitals. Gregory currently manages the Stroudwater analytics team and creates, designs, and helps implement technology-based analytics solutions for Stroudwater clients.

Greg's recent consulting engagements include:

- Leading Stroudwater Analytics, a new Stroudwater product line that provides web-based applications to automate the production of scorecards, performance improvement analysis, and peer-group benchmarking reports
- Designing and implementing Balanced Scorecard performance measurement systems for over 120 small rural and community hospitals throughout the United States
- Supporting network and state level Quality Assessment and Performance Improvement collaborations with the use of strategic planning, data collection, and data reporting tools
- Strategic planning and implementation for providers and payers

Gregory received his undergraduate degree from Colgate University and his Master of Education degree from the Curry School of Education at the University of Virginia. He holds a second master's degree in Business Administration (Beta Gamma Sigma) with concentrations in Healthcare Management and Computers and Information Technology from the William E. Simon Graduate School of Business Administration at the University of Rochester.

Gregory's references are as follows:

Leslie Marsh, Chief Executive Officer
Lexington Regional Health Center
P.O. Box 980 I 1201 N. Erie
Lexington, Nebraska 68850
(308) 324-8303 (Direct Line)
(308) 324-8359 (Fax)
lmarsh@lexrhc.org

Cass County Memorial Hospital
1501 East 10th Street
Atlantic, IA 50022
Brett Altman, CEO
(712) 243-7401
baltman@casshealth.org

Lisa Radtke, Chief Administrative Officer
Winneshiek Medical Center
901 Montgomery St.
Decorah, IA 52101
(563) 387-3145
Radtke.lisa@mayo.edu

j. SUBCONTRACTORS

Stroudwater will not use any subcontractors for the proposed engagement.

1. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections.

a. Understanding of the project requirements; and
b. Responses to Section V.F. Bidder Requirements – Technical Approach.

Please see our response in Section V on p. 22.

Form A

Contractor Proposal Point of Contact

Request for Proposal Number 6134 Z1

Form A should be completed and submitted with each response to this solicitation. This is intended to provide the State with information on the contractor's name and address, and the specific person(s) who are responsible for preparation of the contractor's response.

Preparation of Response Contact Information	
Contractor Name:	Stroudwater Associates
Contractor Address:	1685 Congress St. Suite 202 Portland, ME 04102
Contact Person & Title:	Gregory Wolf, Principal
E-mail Address:	gwolf@stroudwater.com
Telephone Number (Office):	207-221-8251
Telephone Number (Cellular):	207-232-3733
Fax Number:	207-828-0821

Each contractor should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the contractor's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Contractor Name:	Stroudwater Associates
Contractor Address:	1685 Congress St. Suite 202 Portland, ME 04102
Contact Person & Title:	Gregory Wolf, Principal
E-mail Address:	gwolf@stroudwater.com
Telephone Number (Office):	207-221-8251
Telephone Number (Cellular):	207-232-3733
Fax Number:	207-828-0821

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

By signing this Request for Proposal for Contractual Services form, the contractor guarantees compliance with the procedures stated in this Solicitation, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that contractor maintains a drug free work place.

CONTRACTOR MUST COMPLETE THE FOLLOWING

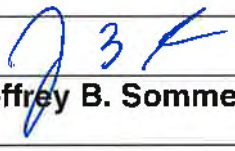
Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

___No__ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this Solicitation.

___No__ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

_No____ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	**Stroudwater Associates**
COMPLETE ADDRESS:	**1685 Congress St. Suite 202**
TELEPHONE NUMBER:	**207-221-8250**
FAX NUMBER:	**207-828-0821**
DATE:	**9/12/19**
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	**Jeffrey B. Sommer, Managing Director**

United States Citizenship Attestation Form

For the purpose of complying with Neb. Rev. Stat. §§ 4-108 through 4-114, I attest as follows:

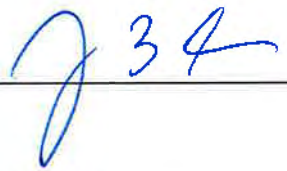
☒ I am a citizen of the United States.

— OR —

☐ I am a qualified alien under the federal Immigration and Nationality Act, my immigration status and alien number are as follows: _____, and I agree to provide a copy of my USCIS documentation upon request.

I hereby attest that my response and the information provided on this form and any related application for public benefits are true, complete, and accurate and I understand that this information may be used to verify my lawful presence in the United States.

PRINT NAME JEFFREY B SOMMER
(first, middle, last)

SIGNATURE 

DATE 9/13/2019

APPENDICES

A. Certificate of Insurance
B. Blinded Example Strategic, Financial and Operational Assessment
C. Stroudwater Financial Statements
D. Bank Letter
E. Addenda

Appendix A

STROASS-01 CRIOUX

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 9/11/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Clark Insurance
1945 Congress Street, Bldg A
PO Box 3543
Portland, ME 04104-3543

CONTACT NAME:
PHONE (A/C, No, Ext): (207) 774-6257 FAX (A/C, No): (207) 774-2994
E-MAIL ADDRESS: info@clarkinsurance.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Ohio Security Insurance Co	24082
INSURER B : Ohio Casualty Insurance Company	24074
INSURER C : Travelers Casualty Ins Co	19046
INSURER D : CNA Insurance Company	
INSURER E :	
INSURER F :	

INSURED
Stroudwater Assoc, Inc.
Stroudwater Crossing
1685 Congress Street, Suite 202
Portland, ME 04102

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY							
	CLAIMS-MADE X OCCUR			BZS55918778	1/1/2019	1/1/2020	EACH OCCURRENCE	$ 2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 2,000,000
							MED EXP (Any one person)	$ 15,000
							PERSONAL & ADV INJURY	$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 4,000,000
	POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$ 4,000,000
	OTHER:							$
A	AUTOMOBILE LIABILITY							
	ANY AUTO			BZS55918778	1/1/2019	1/1/2020	COMBINED SINGLE LIMIT (Ea accident)	$ 2,000,000
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per person)	$
	X HIRED AUTOS ONLY / X NON-OWNED AUTOS ONLY						BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
B	X UMBRELLA LIAB X OCCUR			USO55918778	1/1/2019	1/1/2020	EACH OCCURRENCE	$ 1,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$ 1,000,000
	DED X RETENTION $ 10,000							$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N			UB0J258093	1/1/2019	1/1/2020	X PER STATUTE / OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) N / A						E.L. EACH ACCIDENT	$ 500,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$ 500,000
							E.L. DISEASE - POLICY LIMIT	$ 500,000
D	Professional Liabili			596443134	1/1/2019	1/1/2020	Per Claim	1,000,000
D	Professional Liabili			596443134	1/1/2019	1/1/2020	Aggregate	3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

Dept of Health and Human Services
Division of Public Health
Office of Rural Health Program Manager
301 Centennial Mall S. 3rd Floor
Lincoln, NE 68509

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Joan P Hopkins

Appendix B

Example Hospital

Strategic, Financial, and Operational Assessment

Conducted: September 2016

Preliminary Report: September 2016

Final Report: September 2016

Eric Shell, MBA, CPA

Jonathan Pantenburg, MHA

Lindsay Corcoran, MHA

STROUDWATER

Overview

STROUDWATER

- Example Hospital (EH) is a 25-bed, Joint Commission Accredited, not-for-profit Critical Access Hospital (CAH), providing acute care, obstetrics, swing bed, primary care, emergency medicine, surgery, rehabilitation therapies, imaging, lab, nutrition, and pharmacy services to the residents of Small Town, Anystate and surrounding County and tri-state (XX, XZ, and XY) communities
  - EH also operates a dialysis center and a center for wound care and hyperbaric medicine
  - EH converted to CAH designation in 2003
- In 1986, EH affiliated with County Health Systems (CHS), which includes County Medical Center (CMC), a 298-bed community hospital in Nearby Town, outpatient services at XXXXXX, County Visiting Nurse Association, medical clinics, and long-term care services
  - CHS provides administrative and other operational functions, such as Human Resources, corporate compliance, plant operations, and IT support to EH
- EH's balance sheet has improved between 2012 and 2016, with days cash on hand increasing from 130 days to 165 days as a result of continued positive operating margin, and days in net AR decreasing from 43 days to 40 days due to aggressive revenue cycle oversight
- Though EH financial performance declined from 4.7% operating margin in 2012, to 4.0% in 2016, operating margin has remained positive during each fiscal year between 2012 and 2016, and EH has effectively positioned itself to address a changing healthcare environment through the expansion of their primary care network and an integrated service delivery approach throughout the region

Overview

STROUDWATER

- Healthcare reform was passed in 2010 and upheld by the U.S. Supreme Court in 2012 and 2015
  - With a majority of significant provisions, such as payment, insurance, and delivery-system reforms currently being implemented, the healthcare industry is moving rapidly to address future market changes including:
    - Payment systems transitioning from volume-based to value- and population-based
    - Quality/patient safety as new drivers of hospital market share
    - Payment cuts that are real, forcing increased efficiency
  - Rural hospitals must position themselves for the new market-based competitive environment through sound financial and operational management, adoption of technology, pursuit of high-quality care, alignment with primary care providers, and development of future affiliation strategies

- Recommendations in this report are made in the context of best positioning EH for the rapidly evolving healthcare market

Engagement Purpose & Methodology

STROUDWATER

- **Overview**
  - EH engaged Stroudwater Associates through a grant provided by the Anystate Department of Health (ADPH) to complete a strategic, financial, and operational assessment for the purposes of:
    - Answering financial, operational, and industry-specific questions presented by administration
    - Helping to identify top opportunities that will result in improved financial and operating performance
    - Best-positioning EH for success in the rapidly evolving healthcare market, including new payment and delivery care models, and to promote value within a population health management system
- **Purpose**
  - To identify performance-improvement opportunities that will result in increased financial stability, with areas to address including:
    - Evaluation of historic/potential demand for clinical services
    - Identification of opportunities to appropriately address clinical service line gaps
    - Reimbursement and cash flow with emphasis on selected service lines
    - Hospital expense analysis
    - Organizational architecture and management principles
    - Strategic direction

*Please note that this report was based on our determination of the highest value opportunities for EH as identified during the site visit. Additional opportunities may exist for performance improvement that were not reported or detected during the visit.

Engagement Purpose & Methodology

STROUDWATER

- **Methodology**
  - Gather and review pertinent market, clinical service line, and financial data, including:
    - Detailed inpatient utilization data
    - Detailed outpatient utilization data for all outpatient revenue centers (e.g., rehab, lab, radiology, etc.)
    - Recently-filed cost reports
    - Latest provider statistical and reimbursement reports
    - Historical and most recent audited financial statements
    - Financial and utilization (inpatient and outpatient) projections
  - Conduct an intensive one-day site visit
    - Interviews with CEO/CFO, CNO, Chief of Medical Staff, senior leadership team members, clinical operations, and selected department managers
    - Preview findings and preliminary recommendations prior to site visit departure
  - Prepare final report and recommendations
  - Follow up as required

Financial Summary

- Profit & Loss
- Financial Analysis
- Conclusions

Financial Summary

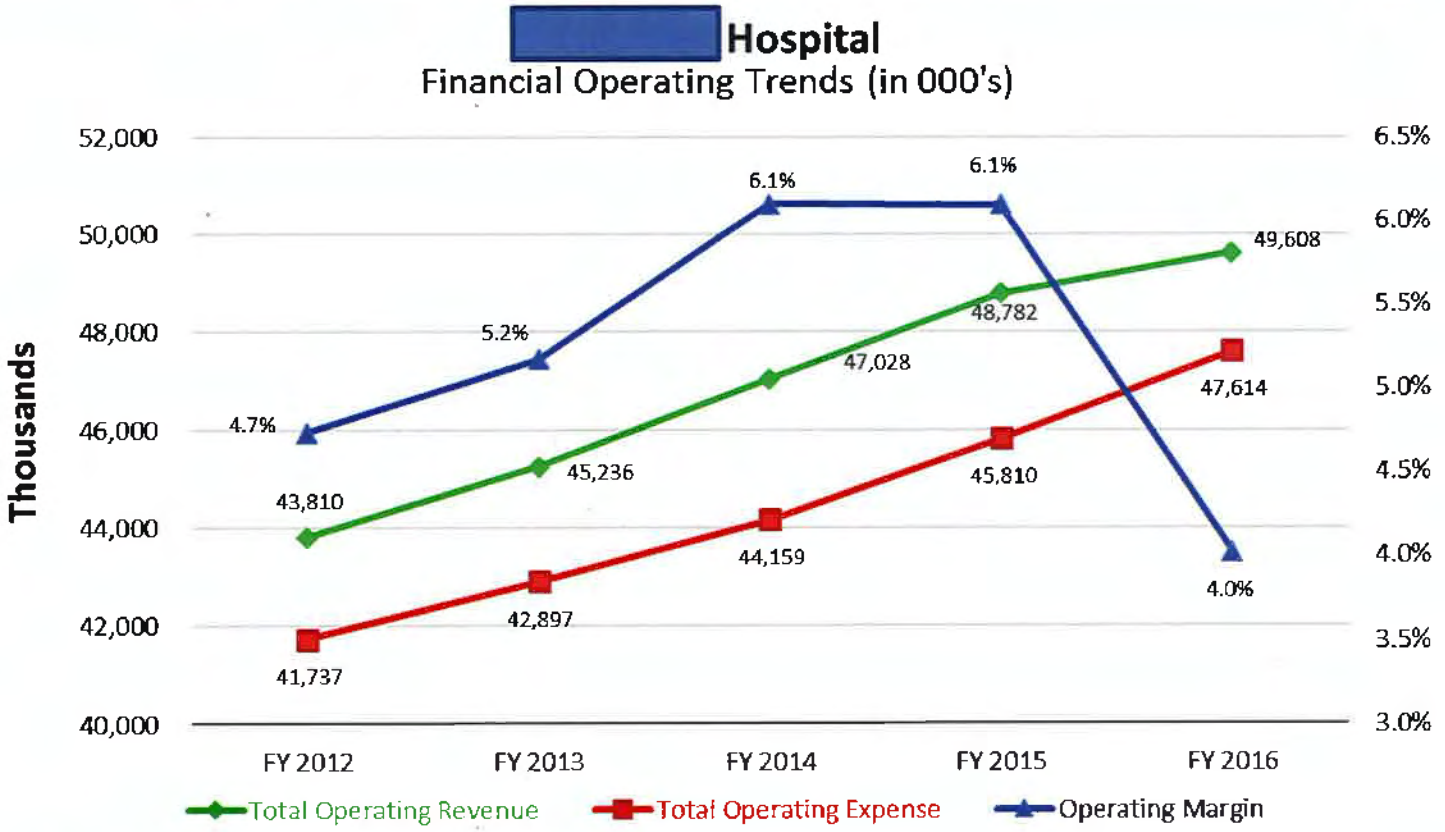
STROUDWATER

Hospital

	FY 2012 Year Ended 9/30/2012	FY 2013 Year Ended 9/30/2013	FY 2014 Year Ended 9/30/2014	FY 2015 Year Ended 9/30/2015	FY 2016 11 Mon. Ann. 9/30/2016
Operating Revenue:					
Gross Patient Revenue	$ 66,616	$ 71,334	$ 69,618	$ 74,657	$ 79,162
Contractual Allowances	(21,659)	(24,514)	(22,588)	(25,834)	(28,756)
Bad Debt	(1,646)	(1,316)	(1,115)	(954)	(1,258)
Charity Care	(838)	(1,107)	(271)	(340)	(700)
Net Patient Revenue	42,473	44,398	45,644	47,530	48,447
Other Operating Revenue	1,337	838	1,384	1,252	1,161
Total Operating Revenue	43,810	45,236	47,028	48,782	49,608
Operating Expenses:					
Salaries, Wages and Benefits	24,938	25,642	26,617	27,950	29,299
Supplies and Other	14,742	15,057	15,039	15,493	15,947
Health Safety Net Assessment	190	190	195	185	208
Interest	305	221	210	200	188
Depreciation	1,562	1,787	2,099	1,982	1,972
Total Operating Expense	41,737	42,897	44,159	45,810	47,614
Income (Loss) from Operations	2,073	2,339	2,869	2,972	1,994
Non-Operating Income (Expense)	425	2,478	1,051	2,226	1,185
Prior Period Adjustments	-	27	-	-	7
Net Income (Loss)	$ 2,498	$ 4,845	$ 3,920	$ 5,198	$ 3,186
Cash and Investments, End of Period	$ 14,051	$ 16,080	$ 17,937	$ 18,658	$ 20,541
AP and Accrued Liabilities	$ 2,994	$ 2,927	$ 3,341	$ 3,435	$ 3,169
Days of Operating Cash Available	128.6	143.5	156.4	156.1	164.9
Average Payment Period	27.4	26.1	29.1	28.7	25.4
Days in Net Accounts Receivable	43.7	44.8	38.4	34.9	40.1
Net AR	5,081	5,452	4,801	4,540	5,317
Operating Margin	4.7%	5.2%	6.1%	6.1%	4.0%

Profitability Analysis

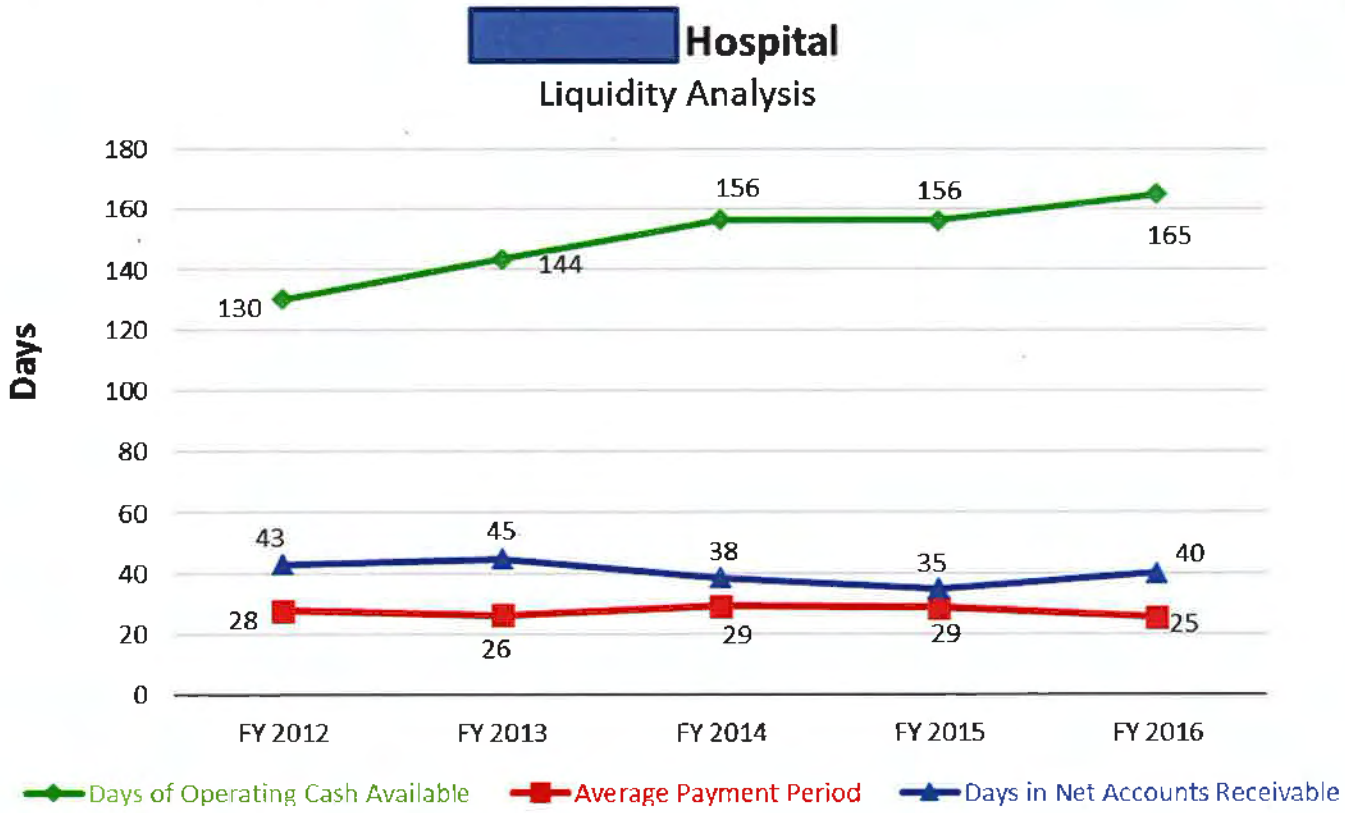
STROUDWATER



- **Operating Revenue** increased approximately 13% between 2012 and 2016
  - Growth in operating revenue largely due to the expansion of an integrated primary care service delivery model
- **Operating Expenses** increased approximately 15% between 2012 and 2016
  - Expense increase largely attributable to the increases in both Salaries, Wages, and Benefits (16%) and Supplies and Other (15%) over the measured period due to the expansion of primary care physicians

Liquidity Analysis

STROUDWATER



- **Days Cash on Hand** increased from 130 days in 2012 to 165 days in 2016 due to continued positive net annual income and reducing the Net Days in Accounts Receivable
  - Days cash on hand is above the Anystate median level of 157 days and the US median level of 69 days
- **Net Days in A/R** decreased from 43 days in 2012 to 40 days in 2016, which is below that of best-practice peer rural hospitals of 45 days of both gross and net AR
- **Average Payment Period** decreased from 28 days in 2012 to 25 days in 2016, which is below best-practice rural hospital target of 35 days or below in AP

Financial Statement Conclusion

STROUDWATER

- **Overall Condition**
  - Though financial performance declined from a 4.7% operating margin in 2012 to 4.0% in 2016, EH has maintained a significant positive operating margin over the 5-year period
    - Operating margin remains above XX state operating margin median of 2.7% due to a best practice investment in a primary care network and the optimization of service delivery throughout the region
  - EH's balance sheet has increased, with days cash on hand increasing from 130 days in 2012 to 165 days in 2016 and days in net AR decreasing from 43 days in 2012 to 40 days in 2016 due to aggressive revenue cycle oversight

- **Conclusions and Recommendations**
  - Use the strategies discussed in this report to maintain positive operating margin and organizational liquidity in preparation for the transitioning healthcare environment
    - These goals will be achieved through volume and revenue growth driven by acute volume increases, increases in related ancillary services, referral volume increases, cost report improvement, and overall business growth through increased primary care network development and alignment
  - EH must ensure long-term financial viability by continuing the following activities:
    - Making wise investments in technology, facility, and expansion of primary care network
    - Pursuing careful expense management, increased revenue for services provided, expansion into specialty services needed in the community, and volume growth
    - Leveraging relationship with CHS in transitioning to new payment systems

Service Area

- Overview
- Population Demographics
- Market Share
- Service Area Calculation and Conclusions

Service Area Population

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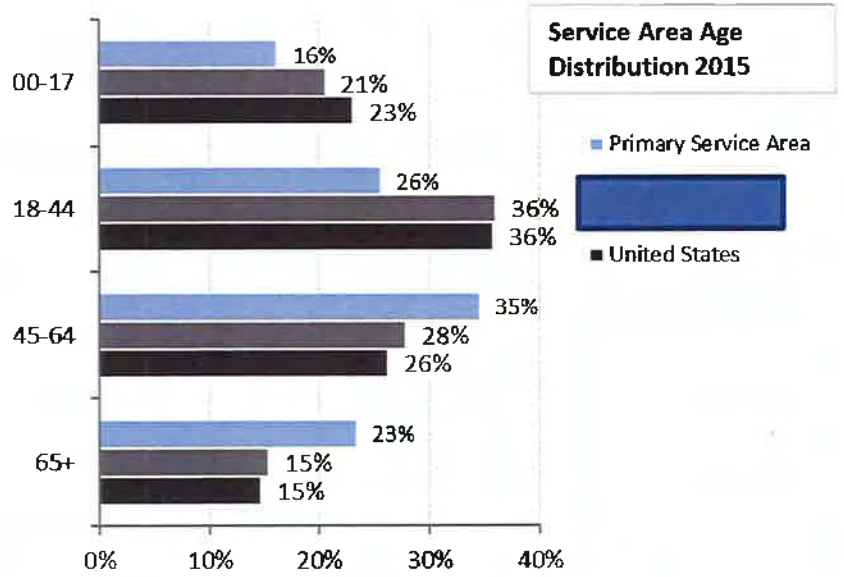
2015 Population Estimates

Primary Service Area	Name	00-17	18-44	45-64	65+	Total	%of PSA
[redacted]		1,443	2,358	2,808	1,994	8,603	37%
		90	145	167	105	507	2%
		154	226	282	143	805	3%
		134	174	241	139	688	3%
		117	164	270	195	746	3%
		217	345	431	262	1,255	5%
		327	526	740	515	2,108	9%
		49	76	143	109	377	2%
		247	405	606	353	1,611	7%
		144	203	343	201	891	4%
		143	288	439	321	1,191	5%
	e	198	324	595	430	1,547	7%
		548	771	1,041	720	3,080	13%
	PSA Total	*3,811*	*6,005*	*8,106*	*5,487*	*23,409*	*100%*
	Total Service Area	**3,811**	**6,005**	**8,106**	**5,487**	**23,409**	
	Total Service Area	16%	26%	35%	23%	100%	
[redacted]		21%	36%	28%	15%	100%	
	United States	23%	36%	26%	15%	100%	

Source: Truven Health Analytics



- The 2015 Total Service Area population was approximately 23,409
  - Forty-two percent (42%) of the total population is younger than 45 years of age
  - The 45-64 age cohort has a larger percentage of people (35%) compared to the State (28%) and United States (26%)
  - The under 18 age cohort has a smaller percentage of people (16%) compared to the State (21%) and United States (23%)
  - The 65+ age cohort has a larger percentage of people (23%) compared to the State (15%) and United States average (15%)
  - Thirty-seven percent (37%) of the total population resides in the Small Town (01230) ZIP code

Service Area Population Growth by ZIP Code

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2015-2020 Change

Service Area	Name	2015 Estimate	2020 Projection	2015-2020 % Change	2015-2020 Ab. Change
[redacted]		8,603	8,463	-2%	-140
		507	514	1%	7
		805	814	1%	9
		688	699	2%	11
		746	759	2%	13
		1,255	1,205	-4%	-50
		2,108	2,085	-1%	-23
		377	364	-3%	-13
		1,611	1,701	6%	90
		891	918	3%	27
		1,191	1,138	-4%	-53
		1,547	1,516	-2%	-31
		3,080	3,086	0%	6
	PSA Total	*23,409*	23,262	*-1%*	*-147*
	Total Service Area	23,409	23,262	-1%	-147
[redacted]		6.76	6.99	3%	
	United States	319	331	4%	

State and US in Millions

Source: Truven Health Analytics

- The Total Service Area population is projected to decrease by 1% (147 people) over the next 5 years
  - The hospital's home ZIP code of Small Town projects a decrease of 2% (140 people)
  - The Town 1 ZIP code projects the largest increase with 6% growth (90 people)
  - Town 2 and Town 3 are expected to see a decrease of 4%

Population Change by Age

STROUDWATER

2015-2020 Change

Service Area	2015 Estimate	2020 Projection	Absolute Change	Percent Change	Share of Growth
00-17	3,811	3,471	-340	-9%	0%
18-44	6,005	6,144	139	2%	18%
45-64	8,106	7,506	-600	-7%	0%
65+	5,487	6,141	654	12%	82%
Total	23,409	23,262	-147	-1%	100%

Source: Truven Health Analytics

2015-2020 Change

Service Area	Name	00-17	18-44	45-64	65+	Total
[redacted]		(114)	18	(248)	204	(140)
		(3)	(1)	(5)	16	7
		(20)	18	(13)	24	9
		(10)	(4)	(5)	30	11
		(4)	8	(14)	23	13
		(33)	2	(46)	27	(50)
		(49)	28	(57)	55	(23)
		(3)	6	(24)	8	(13)
		2	4	5	79	90
		(10)	2	(6)	41	27
		(21)	3	(54)	19	(53)
		(42)	19	(54)	46	(31)
		(33)	36	(79)	82	6
PSA Total		*(340)*	*139*	*(600)*	*654*	*(147)*
Total Service Area		**(340)**	**139**	**(600)**	**654**	**(147)**

Source: Truven Health Analytics

- Eighty-two percent (82%) of growth in the total service area is projected to come from those 65 years and older
  - The 65+ age cohort is projected to increase by 12% (654 people)
  - The 45 – 64 age cohort is projected to decline by 7% (600 people)
  - The 18 – 44 age cohort is projected to increase 2% (139 people)
  - The 0 – 17 age cohort is projected to decrease by 9% (340 people)
- All ZIP codes are expected to contribute growth in the 65+ cohort

Population Household Income

STROUDWATER

2015 Median Household Income

Service Area	Name	Household Income	% of State	% of US
[redacted]		$56,954	76%	106%
		$66,667	89%	124%
		$57,917	77%	108%
		$60,613	81%	113%
		$49,500	66%	92%
		$63,953	85%	119%
		$57,756	77%	108%
		$50,987	68%	95%
		$61,749	82%	115%
		$57,337	76%	107%
		$46,786	62%	87%
		$68,846	92%	128%
[redacted]		$67,078	89%	125%
PSA Weighted		*$59,364*	*79%*	*111%*
Total Weighted Service Area		**$59,364**	**79%**	**111%**
[redacted]		$75,107	100%	140%
United States		$53,660		

Source: Truven Health Analytics

- Median household incomes for the service area are 79% of the State of Anystate median and 111% of the US median
  - The weighted median household income for the service area is the sum of each ZIP code income times the ZIP code population divided by the total service-area population

Market Service Area Calculation

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- Market Service Area
  - To plan for needed services and to avoid developing excess capacity, total population of the service area is adjusted down based on the market and service area analysis
  - Current adjusted market service area, as defined below, is 19,941; this is based on 2015 population estimates and is projected to increase 3% over the next 5 years with the 2020 estimate being 19,796

Primary Service Area	Zip Code	2015 Actual Population	2014 CMS Market Discharges	2014 CMS FH Discharges	2014 CMS FH Market Share	Inpatient Hospital Service Area	Primary Care Service Area	Market Service Area Weighting*	2015 Weighted Population	2015-2020 Populuation Growth	2020 Est. Service Area Population
[redacted]		8,603	16	7	44%	[redacted]		100%	8,603	-2%	8,463
		507	30	12	40%			100%	507	1%	514
		805	31	10	32%			90%	725	1%	733
		688	44	13	30%			90%	619	2%	629
		746	383	113	30%			90%	671	2%	683
		1,255	78	23	29%			80%	1,004	-4%	964
		2,108	107	30	28%			80%	1,686	-1%	1,668
		377	56	13	23%			80%	302	-3%	291
		1,611	82	13	16%			70%	1,128	6%	1,191
		891	32	5	16%			70%	624	3%	643
		1,191	74	9	12%			70%	834	-4%	797
		1,547	27	3	11%			70%	1,083	-2%	1,061
		3,080	75	8	11%			70%	2,156	0%	2,160
PSA Total		23,409	1,154	271	23%			85%	19,941	-1%	19,796
Weighted Service Area		**23,409**	**1,154**	**271**	**23%**	-	-	**85%**	**19,941**	**-1%**	**19,796**

* For planning purposes, total population is discounted by market service area weighting, an estimate based on inpatient market share, Hospital Service Area (Dartmouth), and Primary Care Service Area (Dartmouth).

  - Quantitative: Inpatient Medicare market share
  - Qualitative: Hospital Service Area (Small Town), Primary Care Service Area (Small Town), proximity of competitors, services offered at EH, and field experience of Stroudwater consultants

Sources: Truven Health Analytics (Population)
CMS (IP Discharges)

Market Service Area Conclusion

STROUDWATER

- **Conclusions**
  - The 2015 service area weighted population of 19,941 is an adequate population base to support rural hospital operations; however, it is projected to decrease by 1% over the next five years
  - The 65+ age cohort (primary users of rural hospitals) is expected to grow by 12% from 2015 to 2020, gaining 654 people and comprising 82% of the service area growth
  - Inpatient services demand has declined as evidenced by a 23% decrease in total Medicare market discharges from 2010 (1,517) to 2014 (1,154)
  - EH's inpatient Medicare market share decreased from 34% in 2010 to 23% in 2014 while system affiliate CMC's Medicare market share increased from 30% to 38% over the same period
    - American Medical Center nearly doubled their Medicare market share penetration and should be evaluated for appropriateness

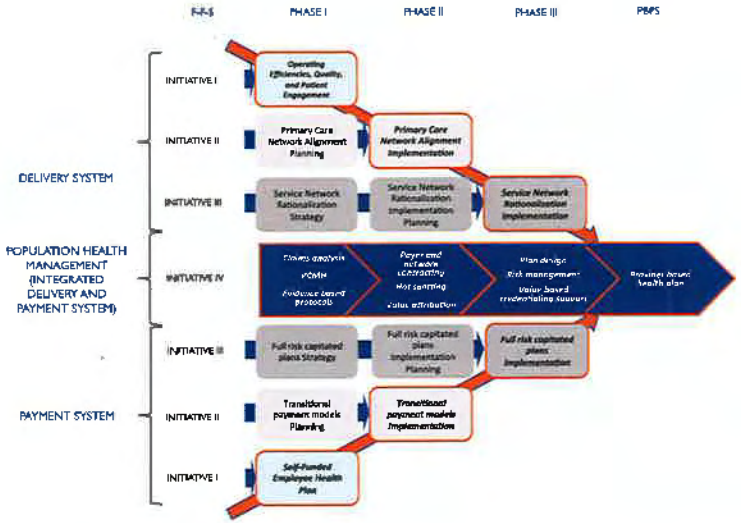
Opportunities

- Delivery System
- Payment System
- Population Health Management

Population Health Transition Framework

STROUDWATER

- This strategic framework is designed to assist organizations in transitioning from a payment system dominated by the FFS payment model to one dominated by population-based payment models
  - *Delivery system* addresses strategic imperatives for providers to transform their delivery system
  - *Payment system* addresses strategies for providers to influence the evolution of the payment system in their market
  - *Population health/care management* requires creation of an integrating vehicle so that providers can contract for covered lives, create value through active care management, and monetize the creation of that value



- Strategic imperatives drive the initiatives that must be designed and implemented to make the transition
  - Each initiative is developed in phases that correspond to the evolution of the payment models
  - Work on each initiative needs to begin now so they will be ready to implement when required
- This report highlights the initiatives in phase one of the transition framework throughout, emphasizing key recommendations for EH to begin transitioning

Future of Rural Healthcare

STROUDWATER

- **Findings and Analysis**
  - Reported CHS includes EH in the strategic plan; however, the plan has been set aside to focus on other strategic priorities (i.e. facility plan, North Village campus)
  - Healthcare reform has created new market competition on patient value, which is especially relevant to primary-care-focused rural hospitals like EH
    - Important strategic opportunities that must be proactively addressed through new strategies include:
      - Improving operational efficiencies and financial viability
      - Recognizing quality and patient safety as a competitive advantage
      - Medical staff recruitment, stabilization, and alignment
      - Affiliation and alignment options with potential hospital partners
      - Development of care management strategies to address population health
      - Proactive transformation of payment system from fee-for-service to population based
- **Recommendations**
  - EH should use this report to enhance the current strategic plan in partnership with CHS, with particular focus on major strategic issues, including increasing leverage of EH's primary care network, promoting high quality and patient safety scores to community, and increasing hospital efficiency and financial viability
  - Leverage network relationship with CHS to begin to transform payment system and develop care management strategies

Inpatient Services

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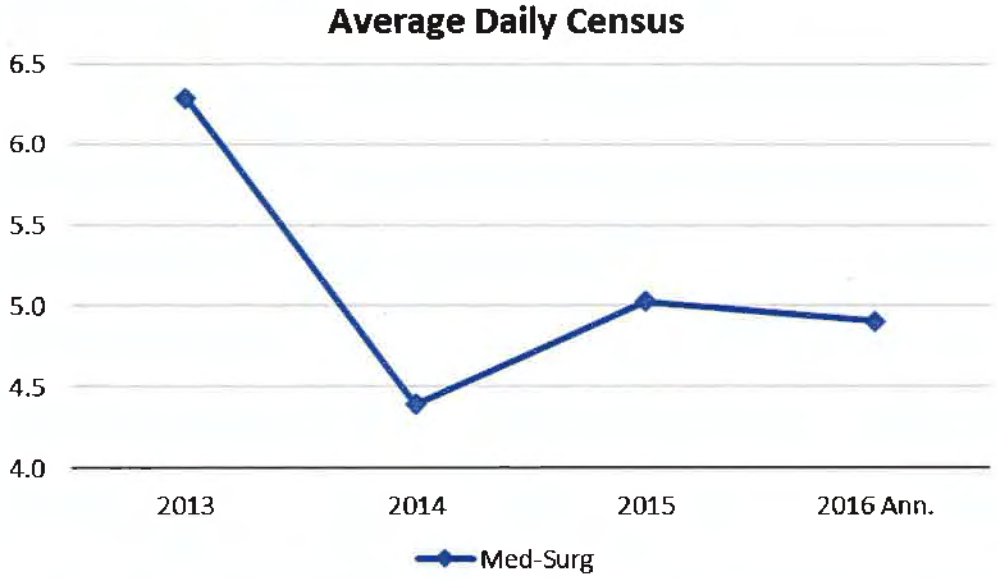
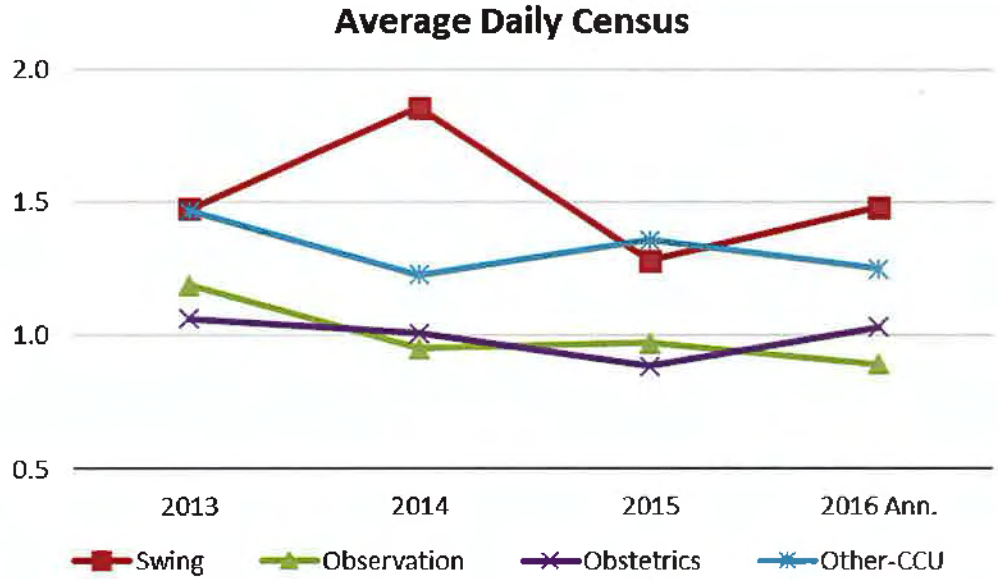
- **Findings and Analysis**





- Acute ADC decreased from 6.3 days in 2013 to 4.9 days in 2016 due to an increase in ED transfers and the loss of an orthopedic surgeon at EH
  - Reported that an orthopedic surgeon has been recruited recently and EH has recently transitioned to a 24/7 hospitalist model to improve admissions
- Observation ADC decreased from 1.2 in 2013 to 0.9 days in 2016, while observation days as a percent of acute days remained between 18% to 22% over the measured period
  - Best practice peer rural hospitals target 15-25% observation days as a percentage of total acute days
- Critical Care Unit (CCU) ADC decreased from 1.5 days in 2013 to 1.2 days in 2016
  - EH's CCU is a 3-bed unit, staffed with 2 RNs 24/7, who float to Med/Surg or ED as necessary
  - Peer rural hospitals are transitioning ICU/CCU beds to the med/surg unit as a Progressive Care Unit due to low volume

Inpatient Services

STROUDWATER

- **Findings and Analysis (continued)**
  - Obstetric ADC remained stable between 0.9 to 1.1 days over the measured period
    - Reported EH averages approximately 150-175 deliveries annually
    - Staffing includes 2 RNs 24/7, 2 OB-GYNs (employed by the local FQHC) and a locum OB-GYN for coverage
  - Swing-bed volume varied between 1.3 to 1.9 days due to limited outreach to area hospitals for swing-bed patients and competition with three area nursing homes that offer skilled care
    - Best practice peer rural hospitals target swing-bed ADC at a minimum of 4.0, as swing-bed services provide an important care resource for rural patients and a volume growth opportunity for the hospital
    - Reported EH has historically screened out non-Medicare patients, including Medicare Advantage patients, from the swing-bed program
      - Private FFS Medicare Advantage (XX) plans are required by law to reimburse CAHs at rates consistent with Medicare rates and non-Medicare/MA days are carved out of the routine cost "pool" at the statewide Medicaid nursing home rate

Inpatient Services

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- **Inpatient Swing Bed Financial Opportunity**
  - Financial analysis entails the establishment of a base case cost structure that is used to project contribution margin impact associated with incremental inpatient volume growth
    - **Model A base case** analysis of 2015 cost structure indicates an approximate loss of $2.2M on a fully allocated cost basis

	ADC	Total Days	Cost Based Payer Mix	Cost Based Days	Other Days	Payment Per Day	Other Payment
Acute (inc Observ, ICU)	8.2	2,982	77%	2,309	673	$ 3,500	$ 2,355,500
Swing Bed - SNF	1.5	543	100%	543	-	$ 1,200	$ -
Total Days	9.7	3,525		2,852	673		$ 2,355,500
Net Acute/SB SNF/Obs		3,525	81%	2,852	673		
Inpatient Fixed Costs		$ 14,270,197					
Inpatient Variable Costs		$ 1,193,025 [1]					
Total Inpatient Costs		$ 15,463,222 [2]					
Inpatient Costs Per Day		$ 4,387		$ 4,387			
Less: Cost-Based Carveouts		$ (2,000,000)		$ (567.38)			
Cost Based Payment				$ 10,892,797			$ 10,892,797
Total Payment							$ 13,248,297
Inpatient Costs							$ 15,463,222
Net Margin							$ (2,214,925)

    - **Model B** projects the contribution margin opportunity from Swing Bed census growth
      - Analysis shows a census growth of 2.5 inpatient Swing Bed days has a potential contribution margin opportunity of approximately **$492k**

	ADC	Total Days	Cost Based Payer Mix	Cost Based Days	Other Days	Payment Per Day	Other Payment
Acute (inc Observ)	8.2	2,982	77%	2,309	673	$ 3,500	$ 2,355,500
Swing Bed - SNF	4.0	1,460	100%	1,460	-	$ 1,200	$ -
Total Days	12.2	4,442		3,769	673		$ 2,355,500
Net Acute/SB SNF/Obs		4,442	81%	3,769	673		
Inpatient Fixed Costs		$ 14,270,197 [1]					
Inpatient Variable Costs		$ 1,445,200 [2]					
Net Inpatient Costs		$ 15,715,397					
Inpatient Costs Per Day		$ 3,538		$ 3,538			
Less: Cost-Based Carveouts		$ (2,000,000)		$ (450.25)			
Cost Based Payment				$ 11,637,400			$ 11,637,400
Total Payment							$ 13,992,900
Inpatient Costs							$ 15,715,397
Net Margin							$ (1,722,497)
Difference							$ 492,428

[1] Assumes $350/day marginal acute costs and $275/day marginal swing bed SNF

[2] Nursing costs plus Acute Inpatient departmental inpatient charges times departmental RCCs (WS C)

Inpatient Services

STROUDWATER

- **Findings and Analysis (continued)**
  - Inpatient staffing: (24/7 coverage)
    - Reported that inpatient staffing is two RNs and one charge RN (coordinator role with hospitalists) during the day, three RNs and one aid during the evening and two RNs and one aid at night, as well as 24/7 hospitalist coverage
      - Volume-based benchmarks of the inpatient unit indicate staffing capacity to support incremental volume increases and EH may want to consider opportunities to match staffing to demand
- **Recommendations**
  - Target growth in inpatient admissions and set expectation with providers on admission to either observation or acute
    - Set target at 10-12% combined ED admission rate (acute and observation) due to 24/7 General Surgery
      - Current ED admission rate is 8% and explained further in the ED section of the report
  - Target a swing bed ADC of 4.0 by year-end through the following activities:
    - Develop a swing bed marketing plan focused on EH swing-bed education and offered services, targeting employed physicians, area providers and hospitals, and case managers
    - Prioritize swing bed utilization with case managers by utilizing the E-Discharge software
    - Access new patients including Medicare Advantage, Medicaid, and commercial payer patients
  - Evaluate inpatient staffing model to ensure appropriate staffing to patient ratios, taking into account CAH standby requirements
  - Target 200 annual deliveries through continued promotion of the obstetrical program
    - Evaluate the ROI and viability of the obstetric program
  - Consider transformation of CCU beds to med/surg unit as a progressive care unit

Emergency Department (ED)

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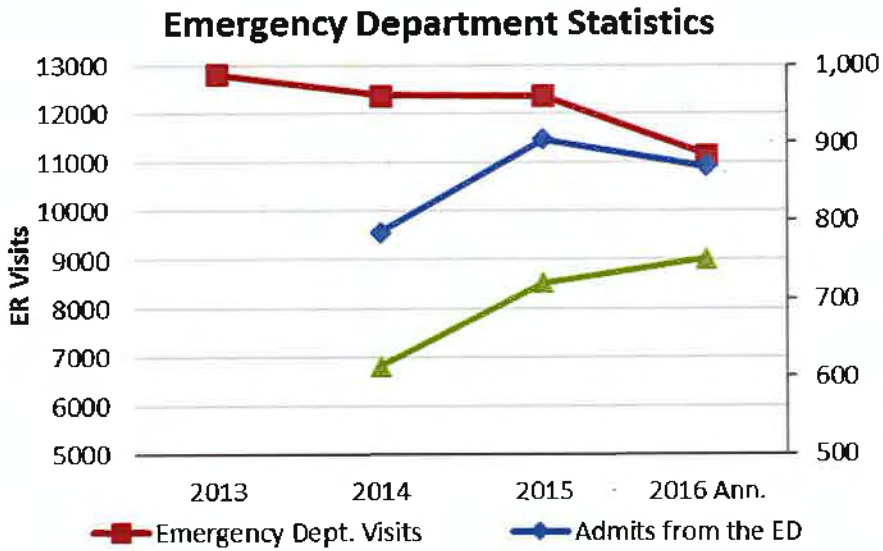
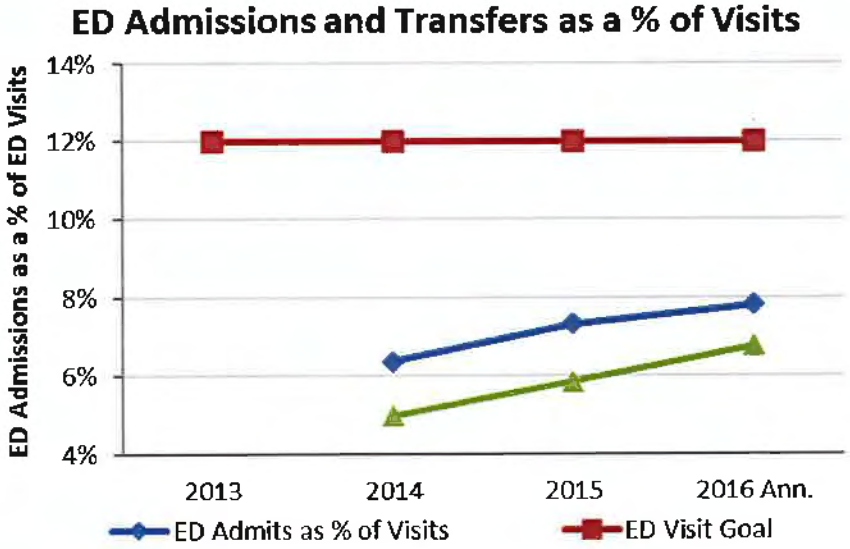
- **Findings and Analysis**
  - ED visits decreased 13% from 2013 to 2016 due to the opening of an urgent care clinic in Nearby, XY and a decrease in XY Medicaid patients





  - Though ED visits decreased over the measured period, ED admissions (acute and observation) increased from 6% in 2013 to 8% in 2016 and ED transfers increased from 5% in 2013 to 7% in 2016
    - Peer rural hospitals target ED admission rates (Acute and Observation) between 10% and 12% and look at all ED transfers for appropriateness to determine if patients can be treated at the facility
  - ED Staffing: 24-hour ED physician shifts (7 days/week), ED physician assistant (PA) (11a-9p)
    - Reported EH has 2 ED physician locums and EH is recruiting to fill a vacant position
    - Nurse staffing includes: 3 RNs (9:30a-11p), 2 RNs (11p-9:30a) and ED tech (11a-7p)
    - Volume-based benchmarks indicate that the ED is efficiently staffed

Emergency Department (ED)

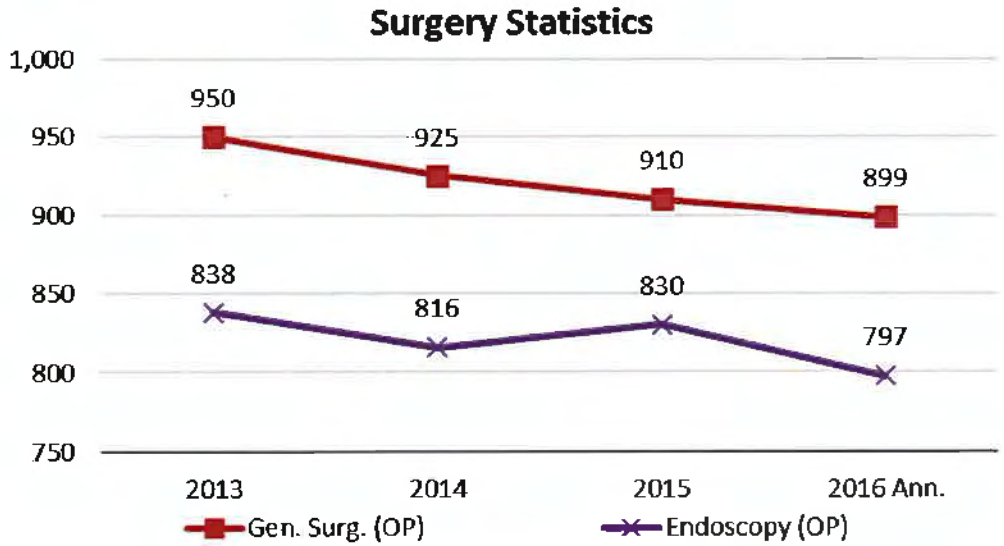
STROUDWATER

- **Findings and Analysis (continued)**
  - Reported that EH tracks some KPIs, including the following, but has not been able to pull comprehensive data from Meditech and improve performance measures in the ED
    - 2-hour delay exists getting patients admitted
    - Current door to discharge is 124 minutes
    - Door to transfer is 134 minutes
  - Reported some physicians leave patients in the ED for extended periods of time instead of admitting patients to observation or acute
    - With 3 bays and 2 treatment rooms, extended stays in ED can prevent timely access to care
- **Recommendations**
  - Implement systems to ensure admission of patients, meeting admission criteria for observation or acute, to the hospital or transferred if EH is unable to provide care services
    - Target 12% ED admissions rate (acute/observation) as a percentage of ED visits
  - Evaluate opening an urgent care clinic, possibly in Local, XX or on campus, to capture lost volume going to CMH's urgent care clinic
    - Utilize ED PA to staff urgent care clinic
  - Pursue KPI data from Meditech to drive improvement efforts on ED KPIs, targeting a reduction in ED throughput time

Surgery

STROUDWATER

- **Findings and Analysis**



- Reported 5% surgical volume decline over the measured period due to loss of orthopedic surgeon
  - EH has since recruited a full-time orthopedic surgeon
- Reported surgical schedule is as follows:

	Monday	Tuesday	Wednesday	Thursday	Friday
OR 1:	[redacted]				
OR 2:					

  - Reported Dr. A, DO does 5-6 scopes/month
  - Dr. B does total joint replacements on Tuesday (2 procedures) and sports medicine on Wednesday
  - Dr. C, MD started 18 months ago and is employed by National Health Programs (NHP)

Surgery

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- **Findings and Analysis (continued)**
  - Surgical space consists of 2 operating rooms and a procedure room
    - Reported that infusions are performed in the OR recovery space
  - Reported EH currently has four anesthesiologists that staff the OR, who also rotate with CMC
    - EH is currently looking at CRNA recruitment to reduce the anesthesiologist need
  - Reported additional growth opportunities include:
    - Ramp up volume of Dr. B once he becomes full-time
    - Recruitment of ENT
- **Recommendations**
  - Pursue recruitment of a CRNA to reduce anesthesiologist coverage if State regulations will allow this
  - As soon as Dr. B commits to EH full time, market Dr. B's services to the community and other area providers
  - In partnership with CMC, work to offer ENT services at EH

Radiology

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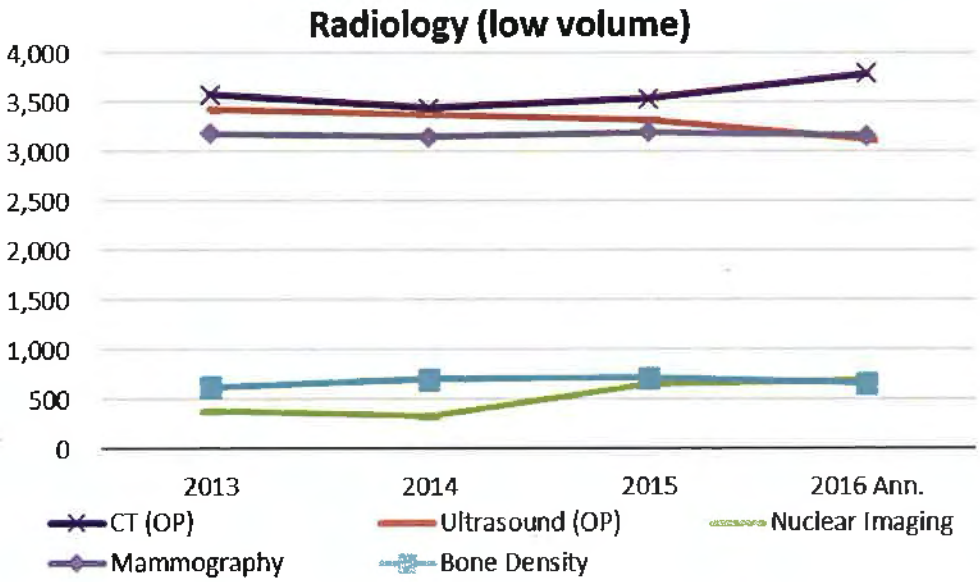
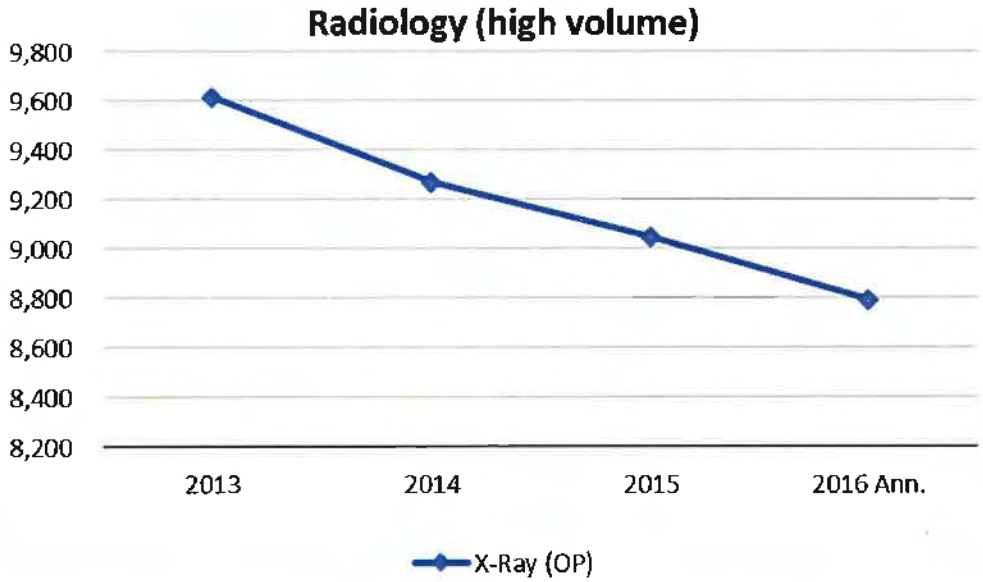
- **Findings and Analysis**
  - EH provides multiple imaging service modalities including: diagnostic X-ray, CT (64-slice), ultrasound, mammography, bone density (DEXA), and nuclear imaging





  - Reported CT volume increased 6% and x-ray has decreased 9% over the measured period due to increased ED physician utilization of CTs relative to x-rays, and overall reduced ED visits
  - Radiology staffed 8a-4p (M-F) and 7a-11p on weekends with techs providing on-call coverage for other hours
    - Techs cross-trained in multiple modalities
    - Techs paid a minimum of 2 hours when called back for radiology services
    - Volume-based benchmarks indicate incremental volume growth potential at current staffing levels

Radiology

STROUDWATER

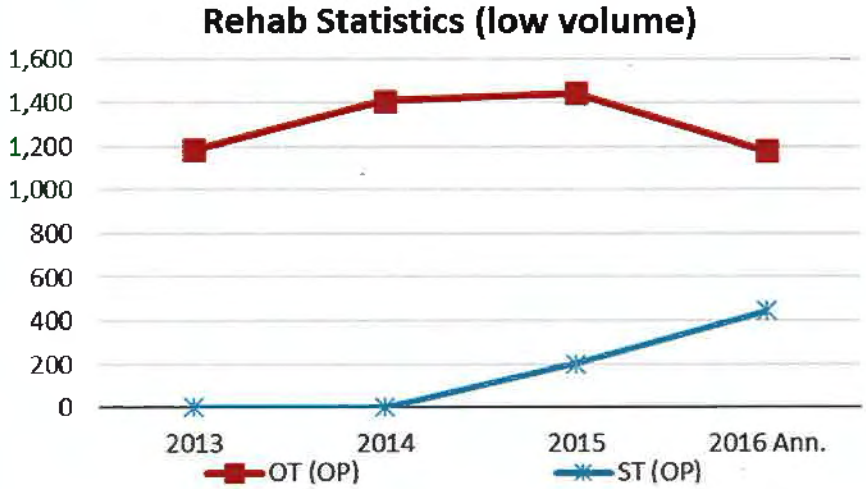
- **Findings and Analysis (continued)**
  - CHS provides Radiologist services to EH as part of a system allocation
    - Radiologist is onsite Thursdays to perform biopsies and fluoroscopy procedures
    - Reported Radiologist response time good for ED reads; however, though rare, some non-emergent scans are not read by Radiologists and require active engagement by EH
  - Reported EH has an on-site PACS system that is fully integrated with the EHR
    - Staff able to pull images and reports directly from EHR which meets Meaningful Use requirements

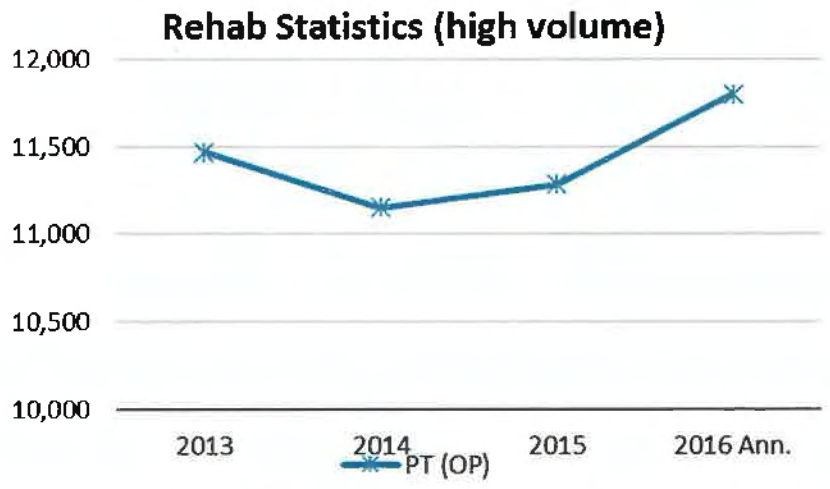
- **Recommendations**
  - Conduct marketing and education focused on imaging services
    - Target area providers and the community with regard to the service offerings at EH
      - Highlight the new 64-slice CT
  - Implement systems to ensure Radiologist reads all Radiology scans in an adequate amount of time
    - Work with Radiologist to mitigate any barriers and or system issues that may prevent the reading of Radiology scans

Rehabilitation Therapies

STROUDWATER

- **Findings and Analysis**
  - EH offers comprehensive inpatient and outpatient therapy services including physical therapy (PT), occupational therapy (OT), and speech therapy (SP)





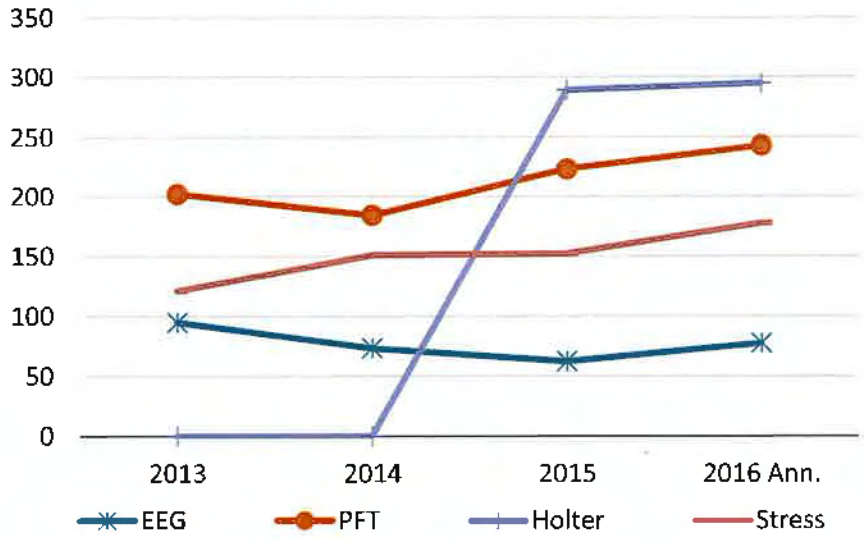
  - Though OT increased from 2013 to 2015, volume declined in 2016 due to underutilization by referral sources
  - PT and ST volumes increased since 2014; however, staff shortages preventing further growth
    - Reported new patient goal is 1-2 weeks; however, wait for new patients is 4-5 weeks, which is not acceptable in a consumer-driven healthcare environment
- **Recommendations**
  - Increase FH-driven marketing efforts surrounding rehabilitation services to area providers
  - Continue to recruit staff as needed to meet community needs in a timely manner
    - Target scheduling patients in 1-2 weeks from referral receipt

Cardiopulmonary

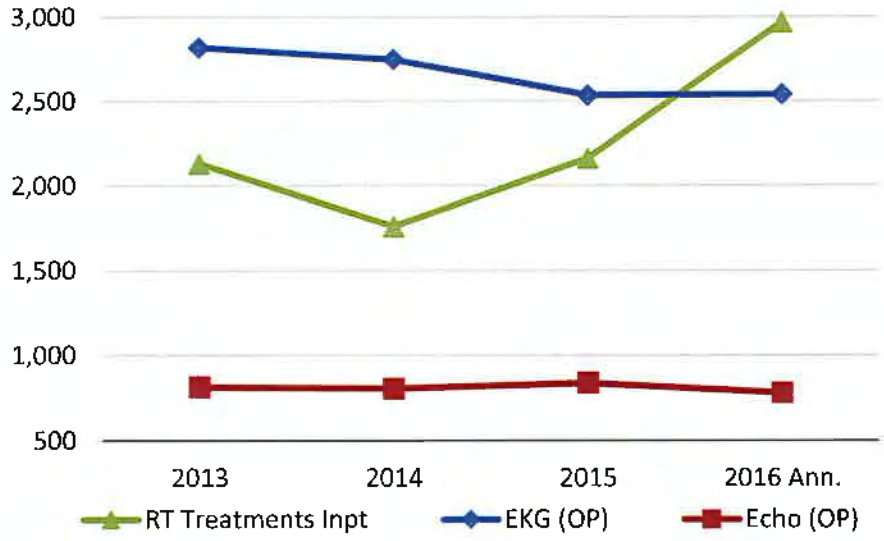
STROUDWATER

- **Findings and Analysis**
  - EH offers a range of cardiopulmonary diagnostic and therapy services including:
    - PFTs, EEGs (1-day/week), pulmonary rehab, EKGs, stress testing and holter monitoring, with the opportunity to add sleep studies at EH or at home
    - Reported that there is a large sleep lab in Hilldale, 25 miles from EH
    - Reported that department space may be limiting the expansions of additional services

Cardiopulmonary (low volume)



Cardiopulmonary (high volume)



  - Additional opportunities includes:
    - Work with CHS to have access to a pulmonologist onsite due to the high amount of COPD patients in the area
    - Potential to use EH's exercise facility in the evening for additional service offerings

Cardiopulmonary

STROUDWATER

- **Findings and Analysis (continued)**
  - Reported that department actively markets cardiopulmonary services to EH medical staff, area providers and holds regular informative meetings with community members
    - EH is designated as a Primary Stroke Center by the Anystate Department of Public Health
  - Current staffing is three RNs (36 hrs.) and a cardiologist that is on-site
    - Volume-based benchmarks indicate staffing capacity to support incremental volume increases

- **Recommendations**
  - Evaluate the feasibility of performing sleep studies
  - In partnership with CHS, get access to a pulmonologist onsite to service the COPD population
  - Optimize exercise facility to offer additional services related to cardiopulmonary

Laboratory

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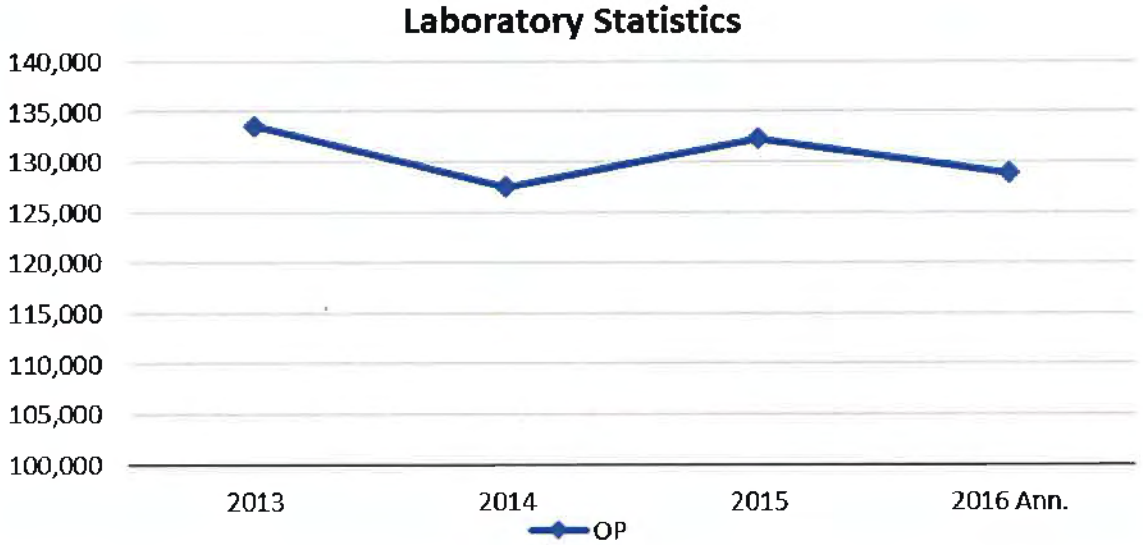
- **Findings and Analysis**
  - Laboratory holds CAP Accreditation, which is the gold standard for Lab accreditation
    - Most peer rural CAHs hold CLIA Accreditation or The Joint Commission Accreditation and do not pursue the more stringent CAP Accreditation
  - Outpatient lab volume declined over the measured period due to the reduction in ED volume



  - Service hours are 24/7, offering hematology, chemistry, urinalysis, blood banking, and drug screen collections to area providers
    - Reported some area providers will do their own draws and send lab to EH
    - Reported EH uses CMC as a reference lab
  - Reported some lab staff nearing the age of retirement

Laboratory

STROUDWATER

- **Findings and Analysis (continued)**
  - Reported, though rare, at times the Laboratory receives Labs for processing without orders
    - Lab Manager actively engages practices to discuss missing lab orders and process improvement

- **Recommendations**
  - Begin succession planning for lab staff nearing retirement
    - This will allow department to avoid productivity losses
  - Continue to work with area providers to ensure Labs received have the necessary orders

340B Program

STROUDWATER

- **Findings and Analysis**
  - The 340B program has proven highly beneficial to rural hospital peers with outpatient clinics
    - The 340B Drug Pricing Program allows CAHs to benefit from reduced drug costs and profit from contracted retail pharmacy program revenues
    - For CAHs, the 340B program is available to provider-based entity (PBE) clinics and provider-based rural health clinics (PBRHC)
  - Reported the PBE clinic, Example Medical, participates in the 340B program
    - Clinic has seen limited financial gains from the 340B program
  - A significant benefit exists from the 340B program by partnering with County Faculty Services (BFS), a large medical group comprised of 150 employed physicians
    - Reported that many of the BFS clinics are PBE clinics, but clinics in southern County County are not due to the physical location of those clinics
    - Opportunity exists to pursue RHC designation due to a prior geographic HPSA
      - The HPSA designation (HPSA ID: 12599925B7) is outside of the three-year window necessary to meet RHC requirements and must be updated before pursuing RHC designation
    - Potential 340B program benefit analysis shown below is based on Stroudwater experience with the 340B program CAHs (340B revenue forecasting is complex, so use the estimate below as a guideline)
      - For every 10K eligible Medicare and 3rd Party visit, EH could see between $350K and $450K in supplemental income from the 340B program

EH Clinic Visits	EH Medicare and 3rd Party Payer %	EH 340B Eligible Visits	Avg. RX per Visit	Total 340B RXs	Avg. per Rx 340B Increase	340B Incremental Benefit
10.0k	80%	8.0k	1.5	12k	$30.00	$360k

340B Program

STROUDWATER

- **Recommendations**
  - Pursue expansion of the 340B program and target between $350k and $450k per 10k eligible visits in net proceeds from the 340B program
    - Develop strategies to maximize financial opportunity of the 340B program
  - Update the HPSA designation (HPSA ID: 12599925B7) before pursuing RHC designation within southern County County

Quality Improvement

STROUDWATER

- **Findings and Analysis**
  - EH holds The Joint Commission Accreditation (TJC) and has been recognized multiple times for Special Quality Awards and as a Top Performer on Key Quality Measures
  - Reported EH holds quality committee meetings of multidisciplinary groups, which includes frontline staff and department managers utilizing departmental dashboards to drive focus and direction for quality improvement
    - All departments track QI/QA items, and conduct daily quality-related huddles
    - Reported that EH holds quarterly employee forums that highlight quality information and EH's Board of Trustees receive quality reports
    - EH's quality program is integrated with CHS
  - EH established a culture committed to quality as seen by the quality scores on public websites; however, it does not extensively advertise quality scores throughout region
    - Reported EH was named 'Top Rural Hospital' for the fourth consecutive year by the Leapfrog Group in 2015 and has received two Press Ganey awards for inpatient and ambulatory surgery
    - EH has not historically used their best-in-region quality and outcomes scores to market the high quality of services and core competencies at EH
    - Best practice rural hospitals leverage high quality and outcomes scores as a point of competitive differentiation for regional service marketing purposes and as a competitive asset
- **Recommendations**
  - Develop a marketing and community outreach plan to educate the community and region on the quality and competency of care at EH as compared to competitors
  - Continue best practice development of an organization-wide quality improvement culture

Information Technology

STROUDWATER

- **Findings and Analysis**
  - Stroudwater believes successful hospitals of the future will leverage IT resources to deliver demonstrable quality, patient safety, and customer service in a secured network environment
    - Reported IT services provided by CHS
    - Reported EH had a virus in 2015 which impacted some systems throughout the hospital

- **Recommendations**
  - Create a five-year strategic IT vision that goes beyond meaningful use and leverages IT resources to create a high-quality culture of patient safety through system training and integration into clinical operations
    - Recognize IT as a strategic asset, rather than as an expense to be managed
  - Schedule and or include IT systems as a part of periodic disaster drills and mitigate single points of failure throughout the system

Staffing Benchmark Analysis

STROUDWATER

Sample of Selected Departments

Department	Performance Indicator	FY 2015 Volume	Hourly Standard[1]	FTEs @ Standard	Actual FTEs[2]	Variance
Nursing - Med Surg	Per Patient Day	2,658	12.00	15.33	27.28	11.95
Nursing - Obstetrical/Postpartum Unit	Per Patient Day	323	10.00	1.55	10.22	8.67
Nursing - Nursery	Per Patient Day	294	5.00	0.71	-	(0.71)
Nursing - ICU/CCU	Patient Day	496	20.75	4.95	9.95	5.00
Inpatient Subtotal				22.54	47.45	24.91
Nursing - Surgery - Major	Per Case	109	11.00	0.58	12.17	11.59
Nursing - Surgery - Minor	Per Case	910	5.50	2.41	-	(2.41)
Nursing - Endoscopy/GI Lab	Per Case	852	3.60	1.47	3.22	1.75
Nursing - Recovery Room	Per Case	1,871	3.30	2.97	-	(2.97)
Surgery Subtotal				7.43	15.39	7.96
Emergency Room	Per Visit	12,357	2.75	16.34	19.21	2.87
UR/Case Mgr/Soc Ser	Patient Days	3,771	0.75	1.36	3.19	1.83
Nursing Administration	Per Adj. Admissions	5,287	1.75	4.45	2.85	(1.60)
Subtotal Nursing				52.11	88.09	35.98
Radiology	Per Procedure	21,889	1.42	14.96	16.47	1.51
Physical Therapy[3]	Per Treatment	36,094	0.50	8.68	16.51	7.83
Occupational Therapy[3]	Per Treatment	4,701	0.50	1.13	2.04	0.91
Speech Therapy[3]	Per Treatment	264	1.00	0.13	0.21	0.08
Cardio/Pulmonary	Per Procedure	7,304	0.87	3.07	8.01	4.94
Pharmacy	Per Adjusted Day	18,746	0.60	5.41	5.10	(0.31)
Subtotal Ancillary				33.37	48.34	14.97
Subtotal - Clinical				85.48	136.43	50.95
Hospital Administration	Per Adj. Admissions	5,287	1.65	4.19	3.15	(1.04)
Information Systems/Telecommunication	Per Adj. Admissions	5,287	1.36	3.46	0.39	(3.07)
Human Resources	Per Adj. Admissions	5,287	1.10	2.80	2.71	(0.09)
Marketing/Planning/Public Rel/Vol	Per Adj. Admissions	5,287	1.03	2.62	3.60	0.98
General Accounting	Per Adj. Admissions	5,287	1.23	3.13	-	(3.13)
Security	Gross Square Feet	87,947	0.02	0.85	1.45	0.60
Patient Accounting	Per Adj. Admissions	5,287	3.00	7.63	1.22	(6.41)
Admitting/Patient Registration	Per Adj. Admissions	5,287	3.75	9.53	10.81	1.28
Medical Records	Per Adj. Admissions	5,287	3.00	7.63	6.65	(0.98)
Cent Supply/Mtl Mgmt/Sterile	Per Adjusted Day	18,746	0.30	2.70	1.96	(0.74)
Housekeeping	Net Square Feet	57,698	0.31	8.65	11.70	3.05
Dietary	Meals Served	12,194	0.25	1.47	11.52	10.05
Plant Ops/Maintenance	Gross Square Feet	87,947	0.08	3.38	8.52	5.14
Laundry and Linen	Lbs of Laundry	144,206	0.02	1.39	-	(1.39)
Subtotal Support				59.41	63.68	4.27
				144.90	200.11	55.21

[1] Hourly Standards based on Stroudwater sample of hospitals

[2] FY 2015 internal information provided by hospital administration

[3] Volume pulled from the 2015 PS&R

Findings and Analysis

- Departmental Staffing Analysis comparing EH's paid FTEs for selected departments with peer benchmarks
  - *Note: Caution must be used when evaluating individual departmental performance relative to staffing productivity standards, as standards do not generally take into account stand-by capacity or specific nuances of each hospital's operations such as low volume thresholds*
- Overall staffing levels indicate some departments/units may have an excess or deficit in staffing capacity based on volume guidelines

Recommendations

- Use volume-based staffing benchmarks to evaluate departmental staffing levels for possible inefficiencies
  - Continue to monitor departments/units, recognizing that staffing maybe already be at a minimum threshold

Cost Report Improvements

STROUDWATER

- **Findings and Analysis**
  - A desk review of the FY 2015 filed cost report was completed to look for common errors in preparation or opportunities to enhance revenue or decrease expense
    - Medicare Coinsurance
      - EH has shifted significant cost (35%) to Medicare beneficiaries; Medicare bad debt as a percentage of coinsurance is typically 20% at a CAH
      - High co-insurance amounts can be a competitive disadvantage, as EH is essentially transferring 35% of unreimbursed OP costs to patients via Medicare co-insurance, which could drive patients to less expensive facilities

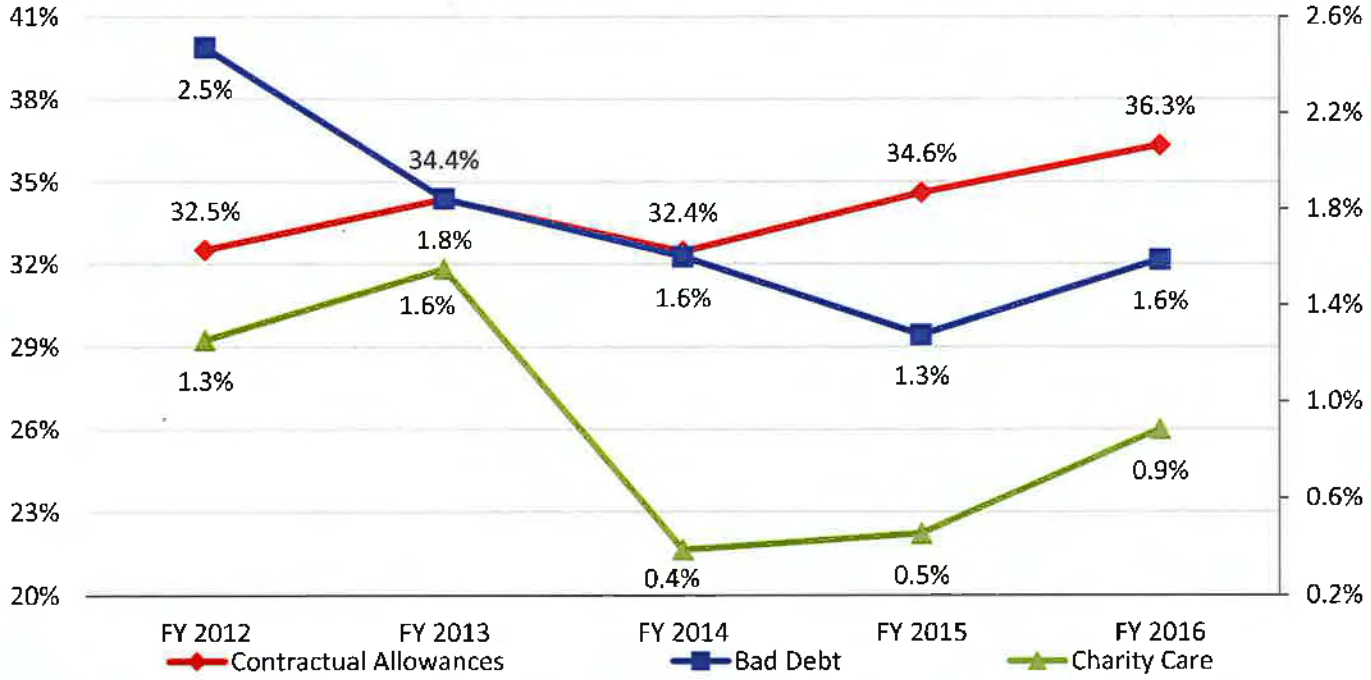
- **Recommendations**
  - EH must verify appropriateness of CDM and confirm that EH is not at a competitive disadvantage and is not unnecessarily burdening Medicare patients through shifting of co-insurance to patients

Revenue Cycle

STROUDWATER

- **Findings and Analysis**
  - Performance Measures/Management

Contractual Allowances, Bad Debt and Charity Care as a % of Gross Revenue



- **Contractual Allowances** as a percentage of gross revenue increased from 34.9% in 2012 to 36.3% in 2016 due to a reduction in IP services and the transition to OP services which generally have higher contractual allowances than IP services
- **Bad Debt and Charity Care** levels as a percentage of gross revenue decreased from 3.0% in 2012 to 2.5% in 2016 (combined) due to the expansion of Medicaid under the ACA
  - The combined Bad Debt / Charity care reflects best-practice revenue cycle systems

Revenue Cycle

STROUDWATER

- **Findings and Analysis (continued)**
  - Performance Measures/Management (continued)

Days in Net Accounts Receivable	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Net Accounts Receivable*	$ 5,081,443	$ 5,452,178	$ 4,801,174	$ 4,540,464	$ 5,317,440
Net Patient Revenue*	$43,199,548	$44,397,734	$45,643,958	$47,530,047	$44,410,090
Hospital Rate	**42.9**	**44.8**	**38.4**	**34.9**	**43.7**
Benchmark					
75th percentile	66.7	64.2	64.2	64.2	64.2
Median	54.1	49.2	49.2	49.2	49.2
25th percentile	45.1	40.8	40.8	40.8	40.8

Benchmark for small, rural hospitals from 2010 Sourcebook (Thomson Reuters, based on 2009 data).

**Note: Net of contractual allowances and bad debt expense*

- **Days Net Revenue in Net A/R** has been at or below the 25th percentile of peer rural hospitals for the measured period due to best practice revenue cycle functions
  - EH is at the best practice peer rural hospital benchmark standard of 45 Days or less Net A/R
- Key Performance Indicators (KPI): EH tracks KPIs via Polaris software and distributes to revenue cycle team
  - Best-performing peer rural hospitals establish, target, track, and manage performance indicators, such as the following HFMA best-practice revenue-cycle metrics, in an effort to improve revenue cycle performance:
    - Cash collected and cash percentage of net revenue
    - Gross and Net A/R and A/R days
    - In-house and discharged not-final-billed receivables
    - Third party aging over 90 days
    - Cost to collect
    - Bad debt and charity as a percent of gross charges
    - Denials as a fraction of gross charges
    - Point of service collections as a fraction of goal

Revenue Cycle

STROUDWATER

- **Findings and Analysis (continued)**
  - Performance Measures/Management (continued)
    - Reported other KPI measures tracked include: pre-registration percentage and percentage of POS collections in ED (goal is 30% of identified co-pays)
    - Reported that EH holds monthly revenue cycle team meetings
      - Best practice peer rural hospitals use KPIs to drive revenue cycle performance and have a minimum of bi-weekly revenue cycle meetings, using KPIs to drive meeting agenda
  - Patient Registration
    - Two registration sites as follows: Outpatient Registration/Switchboard (6:30a-8p) and ER registration (staffed 24/7)
    - Outpatient Registration: core responsibilities include registering all patients, online insurance verification, ensuring appropriate authorizations, and discussing co-pay/deductible fees with patient
      - Pre-registration is performed by one FTE (11a-7p), who will also cover OP registration, duties include calling all patients with scheduled procedures for demographic and insurance information
        - Reported that the goal is to have all pre-registration calls completed three days in advance of procedure, currently only at one day in advance
        - EH has just implemented upfront collections by pre-registration staff, beginning with imaging services
      - Central scheduling includes two schedulers and a dedicated scheduler for the OR; reported that patient scheduling staff will go over payment amounts with the patient, and payments are requested in advance of services

Revenue Cycle

STROUDWATER

- **Findings and Analysis (continued)**
  - ER Registration: Reported when patient presents, if not in acute pain, the patient will complete full registration, sign consent, and staff will collect co-pay prior to treatment
    - Reported that staff has the tools necessary to complete registration at the bed side, but is easier if patient is at the desk to register and collect co-pay
    - Reportedly, after the patient is discharged, patients are not being escorted back to registration for discharge papers, collection of payment, or to set up a payment plan if unable to pay
    - Certified Access Counselors work with uninsured patients to help enroll in Health Insurance Exchange or Medicaid
  - Chargemaster (CDM)
    - Reported CHS sets CDM for EH and the hospital does not have control over the implementation or pricing methodology within the CDM
      - Best practice peer rural CAH rural hospitals regularly review the CDM and implement pricing which effectively leverages the cost-based reimbursement methodology
  - Third Party Contracts
    - Reported third party contracts negotiated at CHS
      - Best practice peer hospitals regularly evaluate the profitability of third-party contracts as a means of negotiating future increases

Revenue Cycle

STROUDWATER

- **Recommendations**
  - Performance Measures/Management
    - Continue best-practice performance measurement through monthly revenue cycle team meetings utilizing performance metrics and departmental goal-setting and the internal dashboard to drive meeting agenda
    - Set target for all KPIs and strategies put in place to specifically address improving KPIs to targeted levels
  - Patient Registration
    - EH must make sure that when patient presents in the ED that current process is compliant with EMTALA
    - Implement a point-of-service collection process that ensures the nurse and/or registration clerk escort patients back to registration following discharge to collect copayments or coinsurance
  - Chargemaster
    - Must consider separate chargemaster for EH to reflect CAH specific rules

Management Accounting

STROUDWATER

- **Findings and Analysis**
  - EH uses the incremental budget methodology to create an organizational budget
    - Administration works with department directors to review assumptions and provide feedback
    - Reported that EH recently purchased Kaufman Hall's budget reporting system, which will be used for next years budget
  - Reported department managers receive monthly financial statements
    - Reported no required variation analysis required by department managers when actual performance deviates from budget
      - Best practice peer rural hospitals will set pre-determined variance amounts that managers are required to explain

- **Recommendations**
  - Establish a strong performance culture through the following:
    - Continue to engage department managers in the annual budget setting process to establish ownership and accountability
    - Create system report that requires variance analysis for selected variations on the monthly financial statements

Provider Complement and Alignment

STROUDWATER

Physician Shortage/Surplus Adjusted Service Area Population **19,941**

	Supply Study Existing[1] Range		(Shortage)/Surplus Range[2]
Primary Care			
Family Practice	2.7 - 9.4	2.50	(6.9) - (0.2)
Internal Medicine	2.3 - 5.6	5.90	0.3 - 3.6
Pediatrics	1.6 - 2.4	4.75	2.4 - 3.2
Physician Primary Care Range	**10.7 - 13.3**	**13.15**	**(0.1) - 2.5**
Non-Phys Providers	1.4 - 4.6	8.00	3.4 - 6.6
TOTAL Primary Care Range	**13.2 - 17.8**	**21.15**	**3.3 - 7.9**
Medical Specialties			
Allergy	0.2 - 0.3	0.00	(0.3) - (0.2)
Cardiology	0.6 - 0.7	1.60	0.9 - 1.0
Dermatology	0.4 - 0.5	0.00	(0.5) - (0.4)
Endocrinology	0.0 - 0.3	0.10	(0.2) - 0.1
Gastroenterology	0.4 - 0.5	0.00	(0.5) - (0.4)
Hem/Oncology	0.4 - 0.5	0.20	(0.3) - (0.2)
Infectious Disease	0.1 - 0.2	0.00	(0.2) - (0.1)
Nephrology	0.3 - 0.3	0.00	(0.3) - (0.3)
Neurology	0.4 - 0.5	0.00	(0.5) - (0.4)
Pulmonary	0.2 - 0.4	0.00	(0.4) - (0.2)
Rheumatology	0.2 - 0.3	0.00	(0.3) - (0.2)
Surgical Specialties			
ENT	0.1 - 0.6	0.20	(0.4) - 0.1
General Surgery	1.2 - 1.5	1.00	(0.5) - (0.2)
Neurosurgery	0.2 - 0.2	0.00	(0.2) - (0.2)
OB/GYN	1.5 - 2.1	3.00	0.9 - 1.5
Ophthalmology	0.7 - 0.8	1.00	0.2 - 0.3
Orthopedic	0.9 - 1.4	0.75	(0.6) - (0.1)
Plastic Surgery	0.2 - 0.4	0.00	(0.4) - (0.2)
Urology	0.5 - 0.6	0.25	(0.4) - (0.3)

1 Physician FTEs calculated as 5 days per week = 1.0 FTE or 18 days per month = 1.0 FTE

2 See Appendix for detail of Supply Studies.

Findings and Analysis

- Primary Care current needs analysis, based on adjusted service-area population, indicates a **surplus** of between **3.3** and **7.9** primary care provider FTEs
  - A potential primary care physician deficit 0.1 is partially offset by surplus of between 3.4 to 6.6 non-physician provider (midlevel) FTEs
  - Best-practice rural hospital peers are actively recruiting physician providers as providers approach retirement age and create greater opportunities for primary care alignment due to the market factors highlighted in this section of the report
- Specialty Care needs analysis suggests shortages in many of the listed specialties with the greatest need in the following areas: general surgery, orthopedic, neurology and gastroenterology

Recommendations

- Work with CHS to identify medical and surgical specialty-care needs and service development opportunities
  - Use this analysis to support future evaluation and testing of medical staff complement, as well as primary care and specialty clinic development

Provider Complement and Alignment

STROUDWATER

- **Findings and Analysis (continued)**
  - Primary Care Providers (PCPs) in the service area consist primarily of the following:

Provider Name	Credential	Specialty	Area Practice Site	Employer
[redacted]	MD	Family Practice	[redacted]ily Medicine	[redacted]
	MD	Internal Med.	[redacted]ily Medicine	
	MD	Pediatrics	[redacted]ediatrics	
	MD	Pediatrics	[redacted]ediatrics	
	MD	Pediatrics	[redacted]ediatrics	
	MD	Pediatrics	[redacted]ediatrics	
	DO	Internal Med.	[redacted]M of FH	
	DO	Internal Med.	[redacted]cal of FH-IM	
	MD	Family Practice	[redacted]Barrington	Comm[redacted]ns FQHC
	MD	Family Practice	[redacted]Barrington	Comm[redacted]ns FQHC
	MD	Family Practice	[redacted]rington	East M[redacted]sociates
	MD	Family Practice	[redacted]rington	East M[redacted]sociates
	DO	Family Practice	[redacted]rington	East M[redacted]sociates
	MD	Family Practice	[redacted]mily Medicine	
	PA	Family Practice	[redacted]rington	East M[redacted]sociates
	PA	Family Practice	[redacted]rington	East M[redacted]sociates
	FNP	Family Practice	[redacted]rington	East M[redacted]sociates
	FNP	Family Practice	[redacted]Barrington	Comm[redacted]ns FQHC
	FNP	Family Practice	[redacted]Barrington	Comm[redacted]ns FQHC
Midlevel	FNP	Internal Med.	[redacted]M of FH	
Midlevel	FNP	Internal Med.	[redacted]cal of FH-IM	
Midlevel	FNP	Family Practice	Stockbridge Family Medicine	Independent

- Example Medical is a provider-based clinic, consisting of Dr. [redacted] and one FNP
- Example Internal Medicine is an off-campus clinic, consisting of Dr. [redacted]er and one FNP
- Downtown Family Medicine is an off-campus clinic, consisting of Dr. [redacted]pson and Dr. [redacted]Hickey, who was recently recruited to repla[redacted]son

Provider Complement and Alignment

STROUDWATER

- **Findings and Analysis (continued)**
  - Primary Care Providers (PCPs) in the service area (continued)
    - Pinwheel Pediatrics is an off-campus clinic, consisting of following four pediatric physicians:
      - Dr. [redacted]
    - Additional primary care practices within the service area include:
      - [redacted] Medical Associates (XYMA), located 1 mile from EH, which consists of three FP physicians, two PAs and one FNP
        - Reported that XYMA and EH have an excellent relationship
          - EH helped recruit providers and leases space in XYMA's building
        - Opportunity to more closely align through converting practice to a RHC and then to PBRHC if EH is able to update HPSA
      - National Health Programs (NHP), a FQHC in Small Town, consists of two FP physicians and two FNPs
        - Reported CHS and NHP have historically shared Medical Directors for the clinics
      - Local Family Medicine, a independent practice, consists of one FP physician and one FNP
        - Reported Local and EH have an excellent relationship
      - Opportunity exists to further align with the primary care providers within the EH service area

Provider Complement and Alignment

STROUDWATER

- **Findings and Analysis (continued)**
  - Rural hospitals must develop alignment strategies with local primary care providers as the future success of rural hospitals will be directly related to the strength of these relationships
    - In a budget- or population-based payment system, per capita patient revenue will be attributed to primary care providers, giving them tremendous potential value (estimate of a primary care clinic with one physician and one NP only):

Specialty	Provider	Ambulatory Encounters	Average Annual Visit per Patient	Patient Estimate	Directed per Capita Cost	Health Based Value
Family Practice	Dr. A	4,200	3	1,400	$9,300	$13,020,000
Family Practice	NP A	2,100	3	700	$9,300	$6,510,000
		6,300		2,100		$19,530,000

    - Best practice rural hospitals work to increase alignment strategies with their primary care providers, which EH has already begun to do by recruiting and retaining primary care providers
  - Continued alignment with primary care providers is necessary and will require developing interdependencies through contractual, functional, and governance relationships with local providers as follows:
    - Functional Alignment (shared medical records, joint development of evidence-based protocols, etc.)
    - Contractual Alignment (employment, contracted management services, lab services, radiology, contracted ER physicians, etc.)
    - Governance Alignment (possible shared board positions, senior management team involvement, etc.)
  - EH established interdependencies with members of the medical staff addressing, in part, functional, contractual, and governance alignment; however, further alignment is necessary to build and enhance relationships throughout the service area

Provider Complement and Alignment

STROUDWATER

- **Findings and Analysis (continued)**
  - Specialty Care

Provider Name	Credential	Specialty	Area Practice Site	Employer
[redacted]	MD	Cardiology	[redacted]	System
	MD	Cardiology		System
	DO	Dermatology		System
u	MD	General Surgery		System
	DO	General Surgery		System
ya	MD	Neurology	N	
	MD	OB/GYN	C	C Programs
	MD	OB/GYN	C	C Programs
	MD	Ophthalmology		System
	MD	Orthopedic	Orthopaedi ospital	
	MD	Orthopedic		System
	MD	Urology	Urol	System

- EH employs and or has shared service agreements with two specialists while providing space for other specialists in the service area
  - Dr. P splits OB services between IHS and EH with 2 days at IHS and 3 days at EH
- EH provides space for medical and surgical specialty services in the areas of cardiology, OB/GYN, General Surgery, Podiatry, Orthopedics, Sleep, and Urology
  - Additional part-time medical and surgical specialty-service growth in EH covered and non-covered specialty services could be supported by the service area population, according to service-area-based benchmarks

Provider Complement and Alignment

STROUDWATER

- **Findings and Analysis (continued)**
  - Wound Care and Hyperbaric Medicine Clinic
    - Service area has an outpatient wound care and hyperbaric clinic
    - The clinic has two hyperbaric oxygen chambers and four treatment rooms and staffing includes:
      - Dr. George D (1/2 day/week), serves as Medical Director
      - Three ED physicians (1-day shift)
      - Dr. E, a retired orthopedic physician
      - Three RNs, one tech, one front desk coordinator, who are all cross-trained
    - Reported the practice is busy, seeing approximately 50-70 visits/week
      - Reported staff shortages restricting volume growth
    - EH ended contract with Healogics in February, who marketed services aggressively
  - Physician Compensation System
    - Reported physician productivity incentives vary, based on the contract execution date
      - Reported all EH physicians are underperforming and not reaching RVU median benchmark levels
        - Opportunity to recognize rural "premium" in incentive contracts by reducing RVU incentive threshold to 35-40%
    - Reported EH has started to evaluate MARCA impacts and plans to utilize AllScripts reporting software to track criteria
      - Best-practice peer rural hospitals use MACRA and MIPS evaluation criteria as a physician incentive under current agreements due to impending reporting requirements starting in 2017

Provider Complement and Alignment

STROUDWATER

- **Recommendations**
  - Primary Care
    - In partnership with CHS, continue to evaluate primary care network expansion and primary care provider recruitment opportunities to meet the needs of EH's service area population
    - Continue best practice physician alignment strategy with employed and other primary care providers in the service area through functional, contractual, and governance alignment strategies
      - Focus on improving alignment with NHP working with the new CEO
      - Strengthen relationship with Local Family Medicine, consider acquiring the practice
  - Specialty Care
    - In partnership with CHS, look to add new specialist resources and increase specialist clinic days
      - Prioritize development of specialist relationships in key growth areas such as general surgery, orthopedic, neurology and gastroenterology
  - Wound Care and Hyperbaric Medicine Clinic
    - Increase second nurse from 32 hours/week to 40 hours/week to support the demand for services
    - Consider new marketing campaign for internal marketing of services and to the providers with the community
  - Practice Management
    - Reduce RVU incentive threshold to 35-40%, to recognize rural "premium" in physician incentive contracts
    - Research MACRA and MIPS evaluation criteria and develop plan to include these as a component of physician incentives

Service Area Rationalization

STROUDWATER

- **Findings and Analysis**
  - EH affiliated with County Health Systems (CHS), which includes County Medical Center (CMC), a 298-bed community hospital in Nearby Town, outpatient services at CMC North Village, County Visiting Nurse Association, medical clinics and long-term care services
    - CHS provides administrative and other operational functions, such as Human Resources, corporate compliance, plant operations, and IT support to EH
  - Stroudwater developed the Affiliation Commitment Curve (Appendix I) as a tool to guide hospitals in maximizing their value to better position themselves for changes in the healthcare environment
- **Recommendations**
  - Work with CHS, using the Affiliation Value Curve, to effectively position EH for population health by focusing on the following areas:
    - Delivery System:
      - Assess specialty care needs of EH's service area and develop specialty care network to meet demands
    - Population Health Management:
      - Use consolidated employee claims data to drive healthcare initiatives throughout the region
    - Payment System:
      - Explore impact of ACO, population-based reimbursement, and capitation on EH

Payment System Transformation

STROUDWATER

- **Findings and Analysis**
  - Reported that EH is self-insured for employee healthcare costs and will be incorporating a high-deductible plan with an HSA to help cover the high-deductible cost in 2017
    - Reported that reduced insurance premiums are tied to wellness plans and EH is looking to add health coaches for employees
    - Increasingly, rural hospitals are transitioning to self-insured health plans increasingly using their self-insured status strategically by finding new ways to manage care within their population, including health coaches, chronic disease management, wellness resources, no smoking for enrollees and other interventions
  - EH does not currently participate in an ACO or other alternative payment system
    - Best practice peer rural hospitals have joined an ACO or set joining an ACO as a strategic decision to help mitigate changes to the reimbursement model

The table below outlines benefits of a population health management model:

Top 5 Benefits of a Population Health Management Model	
1.	**Average Year 1 insured group savings of 12.6%** (source: RAND corporation)
2.	**Employee case management programs** (source: MD Anderson) • 80% improvement lost work days over 6 years • 64% decline modified-duty days • 50% reduction in workers' comp insurance premiums
3.	**High-risk patient management** (source: Harvard Business Review) • 57% converted to low-risk over 6 months • $1,421/participant claims reduction over 1 year • $6 savings per $1 invested over 1 year
4.	**Wellness programs** (source: Johnson & Johnson) • 67% reduction smoking • 50% reduction hypertension • 50% increase physical activity • $2.70 savings per $1 invested (5 years)
5.	**Voluntary employee turnover reduction** • 9% vs. 15% (source: Towers Perrin study • 9% vs. 19% (source: Biltmore study)

Payment System Transformation

STROUDWATER

- **Recommendations**
  - Increase incentives and or discounts to employees receiving services throughout the EH system, such as offering wellness coaches to employees
  - Pursue, through CHS or other options available to EH, joining an ACO that meets the needs of EH

Population Health Management

STROUDWATER

- **Findings and Analysis**
  - PCMH Development
    - EH's Example Medical clinic is recognized as a Patient Centered Medical Home (PCMH) Level III through NCQA
      - The PCMH framework promotes quality, greater utilization of existing EHR technology, and care coordination and is an important step rural hospitals with aligned primary care networks can take to unlock their value
      - PCMH recognition allows hospitals to be reimbursed at potentially higher levels for standard primary care through participation in per member per month or other payment incentives that some third party payers have organized for PCMHs, or to negotiate such payment
  - Care Management
    - EH calls 100% of patients discharged and reviews medications with patients over the phone
    - Reported that EH is working to incorporate Care Navigators next year to ensure that the most appropriate coordination of care is implemented after a patient is discharged
      - Best performing peer rural hospitals examine opportunities to adopt evidence-based protocols, as well as to implement care management processes that ensure discharge planning is consistently done for inpatients, transportation and home support are ensured, follow-up appointments are scheduled, and instructions on medications are given
  - Claims/Analytic Capabilities
    - Reported CHS currently does limited claims analysis on employee claims
      - Best practice self-insured peer rural hospitals will conduct analysis on employee claims and begin to develop claims analysis capabilities and infrastructure

Population Health Management

STROUDWATER

- **Recommendations**
  - Use employee claims data to better understand opportunities for improved health of the workforce and better efficiencies in plan design
  - Ensure that all third-party payers recognize PCMH status and that EH is to be reimbursed for per member per month case management fees
    - Look to obtain PCMH recognition through NCQA of other EH clinics

Recommendations Summary

STROUDWATER

Area	Recommendations
Future of Rural Healthcare	• Use this report to enhance the current strategic plan with particular focus on increasing leverage of EH's primary care network, promoting high quality and patient safety scores to community, increasing hospital efficiency and financial viability • Leverage network relationship with CHS to begin to transform payment system and develop care management strategies

Inpatient	• Target growth in inpatient admissions and set expectation with providers on admission to either observation or acute
	  • Set target at 10-12% combined ED admission rate (acute and observation) due to 24/7 General Surgery
	• Target a swing bed ADC of 4.0 by year-end through the following activities:
	  • Develop a swing bed marketing plan focused on EH swing-bed education and offered services, targeting employed physicians, area providers and hospitals, and case managers
	  • Prioritize swing bed utilization with case managers by utilizing the E-Discharge software
	  • Access new patients including Medicare Advantage, Medicaid, and commercial payer patients
	• Evaluate inpatient staffing model to ensure appropriate staffing to patient ratios, taking into account CAH standby requirements
	• Target 200 annual deliveries through continued promotion of the obstetrical program
	• Consider transformation of CCU to med/surg unit as a progressive care unit

Recommendations Summary

STROUDWATER

Area	Recommendations

Emergency Department	• Implement systems to ensure admission of patients, meeting admission criteria for observation or acute, to the hospital or transferred if EH is unable to provide care services
	  • Target 12% ED admissions rate (acute/observation) as a percentage of ED visits
	• Evaluate opening an urgent care clinic, possibly in Local, XX or on campus, to capture lost volume going to CMH's urgent care clinic
	  • Utilize ED PA to staff urgent care clinic
	• Pursue KPI data from Meditech to drive improvement efforts on ED KPIs, targeting a reduction in ED throughput time

Surgery	• Pursue recruitment of a CRNA to reduce anesthesiologist coverage if State regulations will allow this • As soon as Dr. B commits to EH full-time, market Dr. B's services to the community and other area providers • In partnership with CMC, work to offer ENT services at EH

Recommendations Summary

STROUDWATER

Area	Recommendations

Radiology	• Conduct marketing and education focused on imaging services
	  • Target area providers and the community with regard to the service offerings at EH
	  • Highlight the new 64-slice CT
	• Implement systems to ensure Radiologist read all Radiology scans in an adequate amount of time
	  • Work with Radiologist to mitigate any barriers and or system issues which may prevent the reading of Radiology scans

Rehabilitation Therapies	• Increase EH-driven marketing efforts surrounding rehabilitation services to area providers • Continue to recruit staff as needed to meet community needs in a timely manner • Target scheduling patients in 1-2 weeks from referral receipt
Cardiopulmonary	• Evaluate the feasibility of performing sleep studies • In partnership with CHS, get access to a pulmonologist onsite to service the COPD population • Optimize exercise facility to offer additional services related to cardiopulmonary

Recommendations Summary

STROUDWATER

Area	Recommendations
Laboratory	• Begin succession planning for lab staff nearing retirement • This will allow department to avoid productivity losses • Continue to work with area providers to ensure Labs received have the necessary orders
340B	• Pursue expansion of the 340B program and target between $350k and $450k per 10k eligible visits in net proceeds from the 340B program • Develop strategies to maximize financial opportunity of the 340B program • Update the HPSA designation (HPSA ID: 1XXXXXXXB7) before pursuing RHC designation within southern County
Quality Improvement	• Develop a marketing and community outreach plan to educate the community and region on the quality and competency of care at EH as compared to competitors • Continue best practice development of an organization-wide quality improvement culture

Recommendations Summary

STROUDWATER

Area	Recommendations
Information Technology	• Create a five-year strategic IT vision that goes beyond meaningful use and leverages IT resources to create a high-quality culture of patient safety through system training and integration into clinical operations • Recognize IT as a strategic asset, rather than as an expense to be managed • Schedule and or include IT systems as a part of periodic disaster drills and mitigate single points of failure throughout the system
Staffing Benchmark Analysis	• Use volume-based staffing benchmarks to evaluate departmental staffing levels for possible inefficiencies • Continue to monitor departments/units, recognizing that staffing maybe already be at a minimum threshold

Recommendations Summary

STROUDWATER

Area	Recommendations
Cost Report Improvement	• EH must verify appropriateness of CDM and confirm that EH is not at a competitive disadvantage and is not unnecessarily burdening Medicare patients through shifting of co-insurance to patients

Revenue Cycle	• Performance Measures/Management
	  • Continue best-practice performance measurement and set weekly revenue cycle team meetings utilizing performance metrics and departmental goal-setting and the internal dashboard to drive meeting agenda
	  • Set target for all KPIs and strategies put in place to specifically address improving KPIs to targeted levels
	• Patient Registration
	  • EH must make sure that when patient presents in the ED that current process is compliant with EMTALA
	  • Implement a point-of-service collection process that ensures the nurse and/or registration clerk escort patients back to registration following discharge to collect copayments or coinsurance
	• Chargemaster
	  • Must consider separate chargemaster for EH to reflect CAH-specific rules

Recommendations Summary

STROUDWATER

Area	Recommendations

Management Accounting	• Establish a strong performance culture through the following:
	  • Continue to engage department managers in the annual budget setting process to establish ownership and accountability
	  • Create system report that requires variance analysis for selected variations on the monthly financial statements

Provider Complement and Alignment	• Primary Care
	  • In partnership with CHS, continue to evaluate primary care network expansion and primary care provider recruitment opportunities to meet the needs of EH's service area population
	  • Continue best practice physician alignment strategy with employed and other primary care providers in the service area through functional, contractual, and governance alignment strategies
	  • Focus on improving alignment with NHP, working with the new CEO
	  • Strengthen relationship with Local Family Medicine, and consider acquiring the practice
	• Specialty Care
	  • In partnership with CHS, look to add new specialist resources and increase specialist clinic days
	  • Prioritize development of specialist relationships in key growth areas such as general surgery, orthopedic, neurology and gastroenterology

Recommendations Summary

STROUDWATER

Area	Recommendations

Provider Complement and Alignment (continued)	• Wound Care and Hyperbaric Medicine Clinic
	  • Increase second nurse from 32 hours/week to 40 hours/week to support the demand for services
	  • Consider new marketing campaign for internal marketing of services and to the providers with the community
	• Practice Management
	  • Reduce RVU incentive threshold to 35-40%, to recognize rural "premium" in physician incentive contracts
	  • Research MACRA and MIPS evaluation criteria and develop plan to include these as a component of physician incentives

Service Area Rationalization	• Work with CHS, using the Affiliation Value Curve, to effectively position EH for population health by focusing on the following areas:
	  • Delivery System:
	  • Assess specialty care needs of EH's service area and develop specialty care network to meet demands
	  • Population Health Management:
	  • Use consolidated employee claims data to drive healthcare initiatives throughout the region
	  • Payment System:
	  • Explore impact of ACO, population-based reimbursement, and capitation on EH

Recommendations Summary

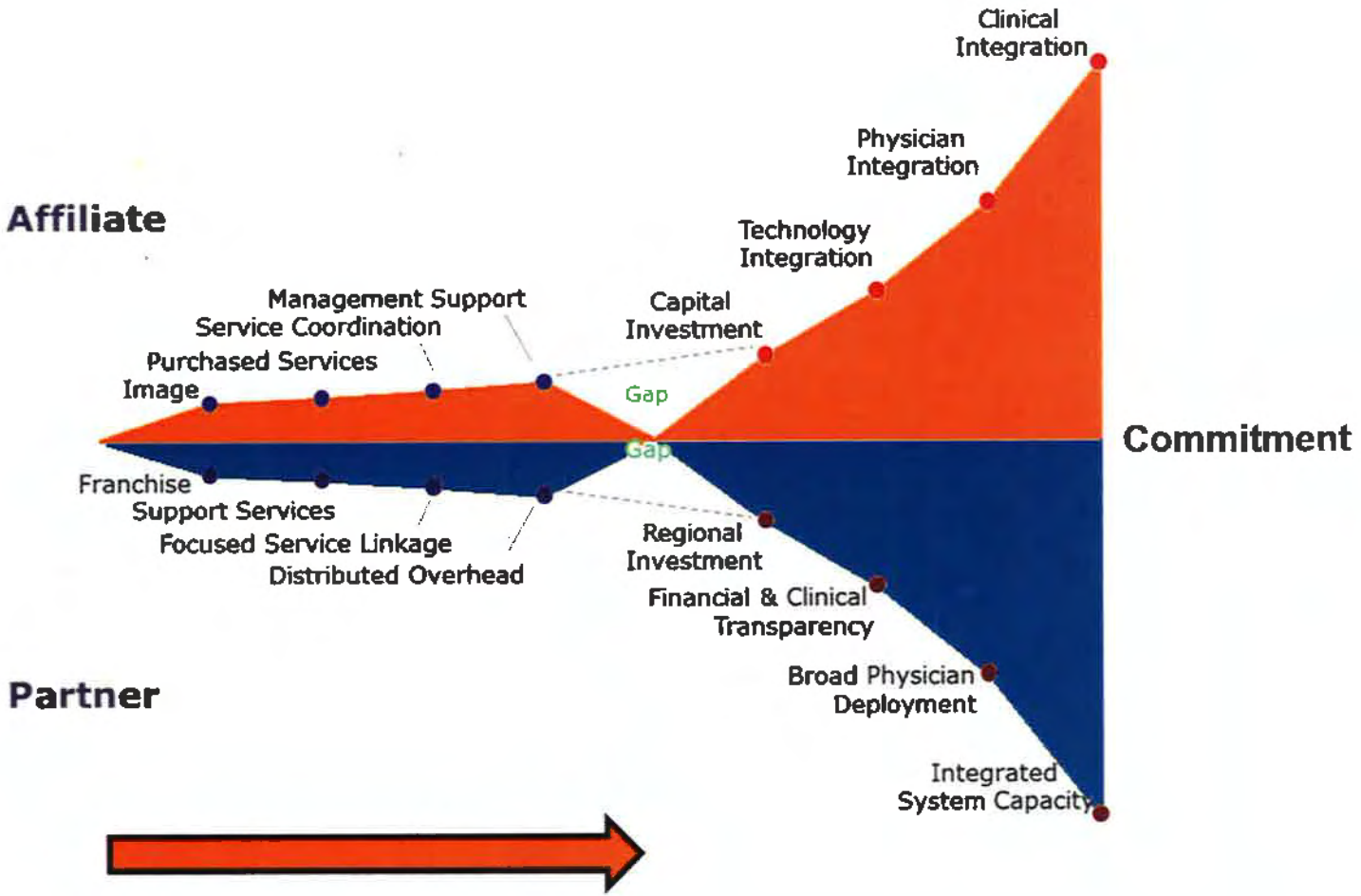
STROUDWATER

Area	Recommendations
Payment System Transformation	• Increase incentives and/or discounts to employees receiving services throughout the EH system, such as offering wellness coaches to employees • Pursue, through CHS or other options available to EH, joining an ACO that meets the needs of EH
Population Health Management	• Use employee claims data to better understand opportunities for improved health of the workforce and better efficiencies in plan design • Ensure that all third-party payers recognize PCMH status and that EH is to be reimbursed for per member per month case management fees • Look to obtain PCMH recognition through NCQA of other EH clinics

Appendix I

STROUDWATER

- Affiliation benefits are arranged along a diverse continuum and mutual commitment from both partners is required to yield maximum benefit from an affiliation



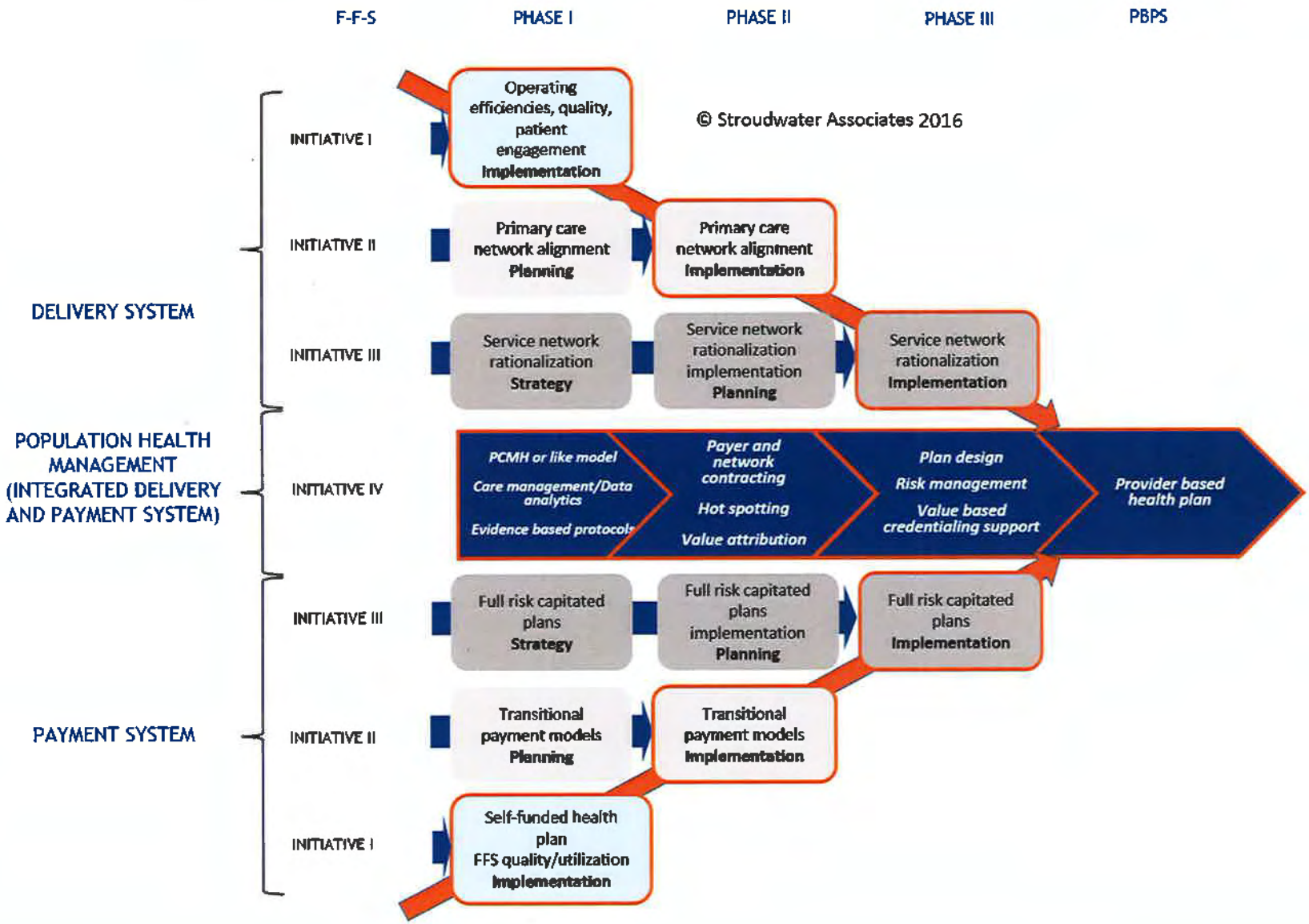
Appendix II

STROUDWATER

Provider Supply (FTEs) for Service Area of	19,941		
	Supply Indicators		
Primary Care	Kaiser	Group Health	Health Partne
Family Practice	2.7	9.4	4.4
Internal Medicine	5.6	2.3	5.4
Pediatrics	2.4	1.6	2.1
Subtotal	10.7	13.3	11.9
Non-Phys Providers	2.6	4.6	1.4
Primary Care Tota	13.3	17.8	13.2
Medical Specialties			
Allergy	0.2	0.3	0.2
Cardiology	0.6	0.7	0.7
Dermatology	0.5	0.4	0.4
Endocrinology	0.3	0.0	0.1
Gastroenterology	0.4	0.5	0.4
Hem/Oncology	0.4	0.5	0.4
Infectious Disease	0.2	0.1	0.2
Nephrology	0.3	0.3	0.3
Neurology	0.4	0.4	0.5
Pulmonary	0.2	0.4	0.4
Rheumatology	0.2	0.3	0.2
Surgical Specialties			
ENT	0.5	0.6	0.1
General	1.2	1.3	1.5
Neurosurgery	0.2	0.2	
OB/GYN	2.1	1.5	1.8
Ophthalmology	0.8	0.8	0.7
Orthopedic	0.9	1.4	
Plastic Surgery	0.2		0.4
Urology	0.5	0.6	

Appendix III

STROUDWATER



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Appendix C

STROUDWATER ASSOCIATES & AFFILIATE

Consolidated Financial Statements

December 31, 2018 and 2017

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Runyon Kersteen Ouellette

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Certified Public Accountants and Business Consultants

Independent Accountant's Review Report

Board of Directors
Stroudwater Associates
Portland, Maine

We have reviewed the accompanying consolidated financial statements of Stroudwater Associates & Affiliate (a corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income and retained earnings (deficit), consolidated statements of changes in shareholders' equity (deficit) and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information accompanying the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

South Portland, Maine

STROUDWATER ASSOCIATES & AFFILIATE
Consolidated Balance Sheets
December 31, 2018 and 2017

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		2018	2017
ASSETS			
Current assets:			
Cash	$	3,141	935
Accounts receivable (net of allowance of $95,683 and $86,501 for 2018 and 2017, respectively)		1,788,222	2,008,628
Unbilled work-in-process (net of allowance of $142,974 and $247,541 for 2018 and 2017, respectively)		791,361	259,615
Notes receivable - current portion		-	313,550
Prepaid expenses		37,257	144,892
Total current assets		2,619,981	2,727,620
Property and equipment:			
Equipment, furniture and fixtures		471,213	447,139
Software		209,049	209,049
		680,262	656,188
Less accumulated depreciation		441,490	383,699
Net property and equipment		238,772	272,489
Other assets:			
Security deposits		6,400	6,400
Total other assets		6,400	6,400
Total assets	**$**	**2,865,153**	**3,006,509**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Cash overdraft		62,939	82,348
Accounts payable		237,008	384,220
Unearned revenue		273,375	225,179
Accrued payroll and related liabilities		205,669	255,394
Current portion of long-term debt		450,000	61,149
Line of credit		458,500	200,000
Total current liabilities		1,687,491	1,208,290
Rent payable		24,211	8,319
Long-term debt, less current portion included above		9,396,275	10,413,000
Total liabilities		11,107,977	11,629,609
Shareholders' equity (deficit):			
Common stock, no par value, 250,000 and 250,000 shares authorized, respectively, 100,000 and 100,000 shares issued and outstanding, respectively		10,000	10,000
Stock appreciation rights		14,082	-
Additional paid-in capital		130,413	-
Unearned ESOP shares		(9,750)	(10,000)
Retained earnings (deficit)		(8,387,569)	(8,623,100)
Total shareholders' equity (deficit)		(8,242,824)	(8,623,100)
Total liabilities and shareholders' equity (deficit)	**$**	**2,865,153**	**3,006,509**

See accompanying notes and independent accountant's review report.

STROUDWATER ASSOCIATES & AFFILIATE
Consolidated Statements of Income and Retained Earnings (Deficit)
Years ended December 31, 2018 and 2017

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		2018	2017
Net sales	$	9,091,003	9,238,461
Operating expenses		8,287,619	8,898,774
Operating income		803,384	339,687
Other income (expense):			
Loss on sales/abandonment of assets		(601)	(8,251)
Interest income		6,286	444
Interest expense		(347,742)	(7,930)
Bad debt expense		(238,657)	(1,400)
Other income		12,861	9,368
Total other expense		(567,853)	(7,769)
Net income		235,531	331,918
Distributions		-	(485,059)
Retained earnings, beginning of year		(8,623,100)	743,872
Shares retired		-	(9,213,431)
Purchase of stock in excess of par		-	(400)
Retained earnings (deficit), end of year	**$**	**(8,387,569)**	**(8,623,100)**

See accompanying notes and independent accountant's review report.

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STROUDWATER ASSOCIATES & AFFILIATE
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Years ended December 31, 2018 and 2017

		Common stock	Stock appreciation rights	Additional paid-in capital	Unearned ESOP shares	Retained earnings (deficit)	Total shareholders' equity (deficit)
Balance, December 31, 2016	$	688,869	-	-	-	743,872	1,432,741
Net income		-	-	-	-	331,918	331,918
Loan to employee stock ownership plan		-	-	-	(10,000)	-	(10,000)
Sale of shares to employee stock ownership plan		10,000	-	-	-	-	10,000
Issuance of common stock, net of stock redemption		(688,869)	-	-	-	(9,213,831)	(9,902,700)
Distributions		-	-	-	-	(485,059)	(485,059)
Balance, December 31, 2017		10,000	-	-	(10,000)	(8,623,100)	(8,623,100)
Net income		-	-	-	-	235,531	235,531
Compensation for committed shares		-	-	130,413	250	-	130,663
Sale of stock appreciation rights		-	14,082	-	-	-	14,082
Balance, December 31, 2018	**$**	**10,000**	**14,082**	**130,413**	**(9,750)**	**(8,387,569)**	**(8,242,824)**

See accompanying notes and independent accountant's review report.

STROUDWATER ASSOCIATES & AFFILIATE
Consolidated Statements of Cash Flows DRAFT
Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Net income	$	235,531	331,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		64,521	67,395
Loss on sales/abandonment of assets		601	8,251
Compensation for committed shares		130,663	-
Provision for bad debt expense		238,657	1,400
(Increase) decrease in operating assets:			
Accounts receivable		(18,251)	436,226
Work-in-process		(531,746)	(51,669)
Prepaid expenses		107,635	(95,299)
Security deposits		-	8,298
Increase (decrease) in operating liabilities:			
Unearned revenue		48,196	(41,697)
Accounts payable		(147,212)	75,023
Rent payable		15,892	5,580
Accrued payroll and related liabilities		(49,725)	(28,449)
Distribution payable		-	(100,000)
Net cash provided by operating activities		94,762	616,977
Cash flows from investing activities:			
Proceeds from the sale of assets		756	3,570
Purchase of fixed assets		(32,161)	(41,452)
Proceeds on notes receivable		-	(563,500)
Repayments on notes receivable		313,550	249,950
Net cash provided by (used in) investing activities		282,145	(351,432)
Cash flows from financing activities:			
Distribution to shareholders		-	(485,059)
Issuance of common stock		-	540,400
Redemption of common stock		-	(30,100)
Sale of stock appreciation rights		14,082	-
Repayments on long-term debt		(627,874)	(16,223)
Borrowings (repayments) under line of credit agreement		258,500	(600,000)
Changes in overdrafts		(19,409)	82,348
Net cash used in financing activities		(374,701)	(508,634)
Net increase (decrease) in cash		2,206	(243,089)
Cash at beginning of year		935	244,024
Cash at end of year	**$**	**3,141**	**935**
Additional cash flow disclosure:			
Interest paid	**$**	**347,742**	**7,930**
Noncash financing activity:			
Repurchase of Company stock		-	**(10,413,000)**
Debt proceeds for financing of stock repurchase		-	**10,413,000**

See accompanying notes and independent accountant's review report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity - Stroudwater Associates ("the Company") f/k/a Stroudwater NHG, a Maine corporation, is principally engaged in the health care consulting industry from its headquarters in Portland, Maine. On October 1, 2014, Stroudwater Revenue Cycle Solutions, LLC, a wholly owned subsidiary of Stroudwater Associates, was created as a revenue cycle service line business.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stroudwater Revenue Cycle Solutions, LLC. Intercompany transactions and balances have been eliminated in consolidation.

Nature of Accounting - The Company utilizes the accrual basis method of accounting for financial statement reporting purposes. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Revenue Recognition - The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) 605, *Revenue Recognition.* The Company recognizes revenue when (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the customer; (3) the collection of the fees is reasonably assured; and (4) the amount of the fees to be paid by the customer is fixed and determinable.

The Company's primary sources of revenue include those derived through consulting contracts. Consulting contracts are generally one year in duration, although contract terms can vary slightly. Ten to fifteen percent of the total contract revenues are paid in advance as a retainer, followed by monthly invoices, and the remainder paid upon completion of the assignment.

Property and Depreciation - Property and equipment are carried at cost. Depreciation is provided using the straight-line method for financial reporting and accelerated methods for federal income tax purposes at rates based on an estimated life varying from three to thirty-nine years. The Company maintains a capitalization threshold of $1,500 per individual item. Expenditures for major improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes - The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Any taxable income of Stroudwater Revenue Cycle Solutions will flow through the tax return of Stroudwater Associates. Therefore, no provision or liability for federal and state income taxes has been included in these financial statements.

The Company follows the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on the Company's financial statements related to following these provisions, and no interest or penalties related to uncertain tax positions were accrued. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2015 through 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Advertising Costs - The Company expenses the production costs of advertising as incurred and advertising communication costs the first time advertising takes place. For each of the years ended December 31, 2018 and 2017, advertising costs totaled $1,679 and $14,108, respectively.

Unearned Revenue - Deferred revenue consists of unearned revenue for consulting projects. Most projects are for a three to six month period.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Includes deposits and money market funds with a maturity of three months or less.

Accounts Receivable - The Company provides credit to its customers in the amount of signed contract values. An allowance for doubtful accounts has been established for accounts deemed to be uncollectible based upon specific identification. For each of the years ended December 31, 2018 and 2017, the amount of this allowance totaled $95,683 and $86,501, respectively.

Unbilled Work-In-Process - Includes unbilled time for projects that are in process. An allowance for doubtful accounts has been established for accounts deemed to be uncollectible based upon specific identification. For each of the years ended December 31, 2018 and 2017, the amount of this allowance totaled $142,974 and $247,541 respectively.

FAIR VALUES OF FINANCIAL INSTRUMENTS

In accordance with the *Disclosures for Fair Values of Financial Instruments* topic of the FASB Accounting Standards Codification, disclosures are required of the fair value information about financial instruments, whether or not recognized in the balance sheets. A financial instrument is defined as cash, evidence of an ownership interest and certain contracts to exchange cash or other financial instruments.

Generally, for financial instruments due within three months of the reporting date, carrying value approximates fair value. This category includes cash, accounts receivable, work in process, prepaid expenses, the line of credit payable to a bank, accounts payable and accrued expenses. The management of the Company believes that the fair value of all financial instruments is equal to the amounts reported in these financial statements.

CONCENTRATIONS OF CREDIT RISK

The Company typically has a small number of active projects at any one time. Therefore, it would be susceptible to the inability of any of its customers to pay for the services rendered to it. In an effort to minimize its risk, the Company requires amounts to be paid prior to commencing each project as well as at various milestones during the job.

The Company maintains its bank accounts at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company had $0 of uninsured cash balances for the years ended December 31, 2018 and 2017.

NOTES RECEIVABLE

On January 1, 2017, Stroudwater Associates advanced various shareholders a combined total of $288,400 to be used to purchase Company stock. A note receivable for the full amount was recorded. The notes are due in full including interest of 2.75% on December 31, 2017. The outstanding balance at December 31, 2018 and 2017 was $0 and $38,450, respectively. The Company has agreed to offset the amounts owed to it with the amounts that are owed to the individual shareholders on the various shareholder notes payable for the purchase of their stock.

On December 18, 2017, Stroudwater Associates advanced various shareholders a combined total of $275,100 to be used to purchase Company stock. A note receivable for the full amount was recorded. The notes are due in full including interest of 2.75% on December 31, 2018. The outstanding balance at December 31, 2018 and 2017 was $0 and $275,100, respectively.

LINE OF CREDIT

For the years ended December 31, 2018 and 2017, the Company's working capital line of credit was $500,000 and $1,000,000, respectively. $458,500 and $200,000 remained outstanding at December 31, 2018 and 2017, respectively. The terms of the line require that the balance be fully repaid for 30 consecutive days each year. Interest is stated at the Wall Street Journal Prime Rate, which was 5.50% and 4.25% at December 31, 2018 and 2017, respectively. The working capital line of credit is secured by substantially all of the assets of the Company.

OPERATING LEASES

The Company conducts its operations from three facilities: one in Portland, Maine that is leased under a noncancelable operating lease that will expire on February 28, 2027; one in Atlanta, Georgia that is leased under a noncancelable operating lease that will expire on February 28, 2029; and one in Franklin, Tennessee that is leased under a noncancelable operating lease that will expire on December 31, 2023.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2018:

Year ending December 31,	
2019	$ 228,142
2020	234,549
2021	241,130
2022	247,907
2023	254,883
Thereafter	942,461
Total	**$ 2,149,072**

For the years ended December 31, 2018 and 2017, rental expense amounted to $243,296 and $294,110, respectively. The Company is also responsible for its proportionate share of the net increases in property taxes, repairs and maintenance, and insurance on the Portland lease.

LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2018	2017
Note with former stockholder, dated September 15, 2016, unsecured with monthly installments of $1,421, including interest at 1.18% through December 2018.	$ -	61,149
Revolving loan with commercial bank, dated April 10, 2018, principal payments of $450,000 due each April, interest accruing monthly at 4.58% through April, 2023 secured by company assets.	1,493,965	-
*Notes with former shareholders, dated December 31, 2017, unsecured, interest at 3%, through December 2037, followed by a balloon payment consisting of principal and interest:		
(1) Biannual interest only payment of $2,087	$ 139,116	$ 173,895
(2) Biannual interest only payment of $580	38,643	48,304
(3) Biannual interest only payment of $1,275	85,015	106,269
(4) Biannual interest only payment of $1,101	73,422	91,777
(5) Biannual interest only payment of $2,203	146,844	183,555
(6) Biannual interest only payment of $812	54,101	67,626
(7) Biannual interest only payment of $6,784	452,280	565,351
(8) Biannual interest only payment of $2,319	154,573	193,216
(9) Biannual interest only payment of $869	57,965	72,456
(10) Biannual interest only payment of $1,449	96,608	120,760
(11) Biannual interest only payment of $1,391	92,744	115,930
(12) Biannual interest only payment of $3,478	231,859	289,824
(13) Biannual interest only payment of $580	38,643	48,304
(14) Biannual interest only payment of $24,401	1,626,725	2,033,407
(15) Biannual interest only payment of $638	42,508	53,134
(16) Biannual interest only payment of $1,101	73,422	91,778
(17) Biannual interest only payment of $985	65,694	82,117
(18) Biannual interest only payment of $580	38,643	48,304
(19) Biannual interest only payment of $580	38,643	48,304
(20) Biannual interest only payment of $24,190	1,612,660	2,015,824
(21) Biannual interest only payment of $15,122	1,008,125	1,260,156
(22) Biannual interest only payment of $1,101	73,422	91,778
(23) Biannual interest only payment of $2,241	149,433	159,403
(24) Biannual interest only payment of $21,361	1,424,081	1,780,101
(25) Biannual interest only payment of $1,217	81,151	101,439
(26) Biannual interest only payment of $5,739	382,568	478,210
(27) Biannual interest only payment of $1,101	73,422	91,778
	9,846,275	10,474,149
Less current portion	450,000	61,149
Totals	**$ 9,396,275**	**10,413,000**

LONG-TERM DEBT, CONTINUED

* In April, 2018 the company made principal payments on these notes equal to 20% of the outstanding balance, which was funded by the revolving loan.

The revolving loan has two requirements that must be followed (1) the Company must maintain a minimum debt service coverage ratio of 1.25x, on a rolling four-quarter basis (covenant not met for the year ended December 31, 2018) and (2) the Company must maintain a minimum senior debt to capital funds ratio not to exceed 3x, measured at year end (covenant met for the year ended December 31, 2018).

Principal payments for the remaining years are as follows:

2019	$	450,000
2020		450,000
2021		450,000
2022		143,965
2023		-
Thereafter		8,352,310
Total	**$**	**9,846,275**

EMPLOYEE STOCK OWNERSHIP PLAN

The Company has a 401(k)/employee stock ownership plan (KESOP) for those employees who meet the eligibility requirements of the Plan. Eligible employees are those who have attained the age of 21 and have completed at least three (3) months of service. Participants have to be employed at least 1,000 hours in a calendar year in order to receive an ESOP allocation. A participant employed by the Company becomes fully vested in the ESOP benefits after six (6) months of service. The ESOP owns 100.00% of the outstanding common stock of the Company as of December 31, 2018.

On December 31, 2017, the ESOP acquired all outstanding shares of Stroudwater Associates. Prior to the ESOP acquisition, the Company redeemed common stock from shareholders for Company notes equal to $10,413,000. The terms of the note include prepayment at the discretion of the Board of Directors, 3.00% interest with a balloon payment as of December 31, 2037. After the redemption, the Company sold 100.00% of the outstanding common stock of the Company to the ESOP for a purchase note of $10,000. The Company has agreed to make annual contributions to the ESOP sufficient for the ESOP to satisfy its obligation under the note. The note is secured by unreleased pledged shares financed with the note.

All of the ESOP shares acquired with the note from the Company were pledged as collateral for the debt. As the debt is repaid, shares are released from collateral and allocated to the participant accounts based on the principal/interest method in which the percentage of current year acquisition principal and interest payments are compared to the total remaining acquisition loan principal and interest payments. The entity accounts for its ESOP in accordance with the *Employee Stock Ownership Plans* subtopic of the FASB Accounting Standards Codification. Accordingly, the Company does not report the loan receivable from the ESOP as an asset and the shares pledged as collateral are reported as unearned employee stock ownership plan shares in the statement of financial position.

EMPLOYEE STOCK OWNERSHIP PLAN, CONTINUED

Compensation expense is recognized in the year paid. The Company reports compensation expense equal to the greater of the fair market value of the shares committed or $9,661 per share to be released during the period. ESOP compensation expense was $130,663 for the year ending December, 31, 2018.

The employee stock ownership plan shares as of December 31 were as follows.

	2018	2017
Leveraged shares committed to be allocated	2,500	-
Unreleased leveraged shares	97,500	100,000
Total employee stock ownership plan shares	100,000	100,000
Fair value of unearned ESOP shares	$ 10,181,925	10,000

DEFINED CONTRIBUTION PLAN

The Company sponsors a 401(k) plan for all eligible employees. The Company pays a 3% Safe Harbor contribution on all eligible employees' salaries. For the years ended December 31, 2018 and 2017, Company contributions to the plan amounted to $138,327 and $300,262, respectively. The Company did not make a discretionary profit sharing contribution in 2018. In 2017 the discretionary profit sharing contribution totaled $253,759.

SUBSEQUENT EVENTS

In accordance with *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through _____, which is the date these financial statements were available to be issued.

STROUDWATER ASSOCIATES & AFFILIATE
Consolidating Balance Sheets
December 31, 2018

DRAFT

	Stroudwater Associates	Stroudwater Revenue Cycle Solutions	Eliminations	Consolidated Totals
ASSETS				
Current assets:				
Cash	$ -	3,141	-	3,141
Accounts receivable - net	1,644,341	143,881	-	1,788,222
Unbilled work-in-process - net	581,475	209,886	-	791,361
Prepaid expenses	37,257	-	-	37,257
Total current assets	2,263,073	356,908	-	2,619,981
Property and equipment:				
Equipment, furniture and fixtures	463,122	8,091	-	471,213
Software	209,049	-	-	209,049
Less accumulated depreciation	435,292	6,198	-	441,490
Net property and equipment	236,879	1,893	-	238,772
Other assets:				
Investment in Stroudwater Revenue Cycle Solutions	574,291	-	(574,291)	-
Security deposits	6,400	-	-	6,400
Total other assets	580,691	-	(574,291)	6,400
Total assets	**$ 3,080,643**	**358,801**	**(574,291)**	**2,865,153**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Cash overdraft	62,939	-	-	62,939
Accounts payable	236,152	856	-	237,008
Unearned revenue	268,375	5,000	-	273,375
Accrued payroll and related liabilities	200,065	5,604	-	205,669
Current portion of long-term debt	450,000	-	-	450,000
Line of credit	458,500	-	-	458,500
Total current liabilities	1,676,031	11,460	-	1,687,491
Rent payable	24,211	-	-	24,211
Long-term debt	9,396,275	-	-	9,396,275
Due to (from) Stroudwater Associates	226,950	(226,950)	-	-
Total liabilities	11,323,467	(215,490)	-	11,107,977
Shareholders' equity (deficit):				
Common stock, no par value, 250,000 shares authorized, 100,000 shares issued and outstanding	10,000	-	-	10,000
Stock appreciation rights	14,082	-	-	14,082
Additional paid-in capital	130,413	-	-	130,413
Unearned ESOP shares	(9,750)	-	-	(9,750)
Retained earnings	(8,387,569)	574,291	(574,291)	(8,387,569)
Total shareholders' equity (deficit)	(8,242,824)	574,291	(574,291)	(8,242,824)
Total liabilities and shareholders' equity (deficit)	**$ 3,080,643**	**358,801**	**(574,291)**	**2,865,153**

See independent accountant's review report.

STROUDWATER ASSOCIATES & AFFILIATE
Consolidating Statements of Income and Retained Earnings (Deficit)
Year ended December 31, 2018

DRAFT

	Stroudwater Associates	Stroudwater Revenue Cycle Solutions	Eliminations	Consolidated Totals
Net sales	$ 8,449,832	641,171	-	9,091,003
Operating expenses	7,804,853	482,766	-	8,287,619
Operating income	644,979	158,405	-	803,384
Other income (expense):				
Loss on sales/abandonment of assets	(601)	-	-	(601)
Interest income	6,286	-	-	6,286
Equity in undistributed income (loss)	73,405	-	(73,405)	-
Interest expense	(347,742)	-	-	(347,742)
Bad debt expense	(198,657)	(40,000)	-	(238,657)
Other income	12,861	-	-	12,861
Overhead reimbursement (expense)	45,000	(45,000)	-	-
Total other expense	(409,448)	(85,000)	(73,405)	(567,853)
Net income (expense)	235,531	73,405	(73,405)	235,531
Retained earnings, beginning of year	(8,623,100)	500,886	(500,886)	(8,623,100)
Retained earnings (deficit), end of year	**$ (8,387,569)**	**574,291**	**(574,291)**	**(8,387,569)**

See independent accountant's review report.

STROUDWATER ASSOCIATES & AFFILIATE
Consolidating Schedule of Operating Expenses DRAFT
Year ended December 31, 2018

	Stroudwater Associates	Stroudwater Revenue Cycle Solutions	Eliminations	Consolidated Totals
Salaries and wages	$ 5,008,067	346,806	-	5,354,873
Payroll taxes	273,001	20,041	-	293,042
Insurance - employee benefits	596,554	47,876	-	644,430
Retirement plan - employer expense	127,785	10,542	-	138,327
Other employee benefits	21,660	-	-	21,660
Non-reimbursable client expenses	9,394	121	-	9,515
Training	290	-	-	290
Insurance - general	46,493	-	-	46,493
Rent	246,301	-	-	246,301
Utilities	10,119	-	-	10,119
Telephone and internet	60,235	3,711	-	63,946
Computer network support	6,472	-	-	6,472
Books and software	147,470	-	-	147,470
Office supplies and expenses	23,306	2,867	-	26,173
Janitorial	4,523	-	-	4,523
Dues and subscriptions	97,823	5,276	-	103,099
Professional fees	97,757	-	-	97,757
Outside services	32,419	22,647	-	55,066
Contract consultant	620,744	-	-	620,744
Postage and delivery	4,597	-	-	4,597
Taxes - other	66,553	-	-	66,553
Travel expense	99,419	19,791	-	119,210
Meals and entertainment	29,948	761	-	30,709
Advertising	1,029	650	-	1,679
Service charges	32,429	163	-	32,592
Recruitment and relocation expense	13,332	-	-	13,332
Depreciation	63,058	1,463	-	64,521
Meetings	44,848	-	-	44,848
Miscellaneous	19,227	51	-	19,278
Totals	**$ 7,804,853**	**482,766**	**-**	**8,287,619**

See independent accountant's review report.

Appendix D

Bangor Savings Bank

September 11, 2019

RE: Stroudwater Associates

To Whom It May Concern:

On behalf of Bangor Savings Bank I am pleased to provide this letter in support of Stroudwater Associates. Stroudwater Associates is a highly valued client of Bangor Savings Bank. All accounts are in good standing and being handled in a professional and satisfactory manner.

Please feel free to call me with any questions.

Sincerely,

Terry Trickey
Vice President
Commercial Banking

Appendix E

ADDENDUM ONE
REVISED SCHEDULE OF EVENTS

Date: September 4, 2019

To: All Bidders

From: Dianna Gilliland/Connie Heinrichs, Buyer(s)
AS Materiel Purchasing

RE: Addendum for RFP Number 6134 Z1 to be opened September 17, 2019 at 2:00 p.m. Central

Schedule of Events

The State expects to adhere to the tentative procurement schedule shown below. It should be noted, however, that some dates are approximate and subject to change. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

	ACTIVITY	DATE/TIME
3.	State responds to written questions through Solicitation "Addendum" and/or "Amendment" to be posted to the Internet at: http://das.nebraska.gov/materiel/purchasing.html	~~September 3, 2019~~ September 4, 2019
4.	Proposal Opening Location: State Purchasing Bureau 1526 K Street, Suite 130 Lincoln, NE 68508	September 17, 2019 2:00 PM Central Time
5.	Review for conformance to solicitation requirements	September 17, 2019
6.	Evaluation period	September 17, 2019 – October 8, 2019
7.	"Oral Interviews/Presentations and/or Demonstrations" (if required)	To Be Determined
8.	Post "Notification of Intent to Award" to Internet at: http://das.nebraska.gov/materiel/purchasing.html	October 10, 2019
9.	Contract finalization period	October 10, 2019 – November 1, 2019
10.	Contract award	November 1, 2019
11.	Contractor start date	November 1, 2019

This addendum will become part of the proposal and should be acknowledged with the RFP.

ADDENDUM TWO
QUESTIONS and ANSWERS

Date: September 4, 2019

To: All Bidders

From: Dianna Gilliland/Connie Heinrichs, Buyers
AS Materiel State Purchasing Bureau

RE: Addendum for Request for Proposal Number RFP 6134 Z1 to be opened September 17, 2019, at 2:00 P.M. Central Time

Questions and Answers

Following are the questions submitted and answers provided for the above mentioned Request for Proposal. The questions and answers are to be considered as part of the Request for Proposal. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

Question Number	RFP Section Reference	RFP Page Number	Question	State Response
1.	Cost Proposal: Total cost is scored on an estimate of three (3) full assessments per year.	Cost Proposal Page One	How will the three facilities be selected, and is selection voluntary or is the state prioritizing based upon financial distress, innovative strategies or some other criteria?	CAHs submit requests to DHHS to participate in an assessment, and there is currently a waitlist. Priority is given to any CAH experiencing financial challenges.
2.	E. DHHS Requirements	28	Is there an estimate as to how many CAHs will participate in the assessment during each grant year?	Estimated three CAHs will be assessed each grant year.

This addendum will become part of the proposal and should be acknowledged with the Request for Proposal response.