



SVHCD FINANCE COMMITTEE

REVISED AGENDA

TUESDAY, JUNE 28, 2022

5:00 p.m. Regular Session

TO BE HELD VIA ZOOM VIDEOCONFERENCE

To Participate via Zoom Videoconferencing,
use the link below:

<https://sonomavalleyhospital-org.zoom.us/j/93270771849?pwd=ViszUTROdE0ralRkZnhKcGRtUTFldz09&from=addon>

Meeting ID: 932 7077 1849

Passcode: 582460

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+16692192599, 94673368760# US

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In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Jenny Fontes at jfontes@sonomavalleyhospital.org or (707) 935.5005 at least 48 hours prior to the meeting.	
AGENDA ITEM	RECOMMENDATION
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>	
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Boerum</i>
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.</i>	<i>Boerum</i>
3. CONSENT CALENDAR a. Finance Committee Minutes 05.24.22	<i>Boerum</i> Action
4. ADDENDUM REVIEW PIVOTPOINT	<i>Hennelly</i> Inform
5. EPIC UPDATE	<i>Hennelly</i> Inform
6. ODC UPDATE – TIMELINE ADJUSTMENT	<i>Drummond</i> Action

7. UNISON ENERGY AGREEMENT	<i>Armfield</i>	Action
8. LONG TERM CAPITAL PLAN 2023 - 2027	<i>Armfield</i>	Action
9. FINANCIAL REPORT FOR MONTH END MAY 2022	<i>Armfield</i>	Inform
10. ADJOURN	<i>Boerum</i>	



SVHCD
FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, MAY 24, 2022
Via Zoom Teleconference

Present		Not Present/Excused	Staff	Public	
Bill Boerum via Zoom Catherine Donahue via Zoom Bruce Flynn via Zoom Carl Gerlach via Zoom Art Grandy, via Zoom Peter Hohorst via Zoom Subhash Mishra (MD) via Zoom Wendy Lee via Zoom Joshua Rymer via Zoom			Ben Armfield via Zoom Celia Kruse de la Rosa, viz Zoom Kimberly Drummond via Zoom Sarah Dungan via Zoom Jenny Fontes via Zoom John Hennelly via Zoom Dawn Kuwahara via Zoom	Judy Bjorndal via Zoom Susan Kornblatt Idell via Zoom	
AGENDA ITEM			DISCUSSION	ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>					
1. CALL TO ORDER/ANNOUNCEMENTS			<i>Boerum</i>		
			Called to order at 5:02 p.m.		
2. PUBLIC COMMENT SECTION			<i>Boerum</i>		
			None		
3. CONSENT CALENDAR (ACTION)			<i>Boerum</i>	Action	
a. Finance Committee Minutes 04.26.22				MOTION: by Rymer to approve with revisions, 2 nd by Flynn. All in favor.	
4. REPORT ON SUB COMMITTEE WITH ADMINISTRATION			<i>Boerum/Lee</i>	Inform	

<p>Ms. Lee said the meeting was focused on long term revenue generation. She said Mr. Hennelly and Mr. Armfield presented the strategic planning document which was very helpful, and the subcommittee was glad to hear about the strategic thinking regarding the partnership with UCSF. Ms. Lee said they agreed to with the Finance committee, recommends the budget review be shortened to 5 or 6 key points, and the review go to the consent calendar, and the time spend on Financials is reallocated to more strategic discussions around revenue generation and strategic initiatives. Mr. Rymer thanked the subcommittee for their strategic analysis and thinking about where the hospital might move to help the financials. He said the meeting was interesting and productive. He requested that Mr. Armfield and Mr. Hennelly speak about 5 key points:</p> <ul style="list-style-type: none"> • When they would have a streamlined financial reporting with more focus on net revenues. • The idea of a capital plan versus cash flows for 3 years. • An initial business plan for easy rewards. • How they would like the subcommittee managed. • How to restructure the Finance committee meetings to emphasize the subcommittee's ideas and suggestions. <p>Mr. Hennelly said he hopes to meld the subcommittee back into the Finance Committee and the focus should be on prioritization. He would appreciate the Finance Committee's perspective on prioritization. Mr. Boerum suggested an agenda item at the next Finance meeting that explains how Mr. Hennelly and Mr. Armfield would like to prioritize the ideas and initiatives that have been identified.</p>			
5. FOREFRONT CONTRACT REVIEW	<i>Drummond</i>	Action	
The Forefront Contract was reviewed and approved. Contract will be submitted to the June 2 nd Board meeting with revisions and a cover memo for final approval.		MOTION: by Flynn to approve with revisions, 2 nd by Gerlach. All in favor.	
6. EPIC CONTRACT UPDATE	<i>Hennelly</i>	Inform	
Mr. Hennelly said EPIC will launch in less than two weeks, Pivotpoint will provide a project lead, and project support, the first quote is around \$150K.			
7. ODC UPDATE	<i>Drummond</i>	Inform	

<p>CT repairs will be complete in mid-June. HCAI has accepted the amended construction document. Electrical coordination study was done. It was determined that an electrical panel needs to be replaced. The cost is between \$40k – \$60k.</p> <p>The architect met with the HCAI safety officer regarding the MRI. The safety officer was concerned about the safety requirements for the central wing. A formal bid package will go out in August 2022 for the demolition, fire barriers, and the roof protection of the central wing.</p>			
8. FINANCIAL REPORT FOR MONTH END APRIL 2022	<i>Armfield</i>	Inform	
<p>Mr. Armstrong reviewed the Financial Report for Month End April 2022. Operating loss of 630K vs. budgeted operating loss of \$712K. and \$4.1M net revenue in April. April saw a better financial performance than previous months. Volumes for month of April were all close to budget, 119 surgeries, 4800 outpatient visits, which is 4% higher than FY average. Mr. Armfield is exploring opportunities to increase net revenue in the FY and beyond.</p>			
9. ADJOURN	<i>Boerum</i>		
	Meeting adjourned at 5:50 p.m.		

Client Services Agreement (CSA/MSA)

CLIENT SERVICES AGREEMENT

This Client Services Agreement ("Agreement") is made and entered into as of June 1st, 2022 ("Effective Date") by and between Sonoma Valley Hospital (CLIENT) and any affiliates of Sonoma Valley Hospital for whom Vaco LLC provides services under this Agreement (collectively, "Client") and Vaco LLC dba Pivot Point Consulting ("Pivot Point Consulting"). Client and Pivot Point Consulting are hereinafter referred to collectively as the "Parties" and individually as a "Party."

WHEREAS, Client wishes to engage and contract Pivot Point Consulting to provide the consulting services described herein in accordance with the terms and conditions contained in this Agreement and included addendum(s), which addendums are incorporated by reference into this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the Parties hereby agree to the terms set forth below.

1. Consulting Services:

- (a) Pivot Point Consulting will provide consulting services, under the supervision and direction of Client, on a project basis according to Client needs. Specific work performed by project will be included as an addendum(s) to this Agreement. The Parties may subsequently agree to add projects and/or work through addendum(s), without the necessity of entering into a new Agreement. The terms of this Agreement will control any such projects and/or work, unless and to the extent the Parties agree otherwise in a writing signed by both Parties.
- (b) A professional provided by Pivot Point Consulting to Client to perform services for Client pursuant to this Agreement is a "Consultant". Any work product of Consultant provided by Pivot Point Consulting resulting from the services performed pursuant to this Agreement shall be "work-for-hire" and shall belong to the Client. The Consultant shall not be deemed an employee of Client and shall not be entitled to benefits or privileges of Client's employees. Pivot Point Consulting acknowledges it is solely responsible for compensating the Consultant or Consultant's employer for the services he/she performs and will withhold such federal, state and local taxes and unemployment insurance as required by law. Client agrees to pay Pivot Point Consulting for such services at the rate(s) specified in addendum(s) to this Agreement. Client agrees to approve and sign Consultant weekly time records by noon local time the Monday following the week worked. Approval of weekly time records will constitute Client's full acceptance of the services. Failure to sign or notify Pivot Point Consulting in writing of a deficiency within this timeframe will constitute Client's approval of these services. Invoicing will be weekly and payment is due to Pivot Point Consulting within thirty (30) days of invoicing. Any late invoicing by Pivot Point Consulting shall not affect Client's obligation to pay for services rendered. Undisputed invoice(s) not paid within thirty (30) days will be subject to a one and one-half percent (1.5%) service charge per month.
- (c) If a change of Consultant is required due to circumstances beyond the control of Pivot Point Consulting, Pivot Point Consulting will make every reasonable effort to replace said Consultant.

2. Consulting Services Scope:

Pivot Point Consulting's Responsibilities: After establishing the qualifications for the recruiting assignment, Pivot Point Consulting will identify prospects first by phone to inquire about their background, interest in a new opportunity, qualifications, and technical expertise in specialized industries, accomplishments, financial expectations and career goals. If the prospect meets basic requirements, a more in-depth interview is conducted face-to-face between Pivot Point Consulting and the prospect (also referred to as a "candidate"). This interview is designed to further assess the candidate's qualifications and overall suitability regarding the Client's expectations. After this interview and with the permission of the candidate, the resume of the candidate is submitted to the Client in person or via facsimile, e-mail, or mail. Pivot Point Consulting will conduct reference checks to Client's specifications and will furnish Client with this information, but it is understood that final reference checks, verification of education, criminal checks, credit checks, and other documentation deemed necessary by Client will be performed by Client.

Client's Responsibilities: Client will designate a representative for coordination of search and placement activities with Pivot Point Consulting, who will work with Pivot Point Consulting, as required, in the evaluation and screening of prospective candidates, timely arrangement of interviews, and the arrangement of appropriate activities in the final selection process, to include meetings with appropriate hiring managers. Client will process all candidates in a professional manner and will keep Pivot Point Consulting informed on a current basis of negotiations with all candidates.

Services In Scope: The scope of services outlined in this agreement will allow the hospital to help address immediate concerns, set the project up for success, tailor project goals and objectives to Sonoma Valley Hospital strategic priorities, and better outline in more detail any potential gaps or critical needs in the project implementation.

Pivot Point Consulting will provide Client with Site Lead / Clinical Content Advisor and Revenue Integrity Advisor consultative resources. The scope of services for each of these roles is further defined below:

Site Lead/Clinical Content Advisor – Scope and Roles/Responsibilities

- Provides overall oversight for the project timeline, budget, scope, outcomes, and achievement of metrics / key performance indicators
- Creates and manages all project documents, to include scope, timeline, budget, risk mitigation, issue tracking, key performance indicators, and other critical items to ensuring project success
- Provides expertise and direction related to non-Epic application planning and integration
- Acts as a liaison between hospital and identified third party stakeholders
- Partners with service line leaders to review end to end workflows, including policies, procedures, and communication to ensure appropriate new workflow adoption at go live and to identify any gaps in process that could lead to patient safety, efficiency, or financial impacts

- Mentors IS staff in preparation for the successful adoption and support of the new Epic EMR platform, including super user / end user support best practices for ongoing skills enhancement
- Ensures organizational leadership has the appropriate reports, tools, and metrics to ensure the clinical and financial health of the organizational at go live, including successful conversion activities to minimize disruptions in care or billing cycles
- Provides expertise related to all conversions, interfaces, and device integration
- Provides expertise related to training & go-live deployment planning
- Assists the hospital with activities related to clinical readiness and content review planning
- Provides overall support of operational issues and tasks related to the project and go-live deployment activities

Revenue Integrity Advisor – Scope and Roles/Responsibilities

- Serves as primary point of contact working with CFO, revenue cycle leadership, and other related groups to ensure a financially successful implementation
- Is responsible for ensuring accurate charge capture, claims generation, cash collections, and reimbursement based on projections from legacy data and successful integration with Paragon Financials
- Provides expertise and additional focus related to claims testing and projecting revenue change impact during transition to Epic
- Works with designated service line stakeholders to develop plans and procedures to operationally manage revenue-related issues to ensure rapid and accurate resolution
- Reviews detailed project scope for both front and back-end revenue cycle functions to ensure accuracy and completeness
- Provides support with front-end revenue cycle process mapping
- Reviews legacy revenue cycle reports and applicable dashboards
- Reviews general ledger configuration and plan
- Assists revenue cycle leadership in overall claims testing strategy and approach
- Assists revenue cycle leadership with activities related to the revenue cycle readiness program
- Provides overall support of ongoing implementation – build, testing, training, and go-live deployment activities

Fees: Client agrees to pay Pivot Point Consulting the following hourly rates for the services being provided:

Site Lead / Clinical Content Advisor: Two Hundred Dollars (\$200) per hour (805 total hours estimated for engagement)

Revenue Integrity Advisor: One Hundred Eighty-Five (\$185) per hour (up to 210 total hours estimated for engagement)

The total planned spend for this engagement is \$199,850.

Fees Should Client Convert Pivot Point Contractor to Employee: Pivot Point Consulting performs its search activities on a contingency basis, meaning no fee will be assessed unless Client hires one of Pivot Point Consulting's candidates. Should a Pivot Point Consulting contractor be transitioned to a Client full-time employee ("Contract-to-Hire") the fee for this transition is twenty-five percent (25%) of the candidate's first year annual salary. Placement fees are earned by Pivot Point Consulting when a candidate is hired or otherwise retained either directly or indirectly by Client (including any division, subsidiary or other affiliate of Client) following Pivot Point Consulting's efforts or referral, including but not limited to facsimile or e-mail transmission of a requested resume or candidate profile, telephone interview, or personal interview, within one year of the last contact made by Pivot Point Consulting to Client regarding the candidate. Candidates are referred to Client in confidence. Should Client refer or otherwise identify a candidate referred by Pivot Point Consulting to another company that hires the candidate within one year of the last contact made by Pivot Point Consulting to Client regarding the candidate, Client shall be liable for the entire twenty-five percent (25%) fee. All fees are earned and due on the candidate's start date. It is mutually agreed that this is a non-exclusive contract (i.e., Client can pursue and secure candidates from other sources with no obligation to Pivot Point Consulting).

Guarantee: Pivot Point Consulting guarantees a candidate for sixty (60) days. If the candidate resigns or is terminated during the first sixty (60) calendar days of employment, Pivot Point Consulting will replace the candidate without any additional fee. This guarantee for a replacement at no additional fee is valid **only** if the full fee is paid to Pivot Point Consulting within ten (10) calendar days from the date the candidate begins employment with Client, and if a request for a replacement is received by Pivot Point Consulting within five (5) calendar days from the date that the candidate's services cease. This guarantee for a replacement at no additional fee does not apply if Client has not paid Pivot Point Consulting the full fee within the requisite ten (10) day period, or if the candidate is terminated due to a company layoff, a downsizing, a reduction in force, a position elimination, a relocation, a closure of the company or a division or operating unit of the company, or a material change in job description or responsibilities.

Expected Outcomes: Pivot Point Consulting will provide the necessary support and expertise to prepare Client as best as possible for a successful go-live. Based upon the agreed scope of services defined by both parties, Client can expect the following outcomes as a result of this engagement:

- Established phase gate process with defined success criteria for each respective phase:
 - Build Phase: On-time completion of build and sign-off from steering committee that completed build is what was requested
 - Testing Phase: On-time completion of testing with no go-live critical issues outstanding and sign-off from the steering committee that everyone is comfortable proceeding to go-live with any outstanding lower-priority issues (with a plan to resolve prior to go live)
 - Training Phase: On-time completion of training with all users completing proficiency assessments to validate their learning adoption prior to go live

- Go Live: On-time go live events with minimal critical issues and rapid resolution of any high priority or work stoppage issues. Completed daily meetings with the Steering Committee to validate outstanding issues and overall status, reviewing key performance indicators, etc with sign off by the steering committee that we are able to complete the go-live period and close the command center + reduce/eliminate at the elbow go-live support on the floors
 - Transition to Post Live: Knowledge transfer to key SVH stakeholders and sign-off from steering committee that the SVH team feels comfortable and ready to take over support and roll off the Pivot Point team
 - Other key deliverables and outcomes:
 - Development of Project Charter that is approved by Steering Committee
 - Development of Client resources and competencies to maintain and support Epic EHR beyond engagement of Pivot Point Consulting
 - Project work completed within budget and on-time, to the extent that such work is in scope for Pivot Point Consulting and not dependent upon other external factors such as potential Providence/Community Technologies limitations, and/or decisions from Client that change scope of project and accompanying budget
3. **Limited Warranty:** Pivot Point Consulting warrants that the services of Consultant will be provided utilizing reasonable care and skill in accordance with customary industry standards. Pivot Point Consulting expressly disclaims any and all other warranties and representations of any kind or nature, whether express or implied, on its (including its Consultants') services provided under this Agreement, including, but not limited to, implied warranties of merchantability or fitness for a particular purpose.
4. **Term/Termination:** The term of this Agreement will commence as of the Effective Date of this Agreement and remain in effect until terminated as permitted herein.
- (a) Without cause, each Party may terminate this Agreement (or any specific projects reflected in subsequent addendum(s)) upon thirty (30) days written notice to the other Party.
- (b) Each Party may terminate the Agreement (or any specific projects reflected in subsequent addendum(s)) with five (5) days written notice, in the event that the other Party has breached any of the terms or conditions of this Agreement and such breach has not been cured within the five (5)-day notice period.
- Client agrees to pay Pivot Point Consulting for all fees and expenses incurred through the Effective Date of any termination.
5. **Client Responsibilities:** Client will provide all technical data, information and resources necessary for Consultant's performance under this Agreement, including workspace, office supplies and reasonable access to information. Neither Pivot Point Consulting nor Consultant has any liability or risk for any problem attributable to the content, accuracy, completeness or consistency of any information or other resources supplied by Client.

- 6. Economic Change Adjustment (ECA):** Economic change adjustments will be made on an annual basis for all resources, on hourly rates. For Services performed in the United States and Canada, the adjustment will be on a fixed rate of three percent (3%) per annum, the first ECA will occur on the first anniversary of the Actual Effective Start Date, and adjustments will be made on each subsequent anniversary thereafter. For Services performed in the United States and Canada, any other variable adjustments may be agreed by Client and the Contractor and made effective during the course of this engagement or its extensions via executed addendum.
- 7. Compliance with Laws:** The Parties will comply with all applicable laws, rules, orders, statutes and regulations, including those laws regarding non-discrimination in employment, occupational health and safety, environmental protection, and fair labor standards that may govern them.
- 8. Non-Solicitation:** Except as provided by this Agreement, Client (including all of its divisions, subsidiaries and other affiliates) will not hire or offer employment to, or otherwise directly or indirectly use the services of, on a full-time, part-time or temporary basis,
- (a) any Consultant who has provided services for Client hereunder until the expiration of one (1) year after termination of Consultant's most recent assignment to Client, or
 - (b) any Consultant or prospective Consultant who has been introduced to, recommended to or interviewed by Client through the services of Pivot Point Consulting, until the expiration of one (1) year after the latest of such interview, discussion, introduction, or presentation of Consultant.

In the event that Client provides the services of any Consultant, or introduces or refers any Consultant, to any third party during the course of any assignment, Client shall obtain the agreement of such third party to the foregoing restrictions and shall be responsible to Pivot Point Consulting for any breach thereof by it or the third party.

If Client (including its divisions, subsidiaries or other affiliates) breaches this section it will pay Pivot Point Consulting as a conversion fee an amount equal to thirty-five percent (35%) of the gross annual compensation (including salary plus any guaranteed bonus) of the Consultant at issue, if the Consultant is an employee of, or offered employment by, Client (including its divisions or affiliates) or a third party to whom Client introduced or referred the Consultant. If Client breaches this section by having Consultant provide services, or allowing Consultant to provide services, to the Client (including its divisions, subsidiaries or other affiliates) or relevant third party in a capacity other than that of employee (i.e., on a consulting/hourly basis), then Client will pay Pivot Point Consulting an amount equal to the Consultant's last Pivot Point Consulting bill rate multiplied by the total number of hours worked by the Consultant for the Client (including its divisions, subsidiaries or other affiliates) or relevant third party in the twelve (12) month period following the breach of this section.

- 9. Confidentiality:** Each of the Parties will take reasonable measures to keep in confidence all of the other Party's confidential information that it receives in connection with this Agreement, and will not use such confidential information without the other Party's prior written permission except to perform its obligations hereunder. Confidential information shall include information marked as "proprietary," "private," "company private," or otherwise identified as proprietary to, or a trade secret of, Client or Pivot Point Consulting.

Pivot Point Consulting will obtain written agreement from Consultant to adhere to the foregoing.

Pivot Point Consulting shall instruct Consultant not to disclose, directly or indirectly, to Client any information or data the disclosure of which would constitute a violation of any obligation of Consultant to any third party.

10. Authorization: Client hereby acknowledges and agrees that Pivot Point Consulting is authorized by Client to use and publish Client's name, logo, and other relevant identifying information, including but not limited to trademark(s), taglines, and images, (collectively known as "Client Name") to be used by Pivot Point Consulting in any (i) advertising, marketing, or company literature, (ii) company website(s), (iii) press releases, (iv) customer lists, and/or (v) case studies or white papers prepared by Pivot Point Consulting related to the services provided hereunder. Pivot Point Consulting agrees that it will not publish any case studies or white papers containing any Confidential Information of Client without first obtaining Client's express written permission. Client hereby warrants and represents that the undersigned has the full right and authority to permit such authorization concerning the Client Name included herein, and that Pivot Point Consulting does not need the consent or permission of any other person, firm or corporation in order to use the Client Name as described herein.

11. Insurance: Parties agree to carry and maintain in force during the term of this Agreement insurance coverage. While such coverage may vary depending upon the requirements of a particular Client, Parties agree to maintain, at a minimum, coverage as follows: (i) Workers' Compensation – Statutory with limits as prescribed by applicable state law; (ii) Employer's Liability with limits of \$1,000,000 per occurrence; (iii) Commercial General Liability with limits of \$1,000,000 combined single limit bodily injury and property damage, per occurrence/\$2,000,000 in the aggregate; these limits may be provided in conjunction with an umbrella policy; (iv) Automobile Liability with limits of \$250,000 combined single limit bodily injury and property damage, per occurrence; (v) Employment Practices Liability with limits of \$2,000,000 per claim.

12. Notices: All notices or other communications hereunder are deemed given when made in writing and (a) delivered in person, (b) delivered to an agent such as an overnight or similar delivery service, (c) delivered via email, or (d) deposited in the United States mail, certified postage prepaid, and addressed as follows:

If to the Client:


Client:	Sonoma Valley Hospital
Attn:	John Hennelly, President and CEO
Address 1:	347 Andrieux Street
Address 2:	
City:	Sonoma
State:	CA
Zip:	954776
Email:	JHennelly@sonomavalleyhospital.org

If to Pivot Point Consulting:

Pivot Point Consulting:	Vaco LLC dba Pivot Point Consulting
Attn:	Contracts Manager
Address 1:	5501 Virginia Way
Address 2:	Suite 120
City:	Brentwood
State:	TN
Zip:	37027
Email:	vacolegal@vaco.com

- 13. Force Majeure:** Neither Party will be held liable nor deemed to be in default of this Agreement if it is prevented from carrying out its obligations hereunder due to causes beyond its reasonable control, including, but not limited to, any act of God, fire, natural disaster, accident, war, acts of war (declared or not), insurrections, riots, civil commotion, strikes, lockouts or any other labor disturbances, shortages in the marketplace, or acts, omissions or delays in acting by any governmental authority or the other Party.
- 14. Limitations on Liability:** Neither Party shall be liable to the other for indirect, incidental, special or consequential damages sustained resulting from the action or inaction of the Party under this Agreement, whether the cause of action against the Party is in contract, breach of warranty, tort, gross negligence or otherwise, including, but not limited to, lost profits, lost opportunities and/or delay damages, even if the Party was aware of or knew the potential for such damages. Pivot Point Consulting's liability for damages hereunder, regardless of the form of action, shall not exceed per claim and in the aggregate the total amount paid by Client for services under this Agreement. No action or proceeding against Pivot Point Consulting may be commenced more than one (1) year after the event giving rise to such claim.
- 15. Attorney Fees and Costs:** If any action at law or in equity (including a counterclaim) is brought by either Party to enforce the provisions of this Agreement, then the prevailing Party shall be entitled to recover all of its reasonable attorney fees, expenses (including without limitation expert witness fees), and costs from the other Party, including all fees, expenses and costs associated with an appellate proceeding, in addition to any other relief to which the prevailing Party may be entitled.
- 16. Governing Law:** This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Tennessee, notwithstanding the conflict of laws doctrines of that or any other jurisdiction. Client hereby stipulates, consents, and agrees that the Chancery and Circuit Courts of Williamson County, Tennessee or the United States District Court for the Middle District of Tennessee shall have exclusive jurisdiction and venue in the event of any litigation arising out of or pertaining to this Agreement. Client hereby waives any objection to suit in said courts, including without limitation any objection to personal jurisdiction.
- 17. Use of Names and Marks:** Except as otherwise expressly set forth herein, neither Party may use the names, logos, or marks of the other Party without the prior written approval from the other Party except that Vaco may use the name and logo of Client together with those of other names and logos of Vaco and/or its customers in order to identify Client as a past or current customer of Vaco's products and services.
- 18. Survival of Provisions:** The following provisions of this Agreement shall survive the expiration or termination of this Agreement for any reason: Sections 1-9, 11-16, and all other provisions of this Agreement that by their nature extend beyond the termination of this Agreement.
- 19. Entire Agreement:** This Agreement constitutes the entire Agreement of the Parties hereto regarding the subject matter contained herein and supersedes all prior representations, proposals, discussions, and communications, whether oral or in writing, regarding the matters addressed herein. This Agreement may be modified only in writing and shall be enforceable in accordance with its terms when signed by the Party sought to be bound.

The Parties represent that they have full corporate power and authority to execute this Agreement and to perform their obligations hereunder, and that the person whose signature appears below is fully authorized to enter into this Agreement on behalf of the relevant Party.

Client:	<u>Sonoma Valley Hospital</u>	Pivot Point Consulting:	<u>Vaco LLC dba Pivot Point Consulting</u>
Signature:	_____	Signature:	<u></u>
Print Name:	<u>John Hennelly</u>	Print Name:	<u>Rachel Marano</u>
Title:	<u>President & CEO</u>	Title:	<u>Co-Founder & Managing Partner</u>
Date:	_____	Date:	<u>June 6, 2022</u>

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement ("**BAA**") is made as of the date last written below ("**Effective Date**") by and between SONOMA VALLEY HEALTH CARE DISTRICT, a California health care district doing business as Sonoma Valley Hospital ("Hospital") ("**CE**"), and Vaco LLC dba Pivot Point Consulting ("**BA**").

RECITALS

- A. CE is a "covered entity" under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("**HIPAA**") and must enter into "business associate" contracts with contractors that create, receive, maintain, or transmit Protected Health information ("**PHI**") on behalf of CE.
- B. Pursuant to the terms of one or more agreements between the parties, whether oral or in writing (collectively, the "**Contract**"), BA provides certain services to CE, some of which may involve disclosure of PHI by CE to BA.
- C. CE and BA intend to protect the privacy and provide for the security of PHI disclosed to BA pursuant to the Contract in compliance with HIPAA, the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 ("the **HITECH Act**"), and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "**HIPAA Regulations**") and other applicable laws, including without limitation state laws governing the privacy and security of health information (HIPAA, the HITECH Act, and the HIPAA Regulations, may collectively be referred to as "**Health Information Laws**"), as amended from time to time.
- D. As part of the HIPAA Regulations, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with BA prior to the disclosure of PHI, as set forth in, but not limited to, Title 45, Sections 164.314(a), 164.502(a) and (e) and 164.504(e) of the Code of Federal Regulations ("C.F.R.") and contained in this BAA.

In consideration of the mutual promises below and the exchange of information pursuant to this BAA, the parties agree as follows:

AGREEMENT

1. Definitions.

Capitalized terms not defined in this BAA shall have the meanings assigned to them under HIPAA, the HITECH Act, or the HIPAA Regulations, as applicable.

- a. **Breach** shall have the meaning given to such term under the HITECH Act and HIPAA Regulations [42 U.S.C. Section 17921 and 45 C.F.R. Section 164.402].
- b. **Breach Notification Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and D.

- c. **Business Associate** shall have the meaning given to such term under the Privacy Rule, the Security Rule, and the HITECH Act, including, but not limited to, 42 U.S.C. Section 17938 and 45 C.F.R. Section 160.103.
- d. **Covered Entity** shall have the meaning given to such term under the Privacy Rule and the Security Rule, including, but not limited to, 45 C.F.R. Section 160.103.
- e. **Data Aggregation** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- f. **Designated Record Set** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- g. **Discovery** has the meaning described at 42 U.S.C. Section 17932(c) and 45 C.F.R. Section 164.410.
- h. **Electronic Protected Health Information** means Protected Health Information that is maintained in or transmitted by electronic media.
- i. **Electronic Health Record** shall have the meaning given to such term in the HITECH Act, including, but not limited to, 42 U.S.C. Section 17921.
- j. **Health Care Operations** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- k. **Privacy Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and E.
- l. **Protected Health Information** or PHI means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (ii) that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501. *[If the business associate creates, receives, maintains or transmits electronic PHI on behalf of the CE, the following language should be included]:* Protected Health Information includes Electronic Protected Health Information [45 C.F.R. Sections 160.103, 164.501].
- m. **Protected Information** shall mean PHI provided by CE to BA or created, maintained, received or transmitted by BA on CE's behalf.
- n. **Security Incident** shall have the meaning given to such term under the Security Rule, including, but not limited to, 45 C.F.R. Section 164.304.
- o. **Security Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and C.
- p. **Subcontractor** means a person to whom BA delegates a function, activity, or service, other than in the capacity of a member of the workforce of BA.

- q. **Unsecured PHI** shall have the meaning given to such term under the HITECH Act and any guidance issued pursuant to such Act including, but not limited to, 42 U.S.C. Section 17932(h) and 45 C.F.R. Section 164.402.

2. Obligations of Business Associate

- a. **In General.** BA shall comply with the provisions of HIPAA, the HITECH Act, and the HIPAA Regulations that directly apply to BA. Except as expressly provided in this BAA, BA shall not permit the unauthorized or unlawful access to, nor use or disclose, PHI, other than as permitted or required by the Contract, this BAA, or as required by law. To the extent BA carries out one or more of CE's obligation(s) under the Privacy Rule, BA shall comply with the requirements of the Privacy Rule that apply to CE in the performance of such obligations.
- b. **Permitted Uses.** BA shall use Protected Information only for the purpose of performing BA's obligations under the Contract and as permitted or required under the Contract, this BAA, or as required by law. Further, BA shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by CE. However, BA may use Protected Information as necessary (i) for the proper management and administration of BA; (ii) to carry out the legal responsibilities of BA; (iii) as required by law; or (iv) for Data Aggregation purposes relating to the Health Care Operations of CE[45 C.F.R. Section 164.504(e)(2) and 164.504(e)(4)(i)].
- c. **Permitted Disclosures.** BA shall disclose Protected Information only for the purpose of performing BA's obligations under the Contract and as permitted or required under the Contract and BAA, or as required by law. BA shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by CE. However, BA may disclose Protected Information as necessary (i) for the proper management and administration of BA; (ii) to carry out the legal responsibilities of BA; (iii) as required by law; or (iv) for Data Aggregation purposes relating to the Health Care Operations of CE. If BA discloses Protected Information to a third party, BA must obtain, prior to making any such disclosure, (i) reasonable written assurances from such third party that such Protected Information will be held confidential as provided pursuant to this BAA and used or disclosed only as required by law or for the purposes for which it was disclosed to such third party, and (ii) a written agreement from such third party to immediately notify BA of any breaches, suspected breaches, security incidents, or unauthorized uses or disclosures of the Protected Information in accordance with this BAA, to the extent it has obtained knowledge of such occurrences [42 U.S.C. Section 17932; 45 C.F.R. Section 164.504(e)].
- d. **Prohibited Uses and Disclosures.** BA shall not use or disclose PHI other than as permitted or required by the Contract and BAA, or as required by law. Notwithstanding any provision of this BAA: (i) except with CE's prior written consent, BA shall not use or disclose Protected Information for Fundraising (as described at 45 C.F.R. 164.514(f)) or Marketing purposes; (ii) BA shall not disclose Protected

Information to a health plan for Payment or Health Care Operations purposes if the patient has requested this special restriction and has paid CE out of pocket in full for the health care item or service to which the Protected Information solely relates; and (iii) BA shall not engage in the Sale of PHI (as described at 45 C.F.R. 164.502(a)(5)) with respect to Protected Information, except with CE's prior written consent, provided that this prohibition shall not affect payment by CE to BA for services provided pursuant to the Contract. BA shall not use or disclose Protected Information for fundraising or marketing purposes.

- e. **Appropriate Safeguards.** BA shall implement appropriate safeguards to prevent the use or disclosure of Protected Information other than as permitted by the Contract or BAA, including, but not limited to, administrative, physical and technical safeguards in accordance with the Security Rule, including, but not limited to, 45 C.F.R. Sections 164.308, 164.310, and 164.312. [45 C.F.R. Section 164.504(e)(2)(ii)(B); 45 C.F.R. Section 164.308(b)]. BA shall comply with the policies and procedures and documentation requirements of the Security Rule, including, but not limited to, 45 C.F.R. Section 164.316. [42 U.S.C. Section 17931]
- f. **Business Associate's Subcontractors and Agents.** BA shall ensure that any Subcontractors or agents that create, receive, maintain, or transmit Protected Information on behalf of BA agree *in writing* to the same restrictions and conditions that apply to BA with respect to such Protected Information and implement the safeguards required under paragraph 2e above with respect to Electronic Protected Health Information [45 C.F.R. Section 154.504(e)(2)(ii)(D); 45 C.F.R. Section 164.308(b)]. BA shall implement and maintain sanctions against agents and Subcontractors that violate such restrictions and conditions and shall mitigate the effects of any such violation (45 C.F.R. Sections 164.5300 and 164.530(e)(1)). Such written arrangement shall include, without limitation the duty to notify BA of the Discovery of any suspected or actual access, use, or disclosure of Protected Information not permitted by the Contract, this BAA, or applicable Health Information Laws without unreasonable delay and in no event later than *two (2) business days* after Discovery.
- g. **Access to Protected Information.** If the BA maintains a Designated Record Set on behalf of CE, BA shall make Protected Information maintained by BA or its agents or Subcontractors in Designated Record Sets available to CE for inspection and copying within *five (5) days* of a request by CE to enable CE to fulfill its obligations under state law [Health and Safety Code Section 123110] and the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.524 [45 C.F.R. Section 164.504(e)(2) (ii)(E)]. If BA maintains Protected Information in electronic format, BA shall provide such information in electronic format as necessary to enable CE to fulfill its obligations under the HITECH Act and HIPAA Regulations, including, but not limited to, 42 U.S.C. Section 17935(e) and 45 C.F.R. Section 164.524.
- h. **Amendment of PHI.** If the BA maintains a Designated Record Set on behalf of CE, within *ten (10) days* of a request by CE for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, BA and its

agents and Subcontractors shall make such Protected Information available to CE for amendment and incorporate any such amendment or other documentation to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.526. If an individual requests an amendment of Protected Information directly from BA or its agents or Subcontractors, BA must notify CE in writing within *five (5) days* of the request and of any approval or denial of amendment of Protected Information maintained by BA or its agents or Subcontractors [45 C.F.R. Section 164.504(e)(2)(ii)(F)].

- i. **Accounting of Disclosures.** Promptly upon any disclosure of Protected Information for which CE is required to account to an individual, BA and its agents and Subcontractors shall make available to CE the information required to provide an accounting of disclosures to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.528, and the HITECH Act, including but not limited to 42 U.S.C. Section 17935(c), as determined by CE. BA agrees to implement a process that allows for an accounting to be collected and maintained by BA and its agents and Subcontractors for at least six (6) years prior to the request. However, accounting of disclosures from an Electronic Health Record for treatment, payment or health care operations purposes are required to be collected and maintained for only three (3) years prior to the request, and only to the extent that BA maintains an Electronic Health Record. At a minimum, the information collected and maintained shall include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or a copy of the individual's authorization, or a copy of the written request for disclosure. If a patient submits a request for an accounting directly to BA or its agents or Subcontractors, BA shall within *five (5) days* of the request forward it to CE in writing.
- j. **Governmental Access to Records.** BA shall make its internal practices, books and records relating to the use and disclosure of Protected Information available to CE and to the Secretary of the U.S. Department of Health and Human Services (the "**Secretary**") for purposes of determining BA's compliance with HIPAA [45 C.F.R. Section 164.504(e)(2)(ii)(I)]. BA shall provide CE a copy of any Protected Information and other documents and records that BA provides to the Secretary concurrently with providing such Protected Information to the Secretary.
- k. **Minimum Necessary.** BA, its agents and Subcontractors, shall request, use and disclose only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use or disclosure. [42 U.S.C. Section 17935(b); 45 C.F.R. Section 164.514(d)] BA understands and agrees that the definition of "minimum necessary" is in flux and shall keep itself informed of guidance issued by the Secretary with respect to what constitutes "minimum necessary."

- l. **Data Ownership.** Except as otherwise agreed in writing by the parties: (i) BA has no ownership rights with respect to the Protected Information; and (ii) BA shall have no right to compile or distribute any statistical analysis or report utilizing such Protected Information, any aggregate information derived from such Protected Information, or any other Protected Information obtained from CE.
- m. **Business Associate's Insurance.** BA shall obtain insurance for itself and all its employees, agents, and independent contractors in an amount not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) annual aggregate if Commercial General Liability insurance and Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) annual aggregate of Errors and Omissions insurance. The Errors and Omissions insurance shall cover, among other things, Breaches. BA shall provide CE with certificates of insurance or other written evidence of the insurance policy or policies required herein prior to execution of this BAA (or shortly thereafter as is practicable) and as of each annual renewal of such insurance policies during the period of such coverage. Further, in the event of any modification, termination, expiration, non-renewal or cancellation of any such insurance policies, BA shall give written notice thereof to CE not more than ten (10) days following BA's receipt of such notification.
- n. **Reporting Improper Access, Use or Disclosure.**
 1. **Initial Report; Corrective Actions.** BA shall provide an initial telephone report to CE's Privacy Officer within *twenty-four (24)* hours of any suspected or actual Breach of Protected Information; any use or disclosure of Protected Information not permitted by the Contract or BAA; any security incident (i.e., any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system) related to Protected Information, or any actual or suspected use or disclosure of data in violation of the Contracts, the BAA or applicable Health Information Laws. BA shall take (i) prompt corrective action to cure any deficiencies that led to such unauthorized access, use, or disclosure; and (ii) any action pertaining to unauthorized uses or disclosures required by applicable federal and state laws. [42 U.S.C. Section 17921; 45 C.F.R. Section 164.504(e)(2)(ii)(C); 45 C.F.R. Section 164.308(b)]. CE shall make the determination whether notification to the patient is necessary.
 2. **Reporting Breaches of Unsecured PHI.** Without limiting Section 1, following the Discovery of any actual or suspected Breach of Unsecured PHI, BA also shall notify CE's Privacy Officer *in writing* of such Breach without unreasonable delay and in no case later than *three (3) business days* after Discovery. The notice shall include, to the extent possible, (i) a brief description of what happened, including the date of the breach and the date of the Discovery of the Breach, (ii) the identification of each individual whose Unsecured Protected Information has been, or is reasonably believed by the business associate to have been, accessed, acquired, used, or disclosed, (iii) a description of the types of Unsecured PHI that were involved in the breach

(such as whether full name, social security number, date of birth, home address, account number, diagnosis, etc.); (iv) any steps individuals should take to protect themselves from potential harm resulting from the Breach; (v) a brief description of what BA is doing to investigate the Breach, to mitigate harm to individuals, and to protect against any further breaches; and (vi) contact procedures for individuals to ask questions learn additional information, which shall include a toll free telephone number, an e-mail address, website, or postal address, as well as any other available information that CE is required to include in notification to the individual, the media, the Secretary, and any other entity under the Breach Notification Rule and any other applicable state or federal laws, including, but not limited, to 45 C.F.R. Section 164.404 through 45 C.F.R. Section 164.408, at the time of the notification required by this paragraph or promptly thereafter as information becomes available. BA also shall provide written updates to CE regarding the information specified above promptly as new information becomes available.

3. **Cost of Notification.** BA shall pay the actual, reasonable costs of CE to provide the notifications required under this Section that relate to Breaches, to the extent: (i) such PHI is in BA's possession, custody, or under BA's control at the time of the Breach and (ii) such Breach does not arise out of or in connection with CE's failure to comply with applicable Health Information Laws, including, without Limitation, CE's failure to implement appropriate Administrative, Technical, and Physical Safeguards with respect to any Protected Information which CA and CE exercise shared possession, custody or control.
- o. **Breach Pattern or Practice by Business Associate's Subcontractors and Agents.** Pursuant to 42 U.S.C. Section 17934(b) and 45 C.F.R. Section 164.504(e)(1)(ii), if the BA knows of a pattern of activity or practice of a Subcontractor or agent that constitutes a material breach or violation of the Subcontractor or agent's obligations under the Contract, this BAA or other arrangement, the BA must take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the BA must terminate the contract with the Subcontractor or agent if feasible. BA shall provide written notice to CE of any pattern of activity or practice of a Subcontractor or agent that BA believes constitutes a material breach or violation of the Subcontractor or agent's obligations under the Contract, BAA or other arrangement within *twenty-four hours (24)* of Discovery and shall meet with CE to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.
- p. **Mitigation.** BA shall mitigate, to the extent practicable and at BA's expense, any harmful effect that is known to BA of access, use, or disclosure of Protected Information not authorized by the Contract, this BAA, or applicable Health information Laws.
- q. **Audits, Inspection and Enforcement.** Within *ten (10) days* of a request by CE, BA and its agents and Subcontractors shall allow CE or its agents or Subcontractors to

conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the use or disclosure of Protected Information pursuant to this BAA for the purpose of determining whether BA has complied with this BAA or maintains adequate security safeguards; provided, however, that (i) BA and CE shall mutually agree in advance upon the scope, timing and location of such an inspection, (ii) CE shall protect the confidentiality of all confidential and proprietary information of BA to which CE has access during the course of such inspection; and (iii) CE shall execute a nondisclosure agreement, upon terms mutually agreed upon by the parties, if requested by BA. The fact that CE inspects, or fails to inspect, or has the right to inspect, BA's facilities, systems, books, records, agreements, policies and procedures does not relieve BA of its responsibility to comply with this BAA, nor does CE's (i) failure to detect or (ii) detection, but failure to notify BA or require BA's remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of CE's enforcement rights under the Contract or BAA. BA shall notify CE within *five (5) days* of learning that BA has become the subject of an audit, compliance review, or complaint investigation by the Office for Civil Rights or other state or federal government entity.

3. Termination

- a. **Material Breach.** A breach by BA of any provision of this BAA, as determined by CE, shall constitute a material breach of the Contract and shall provide grounds for *immediate* termination of the Contract, any provision in the Contract or separate written agreement to the contrary notwithstanding. [45 C.F.R. Section 164.504(e)(2)(iii)].
- b. **Judicial or Administrative Proceedings.** CE may terminate the Contract, effective immediately, if (i) BA is named as a defendant in a criminal proceeding for a violation of HIPAA, the HITECH Act, the HIPAA Regulations or other security or privacy laws or (ii) a finding or stipulation that the BA has violated any standard or requirement of HIPAA, the HITECH Act, the HIPAA Regulations or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.
- c. **Effect of Termination.** Upon termination of the Contract for any reason, BA shall, at the option of CE, return or destroy all Protected Information that BA and its agents and Subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, as determined by CE, BA shall continue to extend the protections and satisfy the obligations of Section 2 of this BAA to such information, and limit further use and disclosure of such PHI to those purposes that make the return or destruction of the information infeasible [45 C.F.R. Section 164.504(e)(ii)(2)(J)]. If CE elects destruction of the PHI, BA shall certify in writing to CE that such PHI has been destroyed in accordance with the Secretary's guidance regarding proper destruction of PHI.

4. Indemnification.

To the extent permitted by law, BA shall indemnify, defend, and hold harmless CE from any and all liability, claim, penalty, lawsuit, injury, loss, expense or damage resulting from or relating to the acts or omissions of BA in connection with the representations, duties,

and obligations of BA under this BAA. Any limitation of liability contained in the BAA shall not apply to the indemnification requirement of this provision. This Section shall survive the termination of this BAA.

5. Amendment to Comply with Law.

The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of the Contract or BAA may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the HITECH Act, the HIPAA regulations and other applicable state or federal laws relating to the security or confidentiality of PHI. The parties understand and agree that CE must receive satisfactory written assurance from BA that BA will adequately safeguard all Protected Information. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this BAA embodying written assurances consistent with the standards and requirements of HIPAA, the HITECH Act, the HIPAA regulations or other applicable laws. CE may terminate the Contract upon thirty (30) days written notice in the event (i) BA does not promptly enter into negotiations to amend the Contract or BAA when requested by CE pursuant to this section or (ii) BA does not enter into an amendment to the Contract or BAA providing assurances regarding the safeguarding of PHI that CE, in its sole discretion, deems sufficient to satisfy the standards and requirements of applicable laws.

6. Litigation or Administrative Proceedings

BA shall notify CE within *forty-eight (48) hours* of any litigation or administrative proceedings commenced against BA or its agents or Subcontractors. In addition, BA shall make itself and any Subcontractors, employees and agents assisting BA in the performance of its obligations under the Contract or BAA, available to CE, at no cost to CE, to testify as a witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers or employees based upon a claimed violation of HIPAA, the HITECH Act, the HIPAA regulations, or other state or federal laws relating to security and privacy, except where BA or its subcontractor, employee or agent is a named adverse party.

7. No Third-Party Beneficiaries

Nothing express or implied in the Contract or this BAA is intended to confer, nor shall anything herein confer upon any person other than CE, BA and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

8. Assistance in Litigation. BA shall make itself and any Subcontractors, employees, or agents assisting BA in the performance of its obligations under the Contract or this BAA available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers, agents, or employees based upon a claim of violation of Health Information Laws, except where BA or its Subcontractor is named as an adverse party.

9. Notices

All notices hereunder shall be in writing, delivered personally, by certified or registered mail, return receipt requested, or by overnight courier, and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, postage prepaid, or deposited with the overnight courier addressed as follows:

If to CE: Sonoma Valley Hospital
347 Andrieux Street
Sonoma CA 95476
Attention: President and CEO

If to BA: Vaco LLC dba Pivot Point Consulting
5501 Virginia Way Suite # 120
Brentwood TN 37027

Or to other such persons or places as either party may from time to time designate by written notice to the other in accordance with this Section.

10. Interpretation

The provisions of this BAA shall prevail over any provisions in the Contract that may conflict or appear inconsistent with any provision in this BAA. This BAA and the Contract shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HITECH Act, the HIPAA regulations, and other state and federal laws related to security and privacy. The parties agree that any ambiguity in this BAA shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HITECH Act, the HIPAA regulations, and other state and federal laws related to security and privacy. Except as specifically required to implement this BAA, or to the extent inconsistent with this BAA, all other terms of the Contract shall remain in effect.

11. Entire Agreement of the Parties

This BAA supersedes any and all prior and contemporaneous business associate agreements or addenda between the parties and constitutes the final and entire agreement between the parties with respect to the subject matter hereof. No representations, inducements, promises, or agreements, oral or otherwise, with respect to the subject matter hereof, have been made by either party, or by anyone acting on behalf of either party, which are not embodied herein. No other agreement, statement or promise, with respect to the subject matter hereof, not contained in this BAA shall be valid or binding.

12. Regulatory References.

A reference in this BAA to a section of regulations means the section as in effect or as amended, and for which compliance is required.

13. Identity Theft Program Compliance.

If CE is required to comply with the "Identity Theft Red Flags and Address Discrepancies under the Fair and Accurate Credit Transactions Act of 2003," as promulgated and enforced by the Federal Trade Commission [16 C.F.R. Part 6781] ("Red Flag Rule"), then to the extent BA is performing an activity in connection with one or more "covered accounts" (as defined in the Red Flags Rule) pursuant to the Contract, BA shall establish and comply with its own reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identifying theft, which shall be consistent with and no less stringent than those required under the Red Flag Rule or the policies and procedures of CE's Red Flag Program. BA shall provide its services pursuant to the Contract in accordance with such policies and procedures. BA shall report any detected "red flags" (as defined in the Red Flags Rule) to CE and shall, in cooperation with CE, take appropriate steps to prevent or mitigate identity theft.

14. Counterparts.

This BAA may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this BAA as of the Effective Date.

COVERED ENTITY
SONOMA VALLEY
CONSULTING
HEALTH CARE DISTRICT

BUSINESS ASSOCIATE
VACO LLC DBA PIVOT POINT

By: _____

By: 

Print Name: John Hennelly

Print Name: Rachel Marano

Title: President & CEO

Title: Co-Founder & Managing Partner

Date: _____

Date: 06 / 06 / 2022



To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer; Kimberly Drummond, Director of Facilities
Date: June 28, 2022
Subject: Unison Energy, LLC – Amended Energy Services Agreement

Historical Background: In September 2020, the Sonoma Valley Health Care District Finance Committee recommended to the Board of Directors that they approve a 20-year Energy Service Agreement (ESA) with Unison Energy, LLC and install a Combined Heat and Power (CHP) system. By entering into this arrangement and installing a CHP system, it was projected that the hospital would realize cost savings up to \$1.5 million (~\$27K per year) over the course of the 20-year agreement. The Board of Directors approved this agreement on September 3rd, 2020.

Current State: External conditions have shifted since the execution of this agreement which has resulted in a significant change to Unison's position on this project. The driving forces are as follows:

- PG&E interconnectivity requires Unison to upgrade their substation as part of our project.
- Significant supply chain cost increases due to COVID-19 that were unanticipated at the time of contract negotiations.
- Unison Energy covered 50% (\$150,000) of the cost to upgrade the existing boiler room at the request of the hospital, which depleted their contingency funding allocated for this project.

These changes have now caused Unison to project an overall loss on this project, and while the hospital has no contractual obligation to share in the responsibility of these costs, they have requested we consider a change in our agreement that would allow them to mitigate their overall risk while at the same time, avoid negatively impacting the overall opportunity for the hospital.

Options: Unison Energy presented the following proposal, which includes three potential adjustments to our overall agreement with them:

- **Option #1** - Increase annual ESA escalator from 2.50% to 3.25%.
- **Option #2** - Extend term from 20 years to 25 years. No change to any rates or other terms.
- **Option #3** – Increase electric ESA rate from \$.074/kWh to \$.080/kWh

#	Option	Year 1 Savings	ESA Term (years)	Year 1 ESA \$/kWh	Annual Escalator	Projected Savings (years 1-20)	Chg in Proj Savings vs Original ProForma (years 1-20)
-	Original Pro Forma	\$ 49,422	20	\$0.0739	2.50%	\$ 2,146,298	-
1	Increase annual ESA escalator to 3.25%	\$ 49,422	20	\$0.0739	3.25%	\$ 1,593,477	\$ (552,882)
2	Extend ESA term to 25 years	\$ 49,422	25	\$0.0739	2.50%	\$ 2,146,298 *	-
3	Raise electric ESA rate by 0.65 cents/kWh	\$ 30,015	20	\$0.0804	2.50%	\$ 1,650,544	\$ (495,755)

*Projected savings based on first 20 years of agreement. Total projected savings over full 25 year term is \$3,216,662.

Financial Impact: All three options still project to be very favorable financially for the hospital compared to our current utility rates. That said, only Option #2 preserves our originally agreed to annual escalator and per kWh electricity rates, and due to the projected annual escalation of our current utility costs, offers more financial upside than Options #1 & #3.



Option	Option 1	Option 2	Option 3
Description	3.25% Escalator	Extend Term to 25 Yrs	Increase ESA Rate by \$0.65/kWh
Annual Escalator	3.25%	2.50%	2.50%
Term	20 Year Term	25 Year Term	20 Year Term

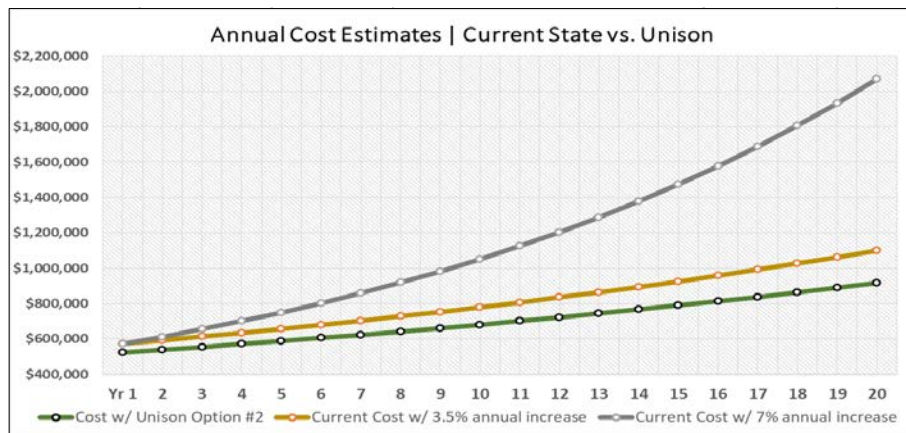
Cost Comparison	20 Year Costs	Average/Yr	20 Year Costs	Average/Yr	20 Year Costs	Average/Yr
Current Cost / Status Quo	\$ 16,172,078	\$ 808,604	\$ 16,172,078	\$ 808,604	\$ 16,172,078	\$ 808,604
New Cost (Unison)	\$ 14,578,601	\$ 728,930	\$ 14,025,780	\$ 701,289	\$ 14,521,534	\$ 726,077
Total Savings	\$ 1,593,477	\$ 79,674	\$ 2,146,298	\$ 107,315	\$ 1,650,544	\$ 82,527

There is additional upside as well, due to the fact that we feel these savings projections are conservative. Annual cost increases with Unison would range from 2.5%-3.25% depending on option. This is compared to an estimated 3.5% annual increase in our current utility costs if we were to maintain status-quo and not move forward with Unison. In all reality, we anticipate utility costs will likely be higher than what the proforma currently estimates.

The table and graph below provides a snapshot of the financial impact of moving forward with Unison Option #2 compared to our current utility rates. As was mentioned above, the proforma assumes a 3.5% annual increase in our current utility costs. Based on this, our estimated cost savings with Unison is projected to exceed \$2 million over the course of the first 20 years. If our current utility costs were to increase by 7% each year instead of 3.5% (our average utility costs have increased +10% annually from 2020-2022), total cost savings at the end of year 20 would be nearing \$9.5 million, or ~\$470,000 annually.

Option	Option 2 Extend Term to 25 Years					
Current Utility Cost Assumption	Current utility rates (electricity & thermal) increase by 3.5% on average years 1-20			Current utility rates (electricity & thermal) increase by 7% on average years 1-20		
Total Costs	Total Costs (Years 1-20)	Annual Cost @ Yr 20	Avg Annual Cost (Years 1-20)	Total Costs (Years 1-20)	Annual Cost @ Yr 20	Avg Annual Cost (Years 1-20)
Current State / Status Quo	\$ 16,172,078	\$ 1,099,406	\$ 808,604	\$ 23,443,768	\$ 2,068,155	\$ 1,172,188
Unison	\$ 14,025,780	\$ 915,744	\$ 701,289	\$ 14,025,780	\$ 915,744	\$ 701,289
Total Savings	\$ 2,146,298	\$ 183,662	\$ 107,315	\$ 9,417,988	\$ 1,152,411	\$ 470,899

% Savings	20%	15%	126%	67%
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Recommendation: Management proposes to move forward with Option #2 – Extend ESA term from 20 to 25 years, and to also recommend to the Board of Directors that they approve staff to review the Amended Unison Energy, LLC (“Unison”) Energy Services Agreement (“ESA”) with the Hospital’s legal firm. If the legal firm deems the agreement acceptable, the Board of Director’s should approve that the Hospital sign the 25 year ESA with Unison and install a Combined Heat and Power (CHP) system and connect to the Hospital’s Central Utility Plant (“CUP”).

Attachments:

SVH/Unison Original Finance Committee Recommendation (May 2020)
Revised SVH/Unison ESA ProForma





To: Sonoma Valley Hospital Finance Committee
Meeting Date: May 26, 2020
Prepared by: Ken Jensen, CFO; Kimberly Drummond, Director of Facilities
Agenda Item Title: Unison Energy, LLC – 20 year Energy Services Agreement

Recommendation: Management proposes that the Finance Committee recommends to the Board of Directors that they approve staff to review the Unison Energy, LLC (“Unison”) Energy Services Agreement (“ESA”) with the Hospital’s legal firm. If the legal firm deems the agreement acceptable, the Board of Director’s should approve that the Hospital sign the 20 year ESA with Unison and install a Combined Heat and Power (CHP) system and connect to the Hospital’s Central Utility Plant (“CUP”).

Background: In February 2020, the Finance Committee reviewed the October 2019 proforma from Unison Energy that showed a \$27K annual/\$1.5M lifetime utility savings by installing a CHP system. The Finance Committee approved the recommendation to enter into a letter of agreement (“LOA”) with Unison to conduct an on-site feasibility study to validate the proforma. The LOA stated that if the proforma is validated, SVH has the choice to move forward with a 20 year ESA with Unison or bear \$15K of the feasibility costs and walk away.

The feasibility study was conducted in March 2020 and validated the original proforma. In Unison Energy’s April 2020 updated proforma, it reflects a greater savings of \$40K annual/\$1.8M lifetime utility savings. The added savings is due to SVH not having a Direct Access agreement in place and that our agreements are with PG&E/Sonoma Clean Power for electricity and Commercial Energy for gas.

Benefits of proceeding with the Unison Energy 20 year ESA:

- Savings projections are conservative with Unison cost increases at 2.5% annually vs. 3.5% Utility cost increase. In reality, annual Utility cost increases will likely be higher than the proforma projections.
- No capital investment required by the Hospital.
- No maintenance investment or labor required by the Hospital for the life of the agreement.
- Unison provides Engineered Drawings, Permitting, OSHPD Approval, and Project Management for the installation of the system and connection to the Hospital’s infrastructure.
- Unison’s CHP system will power 80% of the Main Hospital (West, Central, East Wing) during a planned PG&E or unplanned power shutdown. The existing back-up diesel generator will power all services connected to the Emergency Power outlets.
- Unison’s CHP system will power the Chillers in the Main Hospital CUP and allow for temperature regulation of patient rooms during a power outage during hot weather. High temperatures can trigger patient evacuation if room temperature cannot be controlled.

- Unison projects 92% uptime of the CHP system. Unison ESA is structured so that maximum CHP uptime is an incentive as they are paid for the energy they are generating.
- Unison provides a 24 hour/365 day monitoring center including instant communications with technicians, engineers and engine experts.
- Rates are not affected by commodity price fluctuations.

The feasibility study showed that it was not financially viable to install a 2nd CHP system to power the New Wing. The trenching, copper costs and OSHPD fees made the break even beyond 5 years. The Hospital's electrician was unsure that the connection was even possible.

The cost projected by Vertran Associates for the Hospital to install additional back-up power for the New Wing to power its cooling tower is projected at \$527K (no escalation). This project is being tracked on the 10 yr. Master Facility and Infrastructure Plan to be completed as deemed necessary by Hospital Management and Governance.

Contract Terms ESA:

- 20 years (but flexible with pricing adjustment)
- Electricity billed at actual usage per kWh
- Thermal output billed at per therm rate for actual usage
- Natural gas can be purchased by the Hospital from any source or purchased by Unison and passed through with no mark-up
- All capital and maintenance costs paid by Unison
- Early termination – SVH can pay to relocate the system to a new site or pay down the remaining principle on Unison's debt
- Construction with Engineering/Permitting – 10-15 months

Unison Energy has no direct competitor as they currently are the only company who's business model manages/provides the Equipment, Finance and Operation/Maintenance of Equipment. Other companies are a single/double source of equipment, finance or maintenance but not everything.

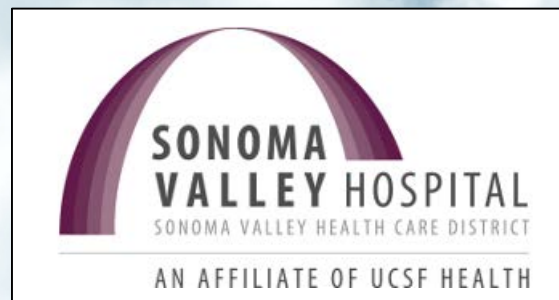
Consequences of Negative Action/Alternative Actions:

The Hospital can take no action on the ESA and pay Unison \$15,000 for the feasibility study. If the Hospital opts to walk away, it will not receive:

- A no cost back-up power source for the Main Hospital.
- Fixed annual price increases for majority of electrical costs for 20 years.

Financial Impact:

The financial impact is \$15,000 if the Hospital does not opt to sign the ESA agreement. The financial impact is \$0 if the Hospital proceeds with the ESA agreement.



Reliable energy

Using on-site microgrids

December 2021

Executive Summary

Sonoma Valley's savings have improved since we signed the contract due to 2 market events

- California Public Utilities Commission mandated that the utilities (including PG&E) remove any standby charges for microgrids such as the one we are installing at Sonoma Valley Hospital
- PG&E costs have increased substantially over the past 2 years

Unison Energy has had significant cost overruns for the Sonoma Valley project due to

- PG&E interconnect requires substation upgrade
- COVID-19 supply chain issues have caused significant cost increases
- Unison Energy covered the cost for ½ of the cost to upgrade the existing boiler room out of our contingency which left the project contingency depleted

Sonoma Valley Hospital is under no obligation to cover these costs; however, we request that Sonoma Valley adjust the contract for one of the two options listed below which will still provide resiliency and savings to the hospital

#	Option	Year 1 Savings	Lifetime Savings	ESA Term (years)	Year 1 ESA \$/kWh	Annual Escalator
1	Increase annual ESA escalator to 3.25%	49,422	1,593,477	20	\$0.0739	3.25%
2	Extend ESA term to 25 years	49,422	3,216,662	25	\$0.0739	2.50%
3	Raise electric ESA rate by 0.65 cents/kWh	30,015	1,650,544	20	\$0.0804	2.50%

Detailed pro formas are provided on the following pages

Option 1: Increase ESA escalator to 3.25% – The hospital's first year energy savings are projected to be approximately \$49k

Year 1 Pro Forma, 20-year ESA

UTILITY			
Electric			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Utility</i>	3,311,431	0.1459	483,226
Total Current Electric Cost ----->			483,226
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	137,634	0.644	88,636
Total Current Thermal Cost ----->			88,636
TOTAL CURRENT ENERGY COST			571,862

UNISON ENERGY			
Electric (incl. electric offsets)			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Unison</i>	2,985,749	0.1190	355,310
Unison - generation ESA	2,985,749	0.0739	220,545
Unison - fuel ^{1,2}	2,985,749	0.0451	134,765
<i>Electricity - Utility</i>	325,682	0.2780	90,527
Total New Electric Cost ----->			445,837
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	36,364	0.644	23,418
<i>Hot water - Unison</i>	91,143	0.584	53,185
Unison - hot water ESA	91,143	0.584	53,185
Total New Thermal Cost ----->			76,603
TOTAL NEW ENERGY COST			522,440

Combined Year 1 Energy Savings:

\$49,422

Note 1: Generation fuel usage billed in conjunction with remaining thermal fuel usage in the form of USD/therm (total USD is the same as presented above)

Note 2: Generation natural gas usage is 319,356 therms at a unit price of \$0.422 per therm

Option 1: Increase ESA escalator to 3.25% – Over the course of a 20-year ESA, the facility is expected to save approximately **\$1.6M**

Lifetime Pro Forma, 20-year ESA

Nominal year	0	1	2	3	4	17	18	19
PRO-FORMA: PROJECT LIFETIME								
Electric (incl. electric offsets)								
<i>Electricity - current</i>								
Current consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431
Current cost (USD)	483,226	500,139	517,643	535,761	554,513	867,233	897,586	929,002
Current unit cost (USD/kWh)	0.146	0.151	0.156	0.162	0.167	0.262	0.271	0.281
<i>Electricity - new</i>								
New consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431
New cost (USD)	445,837	460,890	476,452	492,540	509,172	784,190	810,687	838,080
New unit cost (USD/kWh)	0.135	0.139	0.144	0.149	0.154	0.237	0.245	0.253
Total electricity savings (USD)	37,389	39,249	41,192	43,221	45,341	83,043	86,900	90,922
Thermal								
<i>Natural gas - current</i>								
Current consumption (Therms)	137,634	137,634	137,634	137,634	137,634	137,634	137,634	137,634
Current cost (USD)	88,636	91,739	94,950	98,273	101,712	159,074	164,641	170,404
Current unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.156	1.196	1.238
<i>Natural gas - new</i>								
New consumption (Therms)	36,364	36,364	36,364	36,364	36,364	36,364	36,364	36,364
New cost (USD)	23,418	24,238	25,086	25,964	26,873	42,028	43,499	45,022
New unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.156	1.196	1.238
<i>Unison hot water - new</i>								
New consumption - hot water (Therms)	91,143	91,143	91,143	91,143	91,143	91,143	91,143	91,143
New cost - hot water (USD)	53,185	54,913	56,698	58,541	60,443	91,605	94,582	97,656
New unit cost - hot water (USD/Therm)	0.584	0.602	0.622	0.642	0.663	1.005	1.038	1.071
Total thermal savings (USD)	12,033	12,587	13,165	13,768	14,396	25,440	26,560	27,726
Total savings								
Total energy savings (USD)	49,422	51,836	54,357	56,989	59,737	108,484	113,459	118,647

ASSUMPTIONS

Utility unit cost:
 ↑ 3.5%/year
Source: historical increases are 5-11% so 3.5% is conservative assumption

Unison unit cost:
 ↑ 2.5%/year
Source: Long-term CPI

Residual utility cost:
 ↑ 3.5%/year
Source: matches Utility assumption

Gas cost:
 ↑ 3.5%/year
Source: matches Utility assumption

Lifetime savings: \$1,593,477

Option 2: Increase ESA term to 25 years – The hospital's first year energy savings are projected to be approximately \$49k

Year 1 Pro Forma, 25-year ESA

UTILITY			
Electric			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Utility</i>	3,311,431	0.1459	483,226
Total Current Electric Cost ----->			483,226
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	137,634	0.644	88,636
Total Current Thermal Cost ----->			88,636
TOTAL CURRENT ENERGY COST			571,862

UNISON ENERGY			
Electric (incl. electric offsets)			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Unison</i>	2,985,749	0.1190	355,310
Unison - generation ESA	2,985,749	0.0739	220,545
Unison - fuel ^{1,2}	2,985,749	0.0451	134,765
<i>Electricity - Utility</i>	325,682	0.2780	90,527
Total New Electric Cost ----->			445,837
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	36,364	0.644	23,418
<i>Hot water - Unison</i>	91,143	0.584	53,185
Unison - hot water ESA	91,143	0.584	53,185
Total New Thermal Cost ----->			76,603
TOTAL NEW ENERGY COST			522,440

Combined Year 1 Energy Savings:

\$49,422

Note 1: Generation fuel usage billed in conjunction with remaining thermal fuel usage in the form of USD/therm (total USD is the same as presented above)

Note 2: Generation natural gas usage is 319,356 therms at a unit price of \$0.422 per therm

Option 1: Increase ESA term to 25 years – Over the course of a 20-year ESA, the facility is expected to save approximately **\$3.2M**

Lifetime Pro Forma, 25-year ESA

Nominal year	0	1	2	3	4	22	23	24
PRO-FORMA: PROJECT LIFETIME								
Electric (incl. electric offsets)								
<i>Electricity - current</i>								
Current consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,065,803
Current cost (USD)	483,226	500,139	517,643	535,761	554,513	1,030,001	1,066,051	1,021,520
Current unit cost (USD/kWh)	0.146	0.151	0.156	0.162	0.167	0.311	0.322	0.333
<i>Electricity - new</i>								
New consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,065,803
New cost (USD)	445,837	459,236	473,048	487,288	501,968	859,896	886,196	847,929
New unit cost (USD/kWh)	0.135	0.139	0.143	0.147	0.152	0.260	0.268	0.277
Total electricity savings (USD)	37,389	40,903	44,595	48,473	52,545	170,105	179,856	173,591
Thermal								
<i>Natural gas - current</i>								
Current consumption (Therms)	137,634	137,634	137,634	137,634	137,634	137,634	137,634	128,735
Current cost (USD)	88,636	91,739	94,950	98,273	101,712	188,930	195,542	189,300
Current unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.373	1.421	1.470
<i>Natural gas - new</i>								
New consumption (Therms)	36,364	36,364	36,364	36,364	36,364	36,364	36,364	34,397
New cost (USD)	23,418	24,238	25,086	25,964	26,873	49,916	51,663	50,579
New unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.373	1.421	1.470
<i>Unison hot water - new</i>								
New consumption - hot water (Therms)	91,143	91,143	91,143	91,143	91,143	91,143	91,143	84,904
New cost - hot water (USD)	53,185	54,515	55,877	57,274	58,706	91,562	93,851	89,612
New unit cost - hot water (USD/Therm)	0.584	0.598	0.613	0.628	0.644	1.005	1.030	1.055
Total thermal savings (USD)	12,033	12,986	13,986	15,034	16,133	47,452	50,028	49,109
Total savings								
Total energy savings (USD)	49,422	53,889	58,581	63,507	68,678	217,557	229,884	222,700

ASSUMPTIONS

Utility unit cost:
 ↑ 3.5%/year
 Source: historical increases are 5-11% so 3.5% is conservative assumption

Unison unit cost:
 ↑ 2.5%/year
 Source: Long-term CPI

Residual utility cost:
 ↑ 3.5%/year
 Source: matches Utility assumption

Gas cost:
 ↑ 3.5%/year
 Source: matches Utility assumption

Lifetime savings: \$3,216,662

Option 3: Raise electric ESA rate by 0.65 cents/kWh – The hospital's first year energy savings are projected to be approximately \$30k

Year 1 Pro Forma, 20-year ESA

UTILITY			
Electric			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Utility</i>	3,311,431	0.1459	483,226
Total Current Electric Cost ----->			483,226
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	137,634	0.644	88,636
Total Current Thermal Cost ----->			88,636
TOTAL CURRENT ENERGY COST			571,862

UNISON ENERGY			
Electric (incl. electric offsets)			
	Consumption kWh	Unit Cost USD/kWh	Total Cost USD
<i>Electricity - Unison</i>	2,985,749	0.1255	374,718
Unison - generation ESA	2,985,749	0.0804	239,953
Unison - fuel ^{1,2}	2,985,749	0.0451	134,765
<i>Electricity - Utility</i>	325,682	0.2780	90,527
Total New Electric Cost ----->			465,244
Addressable Thermal			
	Consumption Therms	Unit Cost USD/Therm	Total Cost USD
<i>Natural gas - Utility</i>	36,364	0.644	23,418
<i>Hot water - Unison</i>	91,143	0.584	53,185
Unison - hot water ESA	91,143	0.584	53,185
Total New Thermal Cost ----->			76,603
TOTAL NEW ENERGY COST			541,847



Combined Year 1 Energy Savings:

\$30,015

Note 1: Generation fuel usage billed in conjunction with remaining thermal fuel usage in the form of USD/therm (total USD is the same as presented above)

Note 2: Generation natural gas usage is 319,356 therms at a unit price of \$0.422 per therm

Option 3: Raise electric ESA rate by 0.65 cents/kWh – Over the course of a 20-year ESA, the facility is expected to save approximately **\$1.7M**

Lifetime Pro Forma, 20-year ESA

Nominal year	0	1	2	3	4	17	18	19
PRO-FORMA: PROJECT LIFETIME								
Electric (incl. electric offsets)								
<i>Electricity - current</i>								
Current consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431
Current cost (USD)	483,226	500,139	517,643	535,761	554,513	867,233	897,586	929,002
Current unit cost (USD/kWh)	0.146	0.151	0.156	0.162	0.167	0.262	0.271	0.281
<i>Electricity - new</i>								
New consumption (kWh)	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431	3,311,431
New cost (USD)	465,244	479,128	493,438	508,188	523,390	769,442	792,721	816,724
New unit cost (USD/kWh)	0.140	0.145	0.149	0.153	0.158	0.232	0.239	0.247
Total electricity savings (USD)	17,981	21,010	24,205	27,573	31,123	97,792	104,866	112,278
Thermal								
<i>Natural gas - current</i>								
Current consumption (Therms)	137,634	137,634	137,634	137,634	137,634	137,634	137,634	137,634
Current cost (USD)	88,636	91,739	94,950	98,273	101,712	159,074	164,641	170,404
Current unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.156	1.196	1.238
<i>Natural gas - new</i>								
New consumption (Therms)	36,364	36,364	36,364	36,364	36,364	36,364	36,364	36,364
New cost (USD)	23,418	24,238	25,086	25,964	26,873	42,028	43,499	45,022
New unit cost (USD/Therm)	0.644	0.667	0.690	0.714	0.739	1.156	1.196	1.238
<i>Unison hot water - new</i>								
New consumption - hot water (Therms)	91,143	91,143	91,143	91,143	91,143	91,143	91,143	91,143
New cost - hot water (USD)	53,185	54,515	55,877	57,274	58,706	80,927	82,950	85,024
New unit cost - hot water (USD/Therm)	0.584	0.598	0.613	0.628	0.644	0.888	0.910	0.933
Total thermal savings (USD)	12,033	12,986	13,986	15,034	16,133	36,118	38,192	40,358
Total savings								
Total energy savings (USD)	30,015	33,997	38,191	42,608	47,256	133,910	143,057	152,636

ASSUMPTIONS

Utility unit cost:
 ↑ 3.5%/year
Source: historical increases are 5-11% so 3.5% is conservative assumption

Unison unit cost:
 ↑ 2.5%/year
Source: Long-term CPI

Residual utility cost:
 ↑ 3.5%/year
Source: matches Utility assumption

Gas cost:
 ↑ 3.5%/year
Source: matches Utility assumption

Lifetime savings: \$1,650,544



To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: June 28, 2022
Subject: 5 Year Capital Spending Plan

OVERVIEW:

Enclosed is our 5-year capital spending plan, which reflects projected hospital capital expenditures from fiscal year 2023 through fiscal year 2027. This capital spending plan is reflective of capital purchases that are currently projected to be funded directly by Sonoma Valley Hospital. In other words, this excludes capital items that are being funded directly by the Sonoma Valley Hospital Foundation.

FISCAL YEAR 2023 CAPITAL SPENDING SUMMARY:

As was discussed during the budget planning session, FY23 is a critical year for the hospital and our capital spending plan reflects the significance of such. We are projecting to spend \$4.38M in capital expenditures next fiscal year. Roughly \$4.0M of this, or 90%, is earmarked for the Epic EMR implementation (\$2,798,000) and the estimated costs required to complete the MRI work related to the Outpatient Diagnostic Center (ODC) project (\$1,200,000). The remaining \$384,000 is for emergent capital needs related to end of life equipment and hardware, critical physical plant improvements, and specific surgical equipment and instrumentation that are required to both support the service as well as facilitate further service line growth.

It is worth noting that even looking at next fiscal year, there are quite a few moving pieces and looming unknowns related to specific projects that required us to estimate the capital outlay in some situations. For example, we budgeted \$1,200,000 to fund the additional costs and completion of the Outpatient Diagnostic Center (ODC). The total required outlay to support the completion of this is currently unknown and most likely will not be able to be fully quantified until we get through the demolition phase of the project.

IMPACT:

Based on a projected capital outlay of \$4.38M, we are projecting to go from 63.9 days of cash on hand at the end of this fiscal year to 41.2 at the end of fiscal year 2023. The budgeted reduction is obviously significant, but it is also purely driven by our two biggest investments: the implementation of Epic and the completion of the ODC. It is also short-term. We paired down our capital spending plan to prioritize these big ticket projects, and once these projects are completed our capital spending is projected to reduce significantly to align with historical capital spending levels.

This spending plan also represents a conservative estimate at this point in time as this does not include additional non-hospital funding sources that the hospital is currently pursuing. As these sources are further vetted for feasibility and fit, procurement of additional funding would have a material impact on our estimated days cash on hand.



As we get into next fiscal year and beyond the Epic implementation and ODC completion, we will continue our work in further identifying and prioritizing our needs, and in conjunction with the development of a new capital prioritization process, will refine our multi-year capital plan to include a more robust estimation of our capital needs and the respective impact to our financial operations.

ATTACHMENTS:

- 5-Year Capital Spending Plan



Sonoma Valley Hospital - 5 Year Capital Spending Plan
June 2022

I. 5-Year Capital Spending Plan Summary							
Project/Equipment	Proj Cost	BUDGET FY23	PROJ FY24	PROJ FY25	PROJ FY26	PROJ FY27	Additional Comments
EHR Implementation - CT Epic	\$ 3,500,000	\$ 2,798,000					
Air Handler & Exhaust Fan	\$ 3,100,000				\$ 1,550,000	\$ 1,550,000	Replacement
MRI / ODC	\$ 1,200,000	\$ 1,200,000					Addtl costs over ODC budget (cost is an estimate)
Elevators - NPC Compliance - Replace jacks/doors	\$ 550,000		\$ 550,000				2030 Seismic Regulation
Enterprise Resource Planning (ERP) Implementation	\$ 500,000		\$ 250,000	\$ 250,000			New ERP - Cost is currently an estimate
Security Access - Exterior doors	\$ 250,000			\$ 250,000			
Structural - SPC4D Compliance, Analysis	\$ 150,000		\$ 150,000				Dependent upon seismic regulations
Anchorage - NPC Assessment	\$ 120,000				\$ 120,000		Non-Performance Compliance Assessment
Kitchen - Cooking & Serving Table	\$ 85,000		\$ 85,000				
GI Suite - Medivator compliance	\$ 82,720						To bring medivator room to compliance
Surgical trays	\$ 60,000	\$ 60,000					
MRI patient monitor	\$ 60,000	\$ 60,000					Replacement (End of Life)
Medivator	\$ 54,000	\$ 54,000					End of life
EKG Machines - 4	\$ 52,000	\$ 52,000					Replacement (End of Life)
Cataract Surgery Equipment	\$ 50,000	\$ 50,000					
Sewer pumps in the basement	\$ 40,000	\$ 40,000					
Pipes - replacement (East Wing) corroded	\$ 25,000	\$ 25,000					
3-Bay Sink Surgery	\$ 23,000	\$ 23,000					Would need HCAI
Electric Parallel Bars	\$ 10,000	\$ 10,000					
Kitchen - Pass-thru warming cabinet	\$ 10,000	\$ 10,000					
Nursing - Hovermat	\$ 5,898						
Physical Therapy / OP Services Expansion	TBD		TBD	TBD			
Routine Capital Pool / Contingency	\$ 600,000		\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$150,000 / year starting in FY24
TOTAL PROPOSED CAPITAL SPENDING	\$ 10,527,618	\$ 4,382,000	\$ 1,185,000	\$ 650,000	\$ 1,820,000	\$ 1,700,000	

II. Projected Operational Margin Analysis	BUDGET FY23	PROJ FY24	PROJ FY25	PROJ FY26	PROJ FY27	FY23-27 Chg	% Chg
Total Operating Revenue	\$ 54,964,398	\$ 59,661,459	\$ 63,278,197	\$ 65,213,151	\$ 67,152,888	\$ 12,188,490	22%
Total Operating Expenses (less Depreciation)	\$ 58,583,664	\$ 61,386,854	\$ 64,035,869	\$ 65,573,769	\$ 67,150,117	\$ 8,566,453	15%
Operating Margin (excl. Depreciation)	\$ (3,619,266)	\$ (1,725,395)	\$ (757,672)	\$ (360,618)	\$ 2,771	\$ 3,622,037	100%
Net Revenue Annual Growth		10.0%	7.0%	3.5%	3.4%		
Operating Expense Annual Growth		5.0%	4.5%	2.5%	2.5%		

III. Projected Cash Flow Summary	BUDGET FY23	PROJ FY24	PROJ FY25	PROJ FY26	PROJ FY27	FY23-27 Chg	% Chg
Hospital Sources & (Uses)							
Net Hospital Sources / (Uses) from Operations	\$ (7,836,504)	\$ (5,942,633)	\$ (4,974,910)	\$ (4,577,856)	\$ (4,214,467)		
Capital Expenditures (SVH Funded)	\$ (4,382,000)	\$ (1,185,000)	\$ (650,000)	\$ (1,820,000)	\$ (1,700,000)		
Other: Reclassification of \$1M Board Designated Funds	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -		
Net Hospital Sources (Uses) of Cash	\$ (11,218,504)	\$ (7,127,633)	\$ (5,624,910)	\$ (6,397,856)	\$ (5,914,467)	\$ 5,304,037	47%
Non-Hospital Sources & (Uses)							
Restricted Cash/Capital Donations	\$ -	\$ -	\$ -	\$ -	\$ -		
Parcel Tax Revenue	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000		
IGT Revenue	\$ 6,737,099	\$ 6,737,099	\$ 6,737,099	\$ 6,737,099	\$ 6,737,099		
IGT Matching Fees (Expense)	\$ (2,519,861)	\$ (2,519,861)	\$ (2,519,861)	\$ (2,519,861)	\$ (2,519,861)		
Other: Healthcare Loan Expansion Program	\$ -	\$ -	\$ -	\$ -	\$ -		
Net Non-Hospital Sources (Uses) of Cash	\$ 8,017,238	\$ 8,017,238	\$ 8,017,238	\$ 8,017,238	\$ 8,017,238	\$ -	0%
Net Sources / (Uses) of Cash	\$ (3,201,266)	\$ 889,605	\$ 2,392,328	\$ 1,619,382	\$ 2,102,771	\$ 5,304,037	166%
Cash at beginning of period (Includes MM)	\$ 9,523,589	\$ 6,322,323	\$ 7,211,929	\$ 9,604,256	\$ 11,223,639		
Cash at end of period	\$ 6,322,323	\$ 7,211,929	\$ 9,604,256	\$ 11,223,639	\$ 13,326,410	\$ 7,004,086	111%
Projected Days of Cash on Hand at Beginning of period	63.92	41.16	44.72	56.99	64.97		
Budgeted Days of Cash on Hand at end of period	41.16	44.72	56.99	64.97	75.26	34.10	83%
Projected Annual Change in Days Cash	(22.76)	3.56	12.27	7.98	10.29		



To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: June 28, 2022
Subject: Financial Report for May 2022

OVERALL PERFORMANCE:

May was a positive month financially compared to our operating budgeted targets and now marks the second straight month where the hospital's operating margin exceeded budget. The operating margin of (\$609,936) in May was 23% better than what was budgeted for the month. We are still trailing budget for this fiscal year as our year-to-date operating loss of (\$6.26M) is 12% off our budgeted loss of (\$5.6M).

All-in, after accounting for all operating and non-operating revenues and expenses (including parcel tax and GO bond activity), the hospital posted a positive net income of \$11,104 for the month of May.

Table 1 | Operating Margin - May 2022

	Month of May 2022				Year To Date May 2022					
	Current Year		Variance		Current Year		Variance		Prior Year	
	Actual	Budget	\$	%	Actual	Budget	\$	%	Actual	\$ %
Operating Margin	\$ (609,936)	\$ (792,444)	\$ 182,508	23%	\$ (6,263,605)	\$ (5,614,850)	\$ (648,755)	-12%	\$ (6,360,890)	\$ 97,285 2%
Operating EBDA*	\$ (386,530)	\$ (539,564)	\$ 153,034	28%	\$ (3,710,405)	\$ (2,833,170)	\$ (877,235)	-31%	\$ (3,552,559)	\$ (157,846) -4%

* Operating Margin less Depreciation

While still behind budget for the year, 4th quarter financial performance from operations has been a positive, as we have made significant progress during the first two months of this final quarter, exceeding budget by a combined ~\$265,000, or close to 20%.

Table 2 | Operating Margin - 4th Quarter FY2022 by Month

Operating Margin - 4th Quarter Fiscal Year 2022				
	Current Year		Variance	
	Actual	Budget	\$	%
April 2022	\$ (630,363)	\$ (712,451)	\$ 82,088	12%
May 2022	\$ (609,936)	\$ (792,444)	\$ 182,508	23%
June 2022	TBD	TBD		
4th Quarter FY22	\$ (1,240,299)	\$ (1,504,895)	\$ 264,596	18%

NET REVENUE:

Net revenue was a positive for the month, both compared to our budget target as well as our current fiscal year trend as we have now set fiscal year highs in net revenue in back to back months. We posted \$4.12M in April, and May's net revenue of \$4.15M was +10% compared to budget and set a new high for the fiscal year. Both April and May net revenue was also +10% higher than what we had been averaging this fiscal year through March.

OPERATING EXPENSES:

Operating expenses of \$4.86M was negative vs budget by (\$223,000), or 5%. We continue to see cost overages in some of the same areas that have been reported on throughout the fiscal year – purchased services due to unbudgeted UCSF IT director and mgmt. costs, supplies due to increased volumes as well as ongoing COVID testing, and utilities due to continued increases in our PG&E utility costs.

Year to date, our operating expenses are 2% over budget and 3% higher than the prior year.



Table 3 | Operating Revenues & Expenses - May 2022

	Month of May 2022				Year To Date May 2022							
	Current Year		Variance		Current Year		Variance		Prior Year		Variance	
	Actual	Budget	\$	%	Actual	Budget	\$	%	Actual	\$	%	
Net Patient Revenue	\$ 4,147,780	\$ 3,763,729	\$ 384,051	10%	\$ 46,180,265	\$ 45,741,762	\$ 438,503	1%	\$ 44,837,615	\$ 1,342,650	3%	
Total Operating Revenue	\$ 4,247,461	\$ 3,841,378	\$ 406,083	11%	\$ 47,234,082	\$ 46,685,901	\$ 548,181	1%	\$ 45,798,021	\$ 1,436,061	3%	
Total Operating Expenses	\$ 4,857,397	\$ 4,633,822	\$ (223,575)	-5%	\$ 53,497,687	\$ 52,300,751	\$ (1,196,936)	-2%	\$ 52,158,911	\$ (1,338,776)	-3%	

VOLUMES:

May was another strong volume month for the hospital as most key statistical indicators exceeded budget. We did see a dip in our total OP visits during this past month but we are still favorable to budget for the year and up significantly when comparing to prior year.

Total surgeries were basically flat with budget in May, but we do continue to see an increase in our inpatient surgeries compared to our current year run-rate (we averaged ~10 IP surgeries/month this fiscal year through January).

We had more patient days in May than any other month during the last two fiscal years. It was also a very busy month in the emergency room as the 923 ER visits was also a high for this fiscal year.

Table 4 | Patient Volumes - May 2022

	Month of May 2022				Year To Date May 2022							
	Current Year		Variance		Current Year		Variance		Prior Year		Variance	
	Actual	Budget	Var	%	Actual	Budget	Var	%	Actual	Var	%	
Acute Discharges	73	82	(9)	-11%	705	837	(132)	-16%	716	(11)	-2%	
Acute Patient Days	313	268	45	17%	2,945	2,904	41	1%	2,925	20	1%	
IP Surgeries	18	17	1	6%	142	181	(39)	-22%	181	(39)	-22%	
OP Surgeries	103	107	(4)	-4%	1,130	1,086	44	4%	1,099	31	3%	
Total Surgeries	121	124	(3)	-2%	1,272	1,267	5	0%	1,280	(8)	-1%	
Special Procedures	52	47	5	11%	579	473	106	22%	516	63	12%	
Total Outpatient Visits	4,654	4,876	(222)	-5%	51,298	50,360	938	2%	44,060	7,238	16%	
Total ER Visits	923	695	228	33%	8,446	7,034	1,412	20%	7,842	604	8%	

CASH ACTIVITY:

It was a positive month for cash collections in May. For the month, the cash collection goal was \$3,717,044 and the hospital collected \$3,904,692, or 105% of the monthly goal. YTD, our cash collections are 99.3% of our overall target.

Cash continues to be strong with days remaining over our target of 50. AP has remained constant at just under 40 days.

Table 5 | Cash / Revenue Cycle Indicators- May 2022

	Current Year		Variance		Prior Year		Variance	
	May-22	Apr-22	Var	%	May-22	Var	%	
Days Cash on Hand - Avg	60.6	59.2	1.4	2%	65.5	(4.9)	-7%	
A/R Days	39.9	39.3	0.6	2%	49.7	(9.8)	-20%	
A/P Days	51.7	51.7	0.0	0%	46.1	5.6	12%	



FINANCE OPERATIONS UPDATE:

Please see below for a summary of key initiatives and highlights pertaining to our finance team and the work we are prioritizing in the month ahead:

Leadership Update:

I regret to inform the committee that we will be losing a great leader over the next month. Sarah Dungan has accepted a position at Benioff Children's Hospital to serve as their controller. This is Sarah's last committee meeting as her last day with the hospital is 7/15/22. Selfishly, Sarah is a huge loss. Not only for the finance team but for the entire organization. She has been a faithful servant to this health care district and it is hard to quantify the impact she has had on this hospital and community. Her skills and presence will be sorely missed. It will most certainly not be easy to say 'goodbye' to Sarah, but we are all excited to see her excel in this new role. Please join me in congratulating Sarah and in wishing her well in this new, exciting endeavor!

We have begun the recruitment for her replacement and will share more details with the committee as those efforts ramp-up.

Revenue Cycle Payor Contracting Review:

Our team has engaged multiple consultative firms to assist us in identifying potential opportunities specific to payor contracting. It has been some time since the hospital's payor contracts have been reviewed, and we want to prioritize this project in the months ahead. We are in the process of receiving competitive bids and engagement proposals, and as that work finishes we would like to plan on presenting these proposals and our respective recommendation to the Finance Committee - should we determine that this engagement warrants moving forward.

Revenue Enhancement Steering Committee:

We will be formalizing our internal revenue cycle steering committee next month. This group will engage subject matter experts across multiple disciplines and will be tasked with identifying and solving revenue cycle issues and opportunities that are uncovered through structured analysis and service line drilldowns. We will provide concurrent updates to the committee as this group gets going and starts their work.

Additional Funding Sources:

We have initiated the application process on the Healthcare Expansion Loan Program II (HELP II). The HELP II program provides low, fixed interest loans for the capital needs of California's nonprofit small and rural health facilities. These loans can be used for a variety of sources, and eligible health facilities can borrow up to \$2 million. This loan can be used to help fund construction projects, purchase new equipment, and also refinance existing debt (up to \$1 million). All district hospitals are eligible for this loan. We would like to continue to move this forward with the goal of presenting a full recommendation to the Finance Committee in July. We can pull ourselves out of the application process at any time.

Departmental Collaboration Opportunities:

One of our most significant challenges operationally relates to staffing as external forces are making it more and more difficult to successfully recruit and retain staff. Similar to what we have done in Pharmacy, we have been performing due diligence on the feasibility of engaging third-party partners to help us identify management solutions related to staffing, as well as operational and clinical best practices. We will provide more details to the committee as this work continues and ultimately, if deemed viable, recommendations on moving forward.



ATTACHMENTS:

- Attachment A is the Payer Mix Analysis which includes the projected collection percentage by payer
- Attachment B is the Operating Indicators Report
- Attachment C is the Balance Sheet
- Attachment D (two pages) is the Statement of Revenue and Expense. The first page breaks out the hospital operations and page two includes all other activity.
- Attachment E is the Variance Analysis
- Attachment F is the Cash Projection



Sonoma Valley Hospital
Payer Mix for the month of May 31, 2022

ATTACHMENT A

Gross Revenue	Month				Year-to-Date			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	7,985,782	9,465,833	-1,480,051	-15.6%	96,739,389	97,509,461	-770,072	-0.8%
Medicare Managed Care	4,914,763	3,698,257	1,216,506	32.9%	47,626,271	37,971,667	9,654,604	25.4%
Medi-Cal	6,002,149	4,562,417	1,439,732	31.6%	45,902,902	46,879,379	-976,477	-2.1%
Self Pay	376,088	263,378	112,710	42.8%	4,223,451	2,643,828	1,579,623	59.7%
Commercial & Other Gov't	5,296,333	5,243,895	52,438	1.0%	63,998,103	53,551,488	10,446,615	19.5%
Worker's Comp.	1,586,893	743,516	843,377	113.4%	8,790,469	7,586,150	1,204,319	15.9%
Total	26,162,008	23,977,296	2,184,712	9.1%	267,280,585	246,141,973	21,138,612	8.6%

Net Revenue	Month				Year-to-Date			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	986,975	1,110,312	-123,337	-11.1%	10,932,995	11,614,940	-681,945	-5.9%
Medicare Managed Care	512,610	426,779	85,831	20.1%	4,993,948	4,356,930	637,018	14.6%
Medi-Cal	595,810	480,423	115,387	24.0%	4,633,622	4,906,399	-272,777	-5.6%
Self Pay	197,033	99,373	97,660	98.3%	1,771,934	997,516	774,418	77.6%
Commercial & Other Gov't	1,558,684	1,509,217	49,467	3.3%	17,279,119	15,389,194	1,889,925	12.3%
Worker's Comp.	248,825	137,625	111,200	80.8%	1,425,751	1,391,753	33,998	2.4%
Prior Period Adj/IGT	47,843	-	47,843	*	5,142,896	7,085,030	-1,942,134	-27.4%
Total	4,147,780	3,763,729	384,051	10.2%	46,180,265	45,741,762	438,503	1.0%

Percent of Net Revenue	Month				Year-to-Date			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	23.8%	29.5%	-5.7%	-19.3%	23.7%	25.4%	-1.8%	-7.2%
Medicare Managed Care	12.4%	11.3%	1.0%	9.0%	10.8%	9.5%	1.3%	13.5%
Medi-Cal	14.4%	12.8%	1.6%	12.5%	10.0%	10.7%	-0.7%	-6.5%
Self Pay	4.8%	2.6%	2.1%	79.9%	3.8%	2.2%	1.7%	75.9%
Commercial & Other Gov't	37.6%	40.1%	-2.5%	-6.3%	37.4%	33.6%	3.8%	11.2%
Worker's Comp.	6.0%	3.7%	2.3%	64.1%	3.1%	3.0%	0.0%	1.5%
Prior Period Adj/IGT	1.2%	0.0%	1.2%	*	11.1%	15.5%	-4.4%	-28.1%
Total	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	-0.1%	-0.1%

SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the Period Ended May 31, 2022

ATTACHMENT B

	CURRENT MONTH				YEAR-TO-DATE			YTD
	Actual 05/31/22	Budget 05/31/22	Favorable (Unfavorable) Variance		Actual 05/31/22	Budget 05/31/22	Favorable (Unfavorable) Variance	Prior Year 05/31/21
				Inpatient Utilization				
				Discharges				
1	56	66	(10)	Med/Surg	539	668	(129)	566
2	17	16	1	ICU	166	169	(3)	150
3	73	82	(9)	Total Discharges	705	837	(132)	716
				Patient Days:				
4	203	176	27	Med/Surg	1,911	1,905	6	1,928
5	110	92	18	ICU	1,034	999	35	997
6	313	268	45	Total Patient Days	2,945	2,904	41	2,925
7	7	-	7	Observation days	193	-	193	205
				Average Length of Stay:				
8	3.6	2.7	1.0	Med/Surg	3.5	2.9	0.7	3.4
9	6.5	5.8	0.7	ICU	6.2	5.9	0.3	6.6
10	4.3	3.3	1.0	Avg. Length of Stay	4.2	3.5	0.7	4.1
				Average Daily Census:				
11	6.5	5.7	0.9	Med/Surg	5.7	5.7	0.0	5.8
12	3.5	3.0	0.6	ICU	3.1	3.0	0.1	3.0
13	10.1	8.6	1.5	Avg. Daily Census	8.8	8.7	0.1	8.7
				Other Utilization Statistics				
				Emergency Room Statistics				
14	923	695	228	Total ER Visits	8,446	7,034	1,412	7,842
				Outpatient Statistics:				
15	4,654	4,876	(222)	Total Outpatients Visits	51,298	50,360	938	44,060
16	18	17	1	IP Surgeries	142	181	(39)	181
17	103	107	(4)	OP Surgeries	1,130	1,086	44	1,099
18	52	47	5	Special Procedures	579	473	106	516
19	276	309	(33)	Adjusted Discharges	3,019	3,031	(12)	2,697
20	1,183	1,009	174	Adjusted Patient Days	12,643	10,494	2,149	10,952
21	38.2	32.5	5.6	Adj. Avg. Daily Census	37.7	31.3	6.4	32.7
22	1.4615	1.4000	0.062	Case Mix Index - Medicare	1.4481	1.4000	0.048	1.5444
23	1.4405	1.4000	0.041	Case Mix Index - All payers	1.4245	1.4000	0.025	1.4894
				Labor Statistics				
24	207	213	6	FTE's - Worked	205	210	4.2	208
25	231	236	5	FTE's - Paid	227	232	4.1	228
26	47.75	45.72	(2.02)	Average Hourly Rate	46.72	45.07	(1.65)	46.63
27	6.05	7.24	1.19	FTE / Adj. Pat Day	6.03	7.39	1.37	6.99
28	34.5	41.3	6.8	Manhours / Adj. Pat Day	34.3	42.1	7.8	39.8
29	147.9	134.9	(13.1)	Manhours / Adj. Discharge	143.9	145.9	2.0	161.7
30	24.0%	24.1%	0.1%	Benefits % of Salaries	24.5%	24.6%	0.1%	22.2%
				Non-Labor Statistics				
31	16.0%	15.4%	-0.7%	Supply Expense % Net Revenue	16.5%	13.6%	-3.0%	13.9%
32	2,410	1,873	(537)	Supply Exp. / Adj. Discharge	2,291	2,047	(244)	2,313
33	17,796	15,283	(2,513)	Total Expense / Adj. Discharge	17,982	17,561	(422)	19,706
				Other Indicators				
34	62.7			Days Cash - Operating Funds				
35	39.9	50.0	(10.1)	Days in Net AR	41.3	50.0	(8.7)	49.7
36	105%			Collections % of Cash Goal	99%			100.5%
37	51.7	55.0	(3.3)	Days in Accounts Payable	51.7	55.0	(3.3)	46.1
38	15.9%	15.7%	0.1%	% Net revenue to Gross revenue	15.7%	18.6%	-2.9%	19.7%
39	15.0%			% Net AR to Gross AR	15.0%			17.6%

Sonoma Valley Health Care District
Balance Sheet
As of May 31, 2022

ATTACHMENT C

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1 Cash	\$ 3,687,036	\$ 2,920,110	\$ 2,260,520
2 Cash - Money Market	5,845,048	5,844,748	1,638,344
3 Net Patient Receivables	6,458,134	6,289,515	7,105,046
4 Allow Uncollect Accts	(1,401,209)	(1,329,479)	(1,465,814)
5 Net A/R	5,056,925	4,960,036	5,639,232
6 Other Accts/Notes Rec	1,737,108	1,735,967	1,551,383
7 Parcel Tax Receivable	207,928	207,928	185,362
8 GO Bond Tax Receivable	260,172	1,225,217	49,916
9 3rd Party Receivables, Net	173,533	212,052	5,309,989
10 Inventory	1,035,056	1,034,500	883,273
11 Prepaid Expenses	873,195	927,672	767,866
12 Total Current Assets	\$ 18,876,001	\$ 19,068,230	\$ 18,285,885
13 Property, Plant & Equip, Net	\$ 52,153,382	\$ 52,080,041	\$ 52,620,502
14 Trustee Funds - GO Bonds	5,751,245	4,785,913	5,935,057
15 Designated Funds - Board Approved	1,000,000	1,000,000	1,000,000
16 Total Assets	\$ 77,780,628	\$ 76,934,184	\$ 77,841,444
Liabilities & Fund Balances			
Current Liabilities:			
17 Accounts Payable	\$ 4,328,839	\$ 3,948,671	\$ 3,310,069
18 Accrued Compensation	4,193,635	4,003,079	4,110,021
19 Interest Payable - GO Bonds	165,504	113,609	358,909
20 Accrued Expenses	1,834,206	1,575,907	1,973,740
21 Advances From 3rd Parties	-	-	-
22 Deferred Parcel Tax Revenue	316,667	633,334	316,651
23 Deferred GO Bond Tax Revenue	231,813	463,625	275,770
24 Current Maturities-LTD	348,292	348,292	270,436
25 Line of Credit - Union Bank	5,473,734	5,473,734	5,473,734
26 Other Liabilities	1,492,509	1,500,767	252,412
27 Total Current Liabilities	\$ 18,385,199	\$ 18,061,018	\$ 16,341,742
28 Long Term Debt, net current portion	\$ 25,443,604	\$ 24,932,445	\$ 27,183,234
Fund Balances:			
29 Unrestricted	\$ 17,979,645	\$ 18,099,934	\$ 19,187,553
30 Restricted	15,972,180	15,840,787	15,128,915
31 Total Fund Balances	\$ 33,951,825	\$ 33,940,721	\$ 34,316,468
32 Total Liabilities & Fund Balances	\$ 77,780,628	\$ 76,934,184	\$ 77,841,444

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended May 31, 2022**

ATTACHMENT D

Month						Year-To- Date						YTD
This Year			Variance			This Year			Variance			Prior Year
Actual	Budget	\$	%		Actual	Budget	\$	%				
1	73	82	(9)	-11%	Volume Information	705	837	(132)	-16%	716		
2	313	268	45	17%	Acute Discharges	2,945	2,904	41	1%	2,925		
3	7	-	7	0%	Patient Days	193	-	193	*	205		
4	\$ 19,244	\$ 17,616	\$ 1,628	9%	Observation Days	\$ 204,543	\$ 178,142	\$ 26,401	15%	\$ 166,673		

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended May 31, 2022**

ATTACHMENT D

Month					Year-To- Date					YTD
This Year		Variance			This Year		Variance			Prior Year
Actual	Budget	\$	%	Actual	Budget	\$	%			
31	\$ (6,937)	\$ 976	(7,913)	*	Non Operating Rev and Expense	\$ (110,043)	\$ 10,736	(120,779)	*	\$ 1,893
32	-	-	-	0%	Miscellaneous Revenue/(Expenses)	26,864	-	26,864	0%	498
33	-	-	-	*	Donations	-	-	-	*	0
34	316,667	316,667	-	0%	Physician Practice Support-Prima	3,483,337	3,483,337	-	0%	3,483,337
35	-	-	-	0%	Parcel Tax Assessment Rev	(97,933)	-	(97,933)	0%	36
36	\$ 309,730	\$ 317,643	(7,913)	-2%	Extraordinary Items	\$ 3,302,225	\$ 3,494,073	(93,915)	-5%	\$ 3,485,764
					Total Non-Operating Rev/Exp					
37	\$ (300,206)	\$ (474,801)	174,595	-37%	Net Income / (Loss) prior to Restricted Contributions	\$ (2,961,380)	\$ (2,120,777)	(742,670)	35%	\$ (2,875,126)
38	\$ -	\$ -	-	0%	Capital Campaign Contribution	\$ -	\$ -	-	0%	\$ -
39	\$ 131,393	\$ 523,803	(392,410)	0%	Restricted Foundation Contributions	\$ 754,624	\$ 5,761,833	(5,007,209)	100%	\$ 5,833,982
40	\$ (168,813)	\$ 49,002	(217,815)	-445%	Net Income / (Loss) w/ Restricted Contributions	\$ (2,206,756)	\$ 3,641,056	(5,847,812)	-161%	\$ 2,958,856
41	179,917	197,788	(17,871)	-9%	GO Bond Activity, Net	1,764,001	2,169,585	(405,584)	-19%	2,040,674
42	\$ 11,104	\$ 246,790	(235,686)	-96%	Net Income/(Loss) w GO Bond Activity	\$ (442,755)	\$ 5,810,641	(6,253,396)	-108%	\$ 4,999,530
	\$ (76,800)	\$ (221,921)	145,121		EBDA - Not including Restricted Contributions	\$ (408,180)	\$ 660,903	(1,069,083)		\$ (66,795)
	-1.8%	-5.8%				-0.9%	1.4%			-0.1%

* Operating Margin without Depreciation expense:

\$ (609,936)	\$ (792,444)	\$ 182,508	23%	Operating Margin	\$ (6,263,605)	\$ (5,614,850)	\$ (648,755)	-12%	\$ (6,360,890)
223,406	252,880	29,474	12%	Add back Depreciation	2,553,200	2,781,680	228,480	8%	2,808,331
\$ (386,530)	\$ (539,564)	\$ 211,982	28%	Operating Margin without Depreciation expense	\$ (3,710,405)	\$ (2,833,170)	\$ (420,275)	-31%	\$ (3,552,559)

Sonoma Valley Health Care District
Variance Analysis
For the Period Ended May 31, 2022

ATTACHMENT E

Operating Expenses	YTD Variance	Month Variance	
Salary and Wages and Agency Fees	(365,473)	(45,215)	Salaries and wages are under budget by \$106,609 and agency fees are over by (\$151,824). Agency fees are over budget in ICU, Med-Surg, Emergency room, EKG, Radiology, Respiratory Therapy, and OP physical therapy.
Employee Benefits	(43,793)	15,269	
Total People Cost	(409,266)	(29,946)	
Med and Prof Fees (excl Agency)	(558,415)	73,893	Professional fees are under budget due to a true-up in UCSF management fees.
Supplies	(711,697)	(86,564)	Patient chargeable supplies are over budget in surgery (\$39,885) and in pharmacy (\$29,099).
Purchased Services	(391,108)	(93,415)	Purchased services are over budget due to higher than budgeted costs in Lab, Radiology and Human Resources for the wage analysis.
Depreciation	228,480	29,474	
Utilities	(211,219)	(90,731)	Utilities are over budget due to higher monthly electrical costs.
Insurance	(49,486)	(3,873)	
Interest	7,551	(7,806)	
Other	(175,163)	(5,696)	
Matching Fees (Government Programs)	1,073,387	(8,911)	
Operating expenses	(1,196,936)	(223,575)	

Sonoma Valley Hospital
Cash Forecast
FY 2022

ATTACHMENT F

	Actual July	Actual Aug	Actual Sept	Actual Oct	Actual Nov	Actual Dec	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Forecast Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	3,768,614	3,604,012	3,741,094	3,556,171	3,899,456	4,078,858	3,650,080	3,486,789	4,046,254	3,503,549	4,052,749	3,682,225	45,069,851
2 Other Operating Revenue	50,926	33,133	27,360	158,301	168,773	44,417	57,192	298,629	63,676	264,816	56,618	80,485	1,304,326
3 Other Non-Operating Revenue	10,121	10,229	9,624	10,574	10,823	9,676	11,783	17,553	5,064	9,937	17,119	14,518	137,021
4 Unrestricted Contributions	14,875			6,564	12,201		8,303	6,126	279	15,416	2,225		65,988
5 Line of Credit													-
Sub-Total Hospital Sources	3,844,535	3,647,375	3,778,079	3,731,610	4,091,253	4,132,951	3,727,358	3,809,097	4,115,273	3,793,717	4,128,711	3,777,228	46,577,187
Hospital Uses of Cash													
6 Operating Expenses	5,686,921	4,339,055	4,171,999	4,009,059	3,881,749	5,466,683	4,329,164	4,812,819	4,572,839	5,000,268	3,771,660	4,216,081	54,258,297
7 Add Capital Lease Payments	116,550	26,560	34,320	20,919	15,355	93,827	13,280	13,280	13,280	101,402	97,328	82,109	628,211
8 Additional Liabilities/LOC													-
9 Capital Expenditures	114,099	104,421	21,501	56,972	29,172	308,751	190,985	66,365	32,940	940,342	301,819	150,000	2,317,368
Total Hospital Uses	5,917,571	4,470,037	4,227,821	4,086,949	3,926,275	5,869,260	4,533,429	4,892,464	4,619,059	6,042,012	4,170,808	4,448,190	57,203,875
Net Hospital Sources/Uses of Cash	(2,073,036)	(822,662)	(449,742)	(355,339)	164,978	(1,736,310)	(806,072)	(1,083,367)	(503,786)	(2,248,295)	(42,097)	(670,962)	(10,626,689)
Non-Hospital Sources													
10 Restricted Cash/Money Market			1,000,000	2,000,000	(1,203,742)		(2,000,000)						(203,742)
11 Restrictced Capital Donations	107,079	101,291	27,342	19,084	8,258		146,527		17,940	168,037	129,168	150,000	874,726
12 Parcel Tax Revenue	164,000					2,134,112				1,457,960			3,756,072
13 Other Payments - Ins. Claims/HHS/Grants/Loans					1,203,742	173,982					602,403		1,980,127
14 Other:													-
15 IGT			51,360				2,717,483	1,298,801			86,363	47,843	4,201,850
16 IGT - AB915			70,338							386,922			457,259
17 QIP					42,180					340,880			383,060
Sub-Total Non-Hospital Sources	271,080	101,291	1,149,040	2,019,084	50,438	2,308,094	864,010	1,298,801	17,940	2,353,799	817,933	197,843	11,449,353
Non-Hospital Uses of Cash													
18 Matching Fees		29,494		1,096,301		398,059		78,482		41,568	8,911		1,652,815
Sub-Total Non-Hospital Uses of Cash	-	29,494	-	1,096,301	-	398,059	-	78,482	-	41,568	8,911	-	1,652,815
Net Non-Hospital Sources/Uses of Cash	271,080	71,797	1,149,040	922,783	50,438	1,910,035	864,010	1,220,319	17,940	2,312,231	809,022	197,843	9,796,538
Net Sources/Uses													
Net Sources/Uses	(1,801,956)	(750,865)	699,298	567,444	215,416	173,725	57,939	136,952	(485,846)	63,937	766,925	(473,119)	
Operating Cash at beginning of period	4,044,067	2,242,111	1,491,246	2,190,544	2,757,988	2,973,404	3,147,129	3,205,068	3,342,020	2,856,174	2,920,110	3,687,036	
Operating Cash at End of Period	2,242,111	1,491,246	2,190,544	2,757,988	2,973,404	3,147,129	3,205,068	3,342,020	2,856,174	2,920,110	3,687,036	3,213,917	
Money Market Account Balance - Undesignated	5,638,824	5,639,115	4,639,373	2,639,564	3,843,478	3,843,684	5,843,923	5,844,185	5,844,476	5,844,748	5,845,048	5,845,048	
Total Cash at End of Period	7,880,935	7,130,361	6,829,917	5,397,552	6,816,883	6,990,813	9,048,991	9,186,205	8,700,650	8,764,858	9,532,084	9,058,965	
Average Days of Cash on Hand	58.8	52.3	45.5	40.0	36.6	46.3	54.3	58.5	58.8	59.2	60.6		
Days of Cash on Hand at End of Month	54.6	50.1	47.3	35.3	45.1	46.0	59.7	60.0	57.2	57.5	62.7	60.8	